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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Amendment No. 1  
to  
FORM SB-2

Registration Statement  
Under  
The Securities Act of 1933

USA TECHNOLOGIES, INC.  
(Exact Name of Registrant as Specified in its Charter)

Pennsylvania (State or other jurisdiction of incorporation or organization)	7359 (Primary Standard Industrial Classification Code Number)	23-2679963 (I.R.S. Employer Identification No.)
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200 Plant Avenue  
Wayne, Pennsylvania 19087  
(Address of principal executive offices and zip code)

George R. Jensen, Jr.  
Chief Executive Officer  
USA Technologies, Inc.  
200 Plant Avenue  
Wayne, Pennsylvania 19087  
(610) 989-0340  
(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

Copies to:  
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Approximate date of proposed sale to the public: From time to time after  
this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered  
pursuant to dividend or interest reinvestment plans, check the following box:

If any of the securities being registered on this Form are to be offered on  
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
1933, other than securities offered only in connection with dividend or interest  
reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering  
pursuant to Rule 462(b) under the Securities Act of 1933, please check the  
following box and list the Securities Act registration statement number of the  
earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If the delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

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CALCULATION OF REGISTRATION FEE

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Title of each class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit(23)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, no par value				
2,475,318 shares(1)		\$ .165	\$ 408,427	\$ 37.57
22,762,341 shares(2)		\$ .40	\$9,104,936	\$ 837.65
234,600 shares(3)		\$ .25	\$ 58,650	\$ 5.40
125,000 shares(4)		\$ .20	\$ 25,000	\$ 2.30
6,000,000 shares(5)		\$ .16	\$ 960,000	\$ 88.32
22,857,145 shares(6)		\$ .16	\$3,657,143	\$ 336.45
4,500,000 shares(7)		\$ .16	\$ 720,000	\$ 66.24
9,000,000 shares (8)		\$ .17	\$1,530,000	\$ 140.76
11,631,253 shares (9)		\$ .40	\$4,652,501	\$ 428.03
29,988,062 shares (10)		\$ .20	\$5,997,612	\$ 551.78
20,720,051 shares (11)		\$ .16	\$3,472,922	\$ 319.51
1,058,648 shares (12)		\$ .16	\$ 169,383	\$ 15.58
1,187,267 shares (13)		\$ .16	\$ 189,962	\$ 17.48
7,395,440 shares (14)		\$ .69	\$ 5,102,854	\$ 1,275.71
4,069,184 shares (15)		\$ .69	\$ 2,807,736	\$ 701.93
1,102,655 shares (16)		\$ .17	\$ 187,451	\$ 17.24

139,000 shares (17)	\$4.00	\$ 556,000	\$ 161.94
2,340,450 shares (18)	\$2.88	\$ 6,740,496	\$ 1,685.12
5,751,080 shares (19)	\$ .69	\$ 3,968,245	\$ 992.06
467,692 shares (20)	\$ .69	\$ 322,707	\$ 80.67
11,631,253 shares (21)	\$ .17	\$ 1,977,313	\$ 181.91
1,480,000 shares (22)	\$ .16	\$ 236,800	\$ 21.78
Total 166,916,439 shares		\$52,846,138	\$ 7,965.43 (24)
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- (1) Represents shares underlying stock options granted to holders of options to purchase shares of Stitch Networks corporation. The filing fee reflected was paid in connection with the filing of this registration statement on November 6, 2002.
- (2) Represents shares exchanged for shares of Stitch Networks Corporation. The filing fee reflected was paid in connection with the filing of this registration statement on November 6, 2002.
- (3) Represents shares issued to employees as severance compensation. The filing fee reflected was paid in connection with the filing of this registration statement on November 6, 2002.
- (4) Represents shares issued to Karl Mynyk in settlement of litigation. The filing fee reflected was paid in connection with the filing of this registration statement on November 6, 2002. The filing fee reflected was paid in connection with the filing of this registration statement on November 6, 2002.
- (5) Represents shares and shares underlying warrants issued to Yomi Rodrig. The filing fee reflected was paid in connection with the filing of this registration statement on November 6, 2002.
- (6) Represents shares and shares underlying warrants issued to Kazi Management VI, Inc. The filing fee reflected was paid in connection with the filing of this registration statement on November 6, 2002.
- (7) Represents shares and shares underlying warrants issued to Alpha Capital. The filing fee reflected was paid in connection with the filing of this registration statement on November 6, 2002.
- (8) Represents shares to be issued to La Jolla Cove Capital under warrant. A filing fee of \$140.76 is being paid in connection with the filing of this Amendment No. 1.
- (9) Represents shares underlying senior notes due December 31, 2004. The filing fee reflected was paid in connection with the filing of this registration statement on November 6, 2002.
- (10) Represents shares underlying senior notes due December 31, 2005 and shares issued to each noteholder as part of the senior note offering. The filing fee reflected was paid in connection with the filing of this registration statement on November 6, 2002.
- (11) Represents shares underlying warrants issued to holders of all senior notes. The filing fee reflected was paid in connection with the filing of this registration statement on November 6, 2002.
- (12) Represents shares and shares underlying warrants issued to holders of senior notes in lieu of cash interest payment for quarter ended September 30, 2002. A filing fee of \$14.86 was paid in connection with the filing of this registration statement on November 6, 2002, and the balance of \$.72 is being paid in connection with the filing of this Amendment No. 1;
- (13) Represents shares and shares underlying warrants issuable to holders of senior notes in lieu of cash interest payment for quarter ended December 31, 2002. A filing fee of \$17.48 was paid in connection with the filing of this registration statement on November 6, 2002.

(14) This registration statement amends our registration statement on Form SB-2, Commission File No. 333-72302, and pursuant to Rule 429 of the Securities Act of 1933, as amended, carries forward 7,395,440 shares of 2001-B restricted common stock. A filing fee of \$1,275.71 was paid in connection with the filing of the previous registration statement.

(15) This registration statement amends our registration statement on Form SB-2, Commission File No. 333-72302, and pursuant to Rule 429 of the Securities Act of 1933, as amended, carries forward 4,069,184 shares of 2001-C restricted common stock. A filing fee of \$701.93 was paid in connection with the filing of the previous registration statement.

(16) Represents shares and shares underlying warrants issuable to holders of senior notes in lieu of cash interest payment for quarter ended March 31, 2003. A filing fee of \$17.24 is being paid in connection with the filing of this Amendment No. 1.

(17) This registration statement amends our registration statement on Form SB-2, Commission File No. 333-72302, and pursuant to Rule 429 of the Securities Act of 1933, as amended, carries forward 139,000 shares of common stock underlying the 1998-B warrants. A filing fee of \$161.94 was paid in connection with the filing of the previous registration statement.

(18) This registration statement amends our registration statement on Form SB-2, Commission File No. 333-72302, and pursuant to Rule 429 of the Securities Act of 1933, as amended, carries forward 2,340,450 shares of common stock underlying 1999-B warrants. A filing fee of \$1,685.12 was paid in connection with the filing of the previous registration statement.

(19) This registration statement amends our registration statement on Form SB-2, Commission File No. 333-72302, and pursuant to Rule 429 of the Securities Act of 1933, as amended, carries forward 5,751,080 shares of common stock underlying 2001-B warrants. A filing fee of \$992.06 was paid in connection with the filing of the previous registration statement.

(20) This registration statement amends our registration statement on Form SB-2, Commission File No. 333-72302, and pursuant to Rule 429 of the Securities Act of 1933, as amended, carries forward 467,692 shares of common stock underlying 2001-C warrants. A filing fee of \$80.67 was paid in connection with the filing of the previous registration statement.

(21) Represents shares underlying senior notes due December 31, 2004. Because these shares represent reduction of conversion price of 2004 Senior Notes, a filing fee of \$181.91 is being paid in connection with the filing of this Amendment No. 1.

(22) Represents shares issued to employees and consultants in November 2002 for services to be rendered in the future. The filing fee reflected was paid in connection with the filing of this registration statement on November 6, 2002.

(23) Pursuant to Rule 457(c), the registration fee has been calculated at the average of the bid and asked price within 5 days prior to the date of the filing of the applicable registration statement.

(24) A filing fee of \$7,624.80 was paid in connection with the filing of the previous registration statements. The balance of \$340.63 has been paid in connection with the filing of this Amendment No. 1 to registration statement.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission ("SEC") is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

#### PROSPECTUS

USA TECHNOLOGIES, INC.  
166,916,439 shares of Common Stock

#### THE OFFERING

The resale of up to 166,916,439 shares of common stock in the over-the-counter market at the prevailing market price or in negotiated transactions. We will receive no proceeds from the sale of the shares by the selling shareholders. However, we will receive proceeds from the sale of shares issuable upon the exercise of warrants or options by the selling shareholders. Because the selling shareholders will offer and sell the shares at various times, we have not included in this prospectus information about the price to the public of the shares or the proceeds to the selling shareholders.

Our common stock is included for quotation on the over-the-counter bulletin board under the symbol "USTT." The closing bid price for the common stock on April 3, 2003 was \$.17 per share.

**THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD PURCHASE SHARES ONLY IF YOU CAN AFFORD A COMPLETE LOSS.** Please refer to Risk Factors beginning on Page 5.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is April 17, 2003.

TABLE OF CONTENTS

Prospectus Summary . . . . .	9
Risk Factors . . . . .	14
Use of Proceeds . . . . .	20
Managements Discussion And Analysis of Financial Condition And Results of Operations . . . . .	21
Business . . . . .	30
Management . . . . .	41
Principal Shareholders . . . . .	49
Certain Transactions . . . . .	52
Selling Shareholders . . . . .	53
Market for Common Stock . . . . .	140
Description of Securities . . . . .	144
Plan of Distribution . . . . .	151
Legal Matters . . . . .	152
Experts . . . . .	152
Financial Statements . . . . .	F-1

OUR COMPANY

USA Technologies, Inc., a Pennsylvania corporation (the "Company") was founded in January 1992. Currently, the Company's core business is its cashless payment and control network. The equipment component of the network is e-Port , or, TransAct , and any associated equipment such as copiers, computers or vending machines. When sold to hotels, the TransAct plus office equipment is called the Business ExpressR. The e-Port or TransAct allows a consumer to use a credit card to make a purchase from host equipment such as copiers, computers or vending machines and gathers information about sales and operations of the host equipment. The e-Port currently targets the vending industry. USA Technologies has historically generated some revenues from the direct sale of this equipment. A second source of revenues is generated from product sales from our Kodak vending machines. Transaction processing revenue is recognized upon the usage of the Company's cashless payment and control network. Service fees for access to the Company's equipment and network are recognized on a monthly basis.

OUR BUSINESS

Equipment Sales

The e-Port or TransAct allows a consumer to use a credit card to make a purchase from host equipment such as copiers, computers or vending machines and gathers information about sales and operations of the host equipment. There are capabilities for multiple forms of cashless payment processing, control and data management, and auditing capability for vending operators, kiosk operators and others wishing to place equipment or products on a network.



The e-Port is currently being utilized primarily in the vending industry. The TransAct is currently being utilized in the hospitality industry (business centers). Through the sale and installation of our Business Express (or Business Express Limited Service) and MBE Business Express systems at nearly 400 hotel, library and retail locations nationwide, Business Express and MBE Business Express offer business travelers and consumers the opportunity to conduct e-business/e-commerce 24 hours a day with the swipe of a credit card. The Business Express systems give consumers self-serve, public access to the Internet, copy and fax services, and other e-Business services. The TransAct functions similar to the e-Port.

At December 31, 2002 USA had a total of 1,728 TransActs and e-Ports installed at various hotels, vending machines, and amusement theme parks located throughout the United States and Canada.

#### Product Sales

Our wholly-owned subsidiary, Stitch Networks Corporation, a Delaware corporation ("Stitch"), formed a strategic alliance with Eastman Kodak Company, Maytag Corporation and Dixie Narco, Inc., to market and execute a national vending program for the sale of one-time use camera and film products. Through this alliance, we receive product revenues on the sale of each camera. Prior to the acquisition of Stitch in May 2002, we did not have a revenue stream from product sales.

## Services and Transaction Fees

Service and transaction fees are generated by providing auditing and financial services. The auditing feature captures supply chain data (units sold, what sold, price of units sold) and other machine information, and sends the information back to either a customer's network or to our network for reporting. The financial feature allows us to i) act as a merchant for our customers thereby helping them to avoid getting certified by credit card processors to do unattended transactions; and ii) provide refunds, payments, and reporting of the credit card transactions. We receive a fee for each transaction performed and receive a monthly service fee for access to the Company's equipment and network services.

## Intellectual Property

We have been issued 19 patents related to our technology, including 1 patent issued to Stitch. We have received notice of allowance for twenty-two patents. In addition, thirty-nine are pending. We retain all rights to software and proprietary technology that we license to location operators.

## Research and Development Costs

For the years ended June 30, 2002 and 2001, and for the six months ended December 31, 2002, we have expensed approximately \$1,187,000, \$1,260,000, and \$882,000, respectively for the development of our proprietary technology. These amounts include the expense of outside consultants and contractors as well as compensation paid to certain of our employees and is reflected in compensation and general and administrative expense in the accompanying consolidated financial statements. Through March 31, 2002, we capitalized approximately \$5.3 million for the services of IBM, to program the enhancements to our proprietary "USALive" server network and to the e-Port client. During the fourth quarter of fiscal 2002, the e-Port product and related network became available for general release to our customers. Management performed an evaluation of the commercial success and preliminary market acceptance of the e-Port product and network and accordingly, during the fourth quarter, we recorded an impairment charge of approximately \$2.7 million to reflect the software development costs at their net realizable value of approximately \$2.3 million.

ABOUT OUR OFFERING

Our selling shareholders are as of the date of this prospectus as follows:

- \* holders of 71,059,559 shares
- \* holders of unexercised options and warrants which if exercised would represent 52,476,793 shares
- \* holders of senior notes which if converted would represent 43,380,087 shares

Based upon the shares outstanding as of December 31, 2002 of 99,096,167, if all of these warrants and options are exercised, and all of these senior notes are converted, we would have 195,658,549 shares outstanding (includes 705,502 shares held by selling shareholders issued after December 31, 2002).

These shares would be offered by our selling shareholders at the market price at the time of resale. Our selling shareholders may also sell their shares to other investors in a transaction not on the open market. There is no requirement that our selling shareholders sell their shares pursuant to this prospectus.

We will not receive any of the proceeds raised by the offering. We would receive proceeds from the exercise by the selling shareholders of the warrants or options referred to above.

## RISK FACTORS

An investment in our common stock is very risky. You should be aware that you could lose the entire amount of your investment. Prior to making an investment decision, you should carefully consider the following risk factors and the other information contained in this prospectus.

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

We have experienced losses since inception. We expect to continue to incur losses for the foreseeable future as we expend substantial resources on sales, marketing, and research and development of our products. From our inception through December 31, 2002, our cumulative losses are \$60.5 million. For our fiscal years ended June 30, 2001 and 2002, and for the six months ended December 31, 2002, we have incurred net losses of \$10,956,244, \$17,314,807, and \$7,205,215, respectively. If we continue to incur losses, the price of our common stock can be expected to fall.

2. Our existence is dependent on our ability to raise capital which may not be available.

There is currently limited experience upon which to assume that our business will prove financially profitable or generate more than nominal revenues. From inception, we have generated funds primarily through the sale of securities. There can be no assurances that we will be able to continue to sell additional securities. We expect to raise funds in the future through sales of our debt or equity securities until such time, if ever, as we are able to operate profitably. There can be no assurance given that we will be able to obtain funds in such manner or on terms that are beneficial to us. We are currently using funds in our operations on a monthly basis of approximately \$700,000 and would require funds from the sales of securities of approximately \$8,400,000 to fund our operations for the next twelve months. Our inability to obtain needed funding can be expected to have a material adverse effect on our operations and our ability to achieve profitability. If we fail to generate increased revenues or fail to sell additional securities you may lose all or a substantial portion of your investment.

3. We received an opinion from our auditor which raises substantial doubt about our ability to continue as a going concern.

Our auditors, Ernst and Young, LLP, have included an explanatory paragraph in their report on our June 30, 2002 consolidated financial statements indicating that as of June 30, 2002, there is substantial doubt about our ability to continue as a going concern. We will require additional funds in the future, and there can be no assurance that any independent auditors' report on our future financial statements will not include a similar explanatory paragraph if we are unable to raise sufficient funds or generate sufficient cash from operations to cover the cost of our operations. The existence of the explanatory paragraph may adversely affect our relationship with prospective customers, suppliers and potential investors, and therefore could have a material adverse effect on our business, financial condition and results of operations.

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

We are dependent on key management personnel, particularly the Chairman and Chief Executive Officer, George R. Jensen, Jr. The loss of services of Mr. Jensen or other executive officers would dramatically affect our business prospects. Certain of our employees are particularly valuable to us because:

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

We have entered into an employment agreement with Mr. Jensen that expires in June 30, 2004. We have also entered into employment agreements with other executive officers, each of which contain non-compete agreements. We have obtained a key man life insurance policy in the amount of \$2,000,000 on Mr. Jensen, and a key man life insurance policy in the amount of \$1,000,000 on our Vice-President-Research and Development, Haven Brock Kolls, Jr.

We do not have and do not intend to obtain key man life insurance coverage on any of our other executive officers. As a result, we are exposed to the costs associated with the death of these key employees.

5. USA's dependence on proprietary technology and limited ability to protect our intellectual property may adversely affect our ability to compete.

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

To date, we have pending patent applications, and intend to file applications for additional patents covering our future products, although there can be no assurance that we will do so. In addition, there can be no assurance that we will maintain or prosecute these applications. The United States

Government granted us seventeen patents as of April 12, 2003. See "Business - Patents, Trademarks and Proprietary Information." There can be no assurance that:

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

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

6. Competition from others with greater resources could prevent USA from increasing revenue and achieving profitability.

Competition from other companies which are well established and have substantially greater resources may reduce our profitability. Many of our competitors have established reputations for success in the development, sale and service of high quality products. We face competition from the following groups:

- o companies offering automated, credit card activated control systems in connection with facsimile machines, personal computers, debit card purchase/revalue stations, and use of the Internet and e-mail which directly compete with our products. See "Business-Competition";
- o companies which have developed unattended, credit card activated control systems currently used in connection with public telephones, prepaid telephone cards, gasoline dispensing machines, or vending machines and are capable of developing control systems in direct competition with USA; and
- o businesses which provide access to the Internet and personal computers to hotel guests. Although these services are not credit card activated, such services would compete with USA's Business Express(R).

Competition may result in lower profit margins on our products or may reduce potential profits or result in a loss of some or all of our customer base. To the extent that our competitors are able to offer more attractive technology, our ability to compete could be adversely affected.

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

We depend on arrangements with third parties for a variety of component parts used in our products. We have contracted with RadiSys Corporation and Masterwork Electronics to assist us to develop and manufacture our e-Port(TM) products. For other components, we do not have supply contracts with any of our third-party suppliers and we purchase components as needed from time to time. See "Business-Procurement". We have contracted with IBM to develop our network services so that these services are Internet capable as well as interact with our proposed media capable e-Post(TM). We have contracted with IBM to host our network in a secure, 24/7 environment to ensure reliability of our network services. If these business relationships are terminated, the implementation of our business plan may be delayed until an

alternative supplier or service provider can be retained. If we are unable to find another source or one that is comparable, the content and quality of our products could suffer and our business, operating results and financial condition could be harmed.

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

The holders of our common stock and series A preferred stock are entitled to receive dividends when, and if, declared by our board of directors. Our board of directors does not intend to pay cash dividends in the foreseeable future, but instead intends to retain any and all earnings to finance the growth of the business. To date, we have not paid any cash dividends on the common stock or series A preferred stock. Although we issued a special stock dividend in August 1995 consisting of one-third of a share of common stock for each share of outstanding series A preferred stock, there can be no assurance that cash dividends will ever be paid on the common stock.

In addition, our articles of incorporation prohibit the declaration of any dividends on the common stock unless and until all unpaid and accumulated dividends on the series A preferred stock have been declared and paid. Through December 31, 2002, the unpaid and cumulative dividends on the series A preferred stock equal \$5,570,963. The unpaid and cumulative dividends on the series A preferred stock are convertible into shares of common stock at the rate of \$10.00 per share. Through December 31, 2002, \$2,621,924 of unpaid and cumulative dividends on the Series A preferred stock were converted into 282,369 shares of common stock. See "Description of Securities-Series A Convertible Preferred Stock."

9. We may fail to gain widespread market acceptance of our products and not generate sufficient revenues or profit margins to become successful.

On December 31, 2002, we have an installed base of only 1,728 TransActs and e-Ports at commercial locations and revenues have been limited. There can be no assurance that demand for our products will be sufficient to enable us to become profitable. Likewise, no assurance can be given that we will be able to install the TransActs and e-Ports at enough locations or sell equipment utilizing our network to enough locations to achieve significant revenues or that our operations can be conducted profitably. Alternatively, the locations which would utilize the network may not be successful locations and our revenues would be adversely affected. We may in the future lose locations utilizing our products to competitors, or may not be able to install our products at competitor's locations. In addition, there can be no assurance that our products could evolve or be improved to meet the future needs of the market place.



10. The lack of an established trading market may make it difficult to transfer our stock and you may not be able to sell your shares on our trading market.

Our common stock is traded on the OTC Bulletin Board. Although there is limited trading in the common stock, there is no established trading market. Until there is an established trading market, holders of the common stock may find it difficult to dispose of, or to obtain accurate quotations for the price of the common stock. See "Description of Securities - Shares Eligible For Future Sale" and "Market For Common Stock."

11. There are rules governing low-priced stocks that may make it more difficult for you to resell your shares.

Our common stock is currently considered a "penny stock" under federal securities laws since its market price is below \$5.00 per share. Penny stock rules generally impose additional sales practice and disclosure requirements on broker-dealers who sell our shares to certain investors.

Broker-dealers who sell penny stock to certain types of investors are required to comply with the SEC's regulations concerning the transfer of penny stock. If an exemption is not available, these regulations require broker-dealers to:

- make a suitability determination prior to selling penny stock to the purchaser;
- receive the purchaser's written consent to the transaction; and
- - provide certain written disclosures to the purchaser.
- - These rules may affect the ability of broker-dealers to make a market in or trade our shares. This, in turn, may affect your ability to resell those shares in the public market.

12. The substantial market overhang of our shares and registered resales under this prospectus will tend to depress the market price of our shares.

The substantial number of our shares currently eligible for sale in the open market will tend to depress the market price of our shares. See "Description of Securities--Shares Eligible for Future Sale" and "Market for Securities". As of December 31, 2002, these shares consisted of the following:

- - 99,096,167 shares of common stock
- - 529,132 shares of preferred stock
- - 47,537,330 shares underlying options and warrants; and
- - 35,943,203 shares underlying our convertible senior notes

13. Sales of shares eligible for future sale from exercise of warrants and options could depress the market price of our common stock.

We presently have issued and outstanding options to purchase 3,317,485 shares of our common stock and warrants to purchase 44,219,845 shares. The shares underlying all of these options and warrants have been registered and may be freely sold upon issuance. Market sales of large amounts of our common stock, or the potential for those sales even if they do not actually occur, may have the effect of depressing the market price of our common stock. In addition, if our future financing needs require us to issue additional shares of common stock or securities convertible into common stock, the supply of common stock available for resale could be increased which could stimulate trading activity and cause the market price of our common stock to drop, even if our business is doing well.

14. We are obligated to make substantial principal and interest payments to the holders of the senior notes which may not be available or would use our available working capital.

As of December 31, 2002 we had \$5,034,000 of unsecured senior notes due on December 31, 2003, approximately \$4,642,000 of unsecured senior notes due on December 31, 2004, and approximately \$4,062,000 of unsecured notes due on December 31, 2005. These notes accrue cash interest at the rate of twelve percent (12%) per year. As of December 31, 2002, we are required to make quarterly interest payments totaling approximately \$412,000, or \$1,648,000 each year.

In an effort to reduce the debt payments, we authorized the voluntary conversion of the senior notes due December 2003 into shares of common stock at the rate of \$1.25 per share, at any time until maturity, the senior notes due December 2004 into shares of common stock at the rate of \$.40 per share through maturity, and the senior notes due December 31, 2005 into shares of common stock at the rate of \$.20 per share. In March 2003, our Board of Directors granted to the holders of the 2003 Senior Notes the right to extend the maturity date of their note until December 31, 2006 in exchange for reducing the conversion rate to \$.20 per share and to the holders of the 2004 notes the right to extend the maturity date of their note until December 31, 2007 in exchange for reducing the conversion rate to \$.20 per share. If all of the senior notes that are outstanding at December 31, 2002 are converted, we will issue 35,943,203 shares of common stock. We have agreed to use our best efforts to register for resale under the Act the shares of common stock into which the senior notes are convertible.

In the event that no additional senior notes are converted, on December 31, 2004, we are obligated to repay \$5,034,000 of the senior notes on December 31, 2003, \$4,642,00 of the date senior notes due December 31, 2004, and \$4,062,000 of the senior notes on December 31, 2005. Until the senior notes have been paid by us, they will be reflected as a liability on our financial statements, net of the related unamortized discount and other issuance costs.

Our ability to satisfy the debt obligations is dependent on our future performance, the success of our product lines and on our ability to raise capital. Our performance is also subject to financial, business and market factors affecting our business and operations.

We anticipate that the senior notes will be paid from cash from operations, as well as proceeds from securities offerings. However, there can be no assurance that we will meet our obligations to pay quarterly interest on or the principal amount of the senior notes at maturity. The payment of the interest and principal on these notes would utilize our available working capital which would not be available for other purposes.

#### USE OF PROCEEDS

We will not receive any of the proceeds from the sales of our common stock by the selling shareholders. The list of the selling shareholders entitled to receive the net proceeds from any sales of our common stock begins on page 53 of this prospectus. We will, however, receive proceeds from the exercise of any options or warrants by the selling shareholders.

As of the date of this prospectus, we would receive \$3,341,932 of proceeds from the exercise of all these options and warrants at the stated exercise price. If our stock price would be \$.17, the exercise of in the money warrants and options would result in \$2,987,075 of proceeds. If our stock price would be \$.20 the in the money options and warrants exercised would result in \$3,321,932 of proceeds.

MANAGEMENTS DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CRITICAL ACCOUNTING POLICIES

GENERAL

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates. We believe the following accounting policies include the estimates that are the most critical and could have the most potential impact on our results of operations.

REVENUE RECOGNITION

Revenue from the sale of equipment is recognized on the terms of freight-on-board shipping point, or upon installation and acceptance of the equipment if installation services are purchased for the related equipment. Transaction processing revenue is recognized upon the usage of the Company's cashless payment and control services and network. Service fees for access to the Company's equipment and network are recognized on a monthly basis. Product revenues are recognized from the sale of products from the Company's vending machines upon purchase and acceptance by the vending customer.

SOFTWARE DEVELOPMENT COSTS

The Company capitalizes software development costs after technological feasibility of the software is established and through the product's availability for general release to the Company's customers. All costs incurred in the research and development of new software and costs incurred prior to the establishment of technological feasibility are expensed as incurred. During May 2000, the Company reached technological feasibility for the development of the e-Port control system and related network and, accordingly, the Company commenced capitalization of software development costs related to this product. Costs capitalized were approximately \$2,239,000 and \$2,938,000 during the years ended June 30, 2002 and 2001, respectively. Amortization of software development costs commence when the product becomes available for general release to customers. Amortization of software development costs will be calculated as the greater of the amount computed using (i) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues of that product or (ii) the straight-line method over the remaining estimated economic life of the product. Amortization of such costs commences when the product becomes available for general release to its customers. The Company reviews the unamortized software development costs at each balance sheet date and, if necessary, will write down the balance to net realizable value if the unamortized costs exceed the net realizable value of the asset.

During the fourth quarter of fiscal 2002, the e-Port product and related network became available for general release to the Company's customers. Management performed an evaluation of the commercial success and preliminary market acceptance of the e-Port product and network during the fourth quarter. As a result the Company wrote down to its net realizable value \$2,663,000 of software development costs. The unamortized balance is being amortized over an estimated useful life of two years. Amortization expense during the year ended June 30, 2002, including the above impairment adjustment of \$2,663,000, was \$2,996,000. Amortization expense during the six months ended December 31, 2002, was \$582,552.

## FORWARD LOOKING STATEMENTS

This Form SB-2 contains certain forward looking statements regarding, among other things, the anticipated financial and operating results of the Company. For this purpose, forward looking statements are any statements contained herein that are not statements of historical fact and include, but are not limited to, those preceded by or that include the words, "believes," "expects," "anticipates," or similar expressions. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward looking information is based on various factors and was derived using numerous assumptions. Important factors that could cause the Company's actual results to differ materially from those projected, include, for example (i) the ability of the Company to generate sufficient sales to generate operating profits, or to sell products at a profit, (ii) the ability of the Company to raise funds in the future through sales of securities, (iii) whether the Company is able to enter into binding agreements with third parties to assist in product or network development, (iv) the ability of the Company to commercialize its developmental products, or if actually commercialized, to obtain commercial acceptance thereof, (v) the ability of the Company to compete with its competitors to obtain market share, (vi) the ability of the Company to obtain sufficient funds through operations or otherwise to repay its debt obligations or to fund development and marketing of its products (vii) the ability of the Company to obtain approval of its pending patent applications; or (viii) the ability of the Company to satisfy its accounts payable and accrued liabilities. Although the Company believes that the forward looking statements contained herein are reasonable, it can give no assurance that the Company's expectations will be met.

## INTRODUCTION

The Company had a net loss during the years ended June 30, 2002 and 2001, and for the six months ended December 31, 2002 of \$17,314,807, \$10,956,244, and \$7,205,215, respectively, and anticipates incurring operating losses for the remainder of fiscal 2003.

## RESULTS OF OPERATIONS

### SIX MONTHS ENDED DECEMBER 31, 2002:

The six month period ended December 31, 2002 resulted in a net operating loss of \$7,205,215 compared to a net loss of \$4,720,312 for the comparable period in the prior fiscal year. Losses are projected to continue until sufficient revenue is generated from equipment and product sales and service and transaction fees from the Company's proprietary technology.

Revenues for the six month period ended December 31, 2002 were \$1,509,092, an increase of \$818,463 or 118% from the prior fiscal six month period ended December 31, 2001. This increase in revenues is primarily due to the acquisition of Stitch Networks Corporation, which accounted for approximately \$665,000 of the revenue increase. The remaining \$153,000 increase was due to equipment sales of e-Port and Business Express. The Company is continually increasing its sales efforts to sell e-Ports as well as its Business Express products.

Overall, operating expenses for the six month period ended December 31, 2002 were \$6,529,246, representing a \$1,626,958 or 33% increase over the prior period. The significant increases in each category were as follows:

The increase of \$929,369 or 227% in cost of sales is due primarily to the inclusion of amortization of software development costs (\$582,550) and the cost of product relating to sales of Stitch Networks Corporation. The remaining increase in cost of sales is attributable to the increase in e-Port sales.

The increase in general and administrative expenses was \$411,104 or 16%. This increase is due to changes in the following expenses: product development increase of \$748,000 for work on the network; telephone expense increase of \$195,000 primarily due to Stitch Network operations; legal expense increase of \$132,000 for corporate activity required to grow and maintain our business; insurance increase of \$64,000 primarily for director and officer coverage; professional fee increase of \$35,000, primarily for auditing and accounting fees; consulting, promotion and public relations decrease of \$797,000 for reduced corporate and investor relations services. We have continued to utilize consultants for general business activities, including network services, and have attempted whenever possible to pay for these services on a non cash basis through the issuance of debt and equity instruments.

Compensation expense decreased \$45,381 or 3% from the comparable six month period last year. This decrease is due to a decrease in bonus expenses during the six months ended December 31, 2002.

Depreciation and amortization expense of \$494,663 increased by \$331,661, which is directly attributable to increased depreciation expense resulting from assets acquired in the Stitch acquisition.

Interest expense increased by \$509,607, due to the greater debt carried by the Company to finance its operations. A significant portion of our interest expense is non-cash debt discount.

FISCAL YEAR ENDED JUNE 30, 2002:

For the fiscal year ended June 30, 2002, the Company had a net loss of \$17,314,807. The loss applicable to common shares of \$18,137,368 or \$0.50 loss per common share (basic and diluted) was derived by adding the \$17,314,807 net loss, the \$822,561 of cumulative preferred dividends, and dividing by the weighted average shares outstanding of 35,994,157.

Revenues for the fiscal year ended June 30, 2002 were \$1,682,701, an increase of \$231,699 or 16% from the prior year. This increase in revenues is directly attributable to the acquisition of Stitch Networks Corporation, which accounted for \$210,068 of the increase. Other revenues remained flat with the prior year, as the Company's sales efforts, focused mainly on the customer acceptance of the e-Port and through June 30, 2002 and 2001, have not produced significant revenues due to limited market acceptance which was less than that anticipated by the Company. The Company is continually increasing its sales efforts to sell e-Ports as well as its Business Express products.

Overall, operating expenses for the fiscal year ended June 30, 2002 were \$16,999,478, representing a \$7,378,803 or 77% increase over the prior year. This increase is due to the increases of \$3,098,688 or 380% in cost of sales, \$2,361,637 or 42% in general and administrative expenses, \$1,687,886 or 57% in compensation expense, and \$230,592 or 71% in depreciation and amortization expense. The significant increases in each category are as follows:

The increase of \$3,098,688 and 380% in cost of sales is due primarily to the inclusion of amortization of software development costs and the cost of product relating to Stitch Networks Corporation. In fiscal 2002, the Company recorded software amortization of approximately \$2.9 million, including an impairment charge of approximately \$2,663,000, in cost of sales as required by generally accepted accounting principles. The remaining increase in cost of sales is attributable to the increase in sales, primarily related to the Stitch revenues in fiscal 2002.

The increase in general and administrative expenses of \$2,361,637 or 42% is due primarily to the increase in consultant fees of \$1,125,724, promotion expense of \$1,574,252 and public relations expenses of \$454,812. As noted above, these increases in costs to date have gained only limited acceptance of the e-Port in the marketplace, and accordingly, these expenditures have not yet resulted in any significant increase in revenues for the Company. Due to the Company's small size, we have retained consultants to use in general business activities in exchange for equity awards. The Company is continuing to pay for services rendered through the issuance of debt and equity instruments in a concerted effort to manage cash flows resulting in non cash charges. These increases were offset by a substantial decrease in legal expenses of \$992,181, primarily associated with termination of the MBE litigation, which was settled in fiscal year 2001.

The increase in compensation expense of \$1,687,886 or 57% from the previous year is mainly attributable to an increase in stock bonus expense to Company officers and employees of \$1,248,545, which was non-cash expense. The stock bonuses were issued in order to adequately compensate and attempt to retain the Company's management team intact. Corporate salaries increased \$342,921 or 113%, due to increased headcount by 16% during the year, primarily due to the addition of Stitch Network's personnel during the last one and one half months of 2002.

Depreciation and amortization expense of \$440,238 increased by \$230,592, which is directly attributable to increased depreciation expense resulting from assets acquired in the Stitch acquisition.

Other income and expense increased by \$895,459, primarily as a result of the non-cash amortization to interest expense relating to the debt discount and beneficial conversion features on the Company's Senior Notes.

FISCAL YEAR ENDED JUNE 30, 2001:

For the fiscal year ended June 30, 2001, the Company had a net loss of \$10,956,244. The loss applicable to common shares of \$11,792,785 or \$.70 loss per common share (basic and diluted) was derived by adding the \$10,956,244 net loss, the \$836,541 of cumulative preferred dividends, and dividing by the weighted average shares outstanding of 16,731,999.

Revenues for the fiscal year ended June 30, 2001 were \$1,451,002, a decrease of \$603,339 or 29% from the prior year, primarily due to a decrease of \$745,000 or 55% in equipment and installation sales of our higher priced Business Express and Business Express Limited Service Series (LSS). Offsetting this decrease were increases in the sale of the Company's standalone TransAct control system of \$129,000 or 462% and the initial sales of the non-media e-Port control system of \$19,000 or 100%.

Operating expenses for the fiscal year ended June 30, 2001 were \$9,620,675, representing a \$746,333 or 8% increase over the prior year. The primary contributors to these increases were compensation expense and general and administrative expense offset by reductions in cost of sales, as detailed below.

The exchange of the 1999 Senior Notes to the 2000 Senior Notes was determined to be a substantial modification of the terms of the original debt instrument and, accordingly, the Company wrote-off the unamortized debt discount and other issuance costs associated with the exchange of the 1999 Senior Notes in the amount of \$863,000. Such amount has been reported as a (non-cash) extraordinary item in the fiscal year 2001 statement of operations.

Cost of sales decreased by \$442,555 from the prior year, primarily reflecting the decrease in the Business Express and Business Express LSS centers sold. General and administrative expenses of \$5,628,014 increased by \$626,182 or 13%. This increase was due to increased product development costs of \$450,000, public relations expenses of \$188,000, license expense for DoubleClick Adserver software of \$120,000, market research expenses of \$88,000, trade show and related travel expenses of \$74,000, offset by a decrease in legal expenses of \$238,000, primarily associated with the MBE litigation which has been settled in fiscal year 2001.

Compensation expense was \$2,966,776, an increase of \$463,611 or 19% from the previous year. The increase was due to an increase in executive bonus expense of \$234,000 or 66%, of which \$201,000 was non-cash. Additional increases in salaries and related employee benefits of \$169,000 or 9%, are due to increased personnel activities in all areas of the Company and an increase of \$51,000 in the matching 401K Company contributions instituted in July 2000. The exchange of the 1999 Senior Notes to the 2000 Senior Notes was determined to be a substantial modification of the terms of the original debt instrument and, accordingly, the Company wrote-off the unamortized debt discount and other issuance costs associated with the exchange of the 1999 Senior Notes in the amount of \$863,000.

Depreciation expense of \$209,646 increased by \$99,095, which is directly attributable to the increased depreciable asset base.

Other income and expense decreased by \$481,909, primarily as a result of the extension of the amortization period of the debt discount due to the exchange of certain 1999 Senior Notes into 2000 Senior Notes, which is a non-cash expense.

In November 2000, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) required companies to adopt a new methodology for computing the beneficial conversion feature of convertible securities, which is to be applied retroactively for commitments entered into on or after May 20, 1999. Accordingly, a one-time, non-cash charge of \$821,000 has been recorded for the cumulative effect of accounting change as required under the guidance provided by the EITF.

#### New Accounting Pronouncements

In June 2001, the FASB issued Statements of Financial Accounting Standards No. 141, "Business Combinations", and No. 142, Goodwill and Other Intangible Assets. Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Statement No. 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets arising from business combinations completed after June 30, 2001. Statement No. 142 prohibits the amortization of goodwill and intangible assets with indefinite useful lives. Statement No. 142 requires that these assets be reviewed for impairment at least annually. Intangible assets with finite lives will continue to be amortized over their estimated useful lives. As Statement No. 142 is effective for fiscal years beginning after December 15, 2001, the Company will adopt the Statement on July 1, 2002. Although the Company did not adopt Statement No. 142 until fiscal year 2003, the nonamortization provisions of Statement No. 142 for combinations initiated after June 30, 2001 are applicable for the Company effective July 1, 2001.

Under Statement No. 142 the Company will test goodwill for impairment during fiscal year 2003 using the transitional two-step process prescribed in Statement No. 142. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any. The Company expects to perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of July 1, 2002 in the second quarter of fiscal year 2003. If the first test indicates a potential impairment, the second phase will be completed to calculate any actual impairment. Any impairment charge resulting from these transitional impairment tests will be reflected as the cumulative effect of a change in accounting principle in the first quarter of fiscal year 2003. The Company has completed the transitional test of goodwill as of July 1, 2002, as prescribed in Statement No. 142, during the quarter ended December 31, 2002 using a discounted cash flow analysis. The Company has concluded that there were no goodwill impairment indicators to be recorded as a result of this transitional test.

The FASB recently issued Statement No. 144, Accounting for the Impairment of Disposal of Long-Lived Assets, that is applicable to financial statements issued for fiscal years beginning after December 15, 2001. The FASB's new rules on asset impairment supersede FASB Statement 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and portions of APB Opinion 30, Reporting the Results of Operations. This Standard provides a single accounting model for long-lived assets to be disposed of and significantly changes the criteria that would have to be met to classify an asset as held-for-sale. Classification as held-for-sale is an important distinction since such assets are not depreciated and are stated at the lower of fair value and carrying amount. This Standard also requires expected future operating losses from discontinued operations to be displayed in the period in which the losses are incurred, rather than as of the measurement date as presently required. The provisions of this Standard will be adopted by the Company on July 1, 2002 and are not expected to have a significant effect on the Company's financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 62, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 requires gains and losses on extinguishments of debt to be classified as income or loss from continuing operations rather than as extraordinary items as previously required under SFAS No. 4. Extraordinary treatment will be required for certain extinguishments as provided in Accounting Principles Board ("APB") Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. Upon adoption of SFAS No. 145, any gain or loss on extinguishment of debt previously classified as an extraordinary item in prior periods that does not meet the criteria of APB Opinion No. 30 for such classification should be reclassified to conform with the provisions of SFAS No. 145. Accordingly, the \$863,000 extraordinary loss on the 2001 exchange of debt (Note 10), has been reclassified as a loss from continuing operations during fiscal year 2001 in the accompanying



PLAN OF OPERATIONS

At December 31, 2002 we had a total of 1,728 TransActs and e-Ports at various hotels, vending machines and amusement theme parks located throughout the United States and Canada.

During the six months ended December 31, 2002, revenues generated from equipment sales of Business Express and related hospitality offerings were approximately \$340,000. These revenues were a result of USA's sales of the equipment with various hotel chains, directly and through distributors.

In May 2002, we acquired Stitch to increase product offerings and the related revenues. These revenues would include product revenues based on purchases of cameras and film and the related monthly service fees. Additionally, certain Stitch personnel which the Company believed would enhance its business were also acquired. Since we acquired Stitch, we have eliminated a substantial number of former Stitch employees, are in the process of combining technologies, consolidating facilities and reducing duplicative operating expenses. We are also attempting to reduce our operating expenses incurred in connection with the ongoing Stitch business operations.

During the six months ended December 31, 2002, the costs incurred in the ongoing maintenance of our network were reduced by approximately \$500,000. The costs saved in eliminating the Stitch employees were approximately \$500,000 per year.

In March 2002, the Company signed an agreement with MEI (Mars Electronics), a world leader in the manufacturing of electronic coin mechanisms and dollar bill acceptors for the vending industry. MEI has agreed to sell and distribute an MEI branded cashless payment system to be developed by the Company, as part of its portfolio of vending solutions. Commercial availability is planned for spring 2003 and through the date of this prospectus no revenues have been generated from this arrangement.

Recently, the Company completed development of an e-Port application using hotel room keys, and 40 vending machines are now operating with such technology at the 1,400 room Gaylord Palms Resort Hotel in Orlando, Florida. Through the date of the prospectus, approximately \$14,000 of revenues have been generated through these equipment sales.

The Company's Vending Machines for the Kodak Program are purchased from Dixie Narco and the film and cameras are purchased directly from Eastman Kodak Company. Product revenues through the six months ended December 31, 2002 were approximately \$279,000. In addition, during this period, service and transaction fee revenues were approximately \$325,000 related to this program.

In October 2002, the Company signed a Strategic Alliance Agreement with ZiLOG Corporation, a semiconductor company which is a supplier of microprocessors to the retail point of sale industry. The agreement allows the Company's proprietary network software (USALive) to be embedded on a chip produced by ZiLOG. The Company would license its software to the purchaser and would receive a fee from the licensing of each such chip. A second revenue stream could be generated when those who buy the retail point of sales terminals begin to use them, because they could elect to use the USA network which is embedded on the chip. As of the date of this prospectus, no products have been available for commercial use and accordingly, no revenues have been generated.

In laundry, American Sales Inc. (ASI) signed a five year agreement to purchase units of Stitch's e-Suds laundry solution for their university locations in the Midwest, with initial installations to begin in the summer of 2002. The agreement provides that if ASI purchases at least 9,000 units over the contract period, then ASI shall have exclusive rights to the units in Ohio, Kentucky, Indiana, Michigan and Marshall University. Through the date of this prospectus ASI has not purchased any units.

#### LIQUIDITY AND CAPITAL RESOURCES

During the fiscal year ended June 30, 2002, the Company completed several financing transactions. Net proceeds of \$3,912,765 were realized from private placement offerings of Common Stock including the exercise of Common Stock Purchase Warrants and Options, and net proceeds of \$3,944,233 were

realized from private placement offerings of Senior Notes. As of June 30, 2002, the Company had a working capital deficit of \$4,607,486, which included cash and cash equivalents of \$557,970 and inventory of \$877,814.

During the fiscal year ended June 30, 2002, net cash of \$6,133,766 was used by operating activities, primarily due to the net loss of \$17,314,807 offset by a non-cash charge of \$4,532,533 for Common Stock, options and warrants issued for services; \$3,032,479 of non cash amortization primarily to record an impairment charge of \$2,663,000 to reduce such software development costs to fair value; and \$1,513,118 of non-cash amortization of the debt discount relating to the Senior Notes. During the fiscal year ended June 30, 2002, net cash used in investing activities was \$63,459 principally due to the increase in software development costs of \$2,238,771 relating to the e-Port and associated network, offset by the cash acquired in the Stitch acquisition. The net cash provided by financing activities of \$5,937,625 was attributable primarily to net proceeds generated from the issuance of Common Stock through private placements, exercise of Common Stock Purchase Warrants, and net proceeds generated through the issuance of 2001 and 2002 Senior Notes, as described in the prior paragraph, offset by the paydown during June 2002 of \$2,165,000 of debt assumed in the Stitch acquisition.

In June 2002, the Company commenced a private placement offering (the 2002-A offering) of up to \$4,000,000 of Convertible Senior Notes (later increased to \$4,300,000). The offering consists of up to 400 units at \$10,000, convertible into Common Shares at \$.20 per share. Each noteholder initially was to receive 20,000 Common Stock warrants for each unit purchased. However, subsequent to June 30, 2002, the offering was amended to replace the warrants with 20,000 shares of Common Stock for each unit. The offering is exempt from the registration requirements of the Act pursuant to Section 4(2) and Rule 506 thereunder and is being offered and sold only to accredited investors. The Company has agreed to prepare and file at its expense a registration statement covering the resale of the shares of Common Stock. The offering terminated October 31, 2002 with total subscriptions of \$4.284 million received prior to any shareholder conversion. Mr. Jensen and Mr. Herbert have each subscribed for \$100,000 into this offering, as compensation for services rendered and to be rendered.

During August 2001, the Company issued to La Jolla Cove Investors a \$225,000 (increased by \$100,000 on June 18, 2002) Convertible Debenture bearing 9 3/4 percent interest with a maturity date of August 2, 2003. Interest is payable by the Company monthly in arrears. The Debenture is convertible at the lower of \$1.00 per share or 80% (later lowered to 72%) of the lowest closing bid price of the Common Stock during the 20 days preceding exercise. La Jolla is limited to no more than 5% of the investment that is convertible during any month. If on the date of conversion the closing bid price of the shares is \$.40 or below, the Company shall have the right to prepay the portion being converted at 150% of the principal amount being converted. In such event, La Jolla shall have the right to withdraw its conversion notice. At the time of conversion of the Debenture, the Company has agreed to issue to La Jolla warrants to purchase an amount of Common Stock equal to ten times the number of shares actually issued upon conversion of the Debenture. The warrants are exercisable at any time for two years following issuance and at the related conversion price of the

Debenture. The Company has filed at its expense a registration statement covering the resale of the shares of Common Stock underlying the Debenture as well as the related warrants issuable upon conversion of the Debenture. At June 30, 2002, there were \$243,000 Convertible Debentures outstanding with a due date extended (by Agreement on June 18, 2002) to August 2, 2004. Subsequent to June 30, 2002 and through December 31, 2002, La Jolla converted \$51,000 of Debentures into 495,422 shares of Common Stock and exercised Warrants at an average price of approximately \$.103 per share to purchase 4,954,210 shares of Common Stock. Total proceeds for the warrants were \$510,000, for which the Company received cash proceeds of \$350,000 and utilized a previously received deposit of \$160,000.

In connection with the Stitch acquisition (Note 3 to the Consolidated Financial Statements), the Company assumed long term debt of \$3,976,000 which included a vending equipment borrowing facility and working capital loans. The Company repaid \$2,165,000 of the working capital loans in June 2002. All but \$225,000 of these working capital loans bear interest at a variable rate based on the bank's prime rate. These loans are secured by the assets of Stitch. At June 30, 2002 \$275,000 of working capital loans are outstanding of which \$225,000 bears interest at 6.75%, was payable on July 8, 2002 and \$50,000 was payable on demand. Subsequent to June 30, 2002 and through February 21, 2003, the Company has made payments to the bank totaling \$ 66,939. The outstanding balance as of March 31, 2003 is \$ 167,711. On July 26, 2002, August 29, 2002 and September 27, 2002, October 31, 2002, February 3, 2003 and February 19, 2003, the bank agreed to extend the due date of these notes until September 1, 2002, October 1, 2002, November 1, 2002, December 1, 2002, March 1, 2003 and March 17, 2003, respectively. In connection with these extensions, the Company paid \$3,000 of fees to the bank. The Company is currently in default under this loan and is in discussions with the bank to renegotiate this debt.

Also as a result of the Stitch acquisition, the Company incurred increased operating costs. For the six month period ended December 31, 2002, this increase was approximately \$900,000. As discussed above, we are attempting to reduce these increased operating expenses.

At June 30, 2002 the Company also has a \$1.5 million borrowing facility available (the Facility) to fund the purchase of vending machines placed at locations where Kodak film products are sold. Borrowings are made from time to time under the facility, with repayment schedules set at the time of each borrowing, including equal monthly payments over 36 months and an interest rate based upon 495 basis points over the three year U.S. Treasury Notes. The Company has granted the bank a security interest in the film products vending machines. Repayment of principal is also insured by a Surety Bond issued by a third-party insurer in exchange for an initial fee paid by the Company. Subsequent to June 30, 2002, the Company has not borrowed any additional funds under this facility.

A summary of outstanding debt obligations of the Company at December 31, 2002 is as follows:

	December 31 2002
	----- (Unaudited)
Bank facility	\$ 1,044,900
Working capital loans	194,635
IBM inventory financing	2,047
Capital lease obligations	24,799
	-----
	1,266,381
Less current portion	789,373
	-----
	\$ 477,008
	=====

During the remainder of fiscal 2003, the Company anticipates expensing additional expenditures of approximately \$0.5 million for enhancements to its software development on its network.

The Company has incurred losses of \$17.3 million, \$11.0 million, and \$7.2 million during each of the fiscal years ending June 30, 2002 and 2001, and for the six months ended December 31, 2002, respectively, and cumulative losses from inception through December 31, 2002 amounting to \$60.5 million. At December 31, 2002 the Company's working capital deficit is \$7,979,127. A primary reason for the increase in the deficit from June 30, 2002 is the inclusion in current liabilities of the senior notes payable on December 31, 2003. The Company will require additional debt or equity financing for its operations which may not be readily available. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's independent auditors have included an explanatory paragraph in their report on the Company's June 30, 2002 consolidated financial statements. The Company believes that the funds available at June 30, 2002 combined with events that have occurred to date and are anticipated to occur including the anticipated revenues to be generated during fiscal year 2003, the potential capital to be raised from the exercise of the Common Stock Purchase Warrants, the funds anticipated to be received in current and future private placements, and the ability to reduce anticipated expenditures, will allow the Company to continue as a going concern. In this regard, management estimates that the cash as of March 31, 2003 of approximately \$500,000 plus funds raised through sales of securities would fund our cash requirements of \$700,000 per month through at least June 30, 2003.

During the 2002 fiscal year the Company used cash of approximately \$500,000 per month in its operations. During the six months ended December 31, 2002 the Company used cash of approximately \$700,000 per month in its operations and continues to use \$700,000 per month of cash in operations per month subsequent to December 31, 2002.

The Company's current liabilities at December 31, 2002 of \$11.7 million principally consist of outstanding debt in the amount of approximately \$800,000, accounts payable of \$4.1 million, accrued expenses of \$2.2 million and \$5,034,000 of Senior Notes maturing in December 2003. Of this amount \$3,352,000 of such current liabilities related to the Company's wholly owned subsidiary, Stitch Networks Corporation.

The Company is currently in default on a working capital loan acquired in connection with the Stitch acquisition with a current outstanding balance of \$167,000. The Company is currently in discussions with the bank to renegotiate the terms of this debt. The equipment line of credit acquired in the Stitch acquisition has an outstanding balance of \$1,043,000 at December 31, 2002. The Company is current on its payment terms for this line of credit agreement.

At December 31, 2002 accounts payable was approximately \$4.1 million of which \$2.5 million is outstanding greater than 90 days. The Company works with its vendors on a continuous basis to reduce the outstanding payable balances. The significant amount of our working capital deficit has had the effect of increasing the immediacy of timing of our capital needs. In addition, the time and attention given by management to satisfying our working capital deficit detracts from management's pursuit of development and sales of our products.

In March 2003 the Company's Board of Directors granted to the holders of the Senior Notes due in December 2003 the right to extend the maturity date to December 31, 2006 in exchange for the conversion rate on these notes from \$1.25 per share to \$.20 per share. Management anticipates that substantially all of the note holders will accept this change and, accordingly the Company does not believe it will require any substantial amounts of cash to fund these obligations at their maturity at December 31, 2002. As of April 7, 2003, \$1.7 million of the 2003 notes have been extended to December 31, 2006 and \$2.1 million of the 2004 notes have been extended to December 31, 2007.

We currently have very limited cash resources and liquidity, and must continue to raise funds through sales of our securities in order to continue business operations. For the 2003 calendar year, the Company anticipates that it would require cash of \$8.4 million for funding of business operations (\$700,000 per month) and \$7.0 million to pay all of our accrued and unpaid liabilities as of December 31, 2002 (consisting of \$4.1 million of accounts payable, \$2.2 million of accrued expenses, and \$.8 million of current obligations under long-term debt) for a total funding requirement of \$15.4 million.

After subtracting \$2.0 million of certain current assets as of December 31, 2002 (consisting of cash, accounts receivable and inventory) and the \$1.9 million raised by us through March 31, 2003 from the sale of shares and exercise of our noteholder warrants, we anticipate our additional cash needs for the 2003 calendar year to be \$11.5 million.

Of this \$11.5 million amount, we anticipate raising \$3.3 million from the existing in the money warrants and \$2.2 million from the sales of our shares of Jubilee acquired in February 2003. The balance of \$6.0 million is anticipated to be raised by us from the sales of additional securities during the calendar year. To the extent that the shares of Jubilee do not result in the anticipated proceeds, or to the extent that less warrants are exercised than anticipated, we would have to sell additional securities. The funds required to be raised through the sales of additional securities would be reduced by the cash, if any, generated from our operations during the calendar year, and the continued reductions, if any, in our operating costs associated with the Stitch business operations. To the extent that we are unable to generate sufficient cash as outlined above, we intend to pay our current operating expenses and will attempt to continue to negotiate with our past due creditors.

## COMMITMENTS

The Company leases its principal executive offices, consisting of approximately 10,000 square feet, at 200 Plant Avenue, Wayne, Pennsylvania for a monthly rental of \$14,000 plus utilities and operating expenses. The lease expired on June 30, 2002, and subsequently the Company has leased these facilities on a month to month basis. With the acquisition of Stitch Networks, the Company acquired 12,225 square feet of rented space in Kennett Square, PA. The rent is \$11,153 per month and the lease expires on March 2005. The Company is consolidating facilities, and therefore has vacated the rented space in Kennett Square. For that reason, the Company has accrued for the remaining payments of the lease of approximately \$354,000 as part of the Stitch purchase price as of June 30, 2002 (see Note 3 to the Consolidated Financial Statements). The Company is attempting to secure a tenant to sublease the space for the duration of the lease and is in default under the lease since August, 2002. Subsequent to June 30, 2002, the Company also signed a lease for 16.5 months for \$4,000 per month for additional space in Malvern, PA for business activities.

### Other Events

During September 2002, the Company issued to an investor, Yomi Rodig, 2,000,000 shares of its restricted Common Stock at \$.12 per share generating gross proceeds of \$240,000. This investor also received a warrant to purchase up to 2,000,000 shares of restricted Common Stock of the Company at \$.10 per share at any time on or before November 30, 2002 (subsequently extended to April 30, 2003) and if all such warrants are exercised, the investor was granted another warrant to purchase up to 2,000,000 shares of Common Stock at \$.10 per share expiring April 30, 2003. We have agreed to register for resale these shares as well as the shares underlying the warrants for a period of one year from the date of this prospectus.

Subsequent to June 30, 2002 and through October 31, 2002 the Company issued \$3.84 million of 2002-A Senior Notes. A total of \$1,329,800 of these Senior Notes are to certain officers, directors and consultants of the Company in exchange for services to be performed and are therefore reflected as prepaid professional fees at December 31, 2002.

During October 2002, the Company issued to an investor, Alpha Capital Aktiengesellschaft, 1,500,000 shares of its restricted Common Stock at \$.10 per share generating net proceeds of \$123,000. The investor also received a warrant to purchase up to 750,000 shares of restricted Common Stock of the Company at an exercise price of \$.15 per share exercisable at anytime for five years. On the seventh business day after the date of this prospectus, the investor has agreed to purchase an additional 1,500,000 shares of restricted Common Stock at \$.10 per share and receive another warrant to purchase up to 750,000 shares of restricted Common Stock at the then closing price exercisable for 5 years. We have agreed to register for resale these shares and the shares underlying the warrants until November 2005. The Company paid a finder's fee of \$15,000 to Libra Finance, S.A. in connection with the investment.

During October 2002, the Company issued to an investor, Kazi Management VI, Inc., 3,571,429 shares of its restricted Common Stock at \$.07 per share generating net proceeds of \$244,925. This investor also received a warrant to purchase up to 7,142,858 shares of restricted Common Stock of the Company at \$.07 per share at any time on or before October 26, 2007, and a warrant to purchase up to 7,142,858 shares of Common Stock at \$.07 per share and up to 5,000,000 shares at \$.10 per share over a one year period. None of these warrants have been exercised as of December 31, 2002. We have agreed to register for resale these shares as well as the shares underlying the warrants for a period of five years.

During October 2002 the Company's Board of Directors also approved that for the quarterly interest payment made by the Company on the 12% Convertible Senior Notes (for September 30, 2002 and December 30, 2002), at the option of the note holder, the interest payment due can be used to purchase shares of the Company's Common Stock at a rate of \$.20 per share. For each share purchased, the note holder shall receive a warrant to purchase one share of the Company's Common Stock at \$.20 per share exercisable at any time prior to June 30, 2004. During the three and six months ended December 31, 2002, 529,324 and 593,634 shares respectively, were issued for payment of the quarterly interest payment and 529,324 and 593,634 warrants to purchase Common Stock were issued to the note holders, respectively. The fair value of the warrants issued of approximately \$93,000 was determined using the Black Scholes Valuation Model.

During October 2002, the Company agreed to issue 1,480,000 shares of its Common Stock to certain of its employees and consultants at \$.16 per share. Such shares were issued for services to be performed in subsequent periods. At December 31, 2002, \$236,800 is reflected in prepaid professional fees for the services that have not been performed as of December 31, 2002.

During October 2002, the Company granted to all of the holders of the 12% Convertible Senior Notes, 10,306,026 Common Stock warrants to purchase Common Stock at \$.10 per share. The total number of the warrants issued was that number of shares equal to 75% of the dollar amount of the Senior notes held by the note holders. The warrants are exercisable through November 30, 2002 (subsequently extended through April 30, 2003). Upon the exercise of this warrant by the Senior note holder, the Company granted an identical number of warrants to that



note holder with an exercise price of \$0.10 per share exercisable through April 30, 2003. Through December 31, 2002, the note holders exercised a total of 5,080,261 Common Stock warrants of the originally granted warrants of the 10,306,026 warrants initially granted, generating gross proceeds to the Company of \$508,026. An additional 5,080,261 warrants were granted upon the exercise of the initial warrant to these note holders at December 31, 2002. Of these additional March 2003 warrants, 291,376 were exercised as of December 31, 2002, generating gross proceeds to the Company of \$29,138. Subsequent to December 31, 2002 and through February 12, 2003, 475,909 of the Common Stock warrants expiring on January 31, 2003 and March 31, 2003, were exercised at \$.10 per share by the 12% Senior Note Holders generating gross proceeds of \$47,591.

During August 2001, the Company issued to an investment company a 9.75% \$225,000 Convertible Debenture maturing August 2003. On June 18, 2002, the Debenture was increased by \$100,000, the maturity date extended to August 2004, and the conversion rate was lowered. Interest is payable by the Company monthly in arrears. The Debenture is convertible at the lower of \$1.00 per share or 72% of the lowest closing bid price of the Common Stock during the 20 days preceding exercise. The investment company is limited to no more than 5% of the investment that is convertible during any month, on a cumulative basis. If on the date of conversion the closing bid price of the shares is \$.40 or below, the Company shall have the right to prepay the portion being converted at 150% of the principal amount being converted. In such event, the investment company shall have the right to withdraw its conversion notice. At the time of conversion of the Debenture, the Company will issue to the investment company warrants to purchase an amount of Common Stock equal to ten times the number of shares actually issued upon conversion of the Debenture at the same conversion price as the Debenture. The warrants are exercisable at any time for two years following issuance and at the related conversion price of the Debenture. During the six months ended December 31, 2002, the investment company converted \$51,000, of the Debenture resulting in the issuance of 495,421 shares of Common Stock, and exercised related warrants for 2,941,950 shares, resulting in gross proceeds of \$510,000 during the six months ended December 31, 2002. The investment company has paid the Company \$120,000 towards a future exercise of Common Stock warrants which has been reflected in deposits at December 31, 2002.

In February 2003, Jubilee Investment Trust, PLC ("Jubilee"), a United Kingdom investment trust, made an equity investment in USA Technologies at U.S. \$0.20 per share. Jubilee is a newly established investment trust set up to invest in securities traded on a range of public markets, primarily in the United Kingdom. USA Technologies issued to Jubilee 15,000,000 shares of Common Stock of USA Technologies at a price per share of U.S.\$0.20 with an aggregate value of U.S.\$3,000,000. In full payment for the shares of USA Technologies, Jubilee issued to USA Technologies a U.S.\$3,000,000 equivalent of their shares (1,870,091 shares of Jubilee at a price per share valued at One British Pound which was the initial public offering price per share for the Jubilee shares). The exchange rate used by the parties for the transaction was One British Pound equals U.S.\$1.6042. The Company intends to attempt to sell the Jubilee shares from time to time in order to generate cash. In addition, the Jubilee shares would be available to pledge as collateral for a loan. We transferred 131,000 of our Jubilee shares to our investment bankers, Technology Partners (Holdings) LLC, in payment for services rendered in the Jubilee transaction.

The shares issued to Jubilee by USA Technologies are not registered under the Securities Act of 1933, as amended. The Jubilee shares issued to USA Technologies are admitted to listing on the London Stock Exchange under the symbol JIT. At the present time, there is not an established trading market for Jubilee shares. USA Technologies has agreed not to sell the Jubilee shares for a period of 90 days from January 24, 2003, and to sell a maximum of 10% of the Jubilee shares during each month thereafter. Jubilee has agreed not to sell USA Technologies' shares for a period of two (2) years from the date of issuance unless USA Technologies agrees otherwise. USA Technologies has agreed to use its best efforts to file an appropriate Registration Statement with the Securities and Exchange Commission no later than June 30, 2003 registering all of the shares issued to Jubilee for resale under the Act and to use its best efforts to keep such registration statement effective for a period of three years.

In November 2002 and through April 4, 2003, the Company sold an aggregate of 13,327,880 shares to 126 accredited investors at \$.10 per share for a total of \$1,332,788. The offer and sale of the shares was exempt from registration under Rule 506 promulgated under the Act. We have agreed to register the shares under the Act for resale at our cost and expense for a period of 2 years.

In March 2003, we issued warrants to La Jolla Cove Investors, Inc. to purchase up to 9,000,000 shares at \$.10 per share. The warrants expire as follows: 3,000,000 on the three month anniversary of the date of this prospectus; 3,000,000 on the 6 month anniversary of the date of this prospectus; and 3,000,000 on the 9 month anniversary of the date of this prospectus. The warrants may not be exercised without our consent on any date on which the closing price of our shares is less than \$.40. We have agreed to register the shares underlying the warrants for resale under the Act for a period of one year. The warrants were offered and sold to La Jolla pursuant to the exemption from registration set forth in Section 4(2) of the Act.

In April 2003, we issued 551,327 shares and warrants to purchase up to 551,327 shares to the holders of our senior notes who elected to receive these securities in lieu of the cash interest payment due for the quarter ended March 31, 2003. The shares were purchased at the rate of \$.20 per share and the warrants are exercisable at \$.20 per share at any time through June 30, 2004. We have agreed to register the shares and the shares underlying the warrants under the Act for resale for a period of 2 years. The securities were offered and sold under the exemption from registration set forth in Rule 506 promulgated under the Act. All of the noteholders are accredited investors and there was no general solicitation or advertising.

From November 2002 through March 31, 2003, the holders of the noteholder warrants issued in November 2002 exercised warrants for 6,491,691 shares at \$.10 per share for a total of \$649,169.

## BUSINESS

USA Technologies, Inc., a Pennsylvania corporation (the "Company") was founded in January 1992. Currently, the Company's core business is its cashless payment and control network. The equipment component of the network is e-Port, or TransAct, and any associated equipment such as copiers, computers or vending machines. When sold to hotels, the TransAct plus office equipment is called the Business ExpressR. The e-Port or TransAct allows a consumer to use a credit card to make a purchase from host equipment such as copiers, computers or vending machines and gathers information about sales and operations of the host equipment. The e-Port currently targets the vending industry. USA Technologies has historically generated some revenues from the direct sale of this equipment. A second source of revenues is generated from product sales from our Kodak vending machines. Transaction processing revenue is recognized upon the usage of the Company's cashless payment and control network. Service fees for access to the Company's equipment and network services are recognized on a monthly basis.

The network component provides the auditing and financial services, and results in service and transaction revenues. The auditing feature would capture supply chain data (units sold, what sold, price of units sold) and other machine information, and send the information back to either a customer's network or to the USA network for reporting. The financial feature includes acting as a `super merchant` for our customers - thereby helping them to avoid getting certified with credit card processors to do unattended transactions; and providing refunds, payments, and reporting of the credit card transactions. This component generates monthly network service fees, plus transaction processing fees from the retention of a portion of the monies generated from all credit card transactions conducted through its cashless payment and control network.

As of June 30, 2002, the Company had a total installed base of 1,309 control systems, primarily 727 Business Express control systems, 168 Business Express Limited Service (LSS) control systems, and 229 standalone TransAct control systems located at 394 hospitality locations throughout the United States and Canada. In addition, there were 157 e-Port control systems located at vending locations in the United States and 323 Kodak vending machines. At December 31, 2002, the Company had a total of 1,728 terminals shipped and installed at various hotels, vending machines, amusement parks, retail locations and business/industry locations throughout the United States and Canada.

Our cashless payment and control network operates as follows:

- - The consumer swipes a credit card through the e-Port or TransAct system.
- - The e-Port or TransAct transmits the request to the credit card processor.
- - The e-Port or TransAct activates the equipment for use by the consumer.
- - Once the consumer finishes using the e-Port or TransAct, the control system transmits a record of the transaction to the credit card processor.
- - The credit card processor electronically transfers the proceeds derived from the transaction, less the credit card processor's charge (i.e. transaction fees), to us.
- - Finally, we forward money (check or electronic) to each customer representing its share of the proceeds.

For the years ended June 30, 2002 and 2001, and for the six months ended December 31, 2002, the Company has expensed approximately \$1,187,000, \$1,260,000 and \$882,000, respectively for the development of its proprietary technology. These amounts include the expense of outside consultants and contractors as well as compensation paid to certain of the Company's employees and is reflected in compensation and general and administrative expense in the accompanying consolidated financial statements. Through March 31, 2002 the Company had capitalized approximately \$5.3 million for the services of IBM, to program the enhancements to the Company's proprietary "USALive" server network and to the e-Port (TM) client. During the fourth quarter of fiscal 2002, the e-Port (TM) product and related network became available for general release to the Company's customers. Management performed an evaluation of the commercial success and preliminary market acceptance of the e-Port (TM) product and network and, accordingly, during the fourth quarter of fiscal 2002, the Company recorded an impairment charge of approximately \$2.7 million to reflect the software development costs at its net realizable value. See Note 2 to the Consolidated Financial Statements.

## INDUSTRY TRENDS

USA Technologies would like to participate in two important emerging market spaces within the Internet economy: electronic commerce and pervasive computing. USA Technologies intends to continue to further develop its proprietary technologies, e-Port (TM) and TransAct payment systems, in order to attempt to take advantage of two trends:

1. Emergence of pervasive computing/`Internet Everywhere` appliances (Source: IDC Information Industry and Technology Update, 1999-2000, p. 29-38). Growth in pervasive computing devices is expected to fuel growth of Internet/e-Commerce. These intelligent or `smart` devices (e.g. vending machines, personal digital assistants, credit card readers etc) are embedded with microprocessors that allow users to gain direct, simple and secure access to relevant information and services via the Internet without the need for a PC.

It is projected that two billion people will be accessing the web with `non-PC` Internet appliances which are simple to use and less costly than a conventional PC (e.g. digital assistants, intelligent cell phones, game devices). Billions of vending machines, television set top boxes, automobiles, telephones and payment devices of all types are anticipated to be embedded with computational ability and connected to the Internet.

2. Growth in electronic commerce.

By the year 2003, it is projected by IDC (Information Industry and Technology Update, 1999-2000, pp. 30) that 500 million Internet users will be accessing information and conducting commerce over the Internet (versus 160 million users in 1998). This increased use would amount to two new users per second.

#### CASHLESS PAYMENT PROCESSING

Each of the Company's cashless control systems records and transmits all transaction data to the Company, which then forwards it to the credit card processor and related system involving the banks and the credit card companies such as Visa, MasterCard and American Express. Based on the transaction data, the payment for services rendered or product purchased is then electronically transferred to the Company's bank (less various financial charges). The Company then forwards to the location its agreed upon share of the funds, through check or EFT. In hospitality, if the Company has sold the business center equipment to the location, the portion retained by the Company is generally 5% of the gross revenues. In cases where the Company continues to own the equipment, the portion retained can be as high as 90% of gross revenues. In the Kodak program, charges for product have been negotiated to give Stitch a reasonable margin. In addition the Company charges a fixed monthly management fee which is generally \$20-\$25 per control system for existing hospitality locations.

#### PRODUCT LINES

THE E-PORT (TM) FOR VENDING

In general, our wireless vending service enables:

- cashless transactions including credit cards, smart cards, student Ids, PDAs and cell phones;
- real-time access to monitor inventory, sales, audit (cash and credit) and machine maintenance via the internet from any PC;
- the potential of an added revenue stream with the LCD color touch screen for displaying interactive advertising and content.

With the acquisition of Stitch Networks, the Company has acquired vending business with Eastman Kodak. This consists of locating specially designed Kodak vending machines in high profile venues across the United States such as amusement parks, zoos, and sports stadiums. The vending machines dispense disposable cameras and associated film.

The e-Port (TM) allows a consumer to use a credit card or other forms of cashless payment to make a purchase, and also gathers information about sales and operations of the host equipment. Additional capabilities can include internet connectivity and wireless communications. With some additional effort, capability for public access electronic commerce and advertising is possible.

#### THE BUSINESS EXPRESS (R) FOR HOTELS

The hotel/motel hospitality industry has become more competitive as chains increase efforts to attract the most profitable customer: the business traveler or conference attendee, who accounts for the majority of hotel occupancy, stays longer and spends more per visit than the leisure traveler. For these reasons, hotels have become responsive to the needs of the business traveler. The Business Express enables a hotel to address some of these needs, while offering the possibility of generating incremental revenue.

The Business Express utilizes the Company's existing applications for computers, copiers, and facsimile equipment, and combines them into a branded product in a functional kiosk type workstation. All devices are cashless, therefore eliminating the need for an attendant normally required to provide such services.

Our hotel service enables:

- cashless transactions using credit cards and room cards for payment;
- access to unattended 24/7 business center services for hotel guests;
- access to vending machines for hotel guests with the use of their room card.

#### E-SUDS (TM) FOR LAUNDRY

With the acquisition of Stitch Networks, the Company has acquired additional product line enhancements. One such enhancement is our university laundry services which enable:

- students to go on-line and check the availability of laundry machines and receive email or a page when their laundry cycles are complete;
- students to charge the cost of their laundry to their credit card or student account;
- laundry operators to access inventory, sales, audit and maintenance via the internet from any PC;
- laundry operators to benefit from additional revenue through the sale of detergent automatically added to the wash cycle.

#### MARKETING

As of June 30, 2002, the Company was marketing and selling its products through its full time staff consisting of six people. The Company is primarily focused on the vending, hospitality, office equipment and laundry industries.

In the vending industry, the e-Port (TM) is being purchased by soft drink bottlers and independent vending operators throughout the USA and Canada. On the soft drink bottler side, heavy effort is being put into securing initial distribution agreements with the top ten Coke and Pepsi bottlers, and Dr. Pepper. The initial installations of e-Port (TM)s are already complete for a number of bottlers. Three of the premier national independent vending operators, Compass, ARAMARK and Sodexo, have already installed e-Port (TM) in various locations. One major vending operator, International Vending Management, has signed a contract with the Company although nominal revenues have resulted to date from this contract.

In March 2002, the Company signed an agreement with MEI (Mars Electronics), who agreed to sell and distribute an MEI branded cashless payment system to be developed by the Company, as part of its portfolio of vending solutions. By contract, MEI has committed to buy a minimum of 10,000 unit of the USA product over the course of 24 month agreement or pay the Company \$4.00 per unit for any shortfall. As of the date of this prospectus, no revenues have been generated from this contract.

The Company continues to work with the top vending machine manufacturers in order to incorporate our e-Port (TM) technology into vending machines at the factory (OEM); and with authorized resellers. In the hospitality industry, Business Express continues to be one of the premier solutions for automated business centers. The addition of e-Port (TM) technology for vending machines located in hotels now offers a "one-stop shopping" experience to hotels who also have or are considering purchasing a USA business center. In laundry, American Sales Inc. (ASI) signed a five year agreement to purchase units of Stitch's e-Suds laundry solution for their university locations in the Midwest. Through the date of this prospectus, no units have been purchased by ASI.

In October, 2002, the Company signed a Strategic Alliance Agreement with ZiLOG Corporation, a semiconductor company which is the largest supplier of microprocessors to the retail point of sale industry. The agreement allows the Company's proprietary network software (USALive) to be embedded on a chip produced by ZiLOG. The Company would license its software to the purchaser and would receive a license fee. A second revenue stream could be generated when those who buy the retail point of sales terminals begin to use them, because they could elect to use the USA network which is embedded on the chip procurement. As of the date of this prospectus, no products have been available for commercial use and accordingly, no revenues have been generated.

The Company's e-Port (TM) can be manufactured for us by an independent contract manufacturer, RadiSys. Product orders to RadiSys are governed by the Design and Manufacturing Agreement signed in June, 2000. In March, 2001, a manufacturing agreement between the Company and Masterwork Electronics was signed, to provide the Company with additional manufacturing capability for e-Port (TM).

The Company anticipates obtaining the other components of its business center (computers, printers, fax and copy machines) through Decision One and CDW. Orders are regularly placed for expected orders weeks in advance.

## COMPETITION

We are aware of three competitors who offer unattended business centers in the hospitality industry in competition with the Business Express. We believe that our products (currently located in 400 locations) are in approximately seventy-five percent of the locations currently utilizing unattended business centers. We are aware of one competitor in regards to our e-Port control systems for use in the beverage vending industry. There are at the present time very few installations of this product.

In addition, the businesses which have developed unattended, credit card activated control systems currently in use in connection with gasoline dispensing, public telephones, prepaid telephone cards, ticket dispensing machines, vending machines, or facsimile machines, are capable of developing products or utilizing their existing products in direct competition with our e-port control systems targeted to the beverage vending industry. Many of these businesses are well established, have substantially greater resources than the Company and have established reputations for success in the development, sale and service of high quality products. Any such increased competition may result in reduced sales and/or lower percentages of gross revenues being retained by the Company in connection with its licensing arrangements, or otherwise may reduce potential profits or result in a loss of some or all of its customer base. The Company is also aware of several businesses that make available use of the Internet and use of personal computers to hotel guests in their hotel rooms. Such services might compete with the Company's Business Express, and the locations may not order the Business Express, or if ordered, the hotel guest may not use it.

## PATENTS, TRADEMARKS AND PROPRIETARY INFORMATION

The Company received federal registration approval of its trademarks Business Express, C3X, TransAct, and Public PC, and has applied for federal registration of its trademarks Copy Express and e-Port (TM). Through its wholly owned subsidiary, Stitch Networks, the Company has secured three trademarks: eVend.Net, eSuds.Net and Stitch Networks.

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

Through April 2, 2003, seventeen United States patents have been issued to us:

- o U.S. Patent No. 5,619,024 entitled "Credit Card and Bank Issued Debit Card Operating System and Method for Controlling and Monitoring Access of Computer and Copy Equipment";
- o U.S. Patent No. 5,637,845 entitled "Credit and Bank Issued Debit Card Operating System and Method for Controlling a Prepaid Card Encoding/Dispensing Machine";
- o U.S. Patent No. D423,474 entitled "Dataport";



- U.S. Patent No. D415,742 entitled "Laptop Dataport Enclosure";
- U.S. Patent No. D418,878 entitled "Sign Holder";
- U.S. Patent No. 6,056,194 entitled "System and Method for Networking and Controlling Vending Machines";
- U.S. Patent No. D428,047 entitled "Electronic Commerce Terminal Enclosure";
- U.S. Patent No. D428,444 entitled "Electronic Commerce Terminal Enclosure for a Vending Machine";
- U.S. Patent No. 6,119,934 entitled "Credit Card, Smart Card and Bank Issued Debit Card Operated System and Method for Processing Electronic Transactions";
- U.S. Patent No. 6,152,365 entitled "Credit and Bank Issued Debit Card Operated System and Method for Controlling a Vending Machine";
- U.S. Patent No. D437,890 entitled "Electronic Commerce Terminal Enclosure with a Hooked Fastening Edge for a Vending Machine";
- U.S. Patent No. D441,401 entitled "Electronic Commerce Terminal Enclosure with Brackets";
- U.S. Patent No. 6,321,985 entitled "System and Method for Networking and Controlling Vending Machines";
- U.S. Patent NO. 6,505,095 entitled "System for Providing Remote Audit, Cashless Payment, and Interactive Transaction Capabilities in a Vending Machine" (Stitch);
- U.S. Patent No. 6,389,337 entitled "Transacting e-commerce and Conducting e-business Related to Identifying and Procuring Automotive Service and Vehicle Replacement Parts" (Stitch);
- U.S. Patent No. 6,021,626 entitled "Forming, Packaging, Storing, Displaying and Selling Clothing Articles"; and
- U.S. Patent No. 6,152,845 entitled "Credit and Bank Issued Debit Card Operated System and Method for Controlling a Prepaid Card Encoding/Dispensing Machine".

In addition, two foreign patents, Canadian Patent No. D87998 entitled "Sign Holder" and Canadian Patent No. D91645 entitled "Laptop Data Port Enclosure" have been issued to USA. The Company has 39 patents pending and 22 patents have received notices of allowance as of April 2, 2003.

The Company believes that the U.S. patent No. 6,505,095 entitled "System for providing remote audit, cashless payment, and interactive transaction capabilities in a vending machine" is very important in protecting its intellectual property used in its e-Port control system targeted to the vending industry. The patent expires in July 2021.

#### Employees

On December 31, 2002, we had 31 full-time employees.

#### Properties

We lease our principal executive offices, consisting of approximately 10,000 square feet, at 200 Plant Avenue, Wayne, Pennsylvania for a monthly rental of \$14,000 plus utilities and operating expenses. The lease expired on June 30, 2002, and subsequently, the Company has leased these facilities on a month-to-month basis. With the acquisition of Stitch Networks, the Company acquired 12,225 square feet of rented space in Kennett Square, PA. The rent is \$11,153 per month and the lease expires on March 2005. The Company is consolidating facilities, and therefore Stich has vacated the rented space in Kennett Square. For that reason, the Company has accrued for the remaining payments of the lease of approximately \$354,000 as part of the Stitch purchase price as of June 30, 2002 (see Note 3 to the Consolidated Financial Statements). The Company is attempting to secure a tenant to sublease the space for the duration of the lease and Stich is in default under the lease since August, 2002. During the quarter ended September 30, 2002, the Company also signed a lease for 16.5 months at \$4,000 per month for additional space in Malvern, PA for business activities.

## Where to get more information

We file annual, quarterly and special reports and other information with the SEC. You may read and copy any document we file with the SEC at the SEC's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The same information may be obtained at the following Regional Office of the SEC: 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can also be obtained from the Public Reference Section of the SEC's Washington, D.C. office at prescribed rates.

Our filings may also be accessed through the SEC's web site (<http://www.sec.gov>). We will provide a copy of any or all documents incorporated by reference herein (exclusive of exhibits unless such exhibits are specifically incorporated by reference therein), without charge, to each person to whom this prospectus is delivered, upon written or oral request to USA Technologies, Inc., 200 Plant Avenue, Wayne, Pennsylvania 19087, Attn: George R. Jensen, Jr., Chief Executive Officer (telephone (610) 989-0340).

We will furnish record holders of our securities with annual reports containing financial statements audited and reported upon by our independent auditors, quarterly reports containing unaudited interim financial information, and such other periodic reports as we may determine to be appropriate or as may be required by law.

## MANAGEMENT

### Directors and Executive Officers

Our Directors and executive officers, on the date of this Prospectus, together with their ages and business backgrounds were as follows.

Name	Age	Position(s) Held
George R. Jensen, Jr.	54	Chief Executive Officer, Chairman of the Board of Directors
Stephen P. Herbert	40	President, Director
Haven Brock Kolls, Jr.	37	Vice President - Research and Development
Leland P. Maxwell	56	Senior Vice President, Chief Financial Officer, Treasurer
Michael K. Lawlor	41	Vice President - Marketing and Sales
William W. Sellers (1)(2)	80	Director
William L. Van Alen, Jr. (1)(2)	67	Director
Steven Katz (1)	52	Director
Douglas M. Lurio (2)	46	Director
Edwin R. Boynton	47	Director
Kenneth C. Boyle	38	Director

(1) Member of Compensation Committee

(2) Member of Audit Committee

Each Director holds office until the next Annual Meeting of shareholders and until his successor has been elected and qualified.

George R. Jensen, Jr., has been our Chief Executive Officer and a Director since our inception in January 1992. Mr. Jensen was Chairman, Director, and Chief Executive Officer of American Film Technologies, Inc. ("AFT") from 1985 until 1992. AFT was in the business of creating color imaged versions of black-and-white films. From 1979 to 1985, Mr. Jensen was Chief Executive Officer

and President of International Film Productions, Inc. Mr. Jensen was the Executive Producer of the twelve hour miniseries, "A.D.", a \$35 million dollar production filmed in Tunisia. Procter and Gamble, Inc., the primary source of funds, co-produced and sponsored the epic, which aired in March 1985 for five consecutive nights on the NBC network. Mr. Jensen was also the Executive Producer for the 1983 special for public television, "A Tribute to Princess Grace". From 1971 to 1978, Mr. Jensen was a securities broker, primarily for the firm of Smith Barney, Harris Upham. Mr. Jensen was chosen 1989 Entrepreneur of the Year in the high technology category for the Philadelphia, Pennsylvania area by Ernst & Young LLP and Inc. Magazine. Mr. Jensen received his Bachelor of Science Degree from the University of Tennessee and is a graduate of the Advanced Management Program at the Wharton School of the University of Pennsylvania.

Stephen P. Herbert was elected a Director in April 1996, and joined USA on a full-time basis on May 6, 1996. Prior to joining us and since 1986, Mr. Herbert had been employed by Pepsi-Cola, the beverage division of PepsiCo, Inc. From 1994 to April 1996, Mr. Herbert was a Manager of Market Strategy. In such position he was responsible for directing development of market strategy for the vending channel and subsequently the supermarket channel for Pepsi-Cola in North America. Prior thereto, Mr. Herbert held various sales and management positions with Pepsi-Cola. Mr. Herbert graduated with a Bachelor of Science degree from Louisiana State University.

Haven Brock Kolls, Jr., joined USA on a full-time basis in May 1994 and was elected an executive officer in August 1994. From January 1992 to April 1994, Mr. Kolls was Director of Engineering for International Trade Agency, Inc., an engineering firm specializing in the development of control systems and management software packages for use in the vending machine industry. Mr. Kolls was an electrical engineer for Plateau Inc. from 1988 to December 1992. His responsibilities included mechanical and electrical computer-aided engineering, digital electronic hardware design, circuit board design and layout, fabrication of system prototypes and software development. Mr. Kolls is a graduate of the University of Tennessee with a Bachelor of Science Degree in Engineering.

Leland P. Maxwell joined USA on a full-time basis on February 24, 1997 as Chief Financial Officer, Senior Vice President and Treasurer. Prior to joining us, Mr. Maxwell was the corporate controller for Klearfold, Inc., a privately-held manufacturer of specialty consumer packaging. From 1992 to 1996, Mr. Maxwell was the regional controller for Jefferson Smurfit/Container Corporation of America, a plastic packaging manufacturer, and from 1986 to 1992 was the divisional accounting manager. Prior thereto, he held financial positions with Safeguard Business Systems and Smithkline-Beecham. Mr. Maxwell received a Bachelor of Arts degree in History from Williams College and a Master of Business Administration-Finance from The Wharton School of the University of Pennsylvania. Mr. Maxwell is a Certified Public Accountant.

Michael K. Lawlor joined USA on a full-time basis in 1997 and was promoted to Senior Vice President, Sales and Marketing in September 1999. Prior to joining us, Mr. Lawlor worked with Aladdin Industries, a leading manufacturer of promotional drinkware, as Director of Restaurant Sales. From 1986 to 1995, Mr. Lawlor was employed in various sales capacities by Pepsi-Cola and was National Accounts Sales Manager when he departed in 1995. Mr. Lawlor received an undergraduate degree in Marketing from the University of Texas.

William W. Sellers joined the Board of Directors of USA in May 1993. Mr. Sellers founded The Sellers Company in 1949 which has been nationally recognized as the leader in the design and manufacture of state-of-the-art equipment for the paving industry. Mr. Sellers has been awarded five United States patents and several Canadian patents pertaining to this equipment. The Sellers Company was sold to Mechtron International in 1985. Mr. Sellers is Chairman of the Board of Sellers Process Equipment Company which sells products and systems to the food and other industries. Mr. Sellers is actively involved in his community. Mr. Sellers received his undergraduate degree from the University of Pennsylvania.

William L. Van Alen, Jr., joined the Board of Directors of USA in May 1993. Mr. Van Alen is President of Cornerstone Entertainment, Inc., an organization engaged in the production of feature films of which he was a founder in 1985. Since 1996, Mr. Van Alen has been President and a Director of The Noah Fund, a publicly traded mutual fund. Prior to 1985, Mr. Van Alen practiced law in Pennsylvania for twenty-two years. Mr. Van Alen received his undergraduate degree in Economics from the University of Pennsylvania and his law degree from Villanova Law School.

Steven Katz joined the Board of Directors in May 1999. He is President of Steven Katz & Associates, Inc., a management consulting firm specializing in strategic planning and corporate development for technology and service-based companies in the health care, environmental, telecommunications and Internet markets. Mr. Katz's prior experience includes five years with Price Waterhouse & Co. in audit, tax and management advisory services; two years of corporate planning with Revlon, Inc.; five years with National Patent Development Corporation (NPDC) in strategic planning, merger and acquisition, technology in-licensing and out-licensing, and corporate turnaround experience as President of three NPDC subsidiaries; and two years as a Vice President and General Manager of a non-banking division of Citicorp, N.A.

Douglas M. Lurio joined the Board of Directors of USA in June 1999. Mr. Lurio is President of Lurio & Associates, P.C., attorneys-at-law, which he founded in 1991. He specializes in the practice of corporate and securities law. Prior thereto, he was a partner with Dilworth, Paxson LLP. Mr. Lurio received a Bachelor of Arts Degree in Government from Franklin & Marshall College, a Juris Doctor Degree from Villanova Law School, and a Masters in Law (Taxation) from Temple Law School.

Edwin R. Boynton joined the Board of Directors in July 1999. He is a partner of Stradley Ronon Stevens & Young LLP, and is a member of and currently the chair of the firm's estates department. Mr. Boynton received his bachelor of arts degree from Harvard University in 1976 and his Juris Doctor degree from Duke University in 1979.

Kenneth C. Boyle joined the Board of Directors in May 2002. Mr. Boyle is the Vice President & General Manager - eBusiness of the Maytag Corporation. He leads Maytag's global eBusiness unit, which explores and develops e-commerce opportunities and Web enabled business models that support profitable growth across Maytag's business units. He is responsible for all eBusiness efforts at the corporate level as well as business and brand specific activities at the operating unit level, inclusive of partnerships and strategy development. Prior to Maytag, Mr. Boyle served as a director of business development with iXL, a major global e-consulting firm. He was responsible for developing long-term, strategic relationships with Global 2000 companies and assisting them with consulting services to transform their traditional business models by leveraging Internet technology. Mr. Boyle began his career with Delta Air Lines. His ten-year career with Delta included management positions in sales and marketing and founding Delta's e-commerce department. While there he led the development and implementation of initiatives to drive sales via the Internet, Internet-connected kiosks, smart card programs and other digital avenues.

Executive Compensation

The following table sets forth certain information with respect to compensation paid or accrued by the Company during the fiscal years ended June 30, 2000, June 30, 2001 and June 30, 2002 to each of the executive officers and employee of the Company named below.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Compensation			Long Term Compensation(4)
		Salary	Bonus (1)	Other Annual Compensation	Restricted Stock Awards
George R. Jensen, Jr., Chief Executive Officer	2002	\$135,000	\$288,000	\$80,000 (3)	--
	2001	\$135,000	\$140,000	--	--
	2000	\$117,500	\$ 80,000	--	--
Stephen P. Herbert, President	2002	\$125,000	\$270,000	\$80,000 (3)	--
	2001	\$125,000	\$134,40	--	--
	2000	\$107,500	\$174,000	--	--
Leland P. Maxwell, Chief Financial Officer, Treasurer	2002	\$110,308	\$151,200	--	--
	2001	\$108,000	\$44,240	--	--
	2000	\$ 99,000	\$29,000	--	--
H. Brock Kolls, Senior Vice President, Research & Development	2002	\$125,769	\$180,000	\$50,000 (3)	--
	2001	\$120,000	\$ 97,440	--	--
	2000	\$105,000	\$124,000	--	--
Michael K. Lawlor, Senior Vice President, Sales and Marketing	2002	\$103,846	\$151,200	--	--
	2001	\$100,000	\$ 38,640	--	--
	2000	\$ 83,200	\$ 45,500	\$43,000 (2)	--
Adele H. Hepburn Director of Public Relations	2002	\$ 91,000	\$472,609	--	--
	2001	\$ 91,000	\$171,700	--	--
	2000	\$ 91,000	\$147,800	--	--

(1) For fiscal year 2000, represents shares of Common Stock issued to the executive officers during the fiscal year valued at \$2.00 per share, the closing bid price on the date of issuance. For Mr. Lawlor, the bonus also includes a \$5,500 sales commission. For fiscal year 2001, represents shares of Common Stock issued to the executive officers during the fiscal year valued at \$1.12 per share, the closing bid price on the date of issuance. For Mr. Lawlor, the bonus also includes \$1,265 sales commission. For fiscal year 2002, represents shares of Common Stock issued to the executive officers valued at \$.45 per share, which was the market value on the date of grant (Mr. Jensen-640,000 shares; Mr. Herbert-600,000 shares; Mr. Kolls-400,000 shares; Mr. Maxwell-260,000 shares; and Mr. Lawlor-260,000 shares). For Mr. Maxwell and Mr. Lawlor in 2002, the bonus also includes 90,000 shares of Common Stock valued at \$.38, which was the market price on the day of grant. This stock was awarded to reimburse them for tax payments incurred as a result of the award of a previous bonus. For Adele Hepburn in fiscal 2002, the bonus includes \$408,267 of non cash compensation, as follows: 435,334 shares of Common Stock at \$.60; 384,334 shares at \$.10; and a \$108,834 2001 - D 12% Senior Notes due December 31, 2003.

(2) Represents cash payment by the Company of relocation expenses.

(3) Represents cash payments authorized to reimburse certain executive officers for tax payments incurred from the award of a previous bonus.

(4) In July 1999, the Company extended the expiration dates until June 30, 2001 of the options to acquire Common Stock held by the following directors, officers, and employees: Adele Hepburn - 77,000 options; H. Brock Kolls - 20,000 options; William Sellers - 15,500 options; and William Van Alen - 12,500 options. All of the foregoing options would have expired in the first two

calendar quarters of the year 2000 or the first calendar quarter of year 2001. In February, 2001, all these options were further extended until June 30, 2003, and in addition the expiration dates of the following additional options were also extended to June 30, 2003: H. Brock Kolls - 20,000 options; Stephen Herbert - 40,000 options; Michael Lawlor - 3,750 options; George Jensen - 200,000 options. In October 2000, the Company issued to George R. Jensen, Jr., fully vested options to acquire up to 200,000 shares of Common Stock at \$1.50 per share. The options were exercisable at any time within two years following issuance. In February 2001, the Company extended the expiration date of these options until June 30, 2003. Effective December 31, 2002, all of the outstanding options (whether vested or un vested) then held by each of Messrs. Jensen, Herbert, Kolls, Maxwell, Sellers, Van Alen, Katz, Lurio and Boynton were voluntarily canceled by each of the foregoing individuals.

The following table sets forth information regarding stock options granted during the fiscal year 2002 to the executive officers of the Company and an employee named below:

OPTION GRANTS DURING FISCAL YEAR ENDED JUNE 30, 2002

Name	Number of Securities Underlying Options Granted(#)	Percent of Total Options Granted to Employees in Fiscal Year (%)	Exercise Price Per Share(\$)	Expiration Date
George R. Jensen, Jr.	320,000(1)	9.6	\$.40	June 30, 2003
Stephen P. Herbert	300,000(1)	9.0	\$.40	June 30, 2003
Leland P. Maxwell	130,000(1)	3.9	\$.40	June 30, 2003
H. Brock Kolls	50,000 200,000(1)	1.5 6.0	\$.40 \$.40	April 15, 2005 June 30, 2003
Michael K. Lawlor	130,000(1)	3.9	\$.40	June 30, 2003
Adele H. Hepburn	200,000 300,000	6.0 9.0	\$.70 \$.40	June 30, 2003 November 23, 2003

(1) Represents shares issued by the Company during January 2002 in satisfaction of options issued in November 2001 at no cost to the named executive officer. The shares have been valued at \$.45 per share, the price on the date of issuance. The value of these shares has been included in the Summary Compensation Table set forth above.

TOTAL OPTIONS EXERCISED IN FISCAL YEAR ENDED JUNE 30, 2002 AND YEAR END VALUES

This table gives information for options exercised by each of the named executive officers in fiscal year 2002, and the number of options held by these executive officers and an employee at fiscal year end.

Name	Shares Acquired On Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised In-the -Money Options at FY-End(\$) Exercisable/ Unexercisable
George R. Jensen, Jr.	320,000(1)	144,000	446,666/ 33,334	0
Stephen P. Herbert	300,000(1)	135,000	263,334/ 26,666	0
Leland P. Maxwell	130,000(1)	58,500	103,334/ 16,666	0
H. Brock Kolls	200,000(1)	90,000	273,334/ 26,666	0
Michael K. Lawlor	130,000(1)	58,500	83,334/ 16,666	0
Adele H. Hepburn	0	0	577,000/ 0	0



(1) Represents shares issued by the Company during January 2002 in satisfaction of options issued in November 2001 at no cost to the named executive officer. The shares have been valued at \$.45 per share, the price on the date of issuance. The value of these shares has been included in the Summary Compensation Table set forth above.

DIRECTOR COMPENSATION  
COMPENSATION OF DIRECTORS

Members of the Board of Directors do not currently receive any cash compensation for serving on the Board of Directors or any Committee thereof.

In April 2002, the Company granted to each of the five outside Directors (Messrs. Sellers, Van Alen, Katz, Lurio, and Boynton) options to purchase up to 100,000 shares of Common Stock at \$.40 per share as compensation for serving the one-year term which commenced March 21, 2002. The options are fully vested and are exercisable at any time prior to April 12, 2005. Commencing on July 1, 2002 and at any and all times through June 30, 2003, each Director has been granted the right, without the payment of the per share exercise price of such options, to receive up to 50,000 shares represented by those options. In September 2002, Edwin P. Boynton elected to receive 50,000 shares in lieu of the above options.

In February 2001, the Company granted a total of 300,000 options to purchase Common Stock at \$1.00 per share to each of the then outside members of the Board (Messrs. Sellers, Van Alen, Smith, Katz, Lurio, and Boynton). Of these, 120,000 options vested immediately; 90,000 options vested on June 30, 2001; and 90,000 vested on June 30, 2002. The options are exercisable at any time within five years following the vesting.

The Company has agreed to use its best efforts to register for resale all of the Common Stock underlying the above options under the Securities Act of 1933, as amended ("Act"), at the Company's cost and expense. All of the foregoing options are non-qualified stock options and not part of a qualified stock option plan and do not constitute incentive stock options as such term is defined under Section 422 of the Internal Revenue Code, as amended, and are not part of an employee stock purchase plan as described in Section 423 thereunder.

On December 31, 2002, each of Messrs. Sellers, Van Alen, Katz, Lurio, and Boynton voluntarily canceled all of the outstanding options then held by them.

PRINCIPAL SHAREHOLDERS

COMMON STOCK

The following table sets forth, as of December 31, 2002, the beneficial ownership of the Common Stock of each of the Company's directors and executive officers, the other employee named in the Summary Compensation Table set forth below, as well as by the Company's directors and executive officers as a group. Except as set forth below, the Company is not aware of any beneficial owner of more than five percent of the Common Stock. Except as otherwise indicated, the Company believes that the beneficial owners of the Common Stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned(1)	Percent of Class(2)
George R. Jensen, Jr. 517 Legion Road West Chester, Pennsylvania 19382	759,000(3)	*
Stephen P. Herbert 536 West Beach Tree Lane Strafford, Pennsylvania 19087	486,050(4)	*
Haven Brock Kolls, Jr. 1573 Potter Drive Pottstown, PA 19464	104,725(5)	*
Leland P. Maxwell 401 Dartmouth Road Bryn Mawr, Pennsylvania 19010	277,050	*
Michael K. Lawlor 131 Lisa Drive Paoli, PA 19301	407,050(6)	*
Edwin R. Boynton 104 Leighton Drive Bryn Mawr, Pennsylvania 19010	327,887(7)	*
Douglas M. Lurio 2005 Market Street, Suite 2340 Philadelphia, Pennsylvania 19103	257,213(8)	*
William W. Sellers 394 East Church Road King of Prussia, Pennsylvania 19406	912,108(9)	*
William L. Van Alen, Jr. Cornerstone Entertainment, Inc. P.O. Box 727 Edgemont, Pennsylvania 19028	274,005(10)	*
Kenneth C. Boyle 403 West Fourth Street North Newton, Iowa 50208	126,188 (11)	*

Adele H. Hepburn 208 St. Georges Road Ardmore, Pennsylvania 19003	2,316,983(12)	1.19%
Kazi Management VI, Inc. 30 Dronningens Gade, Suite B 30 St. Thomas, Virgin Islands 00802	22,857,145(13)	11.7%
All Directors and Executive Officers As a Group (11 persons)	3,931,276(14)	2.02%

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\*Less than one percent (1%)

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and derives from either voting or investment power with respect to securities. Shares of Common Stock issuable upon conversion of the Preferred Stock, or shares of Common Stock issuable upon exercise of options currently exercisable, or exercisable within 60 days of December 31, 2002, are deemed to be beneficially owned for purposes hereof.

(2) On December 31, 2002 there were 99,096,167 shares of Common Stock and 529,132 shares of Series A Preferred Stock issued and outstanding. For purposes of computing the percentages under this table, it is assumed that all shares of issued and outstanding Preferred Stock have been converted into shares of Common Stock, that all of the options to acquire Common Stock which have been issued and are fully vested as of December 31, 2002 (or within 60-days thereof) have been converted into shares of Common Stock, that all Common Stock Purchase Warrants have been exercised, that all of the Senior Notes have been converted into shares of Common Stock, that all of the Convertible Debentures have been converted and related Warrants have been exercised into shares of Common Stock, and that all of the accrued and unpaid dividends on the Preferred Stock have been converted into shares of Common Stock. Therefore, for purposes of computing the percentages under this table, there are 189,767,761 shares of Common Stock issued and outstanding.

(3) Includes 438,000 shares issuable upon conversion of Senior Notes, 86,000 shares of Common Stock beneficially owned by his spouse and 135,000 shares issuable upon exercise of warrants. Does not include the right granted to Mr. Jensen under his Employment Agreement to receive seven percent (7%) of the issued and outstanding Common Stock upon the occurrence of a USA Transaction (as defined therein). See "Executive Employment Agreements".

(4) Includes 1,000 shares of Common Stock beneficially owned by his child.

(5) Includes 16,500 shares of Common Stock owned by his spouse, 24,000 shares issuable to his spouse upon conversion of her Senior Note, and 22,500 shares issuable upon exercise of warrants held by his spouse.

(6) Includes 130,000 shares beneficially owned by his spouse.

(7) Includes 8,100 shares of Common Stock issuable upon conversion of shares of Series A Preferred Stock. Includes 47,250 shares issuable upon conversion of Senior Notes and 24,375 shares issuable upon exercise of warrants. Does not

include any shares of Common Stock issuable upon conversion of any accrued and unpaid dividends in the Series A Preferred Stock.

(8) Includes 42,213 shares of Common Stock held jointly with Mr. Lurio's spouse, 99,000 shares issuable upon conversion of Senior Notes and 33,750 shares issuable upon exercise of warrants.

(9) Includes 17,846 shares of Common Stock owned by the Sellers Pension Plan of which Mr. Sellers is a trustee, 4952 shares of Common Stock owned by Sellers Process Equipment Company of which he is a Director, and 10,423 shares of Common Stock owned by Mr. Seller's wife. Includes 199,167 shares of Common Stock issuable upon exercise of Warrants, and 119,170 shares issuable upon conversion of his Senior Notes.

(10) Includes 4,000 shares owned by his spouse, 108,335 shares underlying his Senior Notes, and 88,336 shares issuable upon exercise of warrants.

(11) Represents shares underlying options.

(12) Includes 52,275 shares held by her spouse, 5,150 shares underlying Series A Preferred Stock held by her and her spouse, 856,085 shares underlying her Senior Notes and 68,648 shares underlying her spouse's Senior Notes, 235,375 shares issuable upon exercise of warrants held by her and 22,274 shares issuable upon exercise of warrants held by her spouse, and 277,000 shares underlying options held by her and 5,000 shares underlying options held by her spouse.

(13) Includes 19,285,716 shares underlying warrants. Zubair Kazi, an individual, is the owner and President of Kazi Management VI, Inc. and would also be deemed the beneficial owner of all 22,857,145 shares under the applicable rules of the Securities and Exchange Commission.

(14) Includes all shares of Common Stock described in footnotes (2) through (11) above.

SERIES A PREFERRED STOCK

The following table sets forth, as of December 31, 2002 the beneficial ownership of the Preferred Stock by the Company's directors and executive officers, the other employee named in the Summary Compensation Table set forth below, as well as by the Company's directors and executive officers as a group. Except as set forth below, the Company is not aware of any beneficial owner of more than five percent of the Preferred Stock. Except as otherwise indicated, the Company believes that the beneficial owners of the Preferred Stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.

Name and Address of Beneficial Owner	Number of Shares of Preferred Stock Beneficially Owned	Percent of Class(1)
Edwin R. Boynton 104 Leighton Avenue Bryn Mawr, Pennsylvania 19010	8,100	1.5%

Adele H. Hepburn 208 St. Georges Road Ardmore, Pennsylvania 19003	5,150(2)	*
All Directors and Executive Officers As a Group (11 persons)	8,100	1.5%
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\* Less than one percent (1%)

- (1) There were 529,132 shares of Preferred Stock issued and outstanding as of December 31, 2002.  
(2) Includes 2,000 shares held by her spouse.

#### CERTAIN TRANSACTIONS

On December 31, 2000, Stitch Networks Corporation ("Stitch") executed a Vending Placement, Supply and Distribution Agreement with Eastman Kodak Company, Maytag Corporation and Dixie Narco, Inc., which formed a strategic alliance to market and execute a national vending program for the sale of one-time use camera and film products. The Agreement provides for an initial term of three years ending December 31, 2003, with additional provisions for early termination and extensions as defined. Furthermore, the Agreement also provides for exclusivity among the parties for the term of the Agreement relating to the sale of camera and film products from vending machines within the Continental United States. Pursuant to this agreement, Stitch, the Company's subsidiary, purchases vending machines from Dixie-Narco, Inc. ("Dixie"). Dixie is owned by Maytag Corporation which is the owner of the Company's shareholder, Maytag Holdings, Inc. Mr. Boyle, a Director of the Company, is a Vice President of Maytag Corporation. There were no purchases from Dixie for the period May 14, 2002 (the date Stitch was acquired by the Company) to June 30, 2002. Amounts payable to Dixie of \$124,333 are included in accounts payable in the June 30, 2002 consolidated balance sheet of the Company.

During the fiscal years ended June 30, 2002 and June 30, 2001, the Company paid Lurio & Associates, P.C., of which Mr. Lurio is President and a shareholder, professional fees of approximately \$209,000 and \$220,000 respectively, for legal services rendered to the Company by such law firm. During the years ended June 30, 2002 and 2001, the Company accrued approximately \$213,000 and \$271,000, respectively, for these services. Mr. Lurio is a Director of the Company.

In October 2002, the Company approved the issuance to each of George R. Jensen, Jr., our Chief Executive Officer, and Stephen P. Herbert, our President and Chief Operating Officer, of \$100,000 of the senior note offering. Pursuant thereto, each of them will receive a \$100,000 12% senior note due December 31, 2005, and 200,000 shares of Common Stock. Mr. Jensen earned \$60,000 of the senior note and 120,000 of these shares in November 2002 for services rendered in the 2002 calendar year. The remaining \$40,000 senior note and 60,000 shares will be earned by Mr. Jensen on March 15, 2003 if he is then employed by the Company on account of services rendered during the 2003 calendar year. All of Mr. Herbert's senior note and shares will be earned by him on March 15, 2003 if he is then employed by the Company on account of services rendered during the 2003 calendar year. In October 2002, the Company approved the issuance of \$100,000 of the senior note offering to Adele Hepburn for services rendered during the 2002 calendar year (subject to final Board of Director approval).



## SELLING SHAREHOLDERS

Each of the selling shareholders listed below is, as of the date hereof, the holder of our common stock or has the right to acquire the number of shares of common stock set forth opposite such selling shareholder's name. The issuance of the common stock to the selling shareholders as well as the issuance of the common stock to the selling shareholders upon exercise of the warrants or options or upon conversion of the convertible senior notes was or will be a transaction exempt from the registration requirements of the Act and various state securities laws.

We have agreed, at our expense, to register all of the common stock for resale by the selling shareholders under the Act. We expect to incur expenses of approximately \$65,000 in connection with the registration statement of which this prospectus is a part.

The number of shares that may be actually sold by the selling shareholder will be determined by the selling shareholder. The selling shareholders are under no obligation to sell all or any portion of the shares offered, nor are the selling shareholders obligated to sell such shares immediately under this Prospectus. Particular selling shareholders may not have a preset intention of selling their shares and may offer less than the number of shares indicated. Because the selling shareholder may sell all, some or none of the shares of common stock that the selling shareholder holds, no estimate can be given as to the number of shares of our common stock that will be held by the selling shareholder upon termination of the offering. Shares of common stock may be sold from time to time by the selling shareholders or by pledgees, donees, transferees or other successors in interest.

The following tables set forth information with respect to each selling shareholder and the respective amounts of common stock that may be offered pursuant to this prospectus. None of the selling shareholders has, or within the past three years has had, any position, office or other material relationship with us, except as noted below. Except as specifically set forth below, following the offering, and assuming all of the common stock offered hereby has been sold, none of the selling shareholders will beneficially own one percent (1%) or more of the common stock.

STITCH COMMON STOCK OPTIONS

Selling Shareholder	Common Stock Offered Hereby(7)	Beneficial Ownership After Offering	
		Number	Percent
Scott Wasserman(3)	504,753	0	*
Dan Kearney .....	504,753	0	*
Scott Nissenbaum(6)	252,377	0	*
David Goodman(1) ..	126,188	9,489,889	4.8%
Ritchie Snyder ....	126,188	0	*
Diane Goodman(1) ..	126,188	9,489,889	4.8%
Roger Scholten(4) .	126,188	8,346,191	4.3%
Kenneth Boyle(2) ..	126,188	0	*
Mike Bolton(5) ....	126,188	4,926,260	2.5%
Scott Rosenthal ...	79,082	0	*
Wendy Jenkins(3) ..	79,082	0	*
Alex Kane .....	55,358	0	*
Mark Rooney .....	39,541	0	*
Ken May .....	23,725	0	*
Matthew Heilman ...	19,771	0	*
Erika Bender(3) ...	15,816	0	*
Susan Ledyard .....	11,862	0	*
Chris Keane .....	11,862	0	*
Aaron Watkins .....	11,862	0	*
Staci Spitzer .....	11,862	0	*
Jim Rosemary .....	11,862	0	*
Doke Scott .....	11,862	0	*
Maeve McKenna .....	11,862	0	*
Doug Wiggins .....	11,862	0	*
David Vrencur .....	7,908	0	*
Ron Wood .....	7,908	0	*
Michael Knoll .....	7,908	0	*
Rob Foehl .....	7,908	0	*
Kate Jones .....	3,954	0	*
Sean McGraw .....	3,954	0	*
Eric Montgomery ...	3,163	0	*
Patrick Brisiel ...	3,163	0	*
Peter McNally .....	3,163	0	*
<b>Total</b>	<b>2,475,318</b>		

\* less than one percent

- (1) Mr. Goodman was the President and Chief Executive Officer of Stitch until May 14, 2002. Diane Goodman is the spouse of David Goodman.
- (2) Mr. Boyle is a Director of the Company.
- (3) Current employee of the Company.
- (4) Mr. Scholten is a Director of Maytag Holdings, Inc. which beneficially owns 8,346,191 shares of the Company.
- (5) Mr. Bolton is Managing Director of Pennsylvania Early Stage Partners, GP, L.L.C. which beneficially owns 4,926,260 shares of the Company.
- (6) Former Director of the Company.
- (7) Represents shares underlying options to purchase our shares that were issued to holders of options to purchase shares of Stitch on May 14, 2002 as part of our acquisition of Stitch. The options to purchase shares of Stitch were cancelled as part of the exchange. The options are exercisable at any time through May 13, 2007 at \$.165 per share and none have been exercised as of the date of this prospectus. We have agreed to register these shares for resale under the Act at our cost and expense until May 13, 2005.

STITCH MERGER COMMON STOCK

Selling Shareholder	Common Stock Offered Hereby(4)	Beneficial Ownership After Offering	
		Number	Percent
David Goodman(3)	9,489,889	252,376	*
Maytag Holdings, Inc. (1)	8,346,192	0	*
PA Early Stage Partners, LP (2)	4,926,260	0	*
<b>Total</b>	<b>22,762,341</b>		

\* Less than one percent (1%).

- (1) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Maytag Holdings, Inc., is Ken Boyle.
- (2) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, PA Early Stage Partners, LP, is Mike Bolton.
- (3) Mr. Goodman was the President and Chief Executive Officer of Stitch through May 14, 2002.
- (4) Represents shares issued in exchange for shares of Stitch on May 14, 2002 as part of our acquisition of Stitch. We have agreed to register these shares for resale under the Act at our cost and expense until May 13, 2005.

EMPLOYEE SEVERANCE COMMON STOCK

Selling Shareholder(1)	Common Stock Offered Hereby	Beneficial Ownership After Offering	
		Number	Percent
Robert Foehl ....	16,200	0	*
David Borgese ...	25,400	0	*
Christopher Keane	26,500	0	*
Daniel Kearney ..	44,900	0	*
Kenneth May .....	16,700	0	*
Sean McGraw .....	8,700	0	*
James Rosemary ..	28,000	0	*
Staci Spitzer ...	19,200	0	*
David Vrencur ...	14,200	0	*
Aaron Watkins ...	12,500	0	*
Doug Wiggins ....	22,300	0	*
<b>TOTAL</b>	<b>234,600</b>		

\* less than one percent (1%)

- (1) Represents shares issued to our former employees as severance payments in June 2002 at a value of \$.25 per share. We have agreed to register these shares for a period of 9 months.

KARL MYNYK COMMON STOCK

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering	
		Number	Percent
Karl C. Mynyk(1)	125,000	0	*

\* less than one percent

- (1) The shares were issued to Mr. Mynyk (a former employee of USA) pursuant to a Settlement Agreement and Release between Mr. Mynyk and the Company. These shares were valued at \$.20 per share. We have agreed to register these shares for resale for a period of one year.

YOMI RODIG COMMON STOCK

Selling Shareholder	Common Stock Offered Hereby(1)	Beneficial Ownership After Offering	
		Number	Percent
Yomi Rodig	6,000,000	0	*

(1) Consists of 2,000,000 shares of Common Stock purchased at \$.10 per share and 4,000,000 shares underlying warrants exercisable at \$.10 per share.

KAZI MANAGEMENT COMMON STOCK

Selling Shareholder	Common Stock Offered Hereby(1)	Beneficial Ownership After Offering	
		Number	Percent
Kazi Management VI, Inc. (2)	22,857,145	0	*

(1) Consists of 3,571,429 shares of Common Stock purchased at \$.07 per share and 19,285,716 shares underlying warrants. Of these warrants 5,000,000 are exercisable at \$.10 per share and the the balance at \$.07 per share.  
 (2) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Kazi Management, is Zubair Kazi.

ALPHA CAPITAL COMMON STOCK

Selling Shareholder	Common Stock Offered Hereby(1)	Beneficial Ownership After Offering	
		Number	Percent
Alpha Capital Aktiengesellschaft (2)	4,500,000	0	*

(1) Consists of 3,000,000 shares of Common Stock and 1,500,000 shares underlying warrants. The shares were purchased at \$.10 per share and 750,000 warrants are exercisable at \$.15 per share and 750,000 warrants are exercisable at the closing price of our common stock on the seventh business day following the date of this prospectus.  
 (2) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Alpha Capital, is Brian Shatz.

LA JOLLA COMMON STOCK

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering	
		Number	Percent
La Jolla Cove Investors, Inc.(1)(2)	9,000,000	15,725,096	8.1%

\* less than one percent  
 (1) Represents shares issuable under warrants.  
 (2) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, La Jolla Cove Investors, is Travis Huff.

2001-B RESTRICTED COMMON STOCK

Selling Shareholder(23) -----	Common Stock Offered Hereby -----	Beneficial Ownership After Offering -----	
		Number -----	Percent -----
ALEX CONSULTING(1) (12)	100,000	2,921,000	1.5%
KATHLEEN FERLAND CUST FOR ALEXANDRA ANTOINETTE FERLAND .	134		
MICHELLE H & COSTA J ALVANOS	2,334		
MICHELLE H ALVANOS	5,000		
WAYNE A ANDERSON	16,667		
CHARLES W APPLE	30,000		
BARRY ARNDT	167		
COLEEN AYERS	3,000		
DANIEL C AYERS	1,334		
JOHN P AYERS	40,000		
JOHN R BACHICH	100,000		
MICHAEL BACHICH	225,000	950,000	*
VIRGINIA S BALTZELL	3,334		
CHARLES M & NANCY P BARCLAY	15,000		
KIRSTEN BAZURO(11)	2,000	188,775	*
GUNTER J BEYER(13)	16,667	121,500	*
DAVID C BLACKBURN	50,000		
JOSEPH J BOLITSKY	106,667		
GARY BOURASSA	6,667		

E DOUGLAS & CAROLYN BRITTAIN	13,334		
VERNON & DELLAVE BRITTAIN	11,667		
VINCENT J CALVARESE	6,667		
RONALD J CAMMAROTA	6,667		
JERROLD CARL & SUSAN E COHEN	50,000		
JULIE CARLSON	132,000		
GORDON S & MARYLOU C CLAUSEN	10,000		
DIANE CLOUTIER	15,000		
MARC A COHEN	70,000		
HELEN COLOMBO & JIM CROSS	16,667		
HELEN COLOMBO & JIM CROSS	6,667		
COLUMBIA MARKETING LTD (13)	100,000		
GERARD W COONEY	15,000		
JOHANNA CRAVEN	4,167		
WILLIAM R CROTHERS	5,000		
CLIFTON B CURRIN	33,334		
WILLIAM K & LINDA S CURTIS	66,667		
DAVID S D'ANGELO	43,334		
HRUBALA ASSOCIATES, A PARTNERSHIP			
DAVID R MOLUMPHY, PARTNER (14)	16,667		
SOFIA R DIN	20,000		
LEO J DOLAN	13,334		
ROBERT F & MELANIE J DRESS	18,334		
HOWARD P EFFRON	25,000		
KATHLEEN FERLAND CUST			
FOR ELLIOT RAYMOND FERLAND	134		
SOLOMON ELLNER	13,334		
ANTHONY J FANELLI	30,000		
KATHLEEN FERLAND	1,667		
JOHN S FOSTER	26,667		
ROBERT R FREY	5,125		
MARGARET R GEDDIS	3,334		
RONALD C & BONNIE H GIBSON	13,334		
CHARLOTTE GIVEN(2)	30,000	282,000	*
HARRIET & CARY GLICKSTEIN	30,000		
JULIUS GOLDEN	10,000		
WILLIAM M GOLDSTEIN	20,000		
PETER GRAHM	58,334		
ROBERT GRAY	30,000		
DIAN GRIESEL(2)	46,667	0	*

BRUCE H HALE	11,667		
BILL HALSTENRUD	15,000		
IRA FBO ROBERT A HAMILTON	16,667		
DEVIN HANSEN	15,000		
NANCY HANSEN	10,000		
NANCY HANSEN	13,334		
NANCY HANSEN	187,334		
CONG. SHARIT HAPLETA (15)	175,000		
WILLIAM F HARRITY JR	63,334		
GEORGE HARRUM(11)	13,334	81,000	*
ROBERT P HAUPTFUHRER			
FAMILY PARTNERSHIP (16)	20,000		
JACK M HEALD	11,667		
ANDREW B HEBENSTREIT	23,334		
ANN HEBENSTREIT	10,000		
ADELE H HEPBURN(1)	333,334	1,983,649	1.0%
JANET J HEWES	15,000		
AHP HOLDINGS, LP (17)	93,334		
MICHELLE R HOLLENSHEAD	4,167		
DAVID W HUBBERT	10,000		
GORDON F HUDSON	15,000		
MARK J HUDSON	15,000		
NICHOLAS HUDSON	11,667		
CHRISTINE F HUGES	5,834		
HULL OVERSEAS, LTD (18)	85,000		
STEVE ILLES	100,000	3,131,250	1.6%
STEVE & ELIZABETH ILLES	1,000,000	3,131,250	1.6%
ROBERT B & MARY LOU JACOBY	6,667		
TILEEN JACKSON(11)	1,000	5,277	*
PATRICIA E. RUGART CUST. FOR			
JACQUELINE RUGART	5,000		
WILLIAM ROBERT JOHNSTON	50,000		
DONALD R & JOAN F JONES SR	16,667		
MICHAEL KATCHER	15,000		
THOMAS A KATCHUR	100,000		
KAUFMAN & ASSOCIATES (19)	90,000		
ROBERT G. PADRICK, TRUSTEE			
FBO KELLIE NICOLE PADRICK	16,667		
GEORGE H & JUNE Y KILMARX	13,334		
HARRIETTE D KLANN	6,667		
SHIRLEY K KNERR	15,000		
PHILLIP S KROMBOLZ	33,334		
JOE LABRUM	167		

KATE LABRUM	167		
SARA LABRUM	167		
AARON LEHMANN	13,334		
SHELLEY & JAMES LEROUX	20,000		
WARREN D LEWIS	11,667		
H MATHER & MARGARET W LIPPINCOTT ..	1,667		
STEPHEN M LUCE(11)	6,667	111,760	*
DOUGLAS M LURIO(5)	50,000	433,213	*
CORNERSTONE PUBLIC RELATIONS GROUP INC (20)	3,750		
JAMES P MACCAIN	23,334		
AIMEE MARCHAND	2,500		
MARIEL MARCHAND	2,500		
ROBIN H MARCHAND	11,667		
KATHLEEN J MASON	153,334		
G DIEHL MATEER JR	11,667		
MICHAEL JOHN MCGONOUGH C/F MATTHEW MICHAEL MCDONOUGH	134		
CHARLES A MAYER	13,334		
THOMAS E MCCARTY(6)	33,334	380,000	*
ROBERT G MCGARRAH(7)	50,000	408,000	*
PETER J MCGUIRE	160,000		
JAMES F MERRIMAN	20,000		
MICHAEL W MILES	20,000		
BARBARA HOWARD MILLER	18,334		
HARLEY & BROOK MILLER	13,334		
GEORGE W MOFFITT JR	45,000		
KENNETH G MOLTA	6,667		
ROBERT & ROSEMARY MONTGOMERY	13,334		
LOUIS J & KAREN M MUTH	11,667		
ELIZABETH L NELSON	50,000		
GREGG J NEWHUIS	293,334		
JEFFREY M NEWHUIS	53,334		
PAUL NORDIN	6,667		
GEORGE O'CONNELL	160,000		
SUSAN ODELL	23,334		
PATRICK O'MALLEY(11)	8,500	35,000	*
ALEX ORLIK(11)	76,916	11,667	*
ERIC PAGH	15,000		
MICHAEL A PARKER	13,334		
NEIL L PARKER	10,000		
DELAWARE CHARTER GUARANTEE & TRUST FBO BARRY J PATRIZZI IRA .	13,334		
DOUGLAS A PERRY	4,167		
LARRY R PERRY	4,167		
MATTIE A & WILLIAM R PERRY	8,334		
RICHARD D PERRY	4,167		
HELEN PETLOWANY	3,334		
ROY T PIRHALA	6,667		
RANDY J POST	3,334		
ROBERT H POTTS	11,667		
BARBARA L PRESCOTT	2,500		
CHARLES W & MARIA O PROCTOR III	1,667		
JEANNE S QUIST	13,334		
PAUL RAFFERTY	33,334		
PAUL J & D JOAN RAFFERTY	30,000		



ROSAMOND P RANKIN & BYRD M HOWIE ..	3,334		
WILLIAM RECKTENWALD	40,000		
HARRY RENNER IV	67,500		
JOHN B RETTEW III	16,667		
GEORGE B RICHARDSON	41,667		
MARGIE RIFENBARK(11)	2,000	3,600	*
PATRICIA E. RUGART C/F			
ROBERT TURNER RUGART	5,000		
GARDINER ROGERS	10,000		
ROBERT ROGGIO	6,667		
JOHN E HAMILTON ROTH IRA WITH			
WACHOVIA SECURITIES	16,667		
PETER S RUBEN	30,000		
KARL F RUGART	15,000		
JOHN S RUPP	12,500		
CHARLES SCHWAB & CO FBO PETER			
A SANDS IRA ACCT 7780-9057	13,334		
WILLIAM F SCHOENHUT JR	13,334		
RICHARD SCHONWALD	250,000	1,842,875	*
STEVE SCHEIDERMAN (11)	1,150	3,550	*
MARY L SCRANTON	11,667		
BEN SIDES	3,334		
JOSEPH SINGER	13,334		
LESLIE & ETHEL SINGER	11,667		
ROBERT G & ROCIO SINGER	13,334		
RICHARD O SMITH	10,000		
STEVEN W & MARIE E SMITH	15,000		
STEVEN W SMITH SSB AS IRA CUSTODIAN	30,000		
DANIEL E SPEALMAN	46,667		
BB SECURITIES CO FBO			
DANIEL E SPEALMAN IRA	29,167		
MICHAEL & ELLEN STEIR	28,334		
HOMER N & NATHALIE W STEWART	10,000		
PRISCILLA STITT	2,000		
EDWARD B STOKES	10,000		
MARCUS B & EMIKO M STRINGFELLOW	40,000		
VIVIAN K STROUD(11)	6,667	189,127	*
CAROLYN S & CLARK D STULL JR JTWR0S	15,834		
MARY TOBIN(11)	1,667	103,550	*
MICHAEL TODD(11)	1,667	8,600	
JEAN TURNER(11)	3,334	66,000	*
WILLIAM L VAN ALLEN JR(8)	13,334	260,671	*
VIRTUAL CONCEPTS CORP(9) (21)	120,000	300,000	*
LOIS M WAGNER	7,500		
ROBERT E WAGNER	27,857		
C ANTHONY WAINWRIGHT	15,000		
JOHN WECKERLING	26,667		
HENRY W WESSELLS III	1,667		
DELTA WESTERN COMPANY (22)	150,000		
ARTHUR L WHEELER	33,334		
ARTHUR A WIENER	2,017		
J EDWARD WILLARD	26,667		
WILLIAM W SELLERS TR UA 11/20/00			
WILLIAM W SELLERS REV			
TRUST(10)	26,667	885,441	*
MARGARET S WILLIAMS	34,334		
ROBERT H WILLIAMS DDS ASSOC			
PROFIT SHARING PLAN	50,000		
DONALD J ZELENKA	90,000		
RUTH ZWEIGBAUM	7,084		
	-----		
TOTAL	7,395,440		
	=====		

\* Less than one percent (1%).

- (1) Mrs. Hepburn is the Director of Public Relations of USA.
- (2) Dian Griesel is an officer with an investment relations firm doing work for USA
- (3) I.W. Miller Group was our public relations firm.
- (4) Mr. Jensen is the Chairman and CEO of USA.
- (5) Mr. Lurio is a Director and his law firm, Lurio & Associates, P.C., is general counsel to USA.
- (6) Mr. McCarty is a consultant to USA.
- (7) Mr. McGarran is a consultant to USA.
- (8) Mr. Van Allen is a Director of USA.
- (9) Acts as a consultant to USA.
- (10) Mr. Sellers is a Director of USA.
- (11) Employee of USA.
- (12) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Alex Consulting, is Paul Winkle.
- (13) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Columbia Marketing Ltd., is Conrad Meyer.
- (14) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Hrubala Associates, is David R. Molumphy.
- (15) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Cong. Sharith Hapleta, is Leiby Solomon.
- (16) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Robert P. Hauptfuhrer Family Partnership, is Robert Hauptfuhrer.
- (17) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, is AHP Holdings, LP, is Alex H. Petro.
- (18) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Hull Overseas, Ltd., is Mitch Hull.
- (19) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Kaufman & Associates, is Criag Kauffman.
- (20) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Cornerstone Public Relations Group Inc., is M. Darlene Herbert Felt.
- (21) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Virtual Concepts Corp., is Shelly Kraft.
- (22) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Delta Western Company, is George W. Moffitt.
- (23) Represents our shares purchased by the selling shareholders in 2001 at \$.60 per share. We have agreed to register these shares for resale under the Act at our cost and expense through September 2003.

2001 - C RESTRICTED COMMON STOCK

Selling Shareholder(28)	Common Stock Offered Hereby	Beneficial Ownership- After Offering	
		Number	Percent
ALEX CONSULTING (14)(17)	350,000	2,671,000	1.3%
JACKSON L ANDERSON	12,000		
CHARLES W APPLE	20,000		
KIRSTEN BAZURO (10)	10,000	180,775	*
REBA A BEESON	10,000		
MARION DOUGLAS BELIN & TEDDIE EARLINE BELIN	40,000		
GUNTER J BEYER (16)	10,000	128,167	*
KATHLYNE K BIRDSALL	5,000		
RICHARD & MARY BIRTZ	12,000		
DAVID J BORGESE(15)	1,000	0	*
EDWIN R BOYNTON (1)	50,000	277,887	*
NEAL BOZENTKA	40,000		
WILLIAM P BURKS MD	5,000		
PAUL J BRODERICK (10)	1,000	0	*
AUGUST B CASTLE JR	62,716		
ROBERT J CLARKE	20,000		
JOHANNA CRAVEN	6,000		
HELENA CRECRAFT	10,000		
CLIFTON B CURRIN	6,000		
BENJAMIN H DEACON	10,000		
DAVID DE MEDIO (10)	30,000	234,349	*
DONALD M & DIANNE M DENLINGER	12,000		
LOUIS E & ROSE M DI RENZO	10,000		
JAMES W EFFRON	14,000		
SOLOMON ELLNER	30,000		
ANTHONY J FANELLI	4,000		
FIELDMAN, HAY & ULLMAN (11)(18)	50,000	1,677,700	*
FIN MAP CORPORATION (19)	50,000		

JOHN S FOSTER MD	60,000		
ROBERT R FREY	9,900		
GRANT GALLOWAY	20,000		
ELLEN GIMBEL	6,000		
RICHARD GONDA	279,000		
HAROLD N GRAY	4,000		
JAMES P & JOYCE M GREAVES	20,000		
ROBERT HAMILTON(10)	1,000	107,976	*
KENNETH R HARRIS	4,800		
GEORGE HARRUM (10)	1,000	93,333	*
ANDREW B HEBENSTREIT	60,000		
CYNTHIA LOCKHART HEBERTON	2,000		
MAUREEN E HENDRON	8,334		
ADELE H HEPBURN (2)	102,000	2,214,983	1.1%
AUSTIN HEPBURN (2)	10,000	4,513,788	2.3%
STEPHEN P HERBERT (3)	300,000	186,050	*
ELWOOD E HERBERT	10,000		
BJ HOLMES	5,000		
ROBERT B & MARY LOU JACOBY	12,000		
TILEEN JACKSON (10)	1,000	5,277	*
JOAN S. JAY	20,000		
GEORGE R JENSEN JR (4)	320,000	439,000	*
THOMAS A KATCHUR	20,000		
KAUFMANN & ASSOCIATES (20)	20,000		
HARRIETTE D KLANN	10,000		
HAVEN BROCK KOLLS (5)	200,000	104,725	*
BRIAN KRUG (10)	1,000	0	*
LOIS A LANDIS	4,000		
MICHAEL LAWLOR (6)	130,000	277,050	*
CECIL LEDESMA (10)	40,000	110,500	*
SHELLEY & JAMES LEROUX III	12,000		
STEPHEN LUCE (10)	10,000	108,427	*
LELAND P MAXWELL (7)	130,000	147,050	*
LILY L MCCARTNEY	8,000		
THOMAS E MCCARTY (8)	50,000	363,333	*
ROBERT G MCGARRAH	100,000		
HARLEY & BROOK MILLER	5,000		
MULL & PAIGE ASSOCIATES LLC (21)	100,000		
ELIZABETH L NELSON	20,000		
SUSAN ODELL	40,000		
PATRICK O`MALLEY (10)	1,000		
ALEX ORLICK (10)	150,000	73,583	*
ROBERT G PADRICK	20,000		

ROBERT G. PADRICK TRUSTEE FOR				
ROBERT G. PADRICK				
P/S/P AND TRUST	20,000			
ERIC PAGH	20,000			
RICHARD G & LAURA J PARKER	8,000			
BARRY PATRIZZI (10)	10,000	26,834		*
ROY T PIRHALA	6,634			
ROGER RADPOUR	500			
MARGIE RIFENBARK (10)	1,000	4,600		*
JOHN S RUPP	2,000			
STEPHEN SCHEIDERMAN (10)	6,000	0		*
RICHARD S SCHONWALD	60,000			
AMY SEYMOUR (10)	1,000	90,550		*
SHAMROCK HOLDING (22)	100,000			
THOMAS SHANNON (10)	30,000	50,440		*
RAYMOND K SHOTWELL	2,000			
GEORGE H SORRELL	2,000			
DANIEL E SPEALMAN	18,000			
ROBERT SPEARS	100,000			
HOMER N & NATHALIE W STEWART	6,000			
PRISCILLA STITT	2,000			
STRATEGIC INVESTMENT MANAGEMENT SA (23)	400,000			
VIVIAN STROUD (10)	1,000	194,794		*
CLARK D & CAROLYN S STULL JR JTWR0S	4,800			
TECHNOLOGY PARTNERS (HOLDINGS)LLC (24)(27)	120,000			
ALFRED HUNTER & SUSAN MARY THOMPSON	3,000			
ANDREW ANDERSON & MARY LYNN THOMPSON	2,000			
DANIEL G THOMPSON	4,000			
ROSALIE H THOMPSON	20,000			
SAMUEL REEVES THOMPSON	4,000			
TREETOP INVESTMENTS (25)	100,000			
MARY TOBIN (10)	10,000	95,217		*
MICHAEL TODD (10)	2,500	7,767		*
JAMES L VAN ALEN	6,000	0		*
VIRTUAL CONCEPTS (13)(26)	135,000	240,000		*
WILLIAM W SELLERS				
TR UA 11/20/00 WILLIAM				
W SELLERS REV TRUST (9)	100,000	812,108		*
MARGARET S WILLIAMS	18,000			
ROBERT H WILLIAMS DDS				
ASSOC PROFIT SHARING PLAN	24,000			
DEBORAH WITTE	110,000			
FRANCIS WOLFE, JR	1,000			
MIKE WUSINICH	20,000			
RUTH ZWEIGBAUM	6,000			
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TOTAL	4,069,184			
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\* Less than one percent (1%).

(1) Mr. Boynton is a Director of USA.

(2) Adele Hepburn and Austin Hepburn are husband and wife. Mrs. Hepburn is the Director of Public Relations of USA.

(3) Mr. Herbert is a Director, President and Chief Operating Officer of USA.

(4) Mr. Jensen is Chairman of the Board and Chief Executive Officer of USA.

(5) Mr. Kolls is Senior Vice President of Research and Development of USA.

(6) Mr. Lawlor is the Vice President of Marketing and Sales of USA.

(7) Mr. Maxwell is the Treasurer and Chief Financial Officer of USA.

(8) Mr. McCarty is an employee of USA.

(9) Mr. Sellers is a Director of USA.

(10) Employee of USA.

- (11) Fieldman, Hay & Ullman represented USA in connection with pending litigation.
- (12) Mr. Van Alen is a Director of USA.
- (13) Virtual Concepts is a consultant to USA.
- (14) Alex Consulting is a consultant to USA.
- (15) Former employee of USA.
- (16) Consultant to USA.
- (17) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Alex Consulting, is Paul Winkle.
- (18) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Fieldman, Hay & Ullman, is John Hay.
- (19) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Fin Map, is John Mull.
- (20) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Kaufman & Associates, is Craig Kaufman.
- (21) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Mull & Paige Associates LLC, is John Mull.
- (22) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Shamrock Holding, is Shelly Kraft.
- (23) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Strategic Investment Management SA, is Marilyn Rosevelt.
- (24) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Technology Partners (Holdings) LLC, is Porter Bibb.
- (25) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Treetop Investments, is Mike Iorlano.
- (26) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Virtual Concepts, is Shelly Kraft.
- (27) Technology Partners is the investment banker of USA.
- (28) Represents shares purchased from us by the selling shareholders in 2001 for \$.50 per share. We have agreed to register these shares for resale under the Act at our cost and expense until October 2003.

## 2004 SENIOR NOTE COMMON STOCK

Selling Shareholder -----	Common Stock Offered Hereby(1) -----	Beneficial Ownership- After Offering -----	
		Number -----	Percent -----
AHP HOLDINGS (9)	116,668		
Alvanos, Michelle & Costa	15,000		
Anderson, Jackson L	15,000		
Anderson, Wayne a	41,668		
Apple, Charles W	112,500		
Bazuro, Kirsten and Robert(8)	12,500	184,525	*
Barclay, Charles & Nancy	50,000		
Birdsall, Kathlyne K	6,250		
Bjorklund, Alexandra O	75,000		
Blackburn, David C	125,000		
Bolitsky, Joseph J	133,334		
Boyar, Lea	25,000		
Boynton, Edwin R(2)	62,500	296,637	*
Breslin, Billie	50,000		
Brittain Family Trust (10)	33,336		
Burks, William P	31,250		
Calvarese, Vincent J	12,500		
Carl, Jerrold & Susan Cohen	125,000		
Carlson, Julie	330,000		
Castle Jr, August B	78,396		
Charrington III, Arthur M.R.	50,000		
Charrington, Ardis B	50,000		
Chiordi, Michael J	50,000		
Ciesielski, Judy a	50,000		
Clark Jr, Gerald E	35,000		
Clarke, Robert J	45,000		
Clausen, Gordon & Marylou	12,500		
Cohen, Marc A	87,500		
Cong Sharit Hapleta (11)	250,000		
Cornerstone Public Relations Group (12)	4,688		
Craven, Johanna	17,918		

Cross, Jim & Helen Columbo	16,668		
Crothers, William R	6,250		
Crow, Lorraine	5,000		
Curriu, Clifton B	49,168		
Curtis, William & Linda	100,000		
D'Angelo, David S	54,168		
Deacon, Benjamin	12,500		
Delta Western Company (13)	187,500		
Demaris, Sheri-lynn	175,500		
DeMedio, David (8)	37,500	245,599	*
Denlinger, Donald & Dianne	60,000		
Diligent Finance Co Ltd(6) (14)	1,600,000	1,578,000	*
Direnzo, Louis & Rose	12,500		
Dolan, Leo J	40,000		
Dress, Robert & Melanie	36,668		
Effron, Howard	50,000		
Effron, James	17,500		
Elliot, Bently	50,000		
Evanko, Dr. Mark A	5,000		
Fanelli, Anthony	85,000		
Foster, John S	141,668		
Frey, Robert R	18,780		
Fulmer, Samantha Harris	5,000		
Fusaro, Anthony A	100,000		
Galvin, Dorothy	5,000		
Geddis, Margaret R	8,336		
Gibson, Ronald & Bonnie	33,336		
Giddens, Robert G	100,000		
Gillespie, Gale S	25,000		
Glickstein, Harriet & Cary	75,000		
Glockner, Frederick & Joan	5,000		
Golden, Julius	25,000		
Goldstein, William M	50,000		
Greaves, James & Joyce	25,000		
Groff, Larry K & Sheryl L	15,000		
Hamilton, IRA FBO Robert A. (8)	21,000	93,226	*
Hamilton, Robert A. (8)	10,500	93,226	*
Hansen, Nancy Huston	310,000		
Harris Jr, Burt I	800,000		
Harris, Burt I	800,000		
Harris, Kenneth R	6,000		
Harrity Jr, William F	158,336		
Hauptfuhrer Family Partner (15)	50,000		
Heald, Jack M	29,168		
Hebenstreit, Andrew B	183,336		
Hebenstreit, Ann	75,000		
Hebenstreit, Lisa	40,000		
Hebenstreit, Sam	35,000		



Hebenstreit, Timothy B	55,000		
Hebenstreit, Todd	40,000		
Hendron, Maureen E	40,833		
Hepburn, Adele H(3)	544,168	2,044,899	1.0%
Hepburn, Austin B(3)	8,496	4,349,456	2.2%
Hollenshead, Michelle	10,418		
Holt, Alton	260,000		
Hrubala Assoc, a Partnership (16)	20,834		
Hubbert, David W	12,500		
Hudson, Gordon F	25,000		
Hudson, Mark J	40,000		
Hudson, Nicholas	18,000		
Hughes, Christine F	14,586		
Illes, Steve	1,000,000		
Illes, Steve	375,000		
J.M. Hull Associates LP (17)	106,500		
Jackson, Nata M	200,000		
Jacoby, Robert & Mary Lou	63,336		
Johnston, William Robert	100,000		
Jones, Charles T	25,000		
Jones, Donald & Joan	20,836		
Katchur, Michael	37,500		
Katchur, Thomas A	275,000		
Katchur, Thomas John	54,000		
Kilmarx, George & June	33,336		
Klann Trust, Harriette D	16,668		
Klann, Harriette D	25,000		
Knerr, Shirley K	45,000		
Kobus, Gregory & Alice	50,000		
Landis, Lois	5,000		
Lewis, Warren D	29,168		
Lippincott Jr, H Mather & Margaret	50,000		
Lockhart-heberton, Cynthia	2,500		
Lopez, Anthony & Barbara	50,000		
Luce, Stephen M (8)	16,668	110,093	*
Maccain, James P	58,336		
Madan, Lewis F	10,000		
Marchand, Aimee	6,500		
Marchand, Mariel	6,500		
Marchand, Robin	27,168		
Martin, C Leonard	100,000		
Mason, Kathleen J	383,336		
Mayer, Charles	20,000		
McCartney, Lily	10,000		
McGonigle, John & Rosemary	5,000		
McGonigle, Mary C	5,000		
McGuire, Peter J	400,000		
Merriman, James F	50,000		
Migliaccio, Al for Ashlee	25,000		
Miller, Eileen & Lawrence	20,000		

Miller, Harley & Brook	22,918		
Millikin, George & Caroline	150,000		
Moffitt Jr, George W	56,250		
Montgomery, Ernest E	50,000		
Montgomery, Robert & Rosemary	33,336		
Moyer, F Stanton	125,000		
Murray, Barbara J	50,000		
Nelson, Elizabeth L	87,500		
Newhuis, Gregg J	75,000		
Newhuis, Jeffrey M	35,000		
Nolan, Patrick	100,000		
Nordin, Paul	16,668		
O'Connell, George	200,000		
Odell, Susan	108,336		
Orlik, Alex (8)	45,626	68,270	*
Pagh, Eric	62,500		
Parker, Michael A	16,668		
Parker, Neil L	12,500		
Parker, Richard & Laura	40,000		
Perry, Douglas	10,418		
Perry, Larry R	10,418		
Perry, Mattie & William	50,000		
Perry, Richard	10,418		
Pirhala, Roy T	33,252		
Potts, Robert H	50,000		
Prescott, Barbara L	6,250		
Proctor, Charles & Maria	2,084		
Rafferty, Paul & Joan	158,336		
Recktenwald, William	100,000		
Reisner, William & Frances	60,000		
Renner IV, Harry	168,750		
Rettew III, John B	41,668		
Richardson, George & Sharon	52,084		
Rogers, Gardiner	15,000		
Roper, Lisa & Lee	75,000		
Roper, Marie G	75,000		
Rugart, Karl F	37,500		
Rupp, John S	33,750		
Scammahorn, Keith & Lynne	50,000		
Schoenhut Jr, William F	33,336		
Scholl Profit Sharing Plan, Db	50,000		
Scholl, Margaret J	50,000		
Schonwald, Richard S	312,000		
Scranton, Mary L	29,168		
Sellers Trust, William W (7)	158,334	832,941	*
Shotwell, Raymond K	2,500		
Shupe, Johnnye F	5,000		
Singh, Krishna K	150,000		
Smith, Richard	600,000		
Spealman Ira, Daniel	36,458		
Spealman, Daniel E	194,998		

Steir, Michael & Ellen	37,500		
Stewart, Homer & Nathalie	32,500		
Stitt, Priscilla A	7,500		
Stokes, Edward B	50,000		
Stringfellow, Marcus & Emiko	50,000		
Stull, Clark D	3,500		
Szychoski, George E	500		
Szychoski, Michael W	1,250		
Szyborski, Constantine T	50,000		
Technology Partners(5) (18)	125,000		
Technology Partners(5) (18)	1,800,490		
Thompson, Alfred & Susan	3,750		
Thompson, Andrew & Marylynn	2,500		
Torres, Guillermo M	50,000		
Unanue, Curtis & Maria	150,000		
Van Alen Jr, William L(4)	16,670	265,670	*
Wagner, Robert E	69,642		
Weaver, David	11,000		
Weaver, Kevin & Alicia	150,000		
Weaver, Michael L	5,000		
Weaver, Wesley R	25,000		
Wessells III, Henry W	4,168		
Wheeler, Arthur L	2,305,000		
Willard, J Edward	241,668		
Williams Dds Profit Sharing	295,000		
Williams, Margaret S	179,000		
Yoshimoto, Craig	50,000		
Yutzy, John a & Lucinda K	40,000		
Zelenka, Donald J	112,500		
Zweigbaum, Ruth	25,210		
Total	23,262,506		

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\* Less than one percent (1%)

(1) The amount listed for each selling shareholder reflects the shares into which the selling shareholder's senior note due December 31, 2004 would be convertible at the rate of \$.20 per share. As of the date of this prospectus, none of these shares have been issued upon conversion of the Senior Notes. We have agreed to register these shares for resale under the Act at our cost and expense until June 2004.

(2) Mr. Boynton is a Director of USA.

(3) Ms. Hepburn is Director of Public Relations for USA. Mr. Hepburn is the spouse of Adele Hepburn.

(4) Mr. Van Alen is a Director of USA.

(5) Technology Partners is the investment banker for USA.

(6) Consultant to USA.

(7) Director of USA.

- (8) Current employee of USA.
- (9) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, AHP Holdings, is Alex H. Petro.
- (10) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Brittain Family Trust, is E. Douglas Brittain.
- (11) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Cong. Shearith Hapleta, is Leiby Solomon.
- (12) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Cornerstone Public Relations Group, is M. Darlene Herbert Felt.
- (13) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Delta Western Company, is George W. Moffitt.
- (14) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Diligent Finance Co. Ltd., is Rai Hamilton.
- (15) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Hauptfuhrer Family Partnership, is Robert Hauptfuhrer.
- (16) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Hrubala Assoc, a Partnership, is David R. Molumphy.
- (17) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, J.M. Hull Associates LP, is Mitch Hull.
- (18) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Technology Partners, is Porter Bibb.

## 2005 SENIOR NOTE COMMON STOCK

Selling Shareholder(32)	Common Stock Offered Hereby	Beneficial Ownership After Offering	
		Number	Percent
Aanestad, Donald T.	140,000		
Alex Consulting(8) (14)	350,000	2,671,000	1.3%
Alimachandani, Vijay	210,000		
Alvarez, Delia P.	35,000		
Anderson, Wayne A.	35,000		
Apple, Charles W	70,000		
Apple, Susan Schram	70,000		
Bachich, John	350,000		
Bellavia, Charles F.	70,000		
Beyer, Gunter(9)	70,000	68,167	*
Blackburn, David C.	105,000		
Blackburn, Donald F.	210,000		
Bolitsky, Joseph	70,000		
Bransville Investment Ltd. (15)	140,000		
Bray, David G.	14,000		
Brill Securities (16)	210,000		
Brittain, Douglas & Carolyn	140,000		
Brodine, Gordon L.	140,000		
Budinetz, Michael J.	99,750		
Burks, William P.	70,000		
Carlson, Julie	70,000		
Cape MacKinnon, Inc. (17)	350,000		
Castle Jr, August B.	70,000		
Clarke, Robert J.	910,000		
Coffey, Roger D.	70,000		
Cong Shearith Hapleta (18)	385,000		
Craven, Johanna	8,750		
Crow, Dudley R.	70,000		
Currin, Clifton B.	140,000		
Curtis, William K.	99,750		
D'Angelo, David	210,000		
DeMaris, Sheri Lynn	126,000		
Diligent Finance Co. Ltd.(10)(19)	700,000	1,678,000	*
Din, Anees T	189,000		
Elliot, Ben	210,000		
Ellner, Solomon	350,000		
Ellshay, LLC (20)	140,000		
Fanelli, Anthony J.	70,000		
Firestone, Jeffrey	280,000		
Forigo, Daniele	250,005		
Fox, Helen K.	70,000		
Fusaro, Anthony A.	70,000		
Geddis, Margaret R	17,500		
GFG Consulting (21)	420,000		
Giddens, Robert G.	311,967		
Given, Charlotte (11)	140,000	172,000	*
Deacon Jr. Benjamin H	35,000		
Finn Staff	140,000		

Herbert, Julie(7)	350,000	1,288,720	*
Jones, Robert	210,000		
Glickstein, Harriet	70,000		
Glicksman, Rachel	336,000		
Goldstein, William M.	70,000		
Gregory, Alan V.	70,000		
Hainey, Bob	350,000		
Haldeman, Edward	140,000		
Haldeman, Pauline E.	140,000		
Hall, Robert & Virginia	35,000		
Harrity Jr, William	70,000		
Harris, Ken	26,857		
Hauptfuhrer Family Partnership (22)	175,000		
Hauptfuhrer, Barbara D.	70,000		
Heald, Cynthia & Jack	70,000		
Hebenstreit, Andrew	350,000		
Hendron, Maureen	70,000		
Hepburn, Adele (1)	700,000	1,616,983	*
Hepburn, Austin B.(1)	70,000	3,855,788	1.9%
Herbert, Stephen B.(7)	350,000	136,050	*
Hewson, Thomas A.	140,000		
Hrubala Associates, a Partnership (23)	70,000		
Hudson, Gordon F.	35,000		
Hudson, Mark J.	17,500		
Hudson, Nicholas C.	17,500		
Hughes, Christine F.	35,000		
Ignite Capital (24)	350,000		
Illes, Steve	175,000		
Internet PR Group (25)	70,000		
Jalmarson, Graig H.	42,000		
Jenkins, Wendy	140,000		
Jensen, Burton(2)	74,328	1,088,544	*
Jensen, David(2)	74,328	339,000	*
Jensen, George(2)	420,000	1,088,544	*
Jensen, Julie(2)	280,000	1,088,544	*
Jones Sr, Donald & Joan	9,332		
Katchur, Thomas A.	490,000		
Katchur, Thomas John	70,000		
Keffer, John & Raelene	70,000		
Knode, Raplh H.	140,000		
Konsmo, Oystein	87,500		
Law, Jeannine P.	70,000		
Leboutillier, Sherril F	70,000		
Lee, Steven	17,500		
Lehmann, Aaron	189,000		
Leroux, Shelley	70,000		
Lewis, Warren D.	70,000		
Lexington Venutres (26)	420,000		
Lippincott Jr., H. Mather	35,000		
Lizzul, Paul & Dawn-Marie	70,000		
Lockhart, Loretta	40,005		
Lozowski, Robert	14,000		
Luppino, Frances	70,000		
Lurio, Douglas(3)	105,000	152,213	*
Maloney, Virginia Marshall	7,000		
Mason, Kathleen	140,000		
Max Communications (27)	420,000		
McCabe, Barry N.	70,000		
McCormick, John F.	175,000		
Knerr, Shirley K	70,000		

Potts, Robert H	70,000		
Mcgarrah, Robert G(12)	210,000	248,000	*
McGuire, Peter J.	140,000		
Merriman, James	210,000		
Miller, Harley & Brook	24,500		
Moffitt Jr, George W.	70,000		
Montgomery, Robert & Rosemary	70,000		
Mosier, James	140,000		
Nash, Gary	14,000		
Neff, Ronnie	70,000		
Neil, James	140,000		
Nelson, Elizabeth L.	140,000		
Nemeth, Robert F.	140,000		
Newhuis, Gregg J.	1,295,000		
Newhuis, Jeffrey	44,345		
Nolan, Patrick	24,325		
Oakland, Gary	105,000		
OConnell, George	280,000		
O'Neill, Brian J.	105,000		
Padrick, Robert	280,000		
Panorama Partners (28)	21,000		
Parker, Neil L.	17,500		
Parker, Richard & Laura	175,000		
Pellegrino, Joseph	1,400,000		
Penjuke, William & Carol	70,000		
Pett, Robert A.	700,000		
Pirhala, Roy T.	146,003		
Ransome III, Ernest L.	70,000		
Recktenwald, William	140,000		
Reichl, Thomas C.	21,000		
Reisner, Greg A.	70,000		
Reisner, William & Frances	70,000		
Renner IV, Harry	70,000		
Rettew III, John B.	35,000		
Richardson, George B.	72,917		
Roberts, Noma Ann	35,000		
Roper, Lee & Lisa	70,000		
Rosenthal, Jerry	140,000		
Ruben, Peter B.	700,000		
Rugart, Karl F.	35,000		
Rupp, John S.	70,000		
Schoenhut III, William F.	70,000		
Schoenhut Jr., William F.	210,000		
Schonwald, Richard S.	490,000		
Schwartz, Stephen	175,000		
Scifers, Vicki S.	70,000		
Sellers, William W. (4)	280,000	632,108	*
Shotwell, Raymond K.	35,000		
Shute, Harry D.	35,000		
Singer, Joseph	7,000		
Padrick, Trustee, Robert G.			
Padrick P/S/P and Trust, Robert G	140,000		
Padrick, Trustee FBO Kellie Nicle			
Padrick, Robert G	70,000		
	78		

Smitley, Kathy	35,000		
Snyder, Melvin G.	70,000		
Stanglein, Terry W.	252,000		
Steir, Michael & Ellen	35,000		
Stern, Shai L.(13)	175,000	41,250	*
Stevens, Gertrude	175,000		
Stewart, Homer & Nathalie	15,400		
Svedas, William	7,000		
Tauber, Barbara Ann	7,000		
Technology Partners(5)(29)	350,000	1,878,157	*
Tequesta Capital Corp. (30)	99,995		
Thompson, Alfred & Susan	14,000		
Thoroughgood, William E	17,500		
Torres, Guillermo	70,000		
Trinity Associates (31)	70,000		
Turesky, Stephen S.	35,000		
Turner, James	280,000		
Van Alen Jr, William L.(6)	140,000	134,005	*
Vodantis, John S. & Hope J.	35,000		
Wagner, Robert E.	70,000		
Weaver, David E.	21,000		
Weaver, Dwane M.	70,000		
Weaver, Marlene	700,000		
Weaver, Wesley R.	70,000		
Wiener, Arthur	37,403		
Wiener, Arthur & Ruth	80,850		
Wiener, Bernard	35,000		
Wilson, Kenneth B.	35,000		
Winkle, Paul J. (8)	120,001	25,715	*
Wolfe, Claudine W.	21,000		
Wright, C. Edwin & Janet Lyn	35,000		
Wright, John D.	35,000		
Zelenka, Donald J.	140,000		
Zirbes, Joseph	35,000		
Zweigbaum, Ruth	17,500		

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Total	29,988,062		
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\* Less than one percent (1%)

- (1) Mr. Hepburn is the spouse of Adele Hepburn, Director of Public Relations of USA.
- (2) George R. Jensen, Jr., is the Chairman of the Board and Chief Executive Officer of USA.
- (3) Mr. Lurio is a Director of USA and President of Lurio & Associates, P.C., general counsel to USA.
- (4) Mr. Sellers is a Director of USA.
- (5) Technology Partners is the investment banker of USA.
- (6) Mr. Van Alen is a Director of USA.
- (7) Mr. Herbert is Director, President and Chief Operating Officer of USA. Julie Herbert is his spouse.
- (8) Mr. Winkle is president of Alex Consulting, a consultant to USA.
- (9) Mr. Beyer is our consultant.
- (10) Diligent Finance is our consultant.
- (11) Charlotte Givens is our consultant.
- (12) Robert McGarrah is our consultant.
- (13) Mr. Stern is our consultant.
- (14) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Alex Consulting, is Paul Winkle.
- (15) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Bransville Investment Ltd., is Craig Hjalmarson.
- (16) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Brill Securities, is Larry Berk.
- (17) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Cape MacKinnon, Inc., is Steve Frye.
- (18) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Cong. Shearith Hapleta is Leiby Solomon.
- (19) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Diligent Finance Co. Ltd., is Rai Hamilton.
- (20) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Ellshay, LLC., is Mark Erlich.
- (21) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, GFG Consulting, is Grant Galloway.
- (22) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Hauptfuhrer Family Partnership, is Robert Hauptfuhrer.
- (23) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Hrubala Associate, a Partnership, is David R. Molumphy.
- (24) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Ignite Capital, is Richard Gonda.
- (25) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Internet PR Group, is Roland Perry.
- (26) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Lexington Ventures, is Larry Gordon.
- (27) The natural person who exercises sole and/or shared voting or dispositive

powers with respect to the shares held of record by the entity, Max Communications, is Richard Molinsky.

(28) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Panorama Partners, is Aaron Lehmann.

(29) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Technology Partners, is Porter Bibb.

(30) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Tequesta Capital Corp., is Gary F. Lobrozzi.

(31) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Trinity Associates, is Michael K. Stern.

(32) The amount listed for each selling shareholder reflects the shares into which the selling shareholder's senior note due December 31, 2005 would be convertible at \$.20 per share as well as shares issued at the time of issuance of senior notes. For each \$10,000 principal amount of senior note purchased, the holder also received 20,000 of our shares. As of the date hereof, 1,264,465 shares have been issued to the senior noteholders in exchange for conversion of their senior notes at \$.20 per share, 20,117,581 shares are reserved for future conversions of the senior notes and 8,606,016 shares were issued to the holders of the senior notes at the time of the issuance of the senior notes. We have agreed to register these shares for resale under the Act at our cost and expense until October 2004.

1998-B COMMON STOCK PURCHASE WARRANTS

Selling Shareholder(3) -----	Common Stock Offered Hereby -----	Beneficial Ownership After Offering -----	
		Number	Percent
		-----	-----
Barclay, Charles and Nancy	5,000		
Bird, Benjamin Lee	1,250		
Bjorkland, Trustee, Alexandra O	5,000		
Bolitsky, Joseph J	20,000		
Bourassa, Kim	10,000		
Burks, William P	2,500		
Curran, Clifton B	1,250		
Delta Western Company	5,000		
Geddis, Margaret R	1,250		
Hepburn, Adele H	2,500	4,623,288(1)	2.4%
Jones, Robert	2,500		
Klann, Hariette D	2,500		
Krook, Nancy	15,000		
Moffit, Richard W	5,000		

Roberts, Noma Ann	2,500		
Rubin, Peter	2,500		
Selders, Thomas A	2,500		
Seltzer, Helen E	250		
Sullivan, Robert D	2,500		
Young, Frances	50,000	1,775,000(2)	*
	-----		
Total	139,000		
	-----		

(1) Adele Hepburn is the Director of Public Relations of USA.

(2) Former employee of USA.

(3) Represents 134,000 shares issued upon exercise of our 1998-B Common Stock Purchase Warrants at \$.10 per share and 5,000 shares underlying unexercised warrants.

1999-B COMMON STOCK PURCHASE WARRANTS

Selling Shareholder(23)	Common Stock Offered Hereby	Beneficial Ownership After Offering~	
		Number	Percent
-----	-----	-----	-----
ADAMSON, BROOKE ANN	3,800		
ALEX CONSULTING, INC. (1)(14)	30,000	2,991,000	1.5%
ALPERT, ALAN	5,000		
ANDERSON, JACKSON L	15,000		
ANDERSON, WAYNE	10,000		
ARNDT, BARRY	1,000		
AYERS, JOHN P	10,000		
BEARD, ALEXANDER	500		
BELIN, MARION & TEDDIE	20,000		
BESCH, NANCY & EARL	5,000		
BEYER, GUNTER	2,500		
BOLITSKY, JOSEPH	20,000		
BOYNTON, EDWIN (2)	20,000	307,887	*
BOYNTON, JAMES R	10,000		
BURKS, WILLIAM P	2,500		
CALVARESE, JOANNE	10,000		
CALVARESE, VINCENT	10,000		
CARL, JERROLD & SUSAN COHEN	50,000		
CASTLE JR, AUGUST	30,000		
CASTOR GROUP LTD (15)	100,000		
CATINO, JANET K	5,000		

CHISTOLINI, JOHN	10,000
CIESIELSKI, JUDY ANN	10,000
COHEN, MARC	10,000
COSTELLO, MAUREEN	10,000
CURRIN, CLIFTON	5,000
CURTIS, A KENNETH & WILLIAM K	20,000

CURTIS, WILLIAM K & LINDA S	30,000		
DAILEY, JAMES	10,000		
D'ANGELO, DAVID	10,000		
DEMEDIO, DAVID (3)	3,000	267,349	*
DEMEDIO, MARTHA	1,000		
DOLAN, LEO	5,000		
EASON, JEAN	2,000		
FIELDMAN, HAY & ULLMAN (4) (16)	225,000	1,502,000	*
FRYE, WAYNE	1,250		
GEDDIS, MARGARET	2,500		
GIDDENS, ROBERT G	10,000		
GIDEON TRADING LTD (17)	275,000		
GLICKSTEIN, HARRIET & CARY	10,000		
GLOMB, CHARLES F	5,000		
GREEN, JOHN R	5,000		
GRETH, CHARLES & RONNIE NEFF	5,000		
HAMILTON FBO IRA, ROBERT (5)	20,000	128,976	*
HAMILTON, JAMES	5,000		
HANSCOM, JANE	1,000		
HANSEN, NANCY	15,000		
HARGETT, JUDY & JOHN	2,500		
HARRIS IRA, BETTY	17,500		
HARRIS, JASON BRADLEY	20,000		
HARRITY, VIRGINIA	5,000		
HARRITY, WILLIAM	10,000		
HAUPTFUHRER FAMILY PARTNER (18)	5,000		
HAUPTFUHRER, BARBARA	10,000		
HAVENS, ANDREA	5,000		
HEALD, JACK & CYNTHIA	10,000		
HEBENSTREIT, ANDREW	10,000		
HEPBURN, AUSTIN B (6)	5,000	4,620,788	2.4%
HOLLAWAY, STEVEN	10,000		
HOLMWOOD, JAMES	20,000		
HORGAN, THOMAS & LISA	10,000		
HRUBALA ASSOC. A PARTNERSHIP (19)	10,000		
HUGHES, CHRISTINE	2,500		
HYMAN, MICHAEL	5,000		
IW MILLER GROUP (7)(20)	100,000	468,750	*
JACOBY, ROBERT & MARY LOU	10,000		
JOHNSTON, WILLIAM ROBERT	10,000		
JONES SR, DONALD & JOAN	5,000		
JONES, DONALD R	2,500		
JOSHI, RICK	8,400		
KELLEHER, CHARLES	10,000		
KILGORE, ROBERT	20,000		
KILMARX, GEORGE & JUNE	10,000		

KNERR, SHIRLEY	50,000		
KOLESNIKOFF, EMERSON	10,000		
KRAFTON, JOHN & SANDRA	5,000		
KROMBOLZ, PHILLIP	20,000		
KRUGER, LEON M	5,000		
LANG, EILEEN	500		
LICHTENSTEIN, ISRAEL & NESIA	5,000		
LOPEZ, PATRICK	7,500		
LUCE, STEPHEN (8)	5,000	113,427	*
LUPPINO, FRANCES	10,000		
LURIO, DOUG AND MARGARET (9)	5,000	252,213	*
MARINO, SALVATORE	5,000		
MASON, KATHLEEN	50,000		
MAXWELL, LELAND (10)	5,000	272,050	*
MCCARTHY, G ELLARD	5,000		
MCCARTY, THOMAS (11)	69,000	344,333	*
MCGARRAH, BOB	25,000		
MEEKS, DR. JAMES E	12,500		
MERRIMAN, JAMES F	5,000		
MIGLIACCIO, AL	10,000		
MILLER, HARLEY	5,000		
MILLIGAN, DAVID	1,000		
MOFFITT, WANDA S	5,000		
NELSON, ELIZABETH	10,000		
NISHA MEHTA INVESTMENTS (21)	60,000		
PAKRADOONI, PETER	10,000		
PAPA, GARY	10,000		
PARKER, KATHY & DOUGLAS	2,000		
PARKER, MICHAEL	5,000		
PARKER, RICHARD & LAURA	10,000		
PELTER, TIMOTHY	500		
PONTON JR., JOHN W	5,000		
QUINN, DANIEL	20,000		
RAFFERTY, PAUL	10,000		
RECKTENWALD, WILLIAM	10,000		
RENNER IV, HARRY	10,000		
ROBERTS, NOMA ANN	5,000		
ROLFE, RANDALL C	1,000		
ROPER, LEE & LISA	5,000		
RUGART, KARL	10,000		
SELLERS, WILLIAM (12)	130,000	782,108	*
SHAHEEN, LOUIS & JANET	5,000		
SMITH, PATRICIA JILL	73,500		
STETSON IV, JOHN & SOLVEIG	5,000		
STEWART, HOMER	1,000		

STITT, PRISCILLA	10,000		
STULL, CLARK & CAROLYN	2,500		
WHEELER, ARTHUR	20,000		
WOLFE, CLAUDINE W	2,000		
WOLFE, HOWARD H	1,500		
WORDEN FAMILY PARTNERSHIP (22)	5,000		
WORDEN, GEOFFREY	12,500		
WRIGHT, JOHN D	5,000		
YOCUM, GEORGE	4,000		
YOUNG, FRANCES (13)	130,000	1,695,000	*
ZELENKA, DONALD	25,000		
ZEYHER, LOIS & DAVID	5,000		
	-----		
TOTAL	2,340,450		
	=====		

\* Less than one percent (1%).

- (1) Alex Consulting, Inc. is a consultant to USA on public relations and financial matters.
- (2) Mr. Boynton is a Director of USA.
- (3) Mr. DeMedio is an employee of USA.
- (4) Fieldman, Hay & Ullman, LLP, represented USA in connection with prior litigation.
- (5) Mr. Hamilton is an employee of USA.
- (6) Adele Hepburn (the wife of Austin Hepburn) is the Director of Public Relations of USA.
- (7) I.W. Miller Group, Inc. is our public relations firm.
- (8) Mr. Luce is an employee of USA.
- (9) Mr. Lurio is a Director and his law firm, Lurio & Associates, P.C., is general counsel to USA.
- (10) Mr. Maxwell is the Chief Financial Officer of USA.
- (11) Mr. McCarty is the President of Vista Marketing Research, Inc. which serves as a consultant to USA.
- (12) Mr. Sellers is a Director of USA.
- (13) Ms. Young is a former employee of USA.
- (14) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Alex Consulting, Inc., is Paul Winkle.
- (15) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Castor Group Ltd., is Conrad Meyer.
- (16) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Fieldman, Hay & Ullman, is John Hay.
- (17) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Gideon Trading Ltd., is Rich Joshi.
- (18) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Hauptfuhrer Family Partnership, is Robert Hauptfuhrer.
- (19) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Hrubala Assoc. A Partnership, is David R. Molumphy.
- (20) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, I.W. Miller Group, is Ira W. Miller.



(21) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Nisha Mehta Investments, is Barry Herman.

(22) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Worden Family Partnership, is Geoffrey F. Worden.

(23) Represents 2,340,450 shares issued upon exercise of 1999-B Common Stock Purchase Warrants at \$1.00 per share. We have agreed to register these shares for resale under the Act at our cost and expense until May 2003.

2001 - B COMMON STOCK PURCHASE WARRANTS

Selling Shareholder(11) -----	Common Stock Hereby Offered -----	Beneficial Ownership After Offering -----	
		Number -----	Percent -----
MICHELLE H & COSTA J ALVANOS	2,334		
MICHELLE H ALVANOS	5,000		
WAYNE A ANDERSON	16,667		
CHARLES W APPLE	30,000		
CHARLES M & NANCY P BARCLAY	15,000		

DAVID C BLACKBURN	50,000		
JOSEPH J BOLITSKY	106,667		
E DOUGLAS & CAROLYN BRITTAI	13,334		
VINCENT J CALVARESE	6,667		
JERROLD CARL & SUSAN E COHEN	50,000		
JULIE CARLSON	132,000		
GORDON S & MARYLOU C CLAUSEN	10,000		
MARC A COHEN	70,000		
GINO F. COLOMBO & JIM CROSS	6,667		
JOHANNA CRAVEN	4,167		
WILLIAM R CROTHERS	5,000		
CLIFTON B CURRIN	33,334		
WILLIAM K & LINDA S CURTIS	66,667		
DAVID S D'ANGELO	43,334		
HRUBALA ASSOCIATES, A PARTNERSHIP			
DAVID R MOLUMPHY, PARTNER (4)	16,667		
LEO J DOLAN	13,334		
ROBERT F & MELANIE J DRESS	36,668		
ANTHONY J FANELLI	30,000		
JOHN S FOSTER	26,667		
ROBERT R FREY	5,125		
MARGARET R GEDDIS	3,334		
RONALD C & BONNIE H GIBSON	12,334		
HARRIET & CARY GLICKSTEIN	30,000		
JULIUS GOLDEN	10,000		
WILLIAM M GOLDSTEIN	20,000		
NANCY HANSEN	10,000		
NANCY HANSEN	13,334		
NANCY HANSEN	187,334		
CONG. SHARIT HAPLETA (5)	175,000		
IRA FBO ROBERT A HAMILTON	16,667		
WILLIAM F HARRITY JR	63,334		
ROBERT P HAUPTFUHRER			
FAMILY PARTNERSHIP (6)	20,000		
JACK M HEALD	14,000		
ANDREW B HEBENSTREIT	23,334		
ANN HEBENSTREIT	10,000		
ADELE H HEPBURN(1)	333,334	1,983,649	1.2%
AHP HOLDINGS, LP (7)	93,334		
MICHELLE R HOLLENSHEAD	4,167		
DAVID W HUBBERT	10,000		
GORDON F HUDSON	15,000		
MARK J HUDSON	15,000		
NICHOLAS HUDSON	11,667		
CHRISTINE F HUGES	5,834		
HULL OVERSEAS, LTD (8)	85,000		

STEVE ILLES	100,000	3,131,250	1.6%
STEVE & ELIZABETH ILLES	1,000,000	3,131,250	1.6%
ROBERT B & MARY LOU JACOBY	6,667		
WILLIAM ROBERT JOHNSTON	50,000		
DONALD R & JOAN F JONES SR	16,667		
MICHAEL KATCHER	15,000		
THOMAS A KATCHUR	100,000		
GEORGE H & JUNE Y KILMARX	13,334		
HARRIETTE D KLANN	6,667		
SHIRLEY K KNERR	15,000		
PHILLIP S KROMBOLZ	33,334		
WARREN D LEWIS	11,667		
H MATHER & MARGARET W LIPPINCOTT	1,167		
CORNERSTONE PUBLIC			
RELATIONS GROUP INC (9)	3,750		
JAMES P MACCAIN	23,334		
AIMEE MARCHAND	2,500		
MARIEL MARCHAND	2,500		
ROBIN H MARCHAND	11,667		
KATHLEEN J MASON	153,334		
CHARLES A MAYER	13,334		
PETER J MCGUIRE	160,000		
MICHAEL W MILES	30,000		
HARLEY & BROOK MILLER	13,334		
GEORGE W MOFFITT JR	45,000		
KENNETH G MOLTA	6,667		
ROBERT & ROSEMARY MONTGOMERY	13,334		
ELIZABETH L NELSON	50,000		
GREGG J NEWHUIS	293,334		
JEFFREY M NEWHUIS	106,668		
PAUL NORDIN	6,667		
ALEX ORLIK	17,501		
GEORGE O`CONNELL	160,000		
SUSAN ODELL	23,334		
ERIC PAGH	15,000		
MICHAEL A PARKER	13,334		
NEIL L PARKER	10,000		
DOUGLAS A PERRY	4,167		
LARRY R PERRY	4,167		
MATTIE A & WILLIAM R PERRY	8,334		
RICHARD D PERRY	4,167		
ROY T PIRHALA	6,734		
ROBERT H POTTS	11,667		
BARBARA L PRESCOTT	2,500		
CHARLES W & MARIA O PROCTOR III	1,667		
PAUL RAFFERTY	33,334		
PAUL J & D JOAN RAFFERTY	30,000		
WILLIAM RECKTENWALD	40,000		
HARRY RENNER IV	67,500		
JOHN B RETTEW III	16,667		
GEORGE B RICHARDSON	41,667		
GARDINER ROGERS	10,000		

KARL F RUGART	15,000		
JOHN S RUPP	18,750		
CHARLES SCHWAB & CO FBO PETER A SANDS IRA ACCT 7780-9057	26,668		
WILLIAM F SCHOENHUT JR	13,334		
RICHARD SCHONWALD	250,000	1,842,875	*
MARY L SCRANTON	23,334		

DANIEL E SPEALMAN	46,667		
BB SECURITIES CO FBO			
DANIEL E SPEALMAN IRA	29,167		
MICHAEL & ELLEN STEIR	28,334		
HOMER N & NATHALIE W STEWART	10,000		
PRISCILLA STITT	2,000		
EDWARD B STOKES	10,000		
MARCUS B & EMIKO M STRINGFELLOW	40,000		
WILLIAM L VAN ALEN JR(2)	13,334	270,671	*
ROBERT E WAGNER	27,857		
HENRY W WESSELLS III	1,667		
DELTA WESTERN COMPANY (10)	150,000		
ARTHUR L WHEELER	33,334		
J EDWARD WILLARD	26,667		
WILLIAM W SELLERS TR UA			
11/20/00 WILLIAM W			
SELLERS REV TRUST(3)	26,667	1,129,689	*
MARGARET S WILLIAMS	34,334		
ROBERT H WILLIAMS DDS			
ASSOC PROFIT SHARING PLAN	75,000		
DONALD J ZELENKA	90,000		
RUTH ZWEIGBAUM	7,084		
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TOTAL	5,751,080		
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\* Less than one percent (1%).

(1) Mrs. Hepburn is the Director of Public Relations of USA.

(2) Mr. Van Alen is a Director of USA.

(3) Mr. Sellers is a Director of USA.

(4) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Hrubala Associates, is David R. Molumphy.

(5) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Cong. Shearith Hapleta, is Leiby Solomon.

(6) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Robert P Hauptfuhrer Family Partnership, is Robert Hauptfuhrer.

(7) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, AHP Holdings, LP, is Alex H. Petro.

(8) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Hull Overseas, Ltd., is Mitch Hull.

(9) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Cornerstone Public Relations Group Inc., is M. Darlene Herbert Felt.

(10) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Delta Western Company, is George W. Moffitt.

(11) Represents 5,509,534 shares issued upon exercise of 2001- B Common Stock Purchase Warrants at \$.10 per share, and 241,546 shares issuable in the future upon exercise of these warrants at \$.10 per share.

## 2001-C COMMON STOCK PURCHASE WARRANTS

Selling Shareholder(5) -----	Common Stock Offered Hereby -----	Beneficial Ownership After Offering -----	
		Number	Percent
JACKSON L. ANDERSON	6,000		
CHARLES W APPLE	10,000		
KATHLYNE K BIRDSALL	2,500		
EDWIN R BOYNTON (1)	25,000	414,762	*
WILLIAM P BURKS MD	2,500		
AUGUST B CASTLE JR	31,358		
ROBERT J CLARKE	10,000		
JOHANNA CRAVEN	3,000		
CLIFTON B CURRIN	3,000		
BENJAMIN H DEACON	5,000		
DONALD M & DIANNE M DENLINGER	6,000		
LOUIS E & ROSE M DI RENZO	5,000		
JAMES W EFFRON	7,000		
ANTHONY J FANELLI	2,000		
JOHN S FOSTER MD	30,000		
ROBERT R FREY	4,950		
JAMES P & JOYCE M GREAVES	10,000		
KIRSTEN BAZURO(4)	5,000	185,775	*
DAVID DEMEDIO(4)	15,000	249,349	*
LARRY AND SHERYL GROFF	6,000		
KENNETH R. HARRIS	2,400		
ANDREW B. HEBENSTREIT	30,000		
MAUREEN E. HENDRON	4,167		
ADELE H. HEPBURN (2)	51,000	2,265,983	2.3%

ROBERT B. & MARY LOU JACOBY	6,000		
THOMAS A. KATCHUR	10,000		
HARRIETTE D. KLANN	5,000		
LOIS A. LANDIS	2,000		
LILY L. MCCARTNEY	4,000		
AL MIGLIACCIO	10,000		
HARLEY & BROOK MILLER	2,500		
ELIZABETH L NELSON	10,000		
SUSAN ODELL	20,000		
ERIC PAGH	10,000		
RICHARD G & LAURA J PARKER	4,000		
STEPHEN LUCE (4)	5,000	113,427	*
ALEX ORLIK (4)	7,500	81,0083	*
ROY T PIRHALA	3,317		
JOHN S RUPP	1,000		
RAYMOND K SHOTWELL	1,000		
DANIEL E SPEALMAN	9,000		
HOMER N & NATHALIE W STEWART	3,000		
PRISCILLA STITT	1,000		
ALFRED HUNTER & SUSAN MARY THOMPSON	1,500		
ANDREW ANDERSON & MARY LYNN THOMPSON	1,000		
WILLIAM W SELLERS TR UA 11/20/00	50,000	862,108	*
WILLIAM W SELLERS REV TRUST (3)			
MARGARET S WILLIAMS	9,000		
ROBERT H WILLIAMS DDS ASSOC PROFIT	12,000		
SHARING PLAN			
RUTH ZWEIGBAUM	3,000		
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TOTAL	467,692		

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\* Less than one percent (1%).

- (1) Mr. Boynton is a Director of USA.
- (2) Adele Hepburn and Austin Hepburn are husband and wife. Mrs. Hepburn is the Director of Public Relations of USA.
- (3) Mr. Sellers is a Director of USA.
- (4) Employee of USA.
- (5) Represents 399,125 shares issued upon exercise of 2001- C Common Stock Purchase Warrants at \$.10 per share and 68,567 shares issuable in the future upon exercise of the remaining warrants at \$.10 per share.

NOTEHOLDER PURCHASE WARRANTS

Selling Shareholder(43) -----	Common Stock Offered Hereby -----	Beneficial Ownership After Offering -----	
		Number -----	Percent -----
AANESTAD, DONALD T	30,000		
ADAMSON, ANNA KATE	3,000		
ADAMSON, BROOKE ANN	3,000		
ADAMSON, JOSIAH DAVID	3,000		
ADAMSON, MICAH PAUL	3,000		
ADAMSON, PETER JOHN	3,000		
AGANS, ROBERT M	105,000		
AHP HOLDINGS (18)	110,001		



ALEX CONSULTING(15)(19)	75,000	2,946,000	1.5%
ALIMACHANDANI, VIJAY	45,000		
ALPERT, ALAN	7,500		
ALVANOS, MICHELLE & COSTA	4,500		
ALVAREZ, DELIA P	7,500		
ANDERSON, JACKSON L	4,500		
ANDERSON, WAYNE A	50,001		
APPLE, CHARLES W	48,750		
APPLE, CHARLES W & KATHARINE K	30,000		
APPLE, SUSAN SCHRAMM	15,000		
APPLE, THOMAS	15,000		
ARDNT, BARRY C	7,500		
AYERS, JOHN P	15,000		
BACHICH, JOHN	150,000		
BARCLAY, CHARLES & NANCY	75,000		
BAZURO, ROBERT & KIRSTEN (2)	3,750	187,025	*
BECK, ROBERT E	3,000		
BELIN JTWROS, MARION DOUGLAS & TEDDIE EARLINE	45,000		
BELLAVIA, CHARLES F	15,000		
BESCH, NANCY A & EARL D	15,000		
BEYER, GUNTER J	15,000		
BIRD, BENJAMIN LEE	15,000		
BIRDSALL, KATHLYNE K	1,875		
BIRTZ REVOCABLE LIVING TRUST	30,000		
Bjorklund Trustee U/A Dated 11-11-88, Alexandra O	52,500		
BLACKBURN, DAVID C	60,000		
BLACKBURN, DONALD F	45,000		
BODINE, LOUISE D	30,000		
BOLITSKY, JOSEPH J	115,001		
BOLLING, CHARLES L	15,000		
BOURASSA, GARY R	7,500		
BOYAR, LEA	7,500		
BOYNTON PENSION PLAN, JAMES R	45,000		
BOYNTON, EDWIN R(1)	48,750	279,137	*
BRAY, DAVID G	3,000		
BRESLIN, BILLIE	15,000		
BRILL SECURITIES (20)	45,000		
BRITTAIN FAMILY TRUST (21)	10,001		
BRITTAIN, DOUGLAS & CAROLYN	30,000		
BRODINE, GORDON L	60,000		
BROOKS, CAROLINDA P	30,000		
BUDINETZ, MICHAEL J	21,375		
BURKS MD, WILLIAM P	69,375		
BUTLER, ESTATE OF SMEDLEY D	30,000		
BUTLER, SUSAN L	22,500		
CALVARESE, JOANNE C & VINCENT J	15,000		
CALVARESE, VINCENT J	18,750		

CAMPBELL, WILLIAM A	7,500		
CAPE MACKINNON INC (22)	75,000		
CARABASI MD, RALPH A	7,500		
CARL, JERROLD & SUSAN COHEN	37,500		
CARLSON, JULIE	114,000		
CASTLE JR, AUGUST B	68,519		
CHARRINGTON III, ARTHUR M.R.	15,000		
CHARRINGTON, ARDIS B	15,000		
CHIECO, MICHAEL G	37,500		
CHIMICLES, BARBARA	15,000		
CHIORDI, MICHAEL J	15,000		
CIESIELSKI, JUDY A	60,000		
CLARK JR, GERALD E	10,500		
CLARKE, ROBERT J	208,500		
CLAUSEN, GORDON S & MARY LOU C	33,750		
CLOUTIER, DIANE	90,000		
COFFEY, ROGER D	15,000		
COHEN, MARC A	86,250		
CONG. SHEARITH HAPLETA (23)	326,250		
CORNERSTONE PUBLIC RELATIONS GROUP (24)	1,406		
CRAVEN, JOHANNA	7,251		
CRECRAFT, HELENA	15,000		
CROSS, JIM & HELEN COLUMBO	5,000		
CROTHERS, WILLIAM R	9,375		
CROW, DUDLEY R	15,000		
CROW, LORRAINE	1,500		
CUNNINGHAM MD, T DAVID	15,000		
CURRIN TRUSTEE, CLIFTON B	89,751		
CURTIS, A KENNETH & WILLIAM K	30,000		
CURTIS, WILLIAM K	37,500		
CURTIS, WILLIAM K & LINDA S	90,000		
D'ANGELO, DAVID S	91,251		
DEACON, BENJAMIN H	18,750		
DELLARUSSO, RICHARD J	15,000		
DELTA WESTERN COMPANY (25)	56,250		
DEMARIS, SHERI LYNN	154,500		
DEMEDIO, DAVID M (2)	18,750	256,849	*
DENLINGER, DONALD & DIANNE	18,000		
DI RENZO, LOUIS & ROSE	7,500		
DILIGENT FINANCE CO LTD(15)(26)	480,000	1,898,000	1.0%
DIN, ANEES T	40,500		
DIRENZO, LOUIS & ROSE	3,750		
DOLAN, LEO J	42,000		
DRESS, ROBERT & MELANIE	11,000		
DRESSLER, MITCHELL	15,000		
DURYEA, JUSTIN G	11,250		
EFFRON, HOWARD	15,000		
EFFRON, JAMES	5,250		
ELLIOTT, BEN	60,000		
ELLNER, SOLOMON	75,000		
ELLSHAY LLC (27)	30,000		
EVANKO, DR. MARK A	1,500		
FANELLI, ANTHONY	40,500		
FIELDMAN, HENRY J(3)	45,000	1,592,700	*

FINN STAFF	30,000		
FIRESTONE, JEFFREY	60,000		
FORIGO, DANIELE	53,573		
FOSTER, JOHN S	102,501		
FOX, HELEN K	15,000		
FREY, ROBERT R	5,634		
FULMER, SAMANTHA HARRIS	1,500		
FUSARO, ANTHONY A	45,000		
GALVIN, DOROTHY	1,500		
GEDDIS, MARGARET R	10,001		
GFG CONSULTING (28)	186,850		
GIBSON, RONALD & BONNIE	10,001		
GIDDENS, ROBERT G	90,000		
GILLESPIE, GALE S	7,500		
GIVEN, CHARLOTTE(15)	186,850	282,000	*
GLICKSMAN, RACHEL	72,000		
GLICKSTEIN, HARRIET & CARY	67,500		
GLOCKNER, FREDERICK & JOAN	1,500		
GOLDEN, JULIUS	7,500		
GOLDSTEIN, WILLIAM M	75,000		
GOMES, GREGORY R	75,000		
GOTTLIEB, MIKLOS	15,000		
GRAY, HAROLD N	60,000		
GREAVES, JAMES & JOYCE	7,500		
GREEN, JOHN R	30,000		
GREGORY, ALAN V	15,000		
GROFF, LARRY K & SHERYL L	4,500		
GUERIERA JR, ROBERT	30,000		
HAINNEY, BOB	75,000		
HALDEMAN, EDWARD	30,000		
HALDEMAN, PAULINE E	30,000		
HALL, ROBERT & VIRGINIA	7,500		
HAMILTON, JOHN E	4,500		
HAMILTON, ROBERT A(2)	13,650	89,026	*
HAMILTON, IRA FBO ROBERT A (2)	6,300	89,026	*
HANSEN, NANCY H	138,000		
HARRIS JR, BURT I	240,000		
HARRIS, BURT I	240,000		
HARRIS, KENNETH R	7,555		
HARRIS, KENNETH R & BETTY A	30,000		
HARRIS, PETER A & DEBORAH L	7,500		
HARRITY JR, WILLIAM F	137,501		
HARRITY, R JOHNSTONE	15,000		
HARRITY, VIRGINIA W	7,500		
HAUPTFUHRER FAMILY PARTNERSHIP, ROBERT P (29)	67,500		
HAUPTFUHRER, BARBARA D	52,500		
HAY, JOHN(4)	45,000	1,592,700	*
HEALD FAMILY TRUST (30)	30,000		
HEALD, CYNTHIA & JACK	15,000		
HEALD, JACK M	8,750		
HEBENSTREIT, ANDREW B	130,001		
HEBENSTREIT, ANN	22,500		
HEBENSTREIT, LISA	12,000		
HEBENSTREIT, SAM B	10,500		
HEBENSTREIT, TIMOTHY B	16,500		

HEBENSTREIT, TODD	12,000		
HENDRON MD, MAUREEN E	102,500		
HEPBURN, ADELE H (5)	470,751	1,846,232	*
HEPBURN, AUSTIN B(5)	44,549	4,110,488	2.1%
HERBERT, STEPHEN P (6)	75,000	1,488,720	*
HERBERT, JULIE(18)	75,000	1,488,720	*
HEWSON, THOMAS A	30,000		
HODGES, JOYCE	7,500		
HOLLENSHEAD, MICHELLE	3,125		
HOLMWOOD, JAMES M	30,000		
HOLT, ALTON R	78,000		
HRUBALA ASSOCIATES, A PARTNERSHIP (31)	36,251		
HUBBERT, DAVID W	26,250		
HUDSON, GORDON F	30,000		
HUDSON, MARK J	15,750		
HUDSON, NICHOLAS C	9,150		
HUDSON, WILBUR E	7,500		
HUGHES, CHRISTINE F	15,626		
HYMAN, MICHAEL	15,000		
IGNITE CAPITAL (32)	75,000		
ILLES, STEVE	450,000	3,781,250	1.9%
INTERNET PR GROUP (33)	15,000		
IRA FBO BETTY A HARRIS DLJSC	15,000		
IRA FBO KENNETH R HARRIS DLJSC	15,000		
IRA FOR ROBERT E WAGNER	30,000		
J.M. HULL ASSOCIATES LP (34)	31,875		
JACKSON, NATA M	60,000		
JACOBY, ROBERT & MARY LOU	34,001		
JALMARSON, CRAIG H	9,000		
JENKINS, WENDY (3)	30,000	142,000	*
JENSEN JR, GEORGE R(7)	240,000	519,000	*
JENSEN, BURTON	15,927		
JENSEN, DAVID	15,927		
JENSEN, GEORGE R & RON RAYMOND(7)	150,000	609,000	*
JENSEN, JULIE(7)	75,000	1,472,200	*
JOHNSTON, WILLIAM ROBERT	37,500		
JONES JTWROS, ROBERT F & DEBORAH L	60,000		
JONES SR, DONALD & JOAN	2,000		
JONES, CHARLES T	7,500		
JONES, DONALD & JOAN	6,252		
KARN, GLORIA S & FRED S	1,500		
KATCHUR, MICHAEL	11,250		

KATCHUR, THOMAS A	187,500		
KATCHUR, THOMAS JOHN	31,200		
KEFFER, JOHN & RAELENE	15,000		
KENT, MAUDE WOOD	15,000		
KENT, MAUDE WOOD & THOMAS D	15,000		
KILGORE, KATHLEEN COUGHLIN	15,000		
KILGORE, ROBERT A	75,000		
KILMARX, GEORGE H & JUNE	85,001		
KIM, ANTHONY Y.K.	75,000		
KLANN TRUST, HARRIETTE D	5,000		
KLANN, HARRIETTE D	22,500		
KNERR, SHIRLEY K	45,000		
KNODE, RALPH H	30,000		
KOBUS, GREGORY & ALICE	15,000		
KOLLS, CHRISTINE C (19)	45,000	910,850	*
KONSMO, OYSTEIN	18,750		
KROMBOLZ, PHILLIP S	30,000		
KROMBOLZ, ROCHELLE L & PHILLIP S	30,000		
KROOK, NANCY	105,000		
LAND, JEFFREY R	15,000		
LANDIS, LOIS	1,500		
LANNI, PAUL G	15,000		
LAW, JEANNINE P	15,000		
LEBOUTILLIER, SHERRILL F	150,000		
LEE TRUST W/D/T 10/5/92, JOHN N	45,000		
LEE, STEVEN	3,750		
LEENE, JENNIFER BEIRNES	15,000		
Legg Mason Cust FBO DennisL Gilbert IRA	15,000		
LEGG MASON FBO RICHARD SCHONWALD IRA	22,500		
LEHMANN, AARON	55,500		
LEROUX, SHELLEY	45,000		
LEWIS, WARREN D	23,751		
LEXINGTON VENTURES INC (35)	90,000		
LIPPINCOTT JR, H MATHER	22,500		
LIZZUL, PAUL & DAWN-MARIE	15,000		
LOCKHART, LORETTA	8,573		
LOCKHART-HEBERTON, CYNTHIA	750		
LOPEZ, ANTHONY & BARBARA	15,000		
LOPEZ, PATRICK	15,000		

LOZOWSKI, ROBERT	3,000		
LUCE, STEPHEN M.(2)	5,000	113,427	*
LUPPINO, FRANCES	15,000		
LURIO, DOUGLAS(9)	22,500	234,713	*
LURIO, DOUGLAS M & MARGARET SHERRY(9)	45,000	212,213	*
MacCAIN, JAMES P	40,001		
MACCARTNEYROBERT F & LILY L	15,000		
MACKENZIE, DONALD	30,000		
MADAN, LEWIS F	3,000		
MALISCHEWSKI, ALBERT P & MARY E	15,000		
MALONEY, VIRGINIA MARSHALL	1,500		
MARCHAND, AIMEE	1,875		
MARCHAND, MARIEL	1,875		
MARCHAND, ROBIN	8,750		
MARIE G ROPER, MARIE G	7,500		
MARINO, SALVATORE	15,000		
MARKOWITZ DDS Retirement Fund, IRWIN H	75,000		
MARTIN, C LEONARD	30,000		
MASON, KATHLEEN J	160,001		
MAX COMMUNICATIONS (36)	90,000		
MAYER, CHARLES A	21,000		
MCCABE, BARRY N	15,000		
MCCARTHY, DUANE C	1,500		
MCCARTHY, G ELLARD & JOAN R BENNETT	7,500		
MCCARTNEY, LILY	3,000		
McCauley Jr Trustees, David E & Sue A	45,000		
MCCORMICK, JOHN F	37,500		
MCGARRAH, ROBERT G (15)	45,000	413,000	*
MCGONIGLE, JOHN & ROSEMARY	1,500		
MCGONIGLE, MARY C	1,500		
MCGUIRE, PETER J	225,000		
MERRIMAN, JAMES F	82,500		
MIGLIACCIO, AL	7,500		
Millennium Trust Co, Llc Cust f/b/o Fred KaragosianTR#1505257	15,000		
MILLER, EILEEN & LAWRENCE	6,000		
MILLER, HARLEY & BROOK	31,626		
MILLIKIN, GEORGE & CAROLINE	45,000		
MOFFITT JR, GEORGE W	31,875		
MOFFITT REVOCABLE TRUST DATED 9/25/97, WANDA S	15,000		
MOLUMPHY CAPITAL MGMT Profit Sharing (37)	15,000		
MOLUMPHY, THOMAS J	7,500		
MONTGOMERY, ERNEST E	15,000		
MONTGOMERY, ROBERT & ROSEMARY	25,001		
MONTGOMERY, ROBERT H	30,000		
MORGAN JR, MILTON K & LOIS T	15,000		
MORRIS, MAC G	7,500		
MOSIER, JAMES	30,000		
MOYER, F STANTON	37,500		
MURPHY, RICHARD F	30,000		

MURRAY, BARBARA J	15,000		
NASH, GARY	3,000		
NEFF, RONNIE	15,000		
NELSON, ELIZABETH L	71,250		
NEMETH, ROBERT F	30,000		
NEWHUIS, GREGG J	300,000		
NEWHUIS, JEFFREY M	20,003		
NIX, JOHN BRADLEY & CAROL C	4,500		
NOLAN, PATRICK	35,213		
NORDIN, PAUL	5,000		
OAKLAND, GARY	22,500		
OCONNELL, GEORGE	360,000		
ODELL, SUSAN	32,501		
O'NEILL, J BRIAN	22,500		
ORLIK, ALEX (2)	18,188	82,583	*
PADRICK, ROBERT	60,000		
PADRICK, TRUSTEE, ROBERT G PADRICK P/S/P AND TRUST, ROBERT G.	30,000		
PADRICK, TRUSTEE FBO KELLIE NICOLE PADRICK, ROBERT G.	15,000		
PAGH, ERIC	18,750		
PAKRADOONI, PETER B	30,000		
PANORAMA PARTNERS (38)	4,500		
PARKER, MICHAEL A	5,000		
PARKER, NEIL L	7,500		
PARKER, RICHARD	15,000		
PARKER, RICHARD & LAURA	49,500		
PELLEGRINO, JOSEPH	300,000		
PENJUKE, WILLIAM & CAROL	15,000		
PERRY, DOUGLAS	3,125		
PERRY, LARRY R	3,125		
PERRY, MATTIE & WILLIAM	71,250		
PERRY, RICHARD	3,125		
PETT, ROBERT	150,000		
PIRHALA, ROY T	86,262		
PONTON JR, JOHN W	15,000		
POTTS, ROBERT H	30,000		
POWELL, J STEVE	4,500		
PRESCOTT, BARBARA L	1,875		
PROCTOR, CHARLES & MARIA	625		
RAFFERTY, PAUL & JOAN	47,501		
RANSOME III, ERNEST L	22,500		
RECKTENWALD, WILLIAM	75,000		
REICHL, THOMAS C	4,500		
REISNER, GREG A	15,000		
REISNER, WILLIAM & FRANCES	33,000		
RENNER IV, HARRY	125,625		
RETTEW III, JOHN B	20,001		
REYBOK, ROBERT & JOAN	15,000		
RICHARDSON, GEORGE & SHARON	15,625		

RICHARDSON, GEORGE B	15,625		
ROBERTS, NOMA ANN	45,000		
Rogers JR. Family LIimited Partnership, E H (39)	30,000		
ROGERS, DOYLE	15,000		
ROGERS, GARDINER	16,500		
ROPER, LEE R & LISA ANN	67,500		
ROPER, MARIE G	22,500		
ROSENTHAL, JERRY	30,000		
ROUSE III, GEORGE PARKE	15,000		
RUBEN, PETER S	180,000		
RUGART, KARL F	48,750		
RUPP, FRANK S	15,000		
RUPP, JOHN S	70,125		
SAS, VALENTINA	3,000		
SCAMMAHORN, KEITH & LYNNE	15,000		
SCHOENHUT III, WILLIAM F	30,000		
SCHOENHUT JR, WILLIAM F	70,001		
SCHOENHUT, EDWARD L	30,000		
SCHOLL PROFIT SHARING PLAN, DB	15,000		
SCHOLL, MARGARET J	15,000		
SCHONWALD, RICHARD S	333,750		
SCHWARTZ, STEPHEN	37,500		
SCIFERS, VICKI S	15,000		
SCRANTON, MARY L	8,750		
SELDERS, THOMAS A & KRISTIN M	7,500		
SELLERS TRUST, WILLIAM W (17)	47,500	864,608	*
SELLERS, NICHOLAS	15,000		
SELLERS, WILLIAM W (17)	135,000	777,108	*
SELTZER, SCOTT	7,500		
SHEVLIN, CELIA E	3,000		
SHOTWELL, RAYMOND K	8,250		
SHUPE, JOHNNYE F	1,500		
SHUTE, HARRY D	7,500		
SICHEL JR, LEONARD H	15,000		
SINGER, JOSEPH	1,500		
SINGER, LESLIE & ETHEL	15,000		
SINGH, KRISHNA K	45,000		
SMITH, RICHARD(15)	180,000	120,000	*
SMITLEY, KATHY	7,500		
SNYDER, MELVIN G	15,000		
SPEALMAN IRA, DANIEL	25,938		
SPEALMAN, DANIEL E	58,500		
STANGLEIN, TERRY W	54,000		
STEINHILBER, ELINOR M	15,000		
STEIR, MICHAEL & ELLEN	18,750		
STERN, SHAI L (10)	37,500	178,750	*
STETSON IV, JOHN B	30,000		
STETSON, CPT ERIC W	7,500		



STETSON, SCOTT W	1,500		
STETSON, SOLVEIG W	15,000		
STEVENS, GERTRUDE	37,500		
STEWART, HOMER & NATHALIE	13,050		
STEWART, HOMER N	15,000		
STITT, PRISCILLA A	32,250		
STOKES, EDWARD B	45,000		
STRINGFELLOW, MARCUS & EMIKO	15,000		
STROUD, VIVIAN K (2)	7,500	188,294	*
STULL JTWROS, CLARK D & CAROLYN S	30,000		
STULL, CLARK D	1,050		
SVEDAS, WILLIAM	1,500		
SWANTON, TERRY L & MOLLY B	30,000		
SZYCHOSKI, GEORGE E	150		
SZYCHOSKI, MICHAEL W	375		
SZYMBORSKI, CONSTANTINE T	15,000		
TAUBER, BARBARA ANN	1,500		
TECHNOLOGY PARTNERS(11)(40)	652,647	1,855,510	*
TEQUESTA CAPITAL CORP (41)	21,428		
THOMPSON, ALFRED & SUSAN	4,125		
THOMPSON, ANDREW & MARYLYNN	750		
THOROUGHGOOD, WILLIAM E	3,750		
TORRES, GUILLERMO M	30,000		
TRINITY ASSOCIATES (42)	165,000		
TURESKY, STEPHEN S	15,000		
TURNER, JAMES	60,000		
ULLMAN, ANTHONY B(12)	45,000	1,592,700	*
UNANUE, CURTIS & MARIA	45,000		
VAN ALEN JR, WILLIAM L(13)	35,001	411,001	*
VESPER JR, JOHN H	7,500		
VODANTIS, JOHN S & HOPE J	7,500		
WAGNER, ROBERT E	35,894		
WAHLSTROM, BORJE	15,000		
WAHLSTROM, JEAN STEEL	15,000		
WEAVER, DAVID	7,800		
WEAVER, DWANE M	15,000		
WEAVER, KEVIN & ALICIA	45,000		
WEAVER, MARLENE	150,000		
WEAVER, MICHAEL L	1,500		
WEAVER, WESLEY R	22,500		
WESSELLS III, HENRY W	5,001		
WHEELER, ARTHUR L	1,102,500		
WIENER, ARTHUR	8,015		
WIENER, ARTHUR & RUTH	9,825		
WIENER, BERNARD	7,500		
WILLARD, J EDWARD	147,501		
WILLIAMS DDS PROFIT SHARING	88,500		
WILLIAMS, MARGARET S	53,700		
WILSON, KENNETH B	7,500		
WOLFE, CLAUDINE W	4,500		

WRIGHT, C EDWIN & JANET LYN	7,500		
WRIGHT, JOHN D	15,000		
WRIGHT, WILLIAM M	15,000		
WYMAN JR, SAMUEL D	15,000		
YAMAGUCHI, JONI CARLEY	15,000		
YOSHIMOTO, CRAIG	15,000		
YOUNG, FRANCES(14)	705,000	1,120,000	*
YUTZY, JOHN A & LUCINDA K	12,000		
ZELENKA, DONALD J	213,750		
ZIRBES, JOSEPH	7,500		
ZWEIGBAUM, RUTH	15,063		
TOTAL	20,720,051		

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 \* Less than one percent.

- (1) Mr. Boynton is a Director of the Company.
- (2) Employee of the Company.
- (3) Mr. Feildman is a member of the law firm of Fieldman, Hay & Ullman, LLP, which represented the Company in connection with prior litigation.
- (4) Mr. Hay is a member of the law firm of Fieldman, Hay & Ullman, LLP, which represented the Company in connection with prior litigation.
- (5) Adele and Austin Hepburn are husband and wife. Adele Hepburn is the Director of Public Relations of the Company.
- (6) Mr. Herbert is President, Director and Chief Operating Officer of the Company.
- (7) George and Julie Jensen are husband and wife. Mr. Jensen is Chairman of the Board and Chief Operating Officer of the Company.
- (8) Son of George Jensen.
- (9) Douglas and Magaret Lurio are husband and wife. Mr. Lurio is a Director of the Company and he is the President of Lurio Associates, P.C.
- (10) Mr. Stern is a consultant to the Company.
- (11) Technology Partners is the Company's investment banker.
- (12) Mr. Ullman is a member of the law firm of Fieldman, Hay & Ullman, LLP, which represented the Company in connection with prior litigation.
- (13) Mr. Van Alen is a Director of the Company.
- (14) Ms. young is a former employee of the Company.
- (15) Consultant to the Company.
- (16) Spouse of H. Brock Kolls
- (17) Director of USA
- (18) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, AHP Holdings, is Alex H. Petro.
- (19) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Alex Consulting, is Paul Winkle.
- (20) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Brill Securities, is Larry Berk.
- (21) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Brittain Family Trust, is E. Douglas Brittain.
- (22) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Cape MacKinnon, Inc., is Steve Frye.
- (23) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Cong. Shearith Hapleta, is Leiby Solomon.
- (24) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Cornerstone Public Relations Group, is M. Darlene Herbert Felt.
- (25) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Delta Western Company, is George W. Moffitt.
- (26) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Diligent Finance Co. Ltd., Rai Hamilton.
- (27) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Ellshay LLC, is Mark Erlich.
- (28) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, GFG Consulting, is Grant Galloway.
- (29) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Hauptfuhrer Family Partnership, is Robert Hauptfuhrer.
- (30) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Heald Family Trust, is Jack Heald.
- (31) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Hrubala Associates, a Partnership, is David R. Molumphy.
- (32) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Ignite Capital, is Richard Gonda.

- (33) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Internet PR Group, is Roland Perry.
- (34) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, J.M. Hull Associates LP, is Mich Hull.
- (35) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Lexington Ventures, Inc., is Larry Gordon.
- (36) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Max Communications, is Richard Molinsky.
- (37) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Molumphy Capital Mgmt. Profit Sharing, is Mitch Hull.
- (38) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Panorama Partners, is Aaron Lehmann.
- (39) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, E H Rogers Jr. Family Limited Partnership, is Edmund H. Rogers.
- (40) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Technology Partners, is Porter Bibb.
- (41) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Tequesta Capital Corp., is Gary F. Lobrozzi.
- (42) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Trinity Associates, is Michael K. Stern.
- (43) Represents shares issuable upon exercise of warrants issued to all of our holders of Senior Notes in October 2002. Of the shares being registered, 6,493,691 have already been issued upon exercise of warrants at \$.10 per share and 14,226,360 are reserved for issuance upon future exercise of these warrants at \$.10 per share. We have agreed to register these shares for resale under the Act at our cost and expense until April 2004.

EMPLOYEE COMMON STOCK

Selling Shareholder(3)	Common Stock		Beneficial Ownership After Offering	
	Offered	Hereby	Number	Percent
Bazuro, Kirsten (1)	160,000		30,775	*
Demedio, David(1)	160,000		104,349	*
Harrum, George(1)	80,000		14,333	*
Ledesma, Cecil(1)	80,000		90,500	*
Luce, Steven(1)	80,000		38,427	*
Sagady, Cary(2)	160,000		0	*
Seymour, Amy(1)	80,000		11,550	*
Stroud, Vivian(1)	160,000		35,794	*
Tobin, Mary F.(1)	80,000		25,217	*
Vista Marketing Research(2)	280,000		133,333	*
Wasserman, Scott(1)	160,000		0	*
<b>Total</b>	<b>1,480,000</b>			

\* less than one percent

(1) Current employee of USA.  
 (2) Current consultant of USA.  
 (3) Represents shares issued to employees and consultants in October 2002 at \$.15 per share for services to be rendered to USA. We have agreed to register these shares for resale under the Act for a period of 9 months at our cost and expense.

SENIOR NOTE INTEREST SEPTEMBER 2003 COMMON STOCK & WARRANTS

Selling Shareholder -----		Common Stock & Warrants Offered Hereby -----	Beneficial Ownership After Offering -----	
			Number	Percent
Donald T	Aanestad	1,800		*
Vijay	Alimachandani	2,300		*
Alan	Alpert	1,500		*
John P	Ayers	3,000		*
John	Bachich	15,000		*
Charles F	Bellavia	900		*
Nancy & Earl	Besch	3,000		*
Gunter J	Beyer	1,200		*
Benjamin Lee	Bird	3,000		*
Kathlyne K	Birdsall	375		*
David C	Blackburn	1,300		*
Joseph	Bolitsky	20,000		*
Edwin R	Boynton (1)	9,750	318,137	*
David G	Bray	600		*
Douglas & Carolyn	Brittain	3,000		*
	Brittain Family Trust	2,000		*
Gordon L	Brodine	8,050		*
Michael J	Budinetz	3,000		*
Vincent	Calvarese	3,750		*
William A	Campbell	1,500		*
Ralph A	Carabasi	1,500		*
Julie	Carlson	2,367		*
Michael J	Chiordi	3,000		*
Gerald E	Clark Jr	2,100		*
Robert J	Clarke	17,393		*
Diane	Cloutier	18,000		*
Roger D	Coffey	867		*
Marc A	Cohen	17,250		*
	Cornerstone Public Relations Group, M Darlene Herbert Felt	281		*
Johanna	Craven	1,276		*

Jim	Cross	1,000	*
William R	Crothers	1,876	*
Lorraine	Crow	300	*
Benjamin	Deacon	750	*
	Delta Western Company (2)	11,250	*
David	Demedio (3)	3,750	*
Louis E	Di Renzo	1,500	*
	Diligent Finance Company Ltd (4)	96,000	*
Leo J	Dolan	6,000	*
Robert F	Dress	2,200	*
Howard	Effron	3,000	*
Bently	Elliott	3,000	*
	Ellshay Llc (5)	3,000	*
Anthony J	Fanelli	800	*
Henry J	Fieldman	9,000	*
John S	Foster	20,500	*
Helen K	Fox	2,698	*
Samantha Harris	Fulmer	300	*
Dorothy	Galvin	300	*
Margaret R	Geddis	750	*
Robert G	Giddens	27,000	*
Frederick F	Glockner	300	*
William M	Goldstein	9,000	*
Ira Fbo Robert A	Hamilton (6)	1,260	*
John E	Hamilton	900	*
Robert	Hamilton (6)	2,730	*
Peter & Deborah	Harris	1,500	*
George	Harrum (7)	833	*
John	Hay	9,000	*
	Heald Family Trust (8)	6,000	*
Andrew B	Hebenstreit	11,000	*
Joyce	Hodges	1,500	*
Michelle	Hollenshead	625	*
James M	Holmwood	6,000	*
	Hrubala Associates, A Partnership (9)	3,834	*
Gordon F	Hudson	5,150	*
Christine F	Hughes	750	*
William Robert	Johnston	1,500	*
Charles T	Jones	1,500	*
F/B/O Fred	Karagosian	3,000	*
Gloria & Fred	Karn	300	*
Michael	Katchur	2,250	*
Maude Wood	Kent	3,000	*
Thomas & Maude Wood	kent	3,000	*
Robert A	Kilgore	15,000	*
Shirley K	Knerr	2,700	*
Gregory S	Kobus	3,000	*
Christine F	Kolls	9,000	*
Paul G	Lanni	3,000	*
Warren D	Lewis	1,750	*
	Lexington Ventures Inc (10)	7,600	*
H Mather	Lippincott Jr	3,000	*
Anthony F	Lopez	3,000	*
Robert	Lozowski	173	*
Douglas	Lurio (11)	4,500	*
James P	Maccain	8,000	*
Lewis F	Madan	600	*
Kathleen	Mason	26,000	*
Charles	Mayer	4,200	*
Barry N	Mccabe	433	*
Duane C	Mccarthy	300	*
G Ellard	Mccarthy	1,500	*
John P	Mcgonigle	300	*

Mary C	Mcgonigle	300		*
James F	Merriman	13,634		*
Eileen	Miller	1,200		*
Harley	Miller	5,608		*
Wanda S	Moffitt	3,000		*
George W	Moffitt Jr	3,375		*
Thomas	Molumphy	1,500		*
	Molumphy Capital Mgmt (12)	3,000		*
Robert	Montgomery	8,000		*
Mac G	Morris	1,500		*
James H	Mosier	600		*
Elizabeth L	Nelson	10,284		*
Robert F	Nemeth	3,000		*
Gregg J	Newhuis	18,000		*
Jeffrey M	Newhuis	2,100		*
Patrick	Nolan	6,000		*
Paul	Nordin	1,000		*
George	O'connell	45,000		*
	Panorama Partners Lp (13)	100		*
Michael A	Parker	1,000		*
Neil L	Parker	950		*
Richard	Parker	1,583		*
Joseph	Pellegrino	26,667		*
Robert H	Potts	3,000		*
Charles W	Proctor Iii	125		*
Ernest L	Ransome Iii	1,500		*
Harry	Renner Iv	12,000		*
John B	Rettew Iii	2,500		*
Gardiner	Rogers	3,300		*
Marie G	Roper	1,500		*
Karl F	Rugart	8,250		*
John S	Rupp	1,392		*
Valentina	Sas	600		*
Edward L	Schoenhut	6,000		*
William F	Schoenhut Jr	8,366		*
Stephen	Schwartz	7,500		*
Mary L	Scranton	1,750		*
Nicholas	Sellers	3,000		*
William W	Sellers Tr Ua 11/20/00 William W			*
	Sellers Rev	24,500	887,608	*
Amy T	Seymour (15)	67		*
Raymond K	Shotwell	616		*
Leonard H	Sichel Jr	3,000		*
Richard	Smith	36,000		*
Kathy	Smitley	142		*
Melvin G	Snyder	900		*
Terry W	Stanglein	7,500		*
Elinor	Steinhilber	3,000		*
Michael	Steir	2,466		*
Cpt Eric W	Stetson	1,500		*
Homer N	Stewart	3,000		*
Vivian K	Stroud (16)	2,400		*
Clark D	Stull	6,210		*
George E	Szychoski	30		*
Michael W	Szychoski	75		*
Constantine Teofil	Szymborski	3,000		*
	Technology Partners (17) (20)	115,528		*
	Tequesta Capital Corp (18)	467		*
Alfred Hunter	Thompson	418		*
Andrew	Thompson	150		*
James	Turner	4,932		*
Anthony B	Ullman	9,000		*
William L	Van Alen Jr (19)	2,067	271,938	*
David L	Weaver	660		*
Dwane M	Weaver	867		*
Marlene	Weaver	30,000		*
Michael L	Weaver	300		*
Wesley R	Weaver	1,500		*
Arthur L	Wheeler Acct #216-39u48	39,000		*
Arthur & Ruth	Wiener	1,881		*
Arthur A	Wiener	970		*
Bernard	Wiener	1,500		*
J Edward	Willard	15,000		*
Kenneth B	Wilson	517		*
C Edwin	Wright	217		*
John D	Wright	1,850		*
Craig	Yoshimoto	3,000		*
Ruth	Zweigbaum	3,212		*
Total		1,058,648 (21)		



- (1) Mr. Boynton is a director of the company.
- (2) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Delta Western Company, is George W Moffitt.
- (3) Mr. DeMedio is an employee of USA.
- (4) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Diligent Finance Company Ltd, is Rai Hamilton.
- (5) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Ellshay LLC, is Mark Erlich.
- (6) Mr. Hamilton is an employee of USA.
- (7) Mr. Harrum is an employee of USA.
- (8) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Heald Family Trust, is Jack Heald.
- (9) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Hrubala Associates, A Partnership, is David R Molumphy.
- (10) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Lexington Ventures, is Larry Gordon.
- (11) Mr. Lurio is a director and his law firm, Lurio & Associates, P.C., is general counsel to USA.
- (12) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Molumphy Capital Mgmt, is Thomas J Molumphy.
- (13) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Panorama Partners LP, is Aaron Lehmann.
- (14) Mr. Sellers is a director of USA.
- (15) Mrs. Seymour is an employee of USA.
- (16) Ms. Stroud is an employee of USA.
- (17) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Technology Partners, is Porter Bibb.
- (18) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Gary F Lobrozzi.
- (19) Mr. Van Alen Jr. is a director of USA.
- (20) Technology Partners is the Company's investment banker.
- (21) Represents 529,324 shares issued at \$.20 per share and 529,324 shares underlying warrants to purchase our shares at \$.20 per share at any time through June 30, 2004. These shares and warrants were issued to our senior noteholders who elected to receive shares in lieu of cash for the September 30, 2002 quarterly interest payment. For each share issued, the holder also received one warrant. We have agreed to register these shares for resale under the Act at our cost and expense until September 2004.

SENIOR NOTE INTEREST DECEMBER 2002 COMMON STOCK & WARRANTS

Selling Shareholder -----	Common Stock & Warrants Offered Hereby -----	Beneficial Ownership After Offering -----	
		Number	Percent
Donald T	Aanestad	6,000	*
Vijay	Alimachandani	9,000	*
Alan	Alpert	1,500	*
John P	Ayers	3,000	*
John	Bachich	15,000	*
Charles F	Bellavia	3,000	*
Nancy & Earl	Besch	3,000	*
Gunter J	Beyer	3,000	*
Benjamin Lee	Bird	3,000	*
Kathlyne K	Birdsall	375	*
Joseph J	Bolitsky	20,000	*
Edwin R	Boynton (1)	9,750	323,012 *
David G	Bray	600	*
Douglas & Carolyn	Brittain	5,534	*
	Brittain Family Trust (2)	2,000	*
Gordon L	Brodine	11,770	*
Michael J	Budinetz	3,913	*
Vincent J	Calvarese	3,750	*
Julie	Carlson	3,000	*
Michael J	Chiordi	3,000	*
Gerald E	Clark Jr	2,100	*
Diane	Cloutier	18,000	*
Roger D	Coffey	3,000	*
Marc A	Cohen	17,250	*
	Cornerstone Public Relations Group, M. Darlene Herbert Felt	281 0	* *
Jim	Cross	1,000	*
William R	Crothers	1,876	*
Lorraine	Crow	300	*
Clifton B	Currin Trust	4,000	*
Benjamin	Deacon	750	*
	Delta Western Company (3)	11,250	*
Sheri Lynn	Demaris	5,612	*
David	Demedio (4)	3,750	*
Louis E	Di Renzo	1,500	*
	Diligent Finance Company Ltd (5)	96,000	*
Anees T	Din	5,400	*
Leo J	Dolan	6,000	*
Robert F	Dress	2,200	*
Howard	Effron	3,000	*
Bently	Elliott	3,000	*
Anthony J	Fanelli	3,000	*
John S	Foster	20,500	*
Helen K	Fox	3,000	*
Samantha Harris	Fulmer	300	*
Dorothy	Galvin	300	*
Margaret R	Geddis	750	*
Robert G	Giddens	28,456	*
Frederick F	Glockner	300	*
William M	Goldstein	9,000	*
Ira Fbo Robert A	Hamilton (6)	1,260	*

John E	Hamilton	900	*
Robert A	Hamilton (6)	2,730	*
Peter & Deborah	Harris	1,500	*
	Heald Family Trust (7)	6,000	*
Andrew B	Hebenstreit	11,000	*
Adele	Hepburn (8)	30,000	2,301,983 1.2%
Joyce	Hodges	1,500	*
Michelle	Hollenshead	625	*
James M	Holmwood	6,000	*
	Hrubala Associates (9)	6,000	*
Gordon F	Hudson	6,000	*
Christine F	Hughes	750	*
Wendy	Jenkins (10)	3,933	*
William Robert	Johnston	1,500	*
Charles T	Jones	1,500	*
F/B/O Fred	Karagosian	3,000	*
Gloria & Fred	Karn	300	*
Michael	Katchur	2,250	*
Maude Wood	Kent	3,000	*
Thomas & Maude Wood	Kent	3,000	*
Robert A	Kilgore	15,000	*
Shirley K	Knerr	2,700	*
Gregory S	Kobus	3,000	*
Christine F	Kolls	-9,000	*
Paul G	Lanni	3,000	*
Warren D	Lewis	4,750	*
H Mather	Lippincott Jr	3,000	*
Anthony F	Lopez	3,000	*
Robert	Lozowski	600	*
Douglas	Lurio (11)	4,500	254,963 *
James P	Maccain	8,000	*
Lewis F	Madan	600	*
Kathleen J	Mason	26,000	*
Barry N	Mccabe	3,000	*
Duane C	Mccarthy	300	*
G Ellard	Mccarthy	1,500	*
Bob	Mcgarrah	6,000	*
John P	Mcgonigle	300	*
Mary C	Mcgonigle	300	*
James	Merriman	16,084	*
Eileen	Miller	1,200	*
Harley	Miller	5,276	*
Harley & Brook	Miller	1,050	*
George W	Moffitt Jr	3,375	*
Thomas	Molumphy	1,500	*
	Molumphy Capital Mgmt (12)	3,000	*
Robert H	Montgomery	8,000	*
Mac G	Morris	1,500	*
James	Mosier	5,867	*
Gary	Nash	320	*
Elizabeth L	Nelson	13,250	*
Robert F	Nemeth	5,000	*
Gregg J	Newhuis	20,833	*
Jeffrey M	Newhuis	2,100	*
Patrick	Nolan	6,812	*
Paul	Nordin	1,000	*
Gary	Oakland	3,250	*
George	O'connell	45,000	*
Robert	Padrick	12,000	*
Robert	Padrick Trustee Fbo Kellie Nicole Padrick	3,000	*
Robert	Padrick Trustee For Robert G Padrick	6,000	*
Michael A	Parker	1,000	*
Neil L	Parker	1,500	*
Richard & Laura	Parker	7,500	*
Joseph	Pellegrino	60,000	*
Robert H	Potts	3,000	*
Charles W	Proctor Iii	125	*
Ernest L	Ransome Iii	1,500	*
Harry	Renner Iv	12,000	*
John B	Rettew Iii	3,500	*
Gardiner	Rogers	3,300	*
Marie G	Roper	1,500	*
Gerald B	Rosenthal	4,000	*
Karl F	Rugart	8,250	*
John S	Rupp	3,000	*
Valentina	Sas	600	*
Edward L	Schoenhut	6,000	*
William F	Schoenhut Jr	8,000	*
Stephen	Schwartz	7,500	*
Mary L	Scranton	1,750	*

Nicholas	Sellers	3,000	*
William	Sellers (13)	24,506	899,855 *
Raymond K	Shotwell	1,650	*
Leonard H	Sichel Jr	3,000	*
Richard	Smith	36,000	*
Kathy	Smitley	1,250	*
Melvin G	Snyder	3,000	*
Terry W	Stanglein	10,800	*
Elinor	Steinhilber	3,000	*
Michael	Steir	2,250	*
Michael & Ellen	Steir	1,500	*
Cpt Eric W	Stetson	1,500	*
Gertrude T	Stevens	4,583	*
Homer N	Stewart	3,000	*
Vivian	Stroud (14)	1,500	*
Clark D	Stull	210	*
Clark D & Carolyn S	Stull	6,000	*
George E	Szychoski	30	*
Michael W	Szychoski	75	*
Constantine Teofil	Szyborski	3,000	*
	Technology Partners (15) (16)	115,529	*
Alfred & Susan	Thompson	826	*
Andrew	Thompson	150	*
James	Turner	12,000	*
William L	Van Alen Jr (17)	6,000	*
David L	Weaver	1,260	*
Dwane M	Weaver	3,000	*
Marlene	Weaver	30,000	*
Michael L	Weaver	300	*
Wesley R	Weaver	4,266	*
Arthur L	Wheeler Acct #216-39u48	39,000	*
Arthur	Wiener	970	*
Arthur & Ruth	Wiener	3,950	*
J Edward	Willard	15,000	*
Kenneth B	Wilson	1,500	*
Claudine W	Wolfe	733	*
C Edwin & Janet Lyn	Wright	1,500	*
John D	Wright	3,000	*
Craig	Yoshimoto	3,000	*
Joseph	Zirbes	1,000	*
Ruth	Zweigbaum	3,620	*
Total		1,187,267 (18)	

(1) Mr. Boynton is a director of the company.

(2) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity Brittain Family Trust, is E. Douglas Brittain.

(3) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity Delta Western Company, is George W. Moffitt.

(4) Mr. DeMedio is an employee of USA.

(5) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity Diligent Finance co. Ltd., is Rai Hamilton.

(6) Mr. Hamilton is an employee of USA.

(7) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Heald Family Trust, is Jack Heald.

(8) Mrs. Hepburn is the Director of Public Relations of USA.

(9) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Hrubala Associates, A Partnership, is David R. Molumphy.

(10) Ms. Jenkins is an employee of USA.

(11) Mr. Lurio is a director and his law firm, Lurio & Associates, P.C., is general counsel to USA.

(12) The natural person who exercises sole and/or shares voting or dispositive powers with respect to the shares held of record by the entity, Molumphy Capital Mgmt., is David R. Molumphy.

(13) William W. Sellers is a director of USA.

(14) Ms. Stroud is an employee of USA.

(15) The natural person who exercises sole and/or shared voting or dispositive powers with respect to the shares held of record by the entity, Technology Partners, is Porter Bibb.

(16) Technology Partners is the Company's investment banker.

(17) Mr. Vanalen is a director of the company.

(18) Represents 593,633 shares issued at \$.20 per share and 593,634 shares underlying warrants to purchase our shares at \$.20 per share at any time through June 30, 2004. These shares and warrants were issued to our senior note holders who elected to receive shares in lieu of cash for the December 31, 2002 quarterly interest payment. For each share issued, the holder also received one warrant. We have agreed to register these shares for resale under the Act at our cost and expense until December 2004.

SENIOR NOTE INTEREST MARCH 2003 COMMON STOCK & WARRANTS

Selling Shareholder -----	Common Stock & Warrants Offered Hereby -----	Beneficial Ownership After Offering -----	
		Number	Percent
Donald T	Aanestad	6,000	*
Vijay	Alimachandani	9,000	*
Alan	Alpert	1,500	*
John P	Ayers	3,000	*
Charles F	Bellavia	3,000	*
Nancy & Earl	Besch	3,000	*
Gunter J	Beyer	3,000	*
Benjamin Lee	Bird	3,000	*
Kathlyne K	Birdsall	375	*
Joseph	Bolitsky	20,000	*
Edwin R	Boynton	9,750	*
David G	Bray	600	*
Douglas & Carolyn	Brittain	6,000	*
	Brittain Family Trust (1)	2,000	*
Gordon L	Brodine	11,770	*
Michael J	Budinetz	3,913	*
Vincent J	Calvarese	3,750	*
Julie	Carlson	3,000	*
Michael J	Chiordi	3,000	*
Gerald E	Clark Jr	2,100	*
Diane	Cloutier	18,000	*
Roger D	Coffey	3,000	*
Marc A	Cohen	17,250	*
	Cornerstone Public Relations Group, M Darlene Herbert Felt	281	*
Jim	Cross	1,000	*
William R	Crothers	1,876	*
Lorraine	Crow	300	*
Clifton B	Currin Trust	4,000	*
Benjamin	Deacon	750	*
	Delta Western Company (2)	11,250	*
Louis E	Di Renzo	1,500	*
	Diligent Finance Company Ltd (3)	96,000	*
Anees T	Din	5,400	*
Leo J	Dolan	6,000	*
Robert F	Dress	2,200	*
Howard	Effron	3,000	*
Bently	Elliott	3,000	*
Anthony J	Fanelli	3,000	*
John S	Foster	20,500	*
Helen K	Fox	3,000	*
Samantha Harris	Fulmer	300	*
Dorothy	Galvin	300	*
Margaret R	Geddis	750	*
Robert G	Giddens	28,456	*
Frederick F	Glockner	300	*
William M	Goldstein	9,000	*
Ira Fbo Robert A	Hamilton (4)	1,260	*
John E	Hamilton	900	*

Robert A	Hamilton (4)	2,730	*
Peter & Deborah	Harris	1,500	*
Andrew B	Hebenstreit	11,000	*
Joyce	Hodges	1,500	*
Michelle	Hollenshead	625	*
James M	Holmwood	6,000	*
	Hrubala Associates, A Partnership (5)	6,000	*
Gordon F	Hudson	6,000	*
Christine F	Hughes	750	*
Wendy	Jenkins (6)	3,933	*
William Robert	Johnston	1,500	*
Charles T	Jones	1,500	*
F/B/O Fred	Karagosian	3,000	*
Gloria & Fred	Karn	300	*
Michael	Katchur	2,250	*
Maude Wood	Kent	3,000	*
Thomas & Maude Wood	Kent	3,000	*
Robert A	Kilgore	15,000	*
Shirley K	Knerr	2,700	*
Gregory S	Kobus	3,000	*
Paul G	Lanni	3,000	*
Warren D	Lewis	4,750	*
H Mather	Lippincott Jr	3,000	*
Anthony F	Lopez	3,000	*
Robert	Lozowski	600	*
Douglas	Lurio (7)	4,500	252,713 *
James P	Maccaian	8,000	*
Lewis F	Madan	600	*
Kathleen J	Mason	26,000	*
Barry N	Mccabe	3,000	*
Duane C	Mccarthy	300	*
G Ellard	Mccarthy	1,500	*
Bob	Mcgarrah	6,000	*
John P	Mcgonigle	300	*
Mary C	Mcgonigle	300	*
James F	Merriman	16,084	*
Eileen	Miller	1,200	*
Harley	Miller	5,276	*
Harley & Brook	Miller	1,050	*
George W	Moffitt Jr	3,375	*
Thomas	Molumphy	1,500	*
	Molumphy Capital Mgmt (8)	3,000	*
Robert H	Montgomery	8,000	*
Mac G	Morris	1,500	*
James	Mosier	5,867	*
Gary	Nash	320	*
Elizabeth L	Nelson	10,250	*
Robert F	Nemeth	5,000	*
Gregg J	Newhuis	20,833	*
Jeffrey M	Newhuis	2,100	*
Patrick	Nolan	6,812	*
Paul	Nordin	1,000	*
Gary	Oakland	3,250	*
George	O'connell	45,000	*
	Oldom & Co	3,000	*
Robert	Padrick	12,000	*
Robert	Padrick Trustee Fbo Kellie Nicole Padrick	3,000	*
Robert	Padrick Trustee For Robert G Padrick	6,000	*
Michael A	Parker	1,000	*
Neil L	Parker	1,500	*
Richard & Laura	Parker	7,500	*
Joseph	Pellegrino	60,000	*
Robert H	Potts	3,000	*

Charles W	Proctor Iii	125	*
Ernest L	Ransome Iii	1,500	*
Harry	Renner Iv	12,000	*
John B	Rettew Iii	3,500	*
Gardiner	Rogers	3,300	*
Marie G	Roper	1,500	*
Gerald B	Rosenthal	4,000	*
Karl F	Rugart	8,250	*
John S	Rupp	3,000	*
Valentina	Sas	600	*
Edward L	Schoenhut	6,000	*
William F	Schoenhut Jr	8,000	*
Stephen	Schwartz	7,500	*
Mary L	Scranton	1,750	*
Nicholas	Sellers	3,000	*
Raymond K	Shotwell	1,650	*
Leonard H	Sichel Jr	3,000	*
Richard	Smith	36,000	*
Kathy	Smitley	1,250	*
Terry W	Stanglein	10,800	*
Elinor	Steinhilber	3,000	*
Michael	Steir	2,250	*
Michael & Ellen	Steir	1,500	*
Cpt Eric W	Stetson	1,500	*
Gertrude T	Stevens	4,583	*
Homer N	Stewart	3,000	*
Vivian	Stroud (9)	1,500	*
George E	Szychoski	30	*
Michael W	Szychoski	75	*
Constantine Teofil	Szyborski	3,000	*
	Technology Partners (10) (11)	115,529	*
Alfred Hunter & Susan	Thompson	826	*
Andrew	Thompson	150	*
James	Turner	12,000	*
William L	Van Alen Jr (12)	6,000	268,005 *
David L	Weaver	1,260	*
Dwane M	Weaver	3,000	*
Marlene	Weaver	30,000	*
Michael L	Weaver	300	*
Wesley R	Weaver	4,266	*
Arthur L	Wheeler Acct #216-39u48	39,000	*
Arthur	Wiener	970	*
Arthur & Ruth	Wiener	3,950	*
J Edward	Willard	15,000	*
Kenneth B	Wilson	1,500	*
Claudine W	Wolfe	733	*
C Edwin & Janet Lyn	Wright	1,500	*
John D	Wright	3,000	*
Craig	Yoshimoto	3,000	*
Joseph	Zirbes	1,000	*
Ruth	Zweigbaum	3,620	*
Total		1,102,655 (13)	



- (1) The natural person who exercises sole and/or shared voting or dispositive powers with respect to shares held of record by the entity, Brittain Family Trust, is E. Douglas Brittain.
- (2) The natural person who exercises sole and/or shared voting or dispositive powers with respect to shares held of record by the entity, Delta Western Company, is George W. Moffitt.
- (3) The natural person who exercises sole and/or shared voting or dispositive powers with respect to shares held of record by the entity, Diligent Finance Company Ltd., is Rai Hamilton.
- (4) Mr. Hamilton is an employee of USA.
- (5) The natural person who exercises sole and/or shared voting or dispositive powers with respect to shares held of record by the entity, Hrubala Associates, A Partnership, is David R. Molumphy.
- (6) Ms. Jenkins is an employee of USA.
- (7) Mr. Lurio is a director and his law firm, Lurio & Associates, P.C., is general counsel to USA.
- (8) The natural person who exercises sole and/or shared voting or dispositive powers with respect to shares held of record by the entity, Molumphy Capital Mgmt., is David R. Molumphy.
- (9) Ms. Stroud is an employee of USA.
- (10) The natural person who exercises sole and/or shared voting or dispositive powers with respect to shares held of record by the entity, Technology Partners, is Porter Bibb.
- (11) Technology Partners is the Company's investment banker.
- (12) Mr. VanAlen is a director of the Company.
- (13) Represents 551,327 shares issued at \$.20 per share and 551,328 shares underlying warrants to purchase our shares at \$.20 per share at any time through June 30, 2004. These shares and warrants were issued to our senior note holders who elected to receive shares in lieu of cash for the March 31, 2003 quarterly interest payment. For each share issued, the holder also received one warrant. We have agreed to register these shares for resale under the Act at our cost and expense until March 2005.

MARKET FOR COMMON STOCK

The Common Stock is currently traded on the OTC Electronic Bulletin Board under the symbol USTT.

The high and low bid prices on the OTC Electronic Bulletin Board for the Common Stock were as follows:

FISCAL

- - - - -

2001	HIGH	LOW
- - - - -	- - - - -	- - -
First Quarter (through September 30, 2000)	\$ 1.75	\$0.91
Second Quarter (through December 31, 2000)	\$ 1.78	\$0.66
Third Quarter (through March 31, 2001)	\$ 1.78	\$0.88
Fourth Quarter (through June 30, 2001)	\$ 1.28	\$0.74

2002

- - - - -

First Quarter (through September 30, 2001)	\$ 1.05	\$ 0.60
Second Quarter (through December 31, 2001)	\$ 0.74	\$ 0.34
Third Quarter (through March 31, 2002)	\$ 0.80	\$ 0.39
Fourth Quarter (through June 30, 2002)	\$ 0.41	\$ 0.20

2003

- - - - -

First Quarter (through September 30, 2002)	\$ 0.39	\$ 0.15
Second Quarter (through December 31, 2002)	\$ 0.23	\$ 0.14
Third Quarter (through March 31, 2003)	\$ 0.22	\$ 0.16

Such quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

At December 31, 2002, there are 3,317,485 shares of Common Stock issuable upon exercise of outstanding options. The following table shows the number of options outstanding and their exercise price:

OPTIONS OUTSTANDING	OPTION EXERCISE PRICE
- - - - -	- - - - -
2,475,318	\$ .165
550,000	\$ .70
125,000	\$ 1.00
52,000	\$ 1.50
41,167	\$ 2.00
74,000	\$ 2.50
- - - - -	
3,317,485	

The Company has registered for resale under the 1933 Act all of the Common Stock underlying the options. All of the aforesaid options have been issued by the Company to employees, Directors, officers or consultants.

As of December 31, 2002, the following Warrants were outstanding:

2,500 1998-A Warrants;  
 5,000 1998-B Warrants;  
 725,000 consultant warrants;  
 1,580,828 Swartz Private Equity, LLC warrants;  
 2,606,100 2001-B Warrants;  
 192,017 2001-C Warrants  
 100,000 GEMA Warrants;  
 1,426,787 Warrants associated with Stock for interest;  
 15,545,897 2002-A Warrants;  
 22,035,716 investor warrants  
 -----  
 44,219,845 Total

The Company has registered for resale under the 1933 Act all of the Common Stock underlying these warrants (other than those underlying the GEMA Warrants and the Warrants associated with Stock for interest).

As of December 31, 2002 there are \$13,738,450 face value of Senior Notes outstanding which are convertible into 35,943,203 shares of Common Stock.

On December 31, 2002 there were 1,028 record holders of the Common Stock and 573 record holders of the Preferred Stock.

The holders of the Common Stock are entitled to receive such dividends as the Board of Directors of the Company may from time to time declare out of funds legally available for payment of dividends. Through the date hereof, no cash dividends have been declared on the Company's securities. No dividend may be paid on the Common Stock until all accumulated and unpaid dividends on the Preferred Stock has been paid. As of December 31, 2002, such accumulated unpaid dividends amount to \$5,570,963.

During fiscal year 2002, certain holders of the Company's Preferred Stock converted 26,002 shares into 26,002 shares of Common Stock. Certain of these shareholders also converted cumulative preferred dividends of \$268,140 into 26,814 shares of Common Stock. During the six months ended December 31, 2002, 150 shares of the Company's Preferred Stock were converted into 150 shares of Common Stock, and \$1,570 of Cumulative preferred dividends were converted into 157 shares of Common Stock.

As of December 31, 2002, there were 529,132 shares of Common Stock issuable upon conversion of the outstanding Preferred Stock and 557,096 shares issuable upon the conversion of cumulative Preferred Dividends, which when and If issued would be freely tradeable under the Act.

During the quarter ended June 30, 2002, the following issuances of Common Stock were authorized: 11,507 shares from the conversion of Preferred Stock; 12,007 shares from the conversion of cumulative Preferred dividends; 334,168 from the exercise of Warrants; 61,728 shares from the conversion of Convertible Debentures and 617,280 shares from the related exercise of Warrants; 390,000 shares in exchange for professional services; 300,882 shares in lieu of interest on the 12% convertible Notes; 1,250,000 shares to Officers as compensation; and 23,637,341 shares issued in connection with the acquisition of Stitch Networks Corporation (See Note 3 to the Consolidated Financial Statements).

Subsequent to June 30, 2002 and through December 31, 2002, the following equity activity occurred:

During September 2002, the Company sold 2,000,000 shares of restricted Common Stock at \$.12 per share for aggregate proceeds of \$240,000 to an investor. In addition, in October 2002, the Company granted to the investor

warrants to purchase up to 2,000,000 shares at \$.10 per share through November 30, 2002, and if all of these warrants are exercised, the investor has been granted another identical warrant for 2,000,000 shares exercisable at any time through March 31, 2003.

The Company had received signed subscription documents for the 2002-A Private Placement of Senior Notes for approximately \$3.84 million subsequent to July 1, 2002. In total, total proceeds of \$4,284,000 have been received, of which \$2,585,000 has been deposited and the remainder of \$1,699,000 was for services. A total of \$1,329,800 are for services to be performed and are therefore reflected as prepaid professional fees at December 31, 2002.

La Jolla Cove Investors has converted Debentures and exercised warrants. The investor utilized previously remitted funds to the Company which was reflected as a deposit in the June 30, 2002 consolidated financial statements. Through December 31, 2002, La Jolla converted \$133,000 of 9 3/4 percent Convertible Debentures, for which the Company issued 829,099 shares of stock, and exercised 8,290,990 warrants to purchase Common Stock at an average price of \$.16 per share. The Company had previously executed a Securities Purchase Agreement with La Jolla for the purchase of \$225,000 (increased by \$100,000 on June 18, 2002) of Convertible Debentures bearing 9 3/4 percent interest with a maturity date of August 3, 2003 (extended to August 2, 2004 on June 18, 2002). Interest is payable by the Company monthly in arrears. The Debenture is convertible at any time after the earlier of the effectiveness of the registration statement or 90 days following issuance, at the lower of \$1.00 per share or 80% (later lowered to 72%) of the lowest closing bid price of the Common Stock during the 30 days preceding exercise. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

In July 2002 the Company agreed to issue an aggregate of 234,600 shares to employees as part of those employees' severance payments. The shares were issued at \$.25 per share, the fair value on the date of issue.

In July 2002, the Company agreed to issue to Karl Mynyk, a former employee, an aggregate of 125,000 shares in settlement of litigation between he and the Company. The shares were valued at \$.20 per share, the fair value on the date of issuance. We have agreed to register these shares for resale under the Act at our cost and expense.

In October 2002, the Company issued 529,324 shares (valued at \$.20 per Share) to the holders of the senior notes in lieu of the cash quarterly interest payments due for the quarter ended September 30, 2002. In addition, the Company granted warrants to purchase up to 529,324 shares at \$.20 per share at any time prior to December 31, 2004.

For the quarter ended December 31, 2002, the Company issued 593,634 shares (valued at \$.20 per share) to the holders of the senior notes in lieu of the cash quarterly interest payments due for the quarter. In addition, the Company granted warrants to purchase up to 593,634 shares at \$.20 per share at any time prior to December 31, 2004.

In October 2002, the Company issued to Edwin P. Boynton 50,000 shares of Common Stock. In April 2002, The Company had granted him 100,000 options to purchase Common Stock at \$.40 per share, which was equal to or greater than the closing bid price of the Common Stock on the date of the grant. Subsequent to July 1, 2002, up to half of these options were permitted to convert to shares.

In October 2002, the Company sold to an investor 3,571,429 shares at \$.07 per share and issued the following warrants: (1) warrants to purchase up to 7,142,858 shares at \$.07 at any time for a five year period; and (2) warrants to Purchase up to 7,142,858 shares, at \$.07 per share and up to 5,000,000 shares at \$.10 per share, exercisable over a one-year period. We have agreed to register these shares for resale under the Act at our cost and expense.

In October 2002, the Company sold to an investor 1,500,000 shares of restricted common stock at \$.10 per share and granted warrants to purchase up to 750,000 shares at \$.15 per share at any time for five years. Within seven days following the effectiveness of the registration statement covering these shares, the Company has agreed to Sell to the investor an additional 1,500,000 shares at \$.10 per share and grant Warrants to purchase up to 750,000 shares at the then closing price per share at any time for five years. We have agreed to register these shares for resale under the Act at our cost and expense.

In October 2002, the Company granted to the holders of the 12% senior notes warrants purchasing that number of shares equal to 75% of the dollar amount of the notes held by such holder. The total number of warrants was 10,360,025 and are exercisable at any time prior to November 30, 2002 (later extended to April 30, 2003). If the holder exercises all of such holder's warrants, the holder shall receive another identical Warrant exercisable at any time prior to April 30, 2003. We have agreed to register these shares for resale under the Act at our cost and expense. Through December 31, 2002, the note holders exercised 5,080,261 Common Stock warrants. As a result, an additional 5,080,261 Common Stock warrants were granted, of which 291,376 were exercised as of December 31, 2002.

In November 2002, the Company agreed to issue an aggregate of 1,480,000 shares to employees and consultants for services to be rendered. The shares were valued at \$.16 per share.

In November 2002 and through December 31, 2002, 715,000 shares of Common Stock were sold at \$.10 per share in the 2003-A offering.

## DESCRIPTION OF SECURITIES

### General

We are authorized to issue up to 300,000,000 shares of common stock, no par value, and 1,800,000 shares of undesignated preferred stock. As of the date hereof, 900,000 preferred shares have been designated as series A convertible preferred stock, no par value. As of December 31, 2002, there were 99,096,167 shares of common stock issued and outstanding and 529,132 shares of series A preferred stock issued and outstanding which are convertible into 529,132 shares of common stock. Through December 31, 2002, a total of 582,018 shares of preferred stock have been converted into 658,462 shares of common stock and \$2,621,924 of accrued and unpaid dividends thereon have been converted into 282,369 shares of common stock.

### La Jolla Debenture and Warrants

During July 2001, the Company issued to La Jolla Cove Investors, Inc. a warrant to purchase up to 500,000 shares of Common Stock. The warrant can be exercised at any time in whole or in part within one year following the effectiveness of the registration statement covering the resale of the shares issuable upon exercise of the warrant. The exercise price of the warrant is the

lower of \$1.00 or 80% of the lowest closing bid price of the Common Stock during the 20 trading days prior to exercise. The Company has agreed to prepare and file at its cost and expense a registration statement covering the resale by La Jolla of the shares underlying the warrant. At the time of the issuance of the warrant, La Jolla paid to the Company a non-refundable fee of \$50,000 to be credited towards the exercise price under the warrant. A broker-dealer received a commission of \$2,100 in connection with this warrant. During the quarter ended December 31, 2001, La Jolla exercised all of these warrants for a cash payment of approximately \$.29 per share.

During August 2001, the Company issued to La Jolla a \$225,000 Convertible Debenture (increased by \$100,000 on June 18, 2002) bearing 9 3/4 percent interest with a maturity date of August 2, 2003 (extended to August 2, 2004). Interest is payable by the Company monthly in arrears. The Debenture is convertible at the lower of \$1.00 per share or 80% (later reduced to 72%) of the lowest closing bid price of the Common Stock during the 20 days (changed to 270 calendar days) preceding exercise. If on the date of conversion the closing bid price of the shares is \$.40 or below, the Company shall have the right to prepay the portion being converted at 150% of the principal amount being converted. In such event, La Jolla shall have the right to withdraw its conversion notice. At the time of conversion of the Debenture, the Company has agreed to issue to La Jolla warrants to purchase an amount of Common Stock equal to ten times the number of shares actually issued upon conversion of the Debenture. The warrants are exercisable at any time for two years following issuance and at the related conversion price of the Debenture. The Company has agreed to prepare and file at its expense a registration statement covering the resale of the shares of Common Stock underlying the Debenture as well as the related warrants issuable upon conversion of the Debenture. From inception through December 31, 2002, La Jolla converted \$133,000 of 9 3/4 percent Convertible Debentures, for which the Company issued 829,099 shares of stock, and exercised 8,290,990 warrants to purchase Common Stock at an average price of \$.16 per share.

In March 2003, we issued to La Jolla a warrant to purchase up to 9,000,000 of our shares at \$.10 per share. Of such warrants, 3,000,000 expire three months after the date hereof, 3,000,000 expire six months after the date hereof, and the remaining 3,000,000 expire nine months after the date of this prospectus. We have agreed to register all of the shares underlying these warrants for resale by La Jolla for a one year period.

#### Common Stock

The holder of each share of common stock:

- o is entitled to one vote on all matters submitted to a vote of the shareholders of USA, including the election of directors. There is no cumulative voting for directors;
- o does not have any preemptive rights to subscribe for or purchase shares, obligations, warrants, or other securities of USA; and
- o is entitled to receive such dividends as the Board of Directors may from time to time declare out of funds legally available for payment of dividends.

No dividend may be paid on the common stock until all accumulated and unpaid dividends on the series A preferred stock have been paid. Upon any liquidation, dissolution or winding up of USA, holders of shares of common stock are entitled to receive pro rata all of the assets of USA available for distribution, subject to the liquidation preference of the series A preferred stock of \$10.00 per share and any unpaid and accumulated dividends on the series A preferred stock.

## Series A Convertible Preferred Stock

The holders of shares of Series A preferred stock:

- o have the number of votes per share equal to the number of shares of common stock into which each such share is convertible (i.e., 1 share of series A preferred stock equals 1 vote);
- o are entitled to vote on all matters submitted to the vote of the shareholders of USA, including the election of directors; and
- o are entitled to an annual cumulative cash dividend of \$1.50 per annum, payable when, as and if declared by the Board of Directors.

The record dates for payment of dividends on the series A preferred stock are February 1 and August 1 of each year. Any and all accumulated and unpaid cash dividends on the series A preferred stock must be declared and paid prior to the declaration and payment of any dividends on the common stock. Any unpaid and accumulated dividends will not bear interest. As of December 31, 2002 the accumulated and unpaid dividends were \$5,570,963.

Each share of series A preferred stock is convertible at any time into 1 share of fully issued and non-assessable common stock. Accrued and unpaid dividends earned on shares of series A preferred stock being converted into common stock are also convertible into common stock at the rate \$10.00 per share of common stock at the time of conversion and whether or not such dividends have then been declared by USA. As of December 31, 2002 a total of 582,018 shares of series A preferred stock have been converted into common stock and accrued and unpaid dividends thereon have been converted into 282,369 shares of common stock. The conversion rate of the series A preferred stock (and any accrued and unpaid dividends thereon) will be equitably adjusted for stock splits, stock combinations, recapitalizations, and in connection with certain other issuances of common stock by USA. Upon any liquidation, dissolution, or winding-up of USA, the holders of series A preferred stock are entitled to receive a distribution in preference to the common stock in the amount of \$10.00 per share plus any accumulated and unpaid dividends.

We have the right, at any time, to redeem all or any part of the issued and outstanding series A preferred stock for the sum of \$11.00 per share plus any and all unpaid and accumulated dividends thereon. Upon notice by USA of such call, the holders of the series A preferred stock so called will have the opportunity to convert their shares and any unpaid and accumulated dividends thereon into shares of common stock. The \$11.00 per share figure was the redemption price approved by the Directors and shareholders of USA at the time the series A preferred stock was created and first issued. We currently have no plans to redeem the preferred stock.

## 12% Senior Notes

As of December 31, 2002, we have outstanding \$4,061,950 of Senior Notes due December 31, 2005, \$4,642,500 of Senior Notes due December 31, 2004, and \$5,034,000 of Senior Notes due December 31, 2003. The principal amount of each senior note which is not voluntarily converted shall be payable on the maturity date thereof, at which time any unpaid and accrued interest shall also become due. Interest shall accrue at the rate of 12% per annum from and after the date of issuance and shall be payable quarterly in arrears on December 31, March 31, June 30, and September 30 of each year until December 31, 2004. The senior notes are senior to all existing equity securities of USA, including the series A preferred stock.



Of the senior notes due December 31, 2003, a total of \$3,823,000 were purchased through the exchange of \$3,823,000 of the old senior notes previously due December 31, 2001. The principal amount of these notes is convertible at any time into shares of common stock at the rate of \$1.25 per share. The interest paid on these notes is also convertible into shares of common stock at the rate of \$1.00 per share. For the quarters ended September 31, 2001 and December 31, 2001, the conversion rate was reduced to \$.50 per share and for the quarter ended March 31, 2002 to \$.40 per share and for the quarters ended September 30, 2002, December 31, 2002 and March 31, 2003, to \$.20 per share together with one warrant at \$.20 per share for each share issued with an exercise termination date of June 30, 2004. We have agreed to register these shares as well as the shares underlying the warrants for resale under the Act. In March 2003, each holder of these senior notes was granted the option to have the conversion rate reduced to \$.20 in exchange for extending the maturity date for three additional years. As of April 7, 2003, a total of \$1.7 million of these notes have been extended to December 31, 2006.

The principal amount of each senior note due December 31, 2004 is convertible at any time into shares of Common Stock at the rate of \$.40 per share. In January 2002, the Company agreed to provide the option to each holder of these senior notes to elect to accept shares in lieu of receiving cash in satisfaction of the interest payments otherwise due to them on account of the last three quarters of fiscal 2002. The conversion rate for this interest payment due for the quarter ended March 31, 2002 was \$.40 per share. The Company continued this option at \$.20 per share for the quarters ended September 30, 2002, December 31, 2002 and March 31, 2003 together with one warrant at \$.20 for each share issued with an exercise termination date of June 30, 2004. We have agreed to register these shares as well as the shares underlying the warrants for resale under the Act. In March 2003, each holder of these senior notes was granted the option to have the conversion rate reduced to \$.20 in exchange for extending the maturity date for three additional years. As of April 7, 2003, a total of \$2.1 million of these notes have been extended to December 31, 2007.

The principal amount of each Senior Note due December 31, 2005 is convertible at any time into shares of Common Stock at the rate of \$.20 per share. The Company agreed to provide the option to each holder of these senior notes to elect to accept shares in lieu of receiving cash in satisfaction of the interest payments otherwise due to them on account of the last quarter of fiscal 2002 at the rate of \$.20 per share. The Company continued this option at \$.20 per share for the quarters ended September 30, 2002, December 31, 2002 and March 31, 2003 together with one warrant at \$.20 for each share issued with an exercise termination date of June 30, 2004. We have agreed to register these shares as well as the shares underlying the warrants for resale under the Act.

The indebtedness evidenced in the Senior Note is subordinated to the prior payment when due of the principal of, premium, if any, and interest on all "Senior Indebtedness", as defined herein, of USA as follows: Upon any distribution of its assets in a liquidation or dissolution of USA, or in bankruptcy, reorganization, insolvency, receivership or similar proceedings relating to USA, the Lender shall not be entitled to receive payment until the holders of Senior Indebtedness are paid in full. Until a payment default occurs with respect to any Senior Indebtedness, all payments of principal and interest due to Lender under the senior note shall be made in accordance with this senior note. Upon the occurrence of any payment default with respect to any Senior Indebtedness then, upon written notice thereof to USA and Lender by any holder of such Senior Indebtedness or its representative, no payments of principal or interest on the senior note shall be made by USA until such payment default has been cured to the satisfaction of the holder of such Senior Indebtedness or waived by such holder, provided, however, that if during the 180 day period following such default, the holder of Senior Indebtedness has not accelerated its loan, commenced foreclosure proceedings or otherwise undertaken to act on such default, then USA shall be required to continue making payments under the senior note, including any which had not been paid during such 180 day period. In the event that any institutional lender to USA at any time so requires, the Lender shall execute, upon request of USA, any intercreditor or subordination agreement(s) with any such institutional lender on terms not materially more adverse to the Lender than the subordination terms contained in this senior note.

The term "Senior Indebtedness" shall mean (a) all direct or indirect, contingent or certain indebtedness of any type, kind or nature (present or future) created, incurred or assumed by USA with respect to any future bank or other financial institutional indebtedness of USA or (b) any indebtedness created, incurred, or assumed, by USA secured by a lien on any of our assets.

Notwithstanding anything herein to the contrary, Senior Indebtedness does not include:

- o unsecured accounts payable to trade creditors of USA incurred in the ordinary course of business;
- o any debt owed by USA to any officer, director or stockholder of USA;
- o any obligation of Borrower issued or contracted for as payment in consideration of the purchase by USA of the capital stock or substantially all of the assets of another person or in consideration for the merger or consolidation with respect to which USA was a party;
- o any operating lease obligations of USA;
- o any other indebtedness which by its terms is subordinated to the senior note; or
- o any "other indebtedness" which is subordinated to all indebtedness to which the senior note is subordinated in substantially like terms as the senior note; which such "other indebtedness" shall be treated as equal with the indebtedness evidenced by the senior note.

#### Common Stock Purchase Warrants

- o Each 2001-B warrant entitles its holder to immediately purchase one share for \$.50 subject to reduction at any time. One-half of each holder's warrants were exercisable at any time prior to December 31, 2001 and the balance at any time prior to June 30, 2002 (or such later date as may be determined by USA). In June 2002, the termination date of 3,676,829 of these warrants was extended to December 2002 (later extended until April 30, 2003), and the exercise price of these warrants reduced to \$.10. As of December 31, 2002, 2,606,100 of these warrants are outstanding. These warrants were acquired from us by the selling shareholders in 2001 pursuant to a private placement offering. We have agreed to register these shares under the Act for resale.
- o Each 2001-C warrant entitles its holder to immediately purchase one share for \$.50 subject to reduction at any time. Each warrant expires on April 30, 2002. In June 2003, the termination date of 294,334 of these warrants was extended to December 2002 (later extended until April 30, 2003), and the exercise price of these warrants reduced to \$.10. As of December 31, 2002, 192,017 of these warrants are outstanding. These warrants were acquired from us by the selling shareholders in 2001 pursuant to a private placement offering. We have agreed to register these shares under the Act for resale.
- o Each 1998-B warrant entitles its holder to immediately purchase one share of common stock. The exercise price is \$4.00 per share, subject to reduction at any time by USA. The 1998-B warrants are exercisable at any time prior to August 17, 2003, or such later date as may be determined by USA. These warrants were acquired from us by the selling shareholders in 1998 pursuant to a private placement offering. We have agreed to register the shares underlying the warrants for resale under the Act until August 2005.

The warrants have been issued pursuant to warrant agreements by and between USA and American Stock Transfer & Trust Company, the warrant agent.

We have registered for resale the common stock underlying the above warrants under the Act.

The exercise price of the warrants and the number of shares of common stock issuable upon exercise of the warrants are subject to adjustment in certain circumstances, including a stock split of, stock dividend on, or a subdivision, combination or recapitalization of the common stock. Upon the merger, consolidation, sale of substantially all the assets of USA, or other similar transaction, the warrant holders shall, at the option of USA, be required to exercise the warrants immediately prior to the closing of the transaction, or such warrants shall automatically expire. Upon such exercise, the warrant holders shall participate on the same basis as the holders of common stock in connection with the transaction.

The warrants do not confer upon the holder any voting or any other rights of a shareholder of USA. Upon notice to the warrant holders, USA has the right, at any time and from time to time, to reduce the exercise price or to extend the warrant termination date.

#### Shares Eligible for Future Sale

Of the 99,096,167 shares of common stock issued and outstanding on December 31, 2002, 73,792,502 are freely transferable without registration under the Act (other than shares held by "affiliates" of USA). As of the date hereof, there were 529,132 shares of preferred stock issued and outstanding, all of which are freely transferable without further registration under the Act (other than shares held by "affiliates" of USA).

The shares of preferred stock issued and outstanding as of the date hereof, are convertible into 529,132 shares of common stock all of which would be fully transferrable without further registration under the Act (other than shares held by "affiliates" of USA).

Shares of our common stock which are not freely tradeable under the Act are known as "Restricted Securities" and cannot be resold without registration under the Act or pursuant to Rule 144 promulgated thereunder.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are required to be aggregated), including any affiliate of USA, who beneficially owns "restricted securities" for a period of at least one year is entitled to sell within any three-month period, shares equal in number to the greater of (i) 1% of the then outstanding shares of the same class of shares, or (ii) the average weekly trading volume of the same class of shares during the four calendar weeks preceding the filing of the required notice of sale with the SEC. The seller must also comply with the notice and manner of sale requirements of Rule 144, and there must be current public information available about USA. In addition, any person (or persons whose shares must be aggregated) who is not, at the time of sale, nor during the preceding three months, an affiliate of the USA, and who has beneficially owned restricted shares for at least two years, can sell such shares under Rule 144 without regard to the notice, manner of sale, public information or the volume limitations described above.

## Limitation of Liability; Indemnification

As permitted by the Pennsylvania Business Corporation Law of 1988 ("BCL"), our By-laws provide that Directors will not be personally liable, as such, for monetary damages for any action taken unless the Director has breached or failed to perform the duties of a Director under the BCL and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. This limitation of personal liability does not apply to any responsibility or liability pursuant to any criminal statute, or any liability for the payment of taxes pursuant to Federal, State or local law. The By-laws also include provisions for indemnification of our Directors and officers to the fullest extent permitted by the BCL. Insofar as indemnification for liabilities arising under the Act may be permitted to Directors, officers and controlling persons of USA pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

## Transfer Agent and Registrar

The Transfer Agent and Registrar for our stock and warrants is American Stock Transfer & Trust Company, 40 Wall Street, New York, New York 10005.

## PLAN OF DISTRIBUTION

The selling shareholders are free to offer and sell the common shares at such times, in such manner and at such prices as the selling shareholders may determine. The types of transactions in which the common shares are sold may include transactions in the over-the-counter market (including block transactions), negotiated transactions, the settlement of short sales of common shares, or a combination of such methods of sale. The sales will be at market prices prevailing at the time of sale or at negotiated prices. Such transactions may or may not involve brokers or dealers.

The selling shareholders may effect such transactions by selling common stock directly to purchasers or through broker-dealers, which may act as agents or principals. Such broker-dealers may receive compensation in the form of discounts, concessions, or commissions from the selling shareholders. They may also receive compensation from the purchasers of common shares for whom such broker-dealers may act as agents or to whom they sell as principal, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions).

The selling shareholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and profit on the resale of the shares purchased by them may be deemed to be underwriting discounts under the Act.

The selling shareholders also may resell all or a portion of the common shares in open market transactions in reliance upon Rule 144 under the Securities and Exchange Act, provided they meet the criteria and conform to the requirements of such Rule. We have agreed to bear all the expenses (other than selling commissions) in connection with the registration and sale of the common stock covered by this prospectus. In some circumstances, we have agreed to indemnify the selling shareholders against certain losses and liabilities, including liabilities under the Act.

We have advised the selling shareholders that while they are engaged in a distribution of the shares included in this prospectus they are required to comply with Regulation M promulgated under the Securities Exchange Act of 1934, as amended. With certain exceptions, Regulation M precludes the selling shareholders, any affiliated purchasers, and any broker-dealer or other person who participates in such distribution from bidding for or purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of the distribution until the entire distribution is complete.

#### LEGAL MATTERS

The validity of the common stock has been passed upon for us by Lurio & Associates, P.C., Philadelphia, Pennsylvania 19103.

#### EXPERTS

The consolidated financial statements of USA Technologies, Inc. at June 30, 2002 and 2001, and for each of the two years in the period ended June 30, 2002, and the financial statements of Stitch Networks Corporation at December 31, 2001 and 2000, and for the years then ended appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon (which contains an explanatory paragraph describing conditions that raise substantial doubt about the Company's ability to continue as a going concern as described in Note 2 to the consolidated financial statements) appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

USA Technologies, Inc.

Consolidated Financial Statements

Years ended June 30, 2002 and 2001

Contents

Report of Independent Auditors	F-1
Consolidated Financial Statements	
Consolidated Balance Sheets	F-2
Consolidated Statements of Operations	F-3
Consolidated Statements of Shareholders' Equity (Deficit)	F-4
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7

Report of Independent Auditors

USA Technologies, Inc.  
Board of Directors and Shareholders

We have audited the accompanying consolidated balance sheets of USA Technologies, Inc. as of June 30, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity (deficit), and cash flows for each of the two years in the period ended June 30, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of USA Technologies, Inc. at June 30, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the two years in the period ended June 30, 2002, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming USA Technologies, Inc. will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has never been profitable, continues to incur losses from operations, has continued to require forbearance agreements on debt obligations, and anticipates that it will require additional debt or equity financing which may not be readily available. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania  
September 27, 2002

USA Technologies, Inc.  
Consolidated Balance Sheets

	June 30 2002	2001	December 31 2002
			----- (Unaudited)
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 557,970	\$ 817,570	\$ 517,809
Accounts receivable, less allowance for uncollectible accounts of \$55,555 (unaudited) at December 31, 2002 and \$37,000 and \$28,000 at June 30, 2002 and 2001, respectively	340,293	64,752	422,604
Inventory	877,814	560,410	742,615
Prepaid expenses and other current assets	124,865	428,825	182,915
Prepaid professional fees	-	-	\$1,566,600
Subscriptions receivable	35,000	29,000	276,000
	-----	-----	-----
<b>Total current assets</b>	<b>1,935,942</b>	<b>1,900,557</b>	<b>3,708,543</b>
Property and equipment, net	1,932,427	761,324	1,676,248
Software development costs, at cost, less accumulated amortization of \$3,578,531 (unaudited) at December 31, 2002 and \$2,995,979 and \$0 at June 30, 2002 and 2001, respectively	2,330,207	3,087,415	1,747,655
Goodwill	6,800,827	-	6,800,827
Intangibles, less accumulated amortization of \$182,500 (unaudited) at December 31, 2002 and \$36,500 at June 30, 2002	2,883,500	-	2,737,500
Other assets	29,117	430,765	19,257
	-----	-----	-----
<b>Total assets</b>	<b>\$ 15,912,020</b>	<b>\$ 6,180,061</b>	<b>\$ 16,690,030</b>
	=====	=====	=====
<b>Liabilities and shareholders` equity (deficit)</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 3,081,495	\$ 2,607,570	\$ 4,088,023
Accrued expenses	2,131,289	1,355,595	2,156,471
Deposits	480,000	-	120,000
Current obligations under long term debt	850,644	116,231	789,373
Convertible Senior Notes	-	211,704	4,533,803
	-----	-----	-----
<b>Total current liabilities</b>	<b>6,543,428</b>	<b>4,291,100</b>	<b>11,687,670</b>
Convertible Senior Notes, less current portion	6,289,825	4,236,281	3,536,672
Long term debt, net of current portion	762,085	53,577	477,008
Convertible debenture	65,543	-	72,530
	-----	-----	-----
<b>Total liabilities</b>	<b>13,660,881</b>	<b>8,580,958</b>	<b>15,773,880</b>
<b>Shareholders` equity (deficit):</b>			
<b>Preferred Stock, no par value:</b>			
Authorized shares-1,800,000			
Series A Convertible Preferred-Authorized shares - 900,000			
Issued and outstanding shares-529,132 at December 31, 2002 and 529,282 and 555,284 (unaudited) at June 30, 2002 and 2001, respectively (liquidation preference of \$10,862,283 (unaudited) at December 31, 2002 and \$10,468,391 at June 30, 2002)	3,749,158	3,933,253	3,748,096
<b>Common Stock, no par value:</b>			
Authorized shares-200,000,000 (unaudited) at December 31, 2002, and 150,000,000 (unaudited) and 62,000,000 at June 30, 2002 and 2001, respectively			
Issued and outstanding shares-99,096,167 (unaudited) at December 31, 2002 and 66,214,188 and 21,450,755 at June 30, 2002 and 2001, respectively	55,443,750	32,977,922	61,166,858
Subscriptions receivable	(149,750)	-	-
Deferred compensation	-	(103,000)	-
Accumulated deficit	(56,792,019)	(39,209,072)	(63,998,804)
	-----	-----	-----
<b>Total shareholders` equity (deficit)</b>	<b>2,251,139</b>	<b>(2,400,897)</b>	<b>916,150</b>
	-----	-----	-----
<b>Total liabilities and shareholders` equity (deficit)</b>	<b>\$ 15,912,020</b>	<b>\$ 6,180,061</b>	<b>\$ 16,690,030</b>
	=====	=====	=====

See accompanying notes.



## USA Technologies, Inc.

## Consolidated Statements of Operations

	Year ended June 30		Six months ended December 31,	
	2002	2001	2002	2001
			(Unaudited)	
Revenues:				
Equipment sales	\$ 795,938	\$ 803,685	\$ 572,947	\$ 365,106
Product sales	107,857	-	278,880	-
Service and transaction fees	778,906	647,317	657,265	325,523
Total revenues	1,682,701	1,451,002	1,509,092	690,629
Operating expenses:				
Cost of sales (including amortization of software development costs)	3,914,927	816,239	1,339,400	410,031
General and administrative	7,989,651	5,628,014	3,010,751	2,599,442
Compensation	4,654,662	2,966,776	1,684,432	1,729,813
Loss on exchange of debt	-	863,000	-	-
Depreciation and amortization	440,238	209,646	494,663	163,002
Total operating expenses	16,999,478	10,483,675	6,529,246	4,902,288
	(15,316,777)	(9,032,673)	(5,020,154)	(4,211,659)
Other income (expense):				
Interest income	15,791	60,034	7,237	6,267
Interest expense:				
Coupon or stated rate	(966,974)	(587,769)	(846,605)	(336,998)
Non-cash amortization of debt discount	(1,513,118)	(764,736)	(1,345,693)	(525,088)
Less: amounts capitalized	492,658	230,000	-	347,166
Total interest expense	(1,987,434)	(1,122,505)	(2,192,298)	(514,920)
Other expense	(26,387)	(40,100)	-	-
Total other income (expense)	(1,998,030)	(1,102,571)	(2,185,061)	(508,653)
Loss before cumulative effect of accounting change	(17,314,807)	(10,135,244)	(7,205,215)	(4,720,312)
Cumulative effect of accounting change	-	(821,000)	-	-
Net loss	(17,314,807)	(10,956,244)	(7,205,215)	(4,720,312)
Cumulative preferred dividends	(822,561)	(836,541)	(396,962)	(413,219)
Loss applicable to common shares	\$(18,137,368)	\$(11,792,785)	\$(7,602,177)	\$(5,133,531)
Loss per common share (basic and diluted):				
Loss before cumulative effect of accounting change and extraordinary item	\$ (0.50)	\$ (0.65)	\$ (0.10)	\$ (0.19)
Cumulative effect of accounting change	-	(0.05)	-	-
Loss per common share (basic and diluted)	\$ (0.50)	\$ (0.70)	\$ (0.10)	\$ (0.19)
Weighted average number of common shares outstanding (basic and diluted)	35,994,157	16,731,999	79,493,416	27,313,543

See accompanying notes.

## USA Technologies, Inc.

## Consolidated Statements of Shareholders' Equity (Deficit)

	Series A Convertible Preferred Stock	Common Stock	Deferred Compensation	Accumulated Deficit	Total
Balance, June 30, 2000	\$ 4,012,266	\$24,204,050	\$ (206,000)	\$(28,165,798)	\$ (155,482)
Conversion of 11,160 shares of Preferred Stock to 11,160 shares of Common Stock	(79,013)	79,013	-	-	-
Conversion of \$87,030 of cumulative preferred Stock dividends into 8,703 shares of Common Stock at \$10.00 per share	-	87,030	-	(87,030)	-
Issuance of 418,250 shares of Common Stock to employees as compensation	-	474,995	-	-	474,995
Compensation expense related to deferred stock awards	-	-	103,000	-	103,000
Issuance of 200,000 shares of Common Stock in exchange for consulting services	-	200,000	-	-	200,000
Exercise of 2,112,100 Common Stock warrants at \$1.00 per share	-	2,112,100	-	-	2,112,100
Issuance of 24,000 shares of Common Stock from the conversion of \$35,000 Senior Notes	-	28,024	-	-	28,024
Issuance of 895,000 shares of Common Stock at \$1.00 per share in connection with the 2000-B Private Placement, net of offering costs of \$117,849	-	777,151	-	-	777,151
Issuance of 450,000 shares of Common Stock at \$1.00 per share in connection with the 2001-A Private Placement, net of offering costs of \$22,500	-	427,500	-	-	427,500
Issuance of 2,669,400 shares of Common Stock at \$0.60 per share in connection with the 2001-B Private Placement, net of offering costs of \$54,755	-	1,546,885	-	-	1,546,885
Issuance of 1,136,300 shares of Common Stock in connection with the 2000 12% Convertible Senior Note Offering	-	1,215,843	-	-	1,215,843
Debt discount relating to beneficial conversion feature on the 2000 12% Convertible Notes	-	409,104	-	-	409,104
Issuance of 121,541 shares of Common Stock in lieu of cash payment for interest on the 2000 12% Convertible Senior Notes	-	114,927	-	-	114,927
Issuance of stock options to distributor	-	420,000	-	-	420,000
Other	-	60,300	-	-	60,300
Issuance of 29,010 shares of Common Stock at \$1.05 per share in connection with the \$20 million equity line Investment Agreement, net of offering costs of \$30,461	-	-	-	-	-
Issuance of 1,580,828 Common Stock commitment warrants in connection with \$20 million Equity Line Investment Agreement	-	-	-	-	-
The cumulative effect of accounting change related to the beneficial conversion feature associated with the 1999 Convertible Senior Notes	-	821,000	-	-	821,000
Net loss	-	-	-	(10,956,244)	(10,956,244)
Balance, June 30, 2001	3,933,253	32,977,922	(103,000)	(39,209,072)	(2,400,897)

USA Technologies, Inc.  
Consolidated Statements of Shareholders' Equity (Deficit)

	Series A Convertible Preferred Stock	Common Stock	Deferred Compensation	Subscriptions Receivable	Accumulated Deficit	Total
Conversion of 26,002 shares of Preferred Stock to 26,002 shares of Common Stock	(184,095)	184,095	-	-	-	-
Conversion of \$268,140 of cumulative Preferred Stock dividends into 26,814 shares of Common Stock at \$10.00 per share	-	268,140	-	-	(268,140)	-
Issuance of 2,784,134 shares of Common Stock in exchange for professional services	-	1,330,944	-	-	-	1,330,944
Issuance of 500,000 Common Stock Warrants in exchange for professional services	-	115,000	-	-	-	115,000
Issuance of 2,340,000 shares of Common Stock to Officers as compensation	-	981,000	-	-	-	981,000
Issuance of 200,000 Common Stock Options in exchange for professional services	-	66,000	-	-	-	66,000
Issuance of 498,000 shares of Common Stock from the conversion of \$622,500 of the 2000 12% Senior Notes at \$1.25 per share	-	622,500	-	-	-	622,500
Exercise of 26,667 Common Stock warrants at \$.50 per share	-	13,334	-	-	-	13,334
Exercise of 1,806,862 Common Stock Warrants at \$.10 per share	-	180,687	-	-	-	180,687
Exercise of 500,000 Common Stock Warrants at \$.29 per share, net of offering costs of \$2,100	-	142,900	-	-	-	142,900
Issuance of 333,678 shares of Common Stock from the conversion of \$82,000 of 9-3/4% debentures, and the related exercise of Common Stock Warrants at varying prices per share to purchase 3,336,780 shares of Common Stock, net of offering costs of \$15,750	-	886,250	-	-	-	886,250
Issuance of 4,726,040 shares of Common Stock in connection with the 2001-B Private Placement, net of offering costs of \$259,672	-	2,754,371	-	-	-	2,754,371
Issuance of 4,046,684 shares of Common Stock in Connection with the 2001-C Private Placement, net of offering costs of \$84,272	-	1,992,852	-	(149,750)	-	1,843,102
Issuance of 674,431 shares of Common Stock in lieu of cash payment for interest on the Convertible Senior Notes and the issuance of 303,829 warrants	-	301,856	-	-	-	301,856
Debt discount relating to beneficial conversion feature on the 2001 12% Senior Notes	-	3,742,813	-	-	-	3,742,813
Debt discount relating to beneficial conversion feature on the \$325,000, 9-3/4% Convertible Debenture	-	325,000	-	-	-	325,000
Issuance of Common Stock in connection with Stitch acquisition	-	7,800,323	-	-	-	7,800,323
Issuance of Common Stock Options and Common Stock Warrants in connection with Stitch acquisition	-	729,323	-	-	-	729,323
Compensation expense related to deferred stock awards	-	-	103,000	-	-	103,000
Other	-	28,440	-	-	-	28,440
Net loss	-	-	-	-	(17,314,807)	(17,314,807)
Balance, June 30, 2002	\$ 3,749,158	\$55,443,750	\$ -	S (149,750)	\$(56,792,019)	\$2,251,139

	Series A Convertible Preferred Stock	Common Stock	Subscriptions Receivable	Accumulated Deficit	Total
Conversion of 150 shares of Convertible Preferred Stock to 150 shares of Common Stock (Unaudited)	(1,062)	1,062	-	-	-
Conversion of \$1,570 cumulative preferred Stock dividends into 157 shares of Common Stock at \$10.00 per share (Unaudited)	-	1,570	-	(1,570)	-
Exercise of 6,281,579 Common Stock warrants at \$0.10 per share (Unaudited)	-	628,158	-	-	628,158
Issuance of 1,110,465 shares of Common Stock from the conversion of \$222,058 of the 2002-A 12% Senior Notes (Unaudited)	-	222,058	-	-	222,058
Issuance of 495,421 shares of Common Stock from conversion of \$51,000 of 9-3/4% debentures, and the related exercise of Common Stock Warrants to purchase 4,954,210 shares of Common Stock (Unaudited)	-	561,000	-	-	561,000
Issuance of 2,050,003 shares of Common Stock in exchange for payroll and professional services (Unaudited)	-	395,008	149,750	-	544,758
Issuance of 2,000,000 shares of Common Stock at \$0.12 per share (Unaudited)	-	240,000	-	-	240,000
Issuance of 1,500,000 shares of Common Stock at \$0.10 per share, net of offering costs (Unaudited)	-	123,000	-	-	123,000
Issuance of 715,000 shares of Common Stock in connection with the 2003-A Private Placement Offering at \$0.10 per share(Unaudited)	-	71,500	-	-	71,500
Issuance of 3,571,429 shares of Common Stock at \$0.07 per share, net of offering costs (Unaudited)	-	244,925	-	-	244,925
Issuance of 1,122,958 shares of Common Stock and related Warrants in lieu of cash payment for interest on the 12% Convertible Senior Notes (Unaudited)	-	318,011	-	-	318,011
Debt discount relating to beneficial conversion feature on the 2002-A 12% Senior Notes (Unaudited)	-	1,084,120	-	-	1,084,120
Issuance of 8,568,016 shares in connection with the 2002-A 12% Convertible Senior Notes (Unaudited)	-	1,750,062	-	-	1,750,062
Issuance of 337,300 shares of Common Stock in connection with severance arrangements (Unaudited)	-	78,075	-	-	78,075
Other (Unaudited)	-	4,559	-	-	4,559
Net loss (Unaudited)	-	-	-	(7,205,215)	(7,205,215)
Balance, December 31, 2002 (Unaudited)	\$ 3,748,096	\$ 61,166,858	\$ -	\$ (63,998,804)	\$ 916,150

See accompanying notes

USA Technologies, Inc.

Consolidated Statements of Cash Flows

	Year ended June 30		Six months ended	
	2002	2001	2002	2001
	(Unaudited)			
Operating activities:				
Net loss	\$(17,314,807)	\$(10,956,244)	\$ (7,205,215)	\$(4,720,312)
Adjustments to reconcile net loss to net cash used in operating activities:				
Cumulative effect of accounting change	-	821,000	-	-
Extraordinary loss on exchange of debt	-	863,000	-	-
Charges incurred in connection with the issuance of Common Stock, Common Stock Warrants and Senior Notes	4,532,533	859,295	171,941	1,914,241
Depreciation	403,738	209,646	348,663	163,002
Amortization	3,032,479	-	728,552	-
Loss on property and equipment	195,722	-	-	-
Interest amortization relating to Senior Notes and Convertible Debentures	1,513,118	764,736	1,288,332	525,088
Interest expense on the Senior Notes paid through the issuance of Common Stock	301,856	114,927	318,011	117,867
Charges incurred in connection with Senior Notes	1,000,085	-	227,246	-
Changes in operating assets and liabilities:				
Accounts receivable	(232,653)	538,419	(82,311)	(74,810)
Inventory	(36,642)	345,009	135,199	(187,355)
Prepaid expenses and other assets	774,845	356,757	(48,190)	264,774
Accounts payable	(259,627)	1,713,179	1,006,528	108,520
Accrued expenses	(44,413)	801,352	25,182	(327,921)
Net cash used in operating activities	(6,133,766)	(3,568,924)	(3,086,062)	(2,216,906)
Investing activities:				
Cash acquired in connection with Stitch Acquisition, net of financing costs	2,278,229	-	-	-
Purchase of property and equipment	(102,917)	(380,355)	(92,484)	(31,770)
Increase in software development costs	(2,238,771)	(2,938,111)	-	(1,578,715)
Net cash used in investing activities	(63,459)	(3,318,466)	(92,484)	(1,610,485)
Financing activities:				
Net proceeds from the issuance of Common Stock and the exercise of Common Stock Purchase Warrants and Options	3,912,765	4,834,636	1,657,583	2,715,916
Net repayment of long-term debt	(2,533,363)	(176,053)	(346,348)	(51,217)
Collection of subscriptions receivable	29,000	12,199	35,000	24,000
Proceeds from the issuance of convertible debenture	325,000	-	-	-
Repayment of the Senior Notes	(240,000)	-	-	-
Proceeds received from deposits for future financings	500,000	-	-	-
Net proceeds from the issuance of the Senior Notes and Convertible Debentures	3,944,223	1,174,818	1,792,150	558,015
Increase in funds deposited for Senior Notes	-	-	-	895,601
Net cash provided by financing activities	5,937,625	5,845,600	3,138,385	4,142,315
Net (decrease)increase in cash and cash equivalents	(259,600)	(1,041,790)	(40,161)	314,924
Cash and cash equivalents at beginning of period	817,570	1,859,360	557,970	817,570
Cash and cash equivalents at end of period	\$ 557,970	\$ 817,570	\$ 517,809	\$1,132,494
Supplemental disclosures of cash flow information:				
Cash paid for interest	\$ 603,312	\$ 472,842	\$ 371,972	\$ 336,998
Issuance of Common Stock options to distributor	\$ -	\$ 420,000	\$ -	\$ -
Issuance of Common Stock, Common Stock Options and Warrants in connection with Stitch acquisition	\$8,529,646	\$ -	\$ -	\$ -
Conversion of Convertible Preferred Stock to Common Stock	\$ 184,095	\$ 79,013	\$ 1,062	\$ 30,621
Conversion of Cumulative Preferred Dividends to Common Stock	\$ 268,140	\$ 87,030	\$ 1,570	\$ 38,920
Prepaid stock expenses through issuance of Common Stock	\$ -	\$ 42,000	\$ 236,800	\$ 557,303
Subscriptions receivable	\$ 35,000	\$ 29,000	\$ 276,000	\$ 781,500
Conversion of Senior Notes to Common Stock	\$ 622,500	\$ 28,024	\$ 222,058	\$ 622,500

	Year ended June 30		Six months ended	
	2002	2001	December 31	2001
			(Unaudited)	
Transfer of inventory to property and equipment	\$ -	\$ 87,561	\$ -	\$ -
Capital lease obligations incurred	\$ -	\$ 118,207	\$ -	\$ -
Beneficial conversion feature related to Senior Notes and Convertible Debentures	\$ 4,067,813	\$ 409,104	\$ 1,084,120	\$ 654,948
Prepaid stock expense through Issuance of Common Stock	\$ -	\$ -	\$ 236,800	\$ 557,303
Prepaid Senior Note Issuances	\$ -	\$ -	\$ 1,329,800	\$ -
Transfer of deposits to debt and equity	\$ -	\$ -	\$ 360,000	\$ -
Issuance of Common Shares in connection with Senior Note Offering	\$ -	\$ -	\$ 1,750,062	\$ -
Conversion of Convertible Debenture	\$ -	\$ -	\$ 51,000	\$ -

See accompanying notes.

June 30, 2002

1. Business

USA Technologies, Inc., a Pennsylvania corporation (the Company), was incorporated on January 16, 1992. The Company provides unattended cashless payment/control systems and associated network and services for the copy, fax, debit card, smart card personal computer, laundry, and vending industries. The Company's devices make available credit and debit card and other payment methods in connection with the sale of a variety of products and services. The Company's customers are principally located in the United States and are comprised of hotels, chains, consumer package goods companies, information technology and vending operators.

The Company offers the Business Express and Business Express Limited Service (LSS) principally to the hospitality industry. The Business Express and Business Express Limited Service (LSS) combines the Company's business applications for computers, copiers and facsimile machines into a business center unit. The Company has developed its next generation of cashless control/payment systems (e-Port), which includes capabilities for interactive multimedia and e-commerce, acceptance of other forms of electronic payments and remote monitoring of host machine data and is being marketed and sold to operators, distributors and original equipment manufacturers (OEM) primarily in the vending industry.

The Company's wholly owned subsidiary, Stitch Networks Corporation (Stitch) designs and employs embedded connectivity solutions that enable network servers to monitor and control vending machines and appliances over the internet (Note 3). On December 31, 2000, Stitch executed a Vending Placement, Supply and Distribution Agreement (the Agreement) with Eastman Kodak Company, Maytag Corporation and Dixie Narco, Inc., which formed a strategic alliance to market and execute a national vending program for the sale of one-time use camera and film products. The initial phase of the Agreement ends December 31, 2003, with provisions for extensions. The Agreement also provides for exclusivity among the parties for the term of the Agreement relating to the sale of camera and film products from vending machines within the Continental United States.

Notes to Consolidated Financial Statements

June 30, 2002

2. Accounting Policies

Basis of Financial Statement Presentation

The financial statements of the Company have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments to recorded asset values, principally software development costs, goodwill and other intangibles, that might be necessary should the Company be unable to continue in existence. The Company has never been profitable, has incurred losses of \$17.3 million and \$11.0 million during each of the fiscal years ending June 30, 2002 and 2001, respectively, and losses of \$7.2 million (unaudited) during the six months ended December 31, 2002. Cumulative losses from its inception through June 30, 2002 amount to approximately \$53.3 million and cumulative losses through December 31, 2002 amounted to approximately \$60.5 million (Unaudited). Losses are expected to continue throughout fiscal year 2003. Additionally, the Company has continued to require forbearance agreements on debt obligations (Note 8) and is in the process of renegotiating the terms of the debt. The Company's ability to meet its future obligations is dependent upon the success of its products in the marketplace and its ability to raise capital, which may not be readily available, until the Company's products can generate sufficient operating revenues. These factors raise doubt about the Company's ability to continue as a going concern. Management believes that actions presently being taken will allow for the Company to continue as a going concern. Such actions include the generation of revenues from operations, additional private placement offerings, the exercise of Common Stock purchase warrants and options, and continued efforts to reduce costs.

Interim Financial Information

The consolidated financial statements and disclosures included herein for the six months ended December 31, 2002 and 2001 are unaudited. These financial statements and disclosures have been prepared by the Company in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended December 31, 2002 are not necessarily indicative of the results that may be expected for the fiscal year ended June 30, 2003.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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.

Consolidation

The accompanying consolidated financial statements include the accounts of Stitch. All significant intercompany accounts and transactions have been eliminated in consolidation.



June 30, 2002

2. Accounting Policies (continued)

Cash Equivalents

Cash equivalents represent all highly liquid investments with original maturities of three months or less. Cash equivalents are comprised of a money market fund and certificates of deposit.

Inventory

Inventory, which principally consists of finished goods, components, and packaging materials, is stated at the lower of cost (first-in, first-out basis) or market.

Property and Equipment

Property and equipment is recorded at cost. The straight-line method of depreciation is used over the estimated useful lives of the related assets.

Goodwill and Intangible Assets

Goodwill represents the excess of cost over fair value of the net assets acquired from Stitch. Intangible assets include patents (\$1,870,000) and trademarks (\$1,050,000) acquired in the Stitch acquisition. Amortization of these intangibles is computed on the straight-line basis over 10 years. Amortization expense was \$36,500 during the year ended June 30, 2002 and \$146,000 (Unaudited) during the six month period ended December 31, 2002. At June 30, 2002, the expected amortization of the intangible assets is as follows: \$292,000 per year in fiscal year 2003 through fiscal year 2011, and \$255,500 in fiscal year 2012.

Concentration of Credit Risk

Financial instruments that subject the Company to a concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents with various financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions, and the Company's policy is designed to limit exposure to any one institution. The Company does not require collateral or other security to support credit sales, but provides an allowance for bad debts based on historical experience and specifically identified risks. Approximately 41% and 12% respectively of the Company's accounts receivable and revenues for the year ended June 30, 2002 is concentrated with one customer. Approximately 14% and 44% (Unaudited) respectively, of the Company's accounts receivable and revenues for the six months ended December 31, 2002, are concentrated with one customer.

June 30, 2002

2. Accounting Policies (continued)

Revenue Recognition

Revenue from the sale of equipment is recognized on the terms of freight-on-board shipping point, or upon installation and acceptance of the equipment if installation services are purchased for the related equipment. Transaction processing revenue is recognized upon the usage of the Company's cashless payment and control network. Service fees for access to the Company's equipment and network services are recognized on a monthly basis. Product revenues are recognized from the sale of products from the Company's vending machines upon purchase and acceptance by the vending customer.

Software Development Costs

The Company capitalizes software development costs after technological feasibility of the software is established and through the product's availability for general release to the Company's customers. All costs incurred in the research and development of new software and costs incurred prior to the establishment of technological feasibility are expensed as incurred. During May 2000, the Company reached technological feasibility for the development of the e-Port product and related network and, accordingly, the Company commenced capitalization of software development costs related to this product. Costs capitalized were approximately \$2,239,000 and \$2,938,000 during the years ended June 30, 2002 and 2001, respectively, which includes capitalized interest of approximately \$493,000 and \$230,800, respectively pursuant to SFAS No. 34, "Capitalization of Interest Costs". Amortization of software development costs will commence when the product becomes available for general release to customers. Amortization of software development costs will be calculated as the greater of the amount computed using (i) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues of that product or (ii) the straight-line method over the remaining estimated economic life of the product. Amortization of such costs commences when the product becomes available for general release to its customers. The Company reviews the unamortized software development costs at each balance sheet date and, if necessary, will write down the balance to net realizable value if the unamortized costs exceed the net realizable value of the asset.

During the fourth quarter of fiscal 2002, the e-Port product and related network became available for general release to the Company's customers. During the fourth quarter of fiscal year 2002, Management performed an evaluation of the commercial success and preliminary market acceptance of the e-Port product and related network and as a result of this evaluation the Company wrote down \$2,663,000 of software development costs related to the e-Port and the related network. The unamortized balance after the impairment charge is being

June 30, 2002

2. Accounting Policies (continued)

Software Development Costs (continued)

amortized over an estimated useful life of two years. Amortization expense for the six months ended December 31, 2002 was \$582,552 (unaudited). Amortization expense during the year ended June 30, 2002, including the above impairment adjustment of \$2,663,000, was \$2,996,000. Such amortization is reflected in cost of sales in the accompanying statements of operations.

Advertising Expense

Advertising expenses for the years ended June 30, 2002 and 2001 were approximately \$429,000 and \$88,000, respectively. Advertising expenses for the six months ended December 31, 2002 and 2001 were approximately \$41,000 (unaudited) and \$10,000 (unaudited), respectively.

Research and Development Expenses

Research and development expenses are expensed as incurred. Research and development expenses, which are included in general and administrative and compensation expenses in the consolidated statements of operations, were \$1,187,000 and \$1,260,000 for the years ended June 30, 2002 and 2001, respectively and \$882,000 (unaudited) and \$ 155,000 (unaudited) for the six months ended December 31, 2002 and 2001, respectively.

Accounting for Stock Options

Financial Accounting Standards Board Statement ("SFAS") No. 123, Accounting for Stock-Based Compensation, provides companies with a choice to follow the provisions of SFAS 123 in determination of stock-based compensation expense or to continue with the provisions of Accounting Principles Board Opinion No. 25 ("APB 25"). The Company has elected to follow the provisions of APB 25. Under APB 25, if the exercise price of the Company's stock options equals or exceeds the market price of the underlying Common Stock on the date of grant, no compensation expense is recognized. The effect of applying SFAS 123 to the Company's stock-based awards results in net loss and net loss per common share that are disclosed on a pro forma basis in Note 13.

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 equity instruments. No exercise of stock options, purchase rights, stock purchase warrants, or the conversion of preferred stock,

Notes to Consolidated Financial Statements

June 30, 2002

2. Accounting Policies (continued)

Loss Per Common Share (continued)

cumulative preferred dividends or Senior Notes was assumed during fiscal 2002 or 2001 because the assumed exercise of these securities would be antidilutive.

Cumulative Effect of Accounting Change

During fiscal year 1999, the Company issued \$4,618,000 (as adjusted) of \$10,000 principal amount of Senior Notes. The Notes included detachable equity instruments (see Note 10). During October 1999, the Company added a conversion feature to the Senior Notes whereby the Senior Notes were immediately convertible into Common Stock at \$2.50 per share at the option of the holder. At the time of the addition of the conversion feature, the Company determined that, based on the fair value of the Company's Common Stock and specified conversion prices, and, in accordance with the then applicable accounting pronouncements, these Senior Notes did not contain an embedded conversion feature. In November 2000, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) reached a consensus on Issue 00-27, Application of EITF Issue 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios to Certain Convertible Instruments, whereby it was concluded that an issuer should calculate the intrinsic value of a conversion option using the effective conversion price, based on the proceeds received allocated to the convertible instrument instead of the specified conversion prices in the instrument. Issue 00-27 requires companies to apply the proscribed methodology for computing the beneficial conversion feature of convertible securities through a cumulative catch-up accounting change (in the quarter that includes November 2000) for any such security issued after May 20, 1999, the effective date of EITF 98-5. Accordingly, the Company recorded a one-time, noncash charge during fiscal year 2001 of \$821,000 to record the cumulative effect of an accounting change as required by the EITF.

Reclassification

During April 2001, the Company granted 6,000,000 fully vested options to a distributor who was expected to market and distribute the Company's e-Port (TM) product in connection with the signing of a five-year distribution agreement. The \$420,000 estimated fair value of the options was amortized as a reduction of selling, general, and administrative expenses over the term of the distribution agreement rather than as a reduction of revenues as there were no revenues generated as a result of this agreement. During the third quarter of fiscal year 2002 and pursuant to EITF 00-18 "Accounting Recognition for

June 30, 2002

2. Accounting Policies (continued)

Reclassification (continued)

Certain Transactions Involving Equity Instruments Granted to Other Than Employees", the Company presented the unamortized balance in other assets, and reclassified the June 30, 2001 balance from a contra-equity account to other assets for consistent presentation. During the fourth quarter of fiscal year 2002, the Company determined that this agreement was not expected to generate any revenues and that there was no future value to this distribution agreement. Accordingly, the Company wrote off the remaining unamortized balance of \$315,000 to selling, general and administrative expense.

Certain amounts in the June 30, 2002 and 2001 consolidated financial statements have been reclassified to conform with the December 31, 2002 and 2001 unaudited consolidated financial statements.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued expenses reported in the consolidated balance sheets equal or approximate fair value due to their short maturities. The fair value of the Company's Senior Notes, Debentures, and other Long-Term Debt approximates book value as such notes are at market rates currently available to the Company.

Impairment of Long Lived Assets

In accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, the Company reviews its property and equipment and unamortized intangible assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company estimates the future cash flows expected to result from operations and if the sum of the expected undiscounted future cash flows is less than the carrying amount of the long-lived asset, the Company recognizes an impairment loss by reducing the unamortized cost of the long-lived asset to its estimated fair value.

New Accounting Pronouncements

In June 2001, the FASB issued Statements of Financial Accounting Standards No. 141, "Business Combinations", and No. 142, Goodwill and Other Intangible Assets. Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Statement No. 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets arising from business combinations completed after June 30, 2001. Statement No. 142 prohibits the amortization of goodwill and intangible assets with indefinite

## Notes to Consolidated Financial Statements

June 30, 2002

## 2. Accounting Policies (continued)

## New Accounting Pronouncements (continued)

useful lives. Statement No. 142 requires that these assets be reviewed for impairment at least annually. Intangible assets with finite lives will continue to be amortized over their estimated useful lives. As Statement No. 142 is effective for fiscal years beginning after December 15, 2001, the Company will adopt the Statement on July 1, 2002. Although the Company did not adopt Statement No. 142 until fiscal year 2003, the nonamortization provisions of Statement No. 142 for combinations initiated after June 30, 2001 are applicable for the Company effective July 1, 2001.

Under Statement No. 142 the Company will test goodwill for impairment during fiscal year 2003 using the transitional two-step process prescribed in Statement No. 142. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any. The Company expects to perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of July 1, 2002 in the second quarter of fiscal year 2003. If the first test indicates a potential impairment, the second phase will be completed to calculate any actual impairment. Any impairment charge resulting from these transitional impairment tests will be reflected as the cumulative effect of a change in accounting principle in the first quarter of fiscal year 2003. The Company has completed the transitional test of goodwill as of July 1, 2002, as prescribed in Statement No. 142, during the quarter ended December 31, 2002 using a discounted cash flow analysis. The Company has concluded that there were no goodwill impairment indicators to be recorded as a result of this transitional test.

The FASB recently issued Statement No. 144, Accounting for the Impairment of Disposal of Long-Lived Assets, that is applicable to financial statements issued for fiscal years beginning after December 15, 2001. The FASB's new rules on asset impairment supersede FASB Statement 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and portions of APB Opinion 30, Reporting the Results of Operations. This Standard provides a single accounting model for long-lived assets to be disposed of and significantly changes the criteria that would have to be met to classify an asset as held-for-sale. Classification as held-for-sale is an important distinction since such assets are not depreciated and are stated at the lower of fair value and carrying amount. This Standard also requires expected future operating losses from discontinued operations to be displayed in the period in which the losses are incurred, rather than as of the measurement date as presently required. The provisions of this Standard will be adopted by the Company on July 1, 2002 and are not expected to have a significant effect on the Company's financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 62, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 requires gains and losses on extinguishments of debt to be classified as income or loss from continuing operations rather than as extraordinary items as previously required under SFAS No. 4. Extraordinary treatment will be required for certain extinguishments as provided in Accounting Principles Board ("APB") Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. Upon adoption of SFAS No. 145, any gain or loss on extinguishment of debt previously classified as an extraordinary item in prior periods that does not meet the criteria of APB Opinion No. 30 for such classification should be reclassified to conform with the provisions of SFAS No. 145. Accordingly, the \$863,000 extraordinary loss on the 2001 exchange of debt (Note 10), has been reclassified as a loss from continuing operations during fiscal year 2001 in the accompanying consolidated financial statements.

June 30, 2002

3. Acquisition of Stitch Networks Corporation

On May 14, 2002, USA Acquisition Corp., a wholly owned subsidiary of the Company acquired Stitch pursuant to an Agreement and Plan of Merger by and among the Company, USA Acquisition Corp., Stitch and the stockholders of Stitch. The Company acquired Stitch to strengthen its position as a provider of wireless remote monitoring and cashless and mobile commerce solutions and to increase the Company's revenue base. These revenues would include product revenues and monthly service and transaction fees. Additionally the acquisition of the Stitch technology complemented the revenue and transaction processing revenue Company's existing products. Additionally certain Stitch personnel were believed to possess some key strengths in several disciplines that the Company believed to be of great value in its plans for growth.

At the close of the transaction on May 14, 2002, Stitch became a wholly owned subsidiary of the Company. The acquisition was accounted for using the purchase method and, accordingly, the results of the operations of Stitch have been included in the accompanying consolidated statements of operations since the acquisition date. The purchase price consisted of the issuance of 22,762,341 shares of Common Stock of the Company in exchange for the outstanding shares of Stitch and the issuance of warrants to purchase up to 7,587,447 shares of Common Stock of the Company at \$.40 per share at any time through June 30, 2002. The purchase price also included the assumption of outstanding Stitch stock options that were converted into options to purchase an aggregate of 2,475,318 shares of the Company's Common Stock at \$.165 per share at any time prior to May 14, 2007, warrants to purchase up to 412,553 shares of the Company's Common Stock at \$.40 per share at any time through June 30, 2002 and acquisition related expenses which included the issuance of 875,000 shares of Common Stock to an investment banking firm. None of the warrants issued in connection with the acquisition were exercised as of June 30, 2002. A total of 4,800,000 shares of the Common Stock issued to the former stockholders of Stitch are being held in escrow to secure the former stockholder's indemnification obligations under the Agreement and Plan of Merger. Such shares are subject to cancellation if there is a breach of the indemnification (as defined). In connection with the acquisition, the Company's shareholders voted in May of 2002 to increase the number of authorized shares of Common Stock to 150,000,000.

During June 2002, the Company determined that it would vacate the office space previously occupied by Stitch. Accordingly, the Company accrued the remaining lease exit costs relating to this property in the amount of approximately \$354,000 as part of the cost of Stitch. While the Company is attempting to sublease this space, no provision for recovery has been estimated at this time.

## Notes to Consolidated Financial Statements

June 30, 2002

## 3. Acquisition of Stitch Networks Corporation (continued)

The following table summarizes the preliminary purchase price allocation of the fair value of the assets and liabilities assumed at the date of acquisition:

Current assets	\$	2,710,000
Property and equipment		1,700,000
Goodwill		6,801,000
Intangibles		2,920,000
Current liabilities		(1,554,000)
Long-term debt		(3,976,000)
		-----
	\$	8,601,000
		=====

Long-term debt of \$2,165,000 was repaid during June 2002.

Unaudited pro-forma combined results of the Company as if the Company acquired Stitch on July 1, 2000 and July 1, 2001 are as follows:

	Year ended June 30	
	2002	2001
	-----	-----
Revenues	\$ 2,869,466	\$ 1,953,250
Loss before cumulative effect of accounting change	(19,583,216)	(15,921,358)
Cumulative effect of accounting change	-	(821,000)
Net loss	(19,583,216)	(16,742,358)
Cumulative preferred dividends	(822,561)	(836,541)
Loss applicable to common shares	\$ (20,405,777)	\$(17,578,849)
Loss before cumulative effect of accounting change	\$ (0.36)	\$ (0.42)
Cumulative effect of accounting change	\$ -	\$ (0.02)
Loss per common share (basic and diluted)	\$ (0.36)	\$ (0.44)
Weighted average number of common shares outstanding (basic and diluted)	56,676,823	40,369,340
	=====	=====



USA Technologies, Inc.

Notes to Consolidated Financial Statements

June 30, 2002

4. Property and Equipment

Property and equipment consist of the following:

	Useful Lives	June 30 2002	June 30 2001	December 31 2002 (Unaudited)
Computer equipment and purchased software	3 years	\$ 1,855,459	\$ 609,775	\$1,915,614
Vending machines and related components	7 years	1,050,220	-	1,091,551
Control systems	3 years	982,371	533,055	1,032,529
Furniture and equipment	5-7 years	503,110	190,836	497,523
Leasehold improvements	Lease term	94,031	90,313	94,031
Vehicles	5 years	10,258	10,258	10,258
		4,495,449	1,434,237	4,641,506
Less accumulated depreciation		(2,563,022)	(672,913)	(2,965,258)
		\$ 1,932,427	\$ 761,324	\$ 1,676,248

5. Accrued Expenses

Accrued expenses consist of the following:

	June 30		December 31 2002 (Unaudited)
	2002	2001	
Accrued professional fees	\$ 628,372	\$ 439,478	\$ 700,390
Accrued lease termination payments, net	344,934	-	344,934
Accrued other	264,518	31,414	83,644
Accrued compensation and related sales commissions	225,917	125,668	258,895
Accrued interest	209,885	91,585	241,217
Accrued software license and support costs	144,755	154,229	144,755
Accrued taxes and filing fees	134,411	-	97,244
Accrued product warranty costs	85,827	52,466	99,580
Accrued consulting fees	62,480	435,000	62,480
Advanced customer billings	30,190	25,755	123,332
	\$2,131,289	\$1,355,595	\$ 2,156,471

June 30, 2002

6. Related Party Transactions

At June 30, 2002 and 2001, approximately \$30,000 and \$70,000, respectively, of the Company's accounts payable and accrued expenses were due to a Board member for legal services performed. At December 31, 2002 approximately \$66,000 (Unaudited) of the Company's accounts payable and accrued expenses were due to a Board member for legal services performed. During the years ended June 30, 2002 and 2001, the Company incurred approximately \$213,000 and \$271,000, respectively, for these services. During the year ended June 30, 2002, and during the six months ended December 31, 2002, certain Board members participated in various offerings of debt or equity of the Company for a total investment of approximately \$262,500 and \$277,500 (Unaudited) respectively.

Stitch purchases vending machines from Dixie-Narco, Inc. (Dixie), an affiliate of a shareholder (Maytag Holdings, a subsidiary of Maytag Inc.) of the Company. There were \$139,085 of purchases from Dixie for the six months ended December 31, 2002. There were no purchases from Dixie for the period May 14, 2002 to June 30, 2002. Amounts payable to Dixie at June 30, 2002 of \$124,333 and at December 31, 2002 of \$181,292 (Unaudited) are included in accounts payable in the accompanying consolidated balance sheets.

7. Commitments

- - In connection with an employment agreement, expiring June 30, 2002, the Company's Chief Executive Officer has been granted in the event of a "USA Transaction," as defined, which among other events includes a change in control of the Company, irrevocable and fully vested rights equal to that number of shares of Common Stock that when issued to him equals seven percent of all the then issued and outstanding shares of the Company's Common Stock. The Chief Executive Officer is not required to pay any consideration for such shares. The stock rights have no expiration and are not affected by the Chief Executive Officer's termination of employment. The employment agreement was extended to June 30, 2004.
- - The Company conducts its operations from various facilities under operating leases. Rent expense under such arrangements was approximately \$220,000 and \$188,000 during the years ended June 30, 2002 and 2001, respectively, and approximately \$90,000 (Unaudited) during each of the six months ended December 31, 2002 and 2001, respectively. Future minimum lease payments are reflected below. During the years ended June 30, 2002 and 2001, the Company entered into agreements to lease \$0 and \$118,207 respectively, of computer equipment accounted for as capital leases. This computer equipment is included in property and equipment in the accompanying consolidated financial statements. Capital lease amortization of approximately \$54,000 and \$34,000 is included in depreciation expense for the years ended June 30, 2002 and 2001, respectively, and approximately \$27,000 (Unaudited) during each of the six months ended December 31, 2002 and 2001.

Notes to Consolidated Financial Statements

June 30, 2002

7. Commitments (continued)

Future minimum lease payments subsequent to June 30, 2002 under capital and noncancelable operating leases are as follows:

	Capital Leases	Operating Leases
	-----	-----
2003	\$ 52,942	\$ 155,000
2004	15,960	109,000
2005	1,779	80,000
2006	-	20,000
	-----	-----
Total minimum lease payments	70,681	\$ 364,000
		=====
Less amount representing interest	7,697	
	-----	
Present value of net minimum lease payments	62,984	
Less current obligations under capital leases	46,300	
	-----	
Obligations under capital leases, less current portion	\$ 16,684	
	=====	

8. Long-Term Debt

Long-term debt consists of the following:

	June 30		December 31
	2002	2001	2002
	-----	-----	-----
			(Unaudited)
Bank facility	\$1,255,113	\$ -	\$ 1,044,900
Working capital loans	275,000	-	194,635
IBM inventory financing	19,632	45,785	2,047
Capital lease obligations (Note 7)	62,984	124,023	24,799
	-----	-----	-----
	1,612,729	169,808	1,266,381
Less current portion	850,644	116,231	789,373
	-----	-----	-----
	\$ 762,085	\$ 53,577	\$ 477,008
	=====	=====	=====

At June 30, 2002 the Company has a \$1.5 million bank facility available (the Facility) to fund the purchase of vending machines placed at locations where Kodak film products are sold. Borrowings are made from time to time under the Facility, with repayment schedules set at the time of each borrowing, including equal monthly payments over 36 months and an interest rate based upon 495 basis points over the three year U.S. Treasury Notes. The Company has granted the bank a security interest in the film products vending machines. Repayment of principal is also insured by a Surety Bond issued by a third-party insurer in exchange for an initial fee paid by the Company. Subsequent to June 30, 2002, the Company has not borrowed any additional funds under this Facility.

Notes to Consolidated Financial Statements

June 30, 2002

8. Long-Term Debt (continued)

In connection with the Stitch acquisition (Note 3), the Company assumed long term debt of \$3,976,000 which included a vending equipment borrowing facility and working capital loans. The Company repaid \$2,165,000 of the working capital loans in June 2002. All but \$225,000 of these working capital loans bear interest at a variable rate based on the bank's prime rate. These loans are secured by the assets of Stitch. At June 30, 2002, \$275,000 of working capital loans are outstanding of which \$225,000, which bears interest at 6.75%, was payable on July 8, 2002 and \$50,000 was payable on demand. On July 26, 2002, August 29, 2002, September 27, 2002, October 31, 2002, February 3, 2003 and February 19, 2003, the bank agreed to extend the due date of these notes until September 1, 2002, October 1, 2002, November 1, 2002, December 1, 2002, March 1, 2003 and March 17, 2003, respectively under several forbearance agreements. In connection with these extensions, the Company paid \$3,000 of fees to the bank. Subsequent to June 30, 2002, the Company paid \$80,365 to the bank, reducing the outstanding balance to \$194,635 (unaudited) at December 31, 2002.

The Company also had an inventory financing arrangement whereby IBM Credit Corporation originally granted the Company a \$1.5 million equipment line of credit. This arrangement expired in fiscal year 2002. The outstanding balance at June 30, 2002 and 2001, of \$19,632 and \$45,785, respectively, is secured by the underlying inventory. Interest accrues on the outstanding balance at 10% per annum, subject to adjustment if the outstanding balance is outstanding greater than 180 days.

9. Income Taxes

At June 30, 2002 and 2001, the Company had net operating loss carryforwards of approximately \$54,769,000 and \$31,234,000, respectively, to offset future taxable income expiring through approximately 2022. At June 30, 2002 and 2001, the Company recorded a net deferred tax asset of approximately \$20,546,000 and \$12,418,500, respectively, which was principally reduced by a valuation allowance of the same amount as the realization of the deferred tax asset is not certain, principally due to the lack of earnings history.

The timing and extent in which the Company can utilize future tax deductions in any year may be limited by provisions of the Internal Revenue Code regarding changes in ownership of corporations. Stitch had net operating loss carryforwards of approximately

## Notes to Consolidated Financial Statements

June 30, 2002

## 9. Income Taxes (continued)

\$10,985,000 at the acquisition date. Such net operating loss carryforwards are limited under these provisions as to the amount available to offset future taxable income and such limited amounts are reflected below.

The deferred tax assets arose primarily from the use of different accounting methods for financial statement and income tax reporting purposes as follows:

	June 30	
	2002	2001
Deferred tax assets:		
Net operating loss carryforwards	\$ 19,837,000	\$ 13,237,000
Compensation expense on stock option re-pricing	-	170,500
Deferred research and development costs	480,000	125,000
Software development costs	1,008,000	-
Other	392,000	131,000
	21,717,000	13,663,500
Deferred tax liabilities:		
Intangibles	(1,171,000)	-
Software development costs	-	(1,245,000)
	20,546,000	12,418,500
Valuation allowance	(20,546,000)	(12,418,500)
Deferred tax asset, net	\$ -	\$ -

Amounts assigned to intangibles acquired in the Stitch acquisition exceeded the tax basis. Such excess will increase taxable income as the Intangibles (excluding goodwill) are amortized. The net operating loss carryforwards will be used to offset the increase in taxable income. Accordingly, the Company recorded a deferred tax liability of \$1,171,000 and a deferred tax asset in the same amount related to these intangibles at the acquisition date.

## 10. Senior Notes and Debentures

During June 2002, the Company commenced a \$2,500,000 2002-A private placement offering (subsequently increased to \$4,300,000 in October 2002) consisting of 12% Convertible Senior Notes due December 31, 2005. Each \$10,000 Note is convertible into Common Stock at \$.20 per share at any time through December 31, 2005 and interest is payable quarterly. Each note holder initially received 20,000 Common Stock warrants, however subsequent to June 30, 2002, the Board of Directors amended the offering to replace the warrants with 20,000 shares of Restricted Common Stock. The estimated fair value of the Common Stock warrants of \$121,225 (using the Black-Scholes method) and the intrinsic value of the beneficial conversion feature of \$211,152 have been allocated to equity. This resulting debt discount is being amortized to interest expense through December 31, 2005. Through June 30, 2002, the Company sold 44.4 units, generating proceeds of \$444,083, of which \$35,000 is reflected as subscriptions receivable at June 30, 2002. Such amounts were collected subsequent to June

Notes to Consolidated Financial Statements

June 30, 2002

10. Senior Notes and Debentures (continued)

30, 2002. The offering was scheduled to terminate June 30, 2002 with extension possible for up to an additional 60 days. The offering was extended to October 31, 2002 (Note 16).

During fiscal year 2002, the Company commenced a \$2,500,000 2001-D private placement offering (later increased to \$6,500,000), consisting of 12% Convertible Senior Notes due December 31, 2004. Each \$10,000 Note is convertible into Common Stock at \$.40 per share, and interest is payable quarterly. Certain stockholders of the Company, who received warrants to purchase Common Stock of the Company as a part of earlier private placements, were offered the opportunity to cancel a portion of such warrants and to receive an equivalent number of new warrants at \$.10 expiring on December 31, 2002 if they invested in the 2001-D offering. The original warrants were scheduled to expire December 31, 2001 or March 31, 2002 (according to their original terms) at \$.50. The estimated fair value of the new Common Stock warrants of \$1,787,084 (using the Black-Scholes method) and the intrinsic value of the beneficial conversion feature of \$1,623,352 have been allocated to equity. This resulting debt discount is being amortized to interest expense through December 31, 2004. The debt discount is being amortized to interest expense through December 31, 2004. Through June 30, 2002, the Company issued 481.4 units, generating net cash proceeds of \$3,906,740. An additional \$907,853 of notes were issued to consultants for services rendered. The 2001-D offering was extended by the Company to close on October 31, 2002 (Note 16).

During August 2001, the Company executed a Securities Purchase Agreement with an investment company for the purchase of \$225,000 of a 9.75% Convertible Debenture (the "Debenture") due August 2003. Interest on the Debenture is payable monthly in arrears. On June 18, 2002, the investment company increased the Debenture by \$100,000, extended the maturity date of the \$325,000 to August 2004 and lowered the conversion rate. The investment company also paid the Company \$300,000 towards a future exercise of Common Stock warrants. Of this amount \$20,000 was used during June 2002 to exercise Common Stock warrants. The remaining balance of \$280,000 is reflected in deposits at June 30, 2002, (\$120,000 (unaudited) at December 31, 2002).

The Debenture is convertible at a price equal to the lesser of \$1.00 or 72% (80% prior to June 18, 2002) of the lowest closing bid price of the Company's Common Stock during the 20 day period prior to the conversion. The Company reserves the right to prepay the portion of the Debenture that the investment company elected to convert, plus interest, at 150% of such amount, if the price of Common Stock is less than \$0.40 per share. At the time of conversion, the Company will issue to the holder warrants to purchase an amount

## Notes to Consolidated Financial Statements

June 30, 2002

## 10. Senior Notes and Debentures (continued)

of Common Stock equal to ten times the number of shares issued upon the conversion of the Debenture. The warrants are exercisable at the same conversion price as the Debenture. Due to the significance of the beneficial conversion feature associated with this instrument (as calculated using the Black Scholes method), the entire \$325,000 of proceeds has been allocated to the warrants, and is included in equity. The debt discount is being amortized to interest expense over the term of the Debenture. During fiscal year 2002, the investment company converted \$82,000 of the Debenture, resulting in the issuance of 333,678 shares of Common Stock. The investment company also exercised warrants resulting in the issuance of 3,336,780 shares of Common Stock and generating net cash proceeds of \$886,250.

During fiscal year 1999, the Company's Board of Directors authorized a private placement offering (the "1999 Senior Note Offering"). Each unit, as amended, consisted of a 12% Senior Note in the principal amount of \$10,000, maturing on December 31, 2001, 2,000 1999-A Common Stock Purchase Warrants (each warrant entitled the holder to purchase one share of Common Stock at \$1.00 through December 31, 2001) and 1,000 shares of Series B Equity Participating Preferred Stock (Series B). A total of 461.8 units (as adjusted) were sold in this Offering. The Series B was converted into 1,847,200 shares of Common Stock in connection with the Company's fiscal year 1999 reverse stock split. During October 1999, a conversion feature was added to the Senior Notes whereby the Notes were convertible into Common Stock at the rate of \$2.50 per share any time through the Senior Notes maturity of December 31, 2001. There was no beneficial conversion feature required for this offering.

During fiscal year 2001, the Company authorized a private placement offering ("2000 Senior Note Offering") of 670 units at a unit price of \$10,000. Each unit consisted of a 12% Convertible Senior Note in the principal amount of \$10,000, maturing December 31, 2003 and 2,000 shares of Restricted Common Stock. Each 2000 Senior Note is convertible into Common Stock at \$1.25 per share anytime through its maturity. This offering provided for the holders of the 1999 Senior Notes to exchange their 1999 Senior Notes into 2000 Senior Notes. All payments of interest on the 2000 Notes can be used by the holder, at the holder's option, to purchase shares of Common Stock at specific prices established by the Board of Directors.

During fiscal year 2001 the Company issued 1,136,300 shares of Common Stock in connection with the 2000 Senior Notes. The fair value of the Common Stock on the date such shares were granted of \$1,215,843 and the intrinsic value of the beneficial conversion feature in the 2000 Senior Notes of \$409,104 was allocated to equity. The resulting debt discount is being amortized to interest expense through December 31, 2003. Through June 30, 2002, \$647,500 of such Notes were converted into 518,000 shares of Common Stock. Subsequent to June 30, 2002, there have been no further conversions.

## Notes to Consolidated Financial Statements

June 30, 2002

## 10. Senior Notes and Debentures (continued)

The Company sold 568.15 units in the 2000 Senior Note Offering of which 382.3 units (\$3,823,000) of the 1999 Senior Notes were exchanged for 2000 Senior Notes, 124.85 units were purchased with cash, resulting in gross proceeds of \$1,248,500 and 61 units were issued in exchange for services provided by consultants in the amount of \$610,000. The exchange of the 1999 Senior Notes to the 2000 Senior Notes was determined to be a substantial modification of the terms of the original debt instrument and, accordingly, the Company wrote-off the unamortized debt discount and other issuance costs associated with the exchange of the 1999 Senior Notes in the amount of \$863,000.

During the years ended June 30, 2002 and 2001, the Company issued 674,431 and 121,541 shares of Common Stock respectively, in lieu of cash payment for interest on the Senior Notes.

A summary of the various Senior Note activities are as follows:

	1999 Senior Notes	2000 Senior Notes	2001 Senior Notes	2002 Senior Notes
Outstanding at June 30, 2000	\$ 4,073,000	\$	\$	\$
Issued for cash and services		1,858,500		
Exchange 1999 Senior Notes for 2000 Senior Notes	(3,823,000)	3,823,000		
Converted into Common Stock	(10,000)	(25,000)		
Outstanding at June 30, 2001	240,000	5,656,500		
Converted into Common Stock		(622,500)		
Repaid at maturity	(240,000)			
Issued for cash and services			4,814,593	444,083
Less: Unamortized debt discount and other issuance costs net of accretion	-	(750,295)	(2,928,567)	(323,989)
Balance at June 30, 2002	-	4,283,705	1,886,026	120,094
Issued for cash and services (Note 16) (Unaudited)	\$ -	\$ -	\$ (167,092)	\$ 3,839,924
Converted into Common Stock (Unaudited)	-	-	-	(222,058)
Less: Unamortized debt discount and other issuance costs net of accretion (Unaudited)		250,098	748,080	(2,668,302)
Balance at December 31, 2002 (Unaudited)	\$	\$ 4,533,803	\$ 2,467,014	\$ 1,069,658

The unamortized debt discount and other issuance costs represents fees paid in connection with these financings, the estimated fair value of the detachable equity instruments issued in connection with these financings, and any beneficial conversion embedded in the debt at the commitment date, which are being amortized over the



## Notes to Consolidated Financial Statements

June 30, 2002

## 10. Senior Notes and Debentures (continued)

remaining life of the respective debt instruments. Debt discount amortization, which has been reflected as interest expense in the consolidated statements of operations, was approximately \$1,513,000 and \$765,000 for the years ended June 30, 2002 and 2001, and \$1,346,000 (unaudited) for the six months ended December 31, 2002.

## 11. Series A Preferred Stock

The authorized Preferred Stock may be issued from time to time in one or more series, each series with such rights, preferences or restrictions as determined by the Board of Directors. Each share of Series A Preferred Stock shall have the right to one vote and is convertible at any time into one share of Common Stock. Each share of Common Stock entitles the holder to one voting right. Series A Preferred Stock provides for an annual cumulative dividend of \$1.50 per share payable to the shareholders of record in equal parts on February 1 and August 1 of each year. Cumulative unpaid dividends at June 30, 2002 and 2001 amounted to \$5,175,571 and \$4,621,150, respectively. Cumulative unpaid dividends are convertible into common shares at \$10.00 per common share at the option of the shareholder. During the years ended June 30, 2002 and 2001, certain holders of the Preferred Stock converted 26,002 and 11,160 shares, respectively, into 26,002 and 11,160 shares of Common Stock, respectively. Certain of these shareholders also converted cumulative preferred dividends of \$268,140 and \$87,030 into 26,814 and 8,703 shares of Common Stock, respectively, during the years ended June 30, 2002 and 2001, respectively. During the six months ended December 31, 2002 and 2001, certain holders of the Preferred Stock converted 150 and 4,325 shares, respectively into 150 and 4,325 shares of Common Stock, respectively. These shareholders also converted cumulative preferred dividends of \$1,570 and \$38,920, respectively, into 157 and 3,892 shares of Common Stock during the six months ended December 31, 2002 and 2001, respectively. The Series A Preferred Stock may be called for redemption at the option of the Board of Directors at any time on and after January 1, 1998 for a price of \$11.00 per share plus payment of all accrued and unpaid dividends. No such redemption has occurred as of June 30, 2002 or December 31, 2002. In the event of any liquidation, the holders of shares of Series A Preferred Stock issued shall be entitled to receive \$10.00 for each outstanding share plus all cumulative unpaid dividends. If funds are insufficient for this distribution, the assets available will be distributed ratably among the preferred shareholders.

## 12. Common Stock Transactions

During the years ended June 30, 2002 and 2001, the Company's Board of Directors authorized the following private placement offerings of the Company's Common Stock:

- 2000-B offering for the issuance of 895,000 shares of Common Stock at \$1.00 per share generating net proceeds of \$777,151 after deducting related offering costs;
- 2001-A offering for the issuance of 450,000 shares of Common Stock at \$1.00 per share generating net proceeds of \$427,500 after deducting related offering costs;

June 30, 2002

12. Common Stock Transactions (continued)

- 2001-B offering for the issuance of 8,400,000 shares of Common Stock at \$.60 per share. Through June 30, 2001, the Company issued 2,669,400 shares of Common Stock generating net proceeds of \$1,546,885 after deducting related offering costs. During fiscal year 2002 the Company issued 4,726,040 shares of Common Stock from this offering generating additional net proceeds of \$2,754,371. Additionally, each dollar invested entitled the purchaser to receive one Common Stock warrant at \$.50 per share expiring in December 2001 and one Common Stock warrant at \$.50 per share expiring in June 2002.
- 2001-C offering for the issuance of 4,500,000 shares of Common Stock at \$.50 per share. In each share purchased the holder received a warrant to purchase a share of Common Stock at \$.50 per share expiring March 2002. The Company issued 4,046,684 shares of Common Stock generating net proceeds of \$1,992,852 after deducting related offering costs. Of this amount, \$149,750 has not been received, and, accordingly is reflected in subscriptions receivable at June 30, 2002.

The Company issued 2,784,137 and 200,000 shares of Common Stock for professional services during the years ended June 30, 2002 and 2001, respectively. Such shares were valued based on the fair value of the Company's Common Stock on the date the shares were granted. During the year ended June 30, 2002 and 2001, the Company also issued 2,340,000 and 418,250 shares of Common Stock to certain employees and officers. The shares were fully vested on the date of grant; accordingly, the Company recorded compensation expense of \$981,000 during fiscal year 2002 and \$474,995 during fiscal year 2001 based on the fair value of the Company's Common Stock on the date the shares were granted.

During fiscal year 2000, the Company entered into an Investment Agreement with Swartz Private Equity LLC, for an equity line up to \$20 million over a period not to exceed three years. Investments are determined monthly based on the current market prices of the Company's Common Stock in accordance with the terms of the Agreement. The purchase price per share would equal 91% of the market price of the Common Stock at the time of purchase, and additional warrants at the same price would be granted in an amount equal to 10% of the number of shares actually purchased. Swartz received 1,200,000 Commitment Warrants with 10 year terms at an initial exercise price of \$1.00, adjusted to lower market pricing if applicable, and will be granted additional Commitment Warrants at the same price and term, if required, to keep the number of Commitment Warrants equal to 5% (decreasing over a five year period to 0%) of the outstanding Common Stock of the Company on a fully diluted basis. An additional 380,828 warrants were granted during fiscal 2001 in connection with this antidilution provision.

June 30, 2002

12. Common Stock Transactions (continued)

During the year ended June 30, 2001, Swartz purchased 29,010 shares of Common Stock pursuant to the Investment Agreement. There were no net proceeds to the Company from the sale of these shares after deducting the related cash offering expenses previously incurred. No purchases were made during the fiscal year ended June 30, 2002. The agreement was terminated during April 2002.

During fiscal year 2000, the Company's Board of Directors awarded 120,000 shares of the Company's Common Stock, at \$2.00 per share, to certain executive officers. Pursuant to their employment agreements, these officers would be issued the Common Stock if employed by the Company on June 30, 2002. The Company recorded deferred compensation of \$240,000 in connection with these awards. Compensation expense of \$103,000 has been recorded to reflect the amortization of the shares earned during each of the years ended June 30, 2002 and 2001, respectively. All officers were employed by the Company as of June 30, 2002.

During October 1999, the Company's Board of Directors authorized a private placement offering (the "1999-B" offering) to accredited investors of 150 units (later increased to 356 units by the Board of Directors) at a unit price of \$10,000. Each unit of the \$3,560,000 Offering consists of 10,000 shares of restricted Common Stock at \$1.00 per share, and 10,000 1999-B Common Stock purchase warrants. During fiscal year 2000 all 356 units were sold, resulting in net proceeds of \$3,463,942 (\$3,560,000 less offering costs of \$96,058) to the Company. Each 1999-B Common Stock purchase warrant entitled the holder to purchase one share of restricted Common Stock for \$2.00 at any time through March 31, 2000. The 1999-B Common Stock purchase warrants were modified several times between January 2000 and August 2000 reducing their exercise price to \$1.00 per share and extending the expiration date of the warrants to December 31, 2000. Additionally, those 1999-B Common Stock purchase warrant holders who exercised their purchase warrants on or before December 31, 2000 were granted a further extension of the warrants' expiration date to March 31, 2001. As a result of these reductions in the exercise price, the Company's Board of Directors authorized the refunding of the \$1 reduction per warrant to those investors who exercised their warrants prior to the exercise price reduction.

Notes to Consolidated Financial Statements

June 30, 2002

12. Common Stock Transactions (continued)

A summary of Common Stock Warrant activity for the years ending June 30, 2002 and 2001 and six months ending December 31, 2002 is as follows:

		Warrants
		-----
Outstanding at June 30, 2000		3,711,250
Issued		8,889,628
Exercised		(2,112,100)
Cancelled		(2,255,750)
		-----
Outstanding at June 30, 2001		8,233,028
Issued		22,602,593
Exercised		(1,833,529)
Cancelled		(22,162,272)
		-----
Outstanding at June 30, 2002		6,839,820
Issued (Unaudited)		43,813,104
Exercised (Unaudited)		(6,281,579)
Cancelled (Unaudited)		(151,500)
		-----
Outstanding at December 31, 2002 (Unaudited)		44,219,845
		=====

The exercise price and exercise dates of outstanding and exercisable warrants outstanding at June 30, 2002 are as follows:

Outstanding and Exercisable	Exercise Price	Expiration Date
-----		
3,971,163	\$ 0.10	December 31, 2002
303,829	0.20	June 30, 2004
150,000	0.70	August 2, 2003
650,000	0.70	November 23, 2003
1,200,000	0.91	August 29, 2010
377,927	1.00	April 24, 2011
2,901	1.03	April 30, 2011
75,000	1.25	June 30, 2006
100,000	2.00	June 22, 2003
1,500	4.00	July 2, 2002
2,500	4.00	March 5, 2003
5,000	4.00	August 17, 2003
		-----
6,839,820		
		=====

During the years ended June 30, 2002 and 2001, the Company's Board of Directors made numerous amendments to the outstanding Common Stock Warrants whereby the Company reduced the exercise price and extended the expiration terms. The above table reflects the status of the warrants as of June 30, 2002.

USA Technologies, Inc.

Notes to Consolidated Financial Statements

June 30, 2002

The exercise price and exercise dates of outstanding and exercisable warrants outstanding at December 31, 2002 are as follows (Unaudited):

Outstanding and Exercisable	Exercise Price	Expiration Date
7,142,858	\$ 0.07	October 31, 2003
7,142,858	0.07	October 26, 2007
7,529,742	0.10	March 31, 2003
10,016,155	0.10	April 15, 2003
5,000,000	0.10	October 31, 2003
2,798,117	0.10	December 31, 2002
750,000	0.15	October 31, 2007
1,426,787	0.20	June 30, 2004
650,000	0.70	November 23, 2003
1,200,000	0.91	August 29, 2010
377,927	1.00	April 24, 2011
2,901	1.03	April 30, 2011
75,000	1.25	June 30, 2006
100,000	2.00	June 22, 2003
2,500	4.00	March 5, 2003
5,000	4.00	August 17, 2003
-----		
44,219,845		
=====		

13. Stock Options

The Company's Board of Directors has granted options to employees and its Board members to purchase shares of Common Stock at or above fair market value. The option term and vesting schedule are established by the contract that granted the option.

The following table summarizes all stock option activity during the years ended June 30, 2002 and 2001, and for the six months ended December 31, 2002:

	Common Shares Under Options Granted	Exercise Price Per Share
Balance at June 30, 2000	984,767	\$ .50-\$5.00
Granted	6,935,000	\$ 1.00-\$1.50
Canceled or Expired	(3,033,100)	\$ 1.00-\$2.50
-----		
Balance at June 30, 2001	4,886,667	\$ .50-\$5.00
Granted	4,505,318	\$ .165-\$ .70
Canceled	(50,000)	\$ .40
-----		
Balance at June 30, 2002	5,240,485	\$ .165-\$5.00
Canceled or expired (Unaudited)	(1,923,000)	\$ .40-\$5.00
-----		
Balance at December 31, 2002 (Unaudited)	3,317,485	\$ .165-\$5.00
=====		

Notes to Consolidated Financial Statements

June 30, 2002

The price range of the outstanding Common Stock options at June 30, 2002 is as follows:

Option Exercise Prices	Options Outstanding	Weighted Average Remaining Contract Life (Yrs.)	Options Exercisable
\$ .165	2,475,318	4.87	2,475,318
\$.40	500,000	2.78	500,000
\$.50	5,000	0.80	5,000
\$.70	400,000	0.97	400,000
\$1.00	735,000	4.47	615,002
\$1.50	305,000	0.98	305,000
\$2.00	651,167	2.48	651,167
\$2.50	84,000	0.96	84,000
\$4.50	80,000	1.10	80,000
\$5.00	5,000	0.17	5,000
	-----		-----
	5,240,485		5,120,487
	=====		=====

13. Stock Options (continued)

The price range of the outstanding Common Stock options at December 31, 2002 is as follows (Unaudited):

Option Exercise Prices	Options Outstanding	Weighted Average Remaining Contract Life (Yrs.)	Options Exercisable
\$.165	2,475,318	4.37	2,475,318
\$.70	550,000	0.50	550,000
\$1.00	125,000	3.35	125,000
\$1.50	52,000	0.50	52,000
\$2.00	41,167	1.75	41,167
\$2.50	74,000	0.45	74,000
	-----		-----
	3,317,485		3,317,485
	=====		=====

Pro forma information regarding net loss and net loss per common share determined as if the Company is accounting for stock options granted under the fair value method of SFAS 123 is as follows:

	Year Ended		Six month ended
	June 30	June 30	December 31,
	2002	2001	2002
			(Unaudited)
Net loss applicable to common shares as reported under APB 25	\$(18,137,368)	\$(11,792,785)	\$(7,602,177)
Stock option expense per SFAS 123	(985,046)	(524,845)	(30,359)
Pro forma net loss	\$(19,122,414)	\$(12,317,630)	\$(7,632,536)
	=====	=====	=====
Loss per common share as reported	\$ (0.50)	\$ (.70)	\$ (0.10)
	=====	=====	=====
Pro forma net loss per common share	\$ (0.53)	\$ (.74)	\$ (0.10)
	=====	=====	=====

The fair value for the Company's stock options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for fiscal years 2002 and 2001: an expected life of 2 years; no expected cash dividend payments on Common Stock, respectively; and for fiscal 2002 a risk-free interest rate of 4.5% to 5.5% and for fiscal 2001, 5.5%, and volatility factors of the expected market price of the Company's Common Stock, based on historical volatility of .85 to .95 for fiscal 2002, and 1.100 for fiscal 2001. For the six months ended December 31, 2002, the fair value for the Company's stock options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: an expected life of 2 years; no expected cash dividend payments on Common Stock; and a risk-free interest rate of 5.5% and a volatility factor of the expected market price of the Company's Common Stock, based on historical volatility of 1.057.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. As noted above, the Company's stock options are vested over an extended period. In addition, option models require the input of highly subjective assumptions including future stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective assumptions can materially affect the fair value estimates, in management's opinion, the Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock options. The Company's pro forma information reflects the impact of the reduction in price of certain stock options. The pro forma results above are not necessarily reflective of the effects of applying SFAS 123 in future periods.

## Notes to Consolidated Financial Statements

June 30, 2002

## 13. Stock Options (continued)

As of June 30, 2002, the Company has reserved shares of Common Stock for the following:

Exercise of Common Stock options	5,240,485
Exercise of Common Stock warrants	6,839,820
Conversion of remaining Debentures and exercise of related warrants	19,038,462
Conversions of Preferred Stock and cumulative Preferred Stock dividends	1,046,839
Conversions of Senior Notes	19,172,264
	-----
	51,337,870
	=====

As of December 31, 2002, the Company has reserved shares of Common Stock for the following (Unaudited):

Exercise of Common Stock options	3,317,485
Exercise of Common Stock warrants	44,219,845
Conversion of remaining Debentures and exercise of related warrants	6,105,000
Conversions of Preferred Stock and cumulative Preferred Stock dividends	1,086,228
Conversions of Senior Notes	35,943,036
	-----
Total	90,671,594
	=====

## 14. Retirement Plan

The Company's Savings and Retirement Plan (the Plan) allows employees who have attained the age of 21 and have completed six months of service to make voluntary contributions up to a maximum of 15% of their annual compensation, as defined in the Plan. Through June 30, 2000, the Plan did not provide for any matching contribution by the Company. However, starting at the beginning of fiscal year 2001, the Company has amended the Plan to include a Company matching contribution up to 10% of an employee's compensation. The Company contribution for the years ended June 30, 2002 and 2001 was approximately \$48,000 and \$51,000, respectively. The Company contribution for the six months ended December 31, 2002 and 2001 was \$34,250 (Unaudited) and \$20,500 (Unaudited), respectively.



## 15. Contingencies

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

## 16. Subsequent Events (Unaudited)

During September 2002, the Company issued to an investor 2,000,000 shares of its restricted Common Stock at \$.12 per share generating gross proceeds of \$240,000. This investor also received a warrant to purchase up to 2,000,000 shares of restricted Common Stock of the Company at \$.10 per share at any time on or before November 30, 2002 (subsequently extended to April 30, 2003) and if all such warrants are exercised, the investor was granted another warrant to purchase up to 2,000,000 shares of Common Stock at \$.10 per share expiring April 30, 2003. To date, none of these warrants have been exercised.

Subsequent to June 30, 2002 and through October 31, 2002 the Company issued approximately \$3.84 million of 2002- A Convertible Senior Notes. The estimated fair value of the shares issued in connection with these Senior Notes during the six months ended December 31, 2002 of \$ 1,628,837 and the intrinsic value of the beneficial conversion feature of \$ 1,324,810 have been allocated to equity. This resulting debt discount is being amortized to interest expense through December 31, 2005. A total of \$1,329,800 of these Senior Notes are to be paid to certain officers, directors and consultants of the Company in exchange for service to be performed and are therefore reflected as prepaid professional fees at December 31, 2002.

During October 2002, the Company issued to an investor 1,500,000 shares of its restricted Common Stock at \$.10 per share generating net proceeds of \$123,000. The investor also received a warrant to purchase up to 750,000 shares of restricted Common Stock of the Company at an exercise price of \$0.15 per share for a five year period from the issuance date. Within seven business days of the effectiveness of a registration statement to register the 1,500,000 shares, the investor has agreed to purchase an additional 1,500,000 shares of restricted Common Stock at \$.10 per share and receive another warrant to purchase up to 750,000 shares of restricted Common Stock at \$.15 per share.

During October 2002, the Company issued to an investor 3,571,429 shares of its restricted Common Stock at \$.07 per share generating net proceeds of \$244,925. This investor also received a warrant to purchase up to 7,142,858 shares of restricted Common Stock of the Company at \$.07 per share at any time on or before October 26, 2007, and a warrant to purchase up to 7,142,858 shares of Common Stock at \$.07 per share and up to 5,000,000 shares at \$.10 per share over a one year period. None of these warrants have been exercised as of December 31, 2002.

During October 2002 the Company's Board of Directors also approved that for the quarterly interest payment made by the Company on the 12% Convertible Senior Notes (for September 30, 2002 and December 30, 2002), at the option of the note holder, the interest payment due can be used to purchase shares of the Company's Common Stock at a rate of \$.20 per share. For each share purchased, the note holder shall receive a warrant to purchase one share of the Company's Common Stock at \$.20 per share exercisable at any time prior to June 30, 2004. During the three and six months ended December 31, 2002, 529,324 and 593,634 shares respectively, were issued for payment of the quarterly interest payment and 529,324 and 593,634 warrants to purchase Common Stock were issued to the note holders, respectively. The fair value of the warrants issued of approximately \$93,000 was determined using a Black Scholes Valuation Model.

During October 2002, the Company's Board of Directors authorized the issuance of 1,480,000 shares of its Common Stock to certain of its employees and consultants at the fair value of the underlying shares on the grant date. Such shares were issued for services to be performed in subsequent periods. At December 31, 2002, \$236,800 is reflected in prepaid professional fees for the services that have not been performed as of December 31, 2002.

During October 2002, the Company granted to all of the holders of the 12% Convertible Senior Notes, 10,306,026 Common Stock warrants to purchase Common Stock at \$.10 per share. The total number of the warrants issued was that number of shares equal to 75% of the dollar amount of the Senior notes held by the note holders. The warrants are exercisable through November 30, 2002 (subsequently extended through January 31, 2003). Upon the exercise of this warrant by the Senior note holder, the Company granted an identical number of warrants to that note holder with an exercise price of \$0.10 per share exercisable through March 31, 2003. Through December 31, 2002, the note holders exercised a total of 5,080,261 Common Stock warrants of the originally granted warrants of the 10,306,026 warrants initially granted, generating gross proceeds to the Company of \$508,026. An additional 5,080,261 warrants were granted upon the exercise of the initial warrant to these note holders at December 31, 2002. Of these additional March 2003 warrants, 291,376 were exercised as of December 31, 2002, generating gross proceeds to the Company of \$29,138. Subsequent to December 31,

2002 and through February 12, 2003, 475,909 of the Common Stock warrants expiring on January 31, 2003 and March 31, 2003, were exercised at \$.10 per share by the 12% Senior Note Holders generating gross proceeds of \$47,591.

On October 28, 2002 at a special meeting of shareholders, the Company's shareholders approved an increase in the number of authorized shares of the Company's Common Stock from 150,000,000 shares to 200,000,000 shares and approved an increase in the size of the Board of Directors from ten to eleven members

During the six months ended December 31, 2002, the holder of the Convertible debenture (Note 10) converted \$51,000 of the Debenture resulting in the issuance of 495,421 shares of Common Stock, and exercised related warrants for 4,954,210 shares, resulting in gross proceeds of \$510,000 during the six months ended December 31, 2002. The holder has paid the Company \$120,000 towards a future exercise of Common Stock warrants which has been reflected in deposits at December 31, 2002.

On February 14, 2003 at the Annual Shareholders Meeting, the Company's shareholders approved an increase in the number of authorized shares of the Company's Common Stock from 200,000,000 shares to 300,000,000 shares.

In February 2003, Jubilee Investment Trust, PLC ("Jubilee"), a United Kingdom investment trust whose shares trade on the London Stock Exchange, made to make an equity investment in USA Technologies at U.S. \$0.20 per share. Jubilee is a newly established investment trust set up to invest in securities traded on a range of public markets, primarily in the United Kingdom. USA Technologies issued to Jubilee 15,000,000 shares of Common Stock of USA Technologies at a price per share of U.S.\$0.20 with an aggregate value of U.S.\$3,000,000. In full payment for the shares of USA Technologies, Jubilee issued to USA Technologies a U.S.\$3,000,000 equivalent of their shares (1,870,091 shares of Jubilee at a price per share valued at One British Pound which was the initial public offering price per share for the Jubilee shares). The exchange rate used by the parties for the transaction was One British Pound equals U.S.\$1.6042. The Company intends to attempt to sell the Jubilee shares from time to time in order to generate cash. In addition, the Jubilee shares would be available to pledge as collateral for a loan.

The shares issued to Jubilee by USA Technologies are not registered under the Securities Act of 1933, as amended. The Jubilee shares issued to USA Technologies are admitted to listing on the London Stock Exchange under the symbol JIT. USA Technologies has agreed not to sell the Jubilee shares for a period of 90 days from January 24, 2003, and to sell a maximum of 10% of the Jubilee shares during each month thereafter. Jubilee has agreed not to sell USA Technologies' shares for a period of two (2) years from the date of issuance unless USA Technologies agrees otherwise. USA Technologies has agreed to use its best efforts to file an appropriate Registration Statement with the Securities and Exchange Commission no later than June 30, 2003 registering all of the shares issued to Jubilee for resale under the Act and to use its best efforts to keep such registration statement effective for a period of three years.

In March 2003 the Company's Board of Directors granted to the holders of the Senior Notes due in December 2003 the right to extend the maturity date to December 31, 2006 in exchange for the conversion rate on these notes from \$1.25 per share to \$.20 per share. Management anticipates substantially all of the note holders will accept this change and, accordingly the Company will not require any cash to fund these obligations at December 31, 2003.

In March 2003, the Company issued warrants to La Jolla Cove Investors, Inc. to purchase up to 9,000,000 shares at \$.10 per share. The warrants expire as follows: 3,000,000 on the three month anniversary of the effective date of the registration statement registering the shares; 3,000,000 on the 6 month anniversary of such effective date; and 3,000,000 on the 9 month anniversary of such effective date. The warrants may not be exercised without USA's consent on any date on which the closing price of our shares is less than \$.40. The Company has agreed to register the shares underlying the warrants for resale under the Act for a period of one year. The warrants were offered and sold to La Jolla pursuant to the exemption from registration set forth in Section 4(2) of the Act.

In April 2003, the Company issued 551,327 shares and warrants to purchase up to 551,327 shares to the holders of the senior notes who elected to receive these securities in lieu of the cash interest payment due for the quarter ended March 31, 2003. The shares were purchased at the rate of \$.20 per share and the warrants are exercisable at \$.20 per share at any time through June 30, 2004. USA has agreed to register the shares and the shares underlying the warrants under the Act for resale for a period of 2 years. The securities were offered and sold under the exemption from registration set forth in Rule 506 promulgated under the Act. All of the noteholders are accredited investors and there was no general solicitation or advertising.

TABLE OF CONTENTS

Report of Independent Auditors.	F-37
Balance Sheets as of December 31, 2001 and 2000.	F-38
Statements of Operations for the years ended December 31, 2001 and 2000.	F-39
Statements of Stockholders` Equity for the years ended December 31, 2001 and 2000.	F-40
Statements of Cash Flows for the years ended December 31, 2001 and 2000.	F-41
Notes to Financial Statements.	F-42
Unaudited Financial Statements:	
Balance Sheets as of March 31, 2002 and 2001 (Unaudited).	F-53
Statements of Operations for the three months ended March 31, 2002 and 2001 (Unaudited).	F-54
Statements of Stockholders` Equity (Deficit) for the three months ended March 31, 2002 (Unaudited).	F-55
Statements of Cash Flows for the three months ended March 31, 2002 and 2001 (Unaudited).	F-56
Selected Notes to Financial Statements (Unaudited).	F-57
Pro Forma Financial Information (Unaudited):	
Pro Forma Consolidated Balance Sheet as of March 31, 2002 (Unaudited).	F-62
Pro Forma Consolidated Statement of Operations for the year ended June 30, 2001 (Unaudited).	F-62
Pro Forma Consolidated Statement of Operations for the nine months ended March 31, 2002 (Unaudited).	F-63
Pro Forma Notes to Consolidated Financial Statements (Unaudited)	F-64

Report of Independent Auditors

The Board of Directors  
Stitch Networks Corporation

We have audited the accompanying balance sheets of Stitch Networks Corporation (formerly e-Vend.net Corporation) as of December 31, 2001 and 2000, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stitch Networks Corporation at December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming Stitch Networks Corporation will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has never been profitable, continues to incur losses from operations, and anticipates that it will require additional debt or equity financing which may not be readily available. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania  
June 28, 2002,  
except for paragraph 3 of Note 11,  
as to which the date is July 26, 2002

Stitch Networks Corporation

Balance Sheets

	December 31	
	2001	2000
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,436,308	\$ 7,079,397
Accounts receivable, net of allowance for doubtful accounts of \$3,600 at December 31, 2001 and 2000	132,160	10,487
Inventory	235,000	49,532
Other	88,604	131,923
<b>Total current assets</b>	<b>2,892,072</b>	<b>7,271,339</b>
Property and equipment, net	1,626,212	1,986,094
Other assets	32,638	9,027
<b>Total assets</b>	<b>\$ 4,550,922</b>	<b>\$ 9,266,460</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 724,117	\$ 182,778
Accrued expenses	218,773	123,051
Due to related party, net	5,888	8,875
Current portion of long-term debt	2,386,506	147,238
<b>Total current liabilities</b>	<b>3,335,284</b>	<b>461,942</b>
Long-term debt, net of current portion	424,331	2,077,849
<b>Stockholders' equity:</b>		
Series A convertible preferred stock, \$.01 par value; 3,114,637 shares authorized, issued and outstanding; liquidation value of \$2,383,476 at December 31, 2001	31,146	31,146
Series B convertible preferred stock, \$.01 par value; 5,276,895 shares authorized, issued and outstanding; liquidation value of \$11,483,885 at December 31, 2001	52,769	52,769
Common stock, \$.01 par value; 17,000,000 shares authorized at December 31, 2001 and 16,000,000 shares authorized at December 31, 2000; 6,000,000 shares issued and outstanding	60,000	60,000
Additional paid-in capital	14,619,244	14,611,985
Accumulated deficit	(13,971,852)	(8,029,231)
<b>Total stockholders' equity</b>	<b>791,307</b>	<b>6,726,669</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,550,922</b>	<b>\$ 9,266,460</b>

See accompanying notes.

Stitch Networks Corporation

Statements of Operations

	Year ended December 31	
	2001	2000
Revenue	\$ 1,003,241	\$ 219,982
Operating expenses:		
Cost of revenue	1,149,620	142,249
Compensation	3,085,946	2,256,751
General and administrative	730,811	754,001
Research and development	746,814	647,400
Sales and marketing	442,447	299,693
Depreciation and amortization	779,285	576,228
Total operating expenses	6,934,923	4,676,322
	(5,931,682)	(4,456,340)
Other income (expense):		
Interest income	191,703	547,642
Interest expense	(197,314)	(128,314)
Other, net	(5,328)	(24,135)
	(10,939)	395,193
Net loss	\$ (5,942,621)	\$ (4,061,147)

See accompanying notes.

Stitch Networks Corporation  
 Statements of Stockholders' Equity  
 Years ended December 31, 2001 and 2000

	Preferred Stock				Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Series A Convertible		Series B Convertible		Shares	Amount			
	Shares	Amount	Shares	Amount					
Balance, December 31, 1999	3,114,637	\$31,146	5,276,895	\$52,769	6,000,000	\$60,000	\$14,604,726	\$ (3,968,084)	\$10,780,557
Compensation expense relating to options issued to nonemployees	-	-	-	-	-	-	7,259	-	7,259
Net loss	-	-	-	-	-	-	-	(4,061,147)	(4,061,147)
Balance, December 31, 2000	3,114,637	31,146	5,276,895	52,769	6,000,000	60,000	14,611,985	(8,029,231)	6,726,669
Compensation expense relating to options issued to nonemployees	-	-	-	-	-	-	7,259	-	7,259
Net loss	-	-	-	-	-	-	-	(5,942,621)	(5,942,621)
Balance, December 31, 2001	3,114,637	\$31,146	5,276,895	\$52,769	6,000,000	\$60,000	\$14,619,244	\$(13,971,852)	\$ 791,307

See accompanying notes.



Stitch Networks Corporation

Statements of Cash Flows

	Year ended December 31	
	2001	2000
Cash flows from operating activities		
Net loss	\$ (5,942,621)	\$ (4,061,147)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	779,285	576,228
Non-cash stock compensation expense	7,259	7,259
Loss on disposal of property and equipment	127,859	49,709
Changes in operating assets and liabilities:		
Accounts receivable	(121,673)	17,891
Inventory	(185,468)	69,381
Other current assets	43,319	(37,319)
Accounts payable	541,339	(60,804)
Accrued expenses	95,722	62,802
Due to related party, net	(2,987)	(8,045)
Other assets	(23,611)	-
Net cash used in operating activities	(4,681,577)	(3,384,045)
Cash flows from investing activities		
Purchase of property and equipment	(547,262)	(1,987,441)
Net cash used in investing activities	(547,262)	(1,987,441)
Cash flows from financing activities		
Borrowings of long-term debt	706,322	2,000,000
Repayments of long-term debt	(120,572)	(136,448)
Net cash provided by financing activities	585,750	1,863,552
Net decrease in cash and cash equivalents	(4,643,089)	(3,507,934)
Cash and cash equivalents at beginning of year	7,079,397	10,587,331
Cash and cash equivalents at end of year	\$ 2,436,308	\$ 7,079,397
Supplemental disclosures of cash flow information:		
Interest paid	\$ 205,727	\$ 111,717

See accompanying notes.

Stitch Networks Corporation

Notes to Financial Statements

December 31, 2001 and 2000

1. Description of Business

Stitch Networks Corporation (the Company), a Delaware corporation, was incorporated in February 1996 as Goodvest Corporation and, in March 1999, changed its name to e-Vend.net Corporation. In June 2001 the Company changed its name to Stitch Networks Corporation. The Company designs and employs embedded connectivity solutions that enable network servers to monitor and control vending machines and appliances over the internet. The Company's customers are principally located in the United States.

On December 31, 2000, the Company executed a Vending Placement, Supply and Distribution Agreement (the Agreement) with Eastman Kodak Company, Maytag Corporation and Dixie Narco, Inc., which formed a strategic alliance to market and execute a national vending program for the sale of one-time use camera and film products. The Agreement provides for an initial term of three years ending December 31, 2003, with additional provisions for early termination and extensions as defined. Furthermore, the Agreement also provides for exclusivity among the parties for the term of the Agreement relating to the sale of camera and film products from vending machines within the Continental United States. This agreement represented the majority of the Company's operations in 2001.

2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The financial statements of the Company have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction on liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments to recorded asset values that might be necessary should the Company be unable to continue in existence. The Company has never been profitable, has incurred net losses of \$5.9 million and \$4.1 million during the years ending December 31, 2001 and 2000, respectively, and cumulative losses from its inception through December 31, 2001 amounting to approximately \$14.0 million. Losses have continued through June 2002 and are expected to continue throughout 2002. The Company's ability to meet its future obligations is dependent upon the success of its products in the marketplace and its ability to raise capital, which may not be readily available, until the Company's products can generate sufficient operating revenues.

## 2. Summary of Significant Accounting Policies (continued)

These factors raise substantial doubt about the Company's ability to continue as a going concern. Management believes that actions presently being taken will allow for the Company to continue as a going concern. Such actions include the generation of revenues from operations, a restructuring of the Company's cost structure which includes reductions in personnel and facility costs and additional financing activities.

### Use of Estimates

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

### Cash and Cash Equivalents

Cash and cash equivalents includes all highly liquid investments purchased with an original maturity of three months or less.

### Inventory

Inventory, which principally consists of finished goods, components, and packaging materials, is stated at the lower of cost (first in, first out basis) or market.

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives. Leasehold improvements are recorded at cost and are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the related lease term. The estimated useful lives are as follows:

Vending machines and related components	3 to 7 years
Computers and purchased software	3 years
Equipment and furniture	5 to 7 years
Leasehold improvements	3 years

Long-Lived Assets

In accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, the Company periodically evaluates the carrying value of long-lived assets when events and circumstances warrant such review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined by using the anticipated cash flows discounted at a rate commensurate with the risk involved. Measurement of the impairment, if any, will be based upon the difference between carrying value and the fair value of the asset.

Financial Instruments

The Company's financial instruments principally consist of cash and cash equivalents, accounts receivable, and accounts payable and debt. Cash and cash equivalents, accounts receivable and accounts payable are carried at cost, which approximates fair value because of the short maturity of these instruments. The Company's debt is carried at cost, which approximates fair value, as the debt bears interest at rates approximating current market rates.

## 2. Summary of Significant Accounting Policies (continued)

### Revenue Recognition

Revenue from the sale of products from the Company's vending machines is recognized upon the sale of such products and acceptance by the customer. Monthly service fees are recognized for the use of vending machines and access to the Company's network.

### Research and Development

The Company expenses research and development costs as incurred.

### Income Taxes

The Company uses the liability method to account for income taxes. Accordingly, deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts reportable for income tax purposes.

### Advertising Expenses

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2001 and 2000 was approximately \$155,000 and \$121,000, respectively.

### Accounting for Stock Options

Financial Accounting Standards Board Statement ("SFAS") No. 123, Accounting for Stock Based Compensation, provides companies with a choice to follow the provisions of SFAS 123 in determination of stock-based compensation expense or to continue with the provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"). The Company has elected to follow the provisions of APB 25. Under APB 25, if the exercise price of the Company's stock options equals or exceeds the market price of the underlying Common Stock on the date of grant, no compensation expense is recognized. The effect of applying SFAS No. 123 to the Company's stock-based awards results in net loss that is not materially different from the reported net loss.

## 2. Summary of Significant Accounting Policies (continued)

### New Accounting Pronouncements

The FASB recently issued Statement No. 144, Accounting for the Impairment of Disposal of Long-Lived Assets, that is applicable to financial statements issued for fiscal years beginning after December 15, 2001. The FASB's new rules on asset impairment supersede FASB Statement 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and portions of APB Opinion 30, Reporting the Results of Operations. This Standard provides a single accounting model for long-lived assets to be disposed of and significantly changes the criteria that would have to be met to classify an asset as held-for-sale. Classification as held-for-sale is an important distinction since such assets are not depreciated and are stated at the lower of fair value and carrying amount. This Standard also requires expected future operating losses from discontinued operations to be displayed in the period in which the losses are incurred, rather than as of the measurement date as presently required. The provisions of this Standard are not expected to have an effect on the Company's financial position or results of operations.

### 3. Property and Equipment

Property and equipment consist of the following:

	December 31	
	2001	2000
Vending machines and related components	\$ 1,034,099	\$ 774,503
Computers and purchased software	1,518,079	1,477,243
Equipment and furniture	453,218	477,332
Leasehold improvements and other	210,288	255,197
	-----	-----
	3,215,684	2,984,275
Less accumulated depreciation and amortization	1,589,472	998,181
	-----	-----
	\$ 1,626,212	\$ 1,986,094
	=====	=====

### 4. Accrued Expenses

Accrued expenses consist of the following:

	December 31	
	2001	2000
Professional fees	\$ 63,373	\$ 56,000
Interest payable	10,519	18,932
Sales tax payable	26,686	3,826
Delivery costs	41,539	5,871
Other	76,656	38,422
	-----	-----
	\$ 218,773	\$ 123,051
	=====	=====

## 5. Long-Term Debt

In July 1998, the Company obtained a \$425,000 Bank Loan (Loan) for working capital purposes. The Loan bore interest at 7.5% and was repayable in 36 equal monthly installments with a due date of June 1, 2002. The Loan was collateralized by substantially all of the Company's assets and was personally guaranteed by the Company's President and Chief Executive Officer.

In May 2000, the Company obtained a \$2,000,000 Equipment Line of Credit (Line of Credit) from a bank to fund the purchase of property and equipment. As of December 31, 2000, \$2,000,000 was outstanding under the Line of Credit. The Line of Credit bore interest at a variable rate based on the bank's prime rate and was due on May 1, 2002, with interest only due on a monthly basis in the interim. This loan was collateralized by substantially all of the Company's assets.

In May 2001, the \$2,000,000 outstanding principal on the Line of Credit and the \$165,042 outstanding balance on the Loan were restructured and combined into a single Loan (New Loan). The New Loan bears interest at a variable rate based on the bank's prime rate, and is due in full in June 2002, with interest payable monthly. The personal guarantee of the President was removed from any and all bank debt, and the collateral was replaced by an assignment of the Company's brokerage account containing the equivalent amount of cash and cash equivalents. The New Loan balance of \$2,165,042 was repaid in accordance with its terms in June 2002. In connection with this borrowing arrangement, the Company was also granted additional borrowing capacity in the form of a \$50,000 loan commitment. The \$50,000 commitment was utilized during February 2002 (see Note 11).

5. Long-Term Debt (continued)

In May 2001, the Company obtained from a separate bank a borrowing facility (the Facility) in the aggregate amount of approximately \$1,500,000 to fund the purchase of vending machines used for the distribution and sale of Kodak film products. Borrowings are made from time to time under the facility, with repayment schedules set at the time of each borrowing, including equal monthly payments over 36 months and an interest rate based upon an amount in excess of three year U.S. Treasury Notes. The outstanding principal balance under this facility was \$645,795 as of December 31, 2001. The Company has granted the bank a security interest in the specific film products vending machines. Repayment of principal is also insured by a Surety Bond issued by a third-party insurer in exchange for an initial fee paid by the Company. Subsequent to December 31, 2001 and through April 2002, the Company borrowed an additional \$779,111 under this facility.

Long-term debt consists of the following:

	December 31 2001	2000
New loan	\$ 2,165,042	\$ -
Borrowing facility	645,795	-
Equipment line of credit	-	2,000,000
Bank loan	-	225,087
	2,810,837	2,225,087
Less current portion	(2,386,506)	(147,238)
	\$ 424,331	\$ 2,077,849

6. Stockholders` Equity

Holders of the Series A and Series B Preferred Stock have the option to convert such shares into shares of Common Stock on a one-to-one ratio, subject to certain exceptions. The conversion rate on a particular series of Preferred Stock is subject to an adjustment in the event that any additional Common Stock, or other shares convertible into Common Stock, are issued for a per-share price less than the particular series conversion price. The Series A and Series B Preferred Stockholders vote on an as-if-converted basis. Mandatory conversion occurs upon the closing of an initial public offering of the Company`s Common Stock, as defined. The holders of the Series A and Series B also have demand and piggyback registration rights, as defined. The Series A and Series B rank paripassu in liquidation, and the holders of non-cumulative Series A and Series B are each entitled to receive an amount equal to their initial investment plus any declared but unpaid dividends and 7% of the initial investment amount compounded annually from the date of investment prior to distribution to the common shareholders.



## 7. Income Taxes

At December 31, 2001, the Company has approximately \$10,900,000 (\$5,215,000 in 2000) and \$11,400,000 (\$5,615,000 in 2000) of net operating loss carryforwards for federal and state income tax purposes, respectively. The federal operating loss carryforwards will begin expiring in 2019, and the state operating loss carryforwards expire principally between 2005 and 2020. At December 31, 2001 and 2000, the Company recorded a deferred tax asset of approximately \$4,503,100 and \$2,122,200, respectively, which was reduced by a valuation allowance of the same amount, as the realization of the deferred tax asset is not certain.

Significant components of the Company's deferred tax asset is as follows:

	December 31	
	2001	2000
Deferred tax asset:		
Net operating loss carryforwards	\$ 4,460,700	\$ 2,120,700
Other	42,400	1,500
	4,503,100	2,122,200
Valuation allowance	(4,503,100)	(2,122,200)
Net deferred tax asset	\$ -	\$ -

The timing and extent in which the Company can utilize future tax deductions in any year may be limited by provisions of the Internal Revenue Code regarding changes in ownership of corporations.

## 8. Stock Option Plan

In March 1999, the Company adopted the 1999 Equity Compensation Plan (the Plan), which provides for the granting of stock options, restricted stock and stock appreciation rights (SARs) to employees, directors and consultants of the Company. Options granted under the Plan may be either Incentive Stock Options (ISOs) or Nonqualified Stock Options (NSOs). ISOs may be granted only to Company employees (including officers and directors who are also employees). NSOs may be granted to employees, directors and consultants. At December 31, 2001, the Company reserved 2,559,059 shares of common stock for issuance under the Plan. Options under the Plan are granted for periods of up to ten years and generally vest over four years. All options are subject in general to earlier termination if the optionee leaves the employ of the Company. To date, no restricted stock or SARs have been issued under the Plan.

The Company does not recognize compensation expense on the issuance of its stock options to employees and directors when the option terms are fixed and the exercise price equals the fair value of the underlying stock on the grant date. To date, all options issued to employees under the Plan have been ISOs and all are exercisable at a price not less than the fair value of the Common Stock at the date of the grant. Accordingly, no compensation expense has been recognized.

8. Stock Option Plan (continued)

The following summarizes the activity of the Plan since its adoption:

	Common Shares Under Options Granted	Weighted Average Exercise Price
Outstanding at December 31, 1999	769,000	\$ 0.67
Granted	428,000	1.89
Cancelled/forfeited	(12,109)	0.67
Outstanding at December 31, 2000	1,184,891	1.41
Granted	229,500	1.89
Cancelled/forfeited	(424,121)	1.74
Outstanding at December 31, 2001	990,270	\$ 0.97

Information with respect to options outstanding under the Plan as of December 31, 2001 is as follows:

Exercise Price Range	Options Outstanding			Options Exercisable	
	Number Outstanding at December 31 2001	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price	Number Outstanding at December 31 2001	Weighted- Average Exercise Price
\$ .67	702,000	7.3	\$ 0.67	618,927	\$ 0.67
\$ 1.89	288,270	8.6	\$ 1.89	112,123	\$ 1.89
	990,270			731,050	

Included in the 2001 options outstanding at December 31, 2001 are 35,770 stock options granted to a nonemployee. The fair value of the options granted to the nonemployee is recognized as an expense over the period that the nonemployee provides services. The total expense for these options in each of the years ended December 31, 2001 and 2000 was \$7,259.

## 9. Commitments and Contingencies

The Company leases various properties under operating leases expiring at various times through 2006. The aggregate minimum annual lease payments under the noncancelable operating leases as of December 31, 2001, are as follows:

2002	\$163,400
2003	146,400
2004	143,800
2005	38,600
2006	1,400
	-----
Total	\$493,600
	=====

Total rental expense for 2001 and 2000 was approximately \$206,000 and \$224,000, respectively.

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

## 10. Related-Party Transactions

During the years 2001 and 2000, the Company purchased vending machines from Dixie-Narco, Inc. (Dixie), a wholly-owned subsidiary of a shareholder of the Company. Total purchases from Dixie for the years ended December 31, 2001 and 2000 were \$661,000 and \$35,000, respectively. Amounts due to related party in the accompanying 2001 balance sheet represents the net amount owed to Dixie under the terms of the Dixie agreement.

## 11. Subsequent Events

On May 14, 2002, USA Acquisition Corp., a wholly-owned subsidiary of USA Technologies merged with and into Stitch Networks Corporation (Stitch) pursuant to an Agreement and Plan of Merger by and among USA Technologies, Inc., USA Acquisition Corp., Stitch and the stockholders of Stitch dated April 10, 2002. At the close of the transaction, Stitch became a wholly owned subsidiary of USA Technologies, Inc.

All of the outstanding shares of stock of Stitch were converted into the right to receive an aggregate of 22,762,341 shares of Common Stock of USA Technologies, Inc. and warrants to purchase up to 7,587,447 shares of Common Stock of USA Technologies, Inc. at \$.40 per share at any time through June 30, 2002. Additionally, USA Technologies, Inc. assumed outstanding Stitch stock options which were converted into options to purchase an aggregate of 2,475,318 shares of Common Stock of USA Technologies, Inc. at \$.165 per share at any time prior to May 14, 2007 and warrants identical to those issued to the stockholders to purchase up to 412,553 shares of Common Stock of USA Technologies, Inc. A total of 4,800,000 of the shares of Common Stock issued to the former stockholders of Stitch are being held in escrow in order to secure the former stockholders' indemnification obligations under the Agreement and Plan of Merger and are subject to cancellation.

On January 9, 2002, the Company obtained a \$225,000 loan from a bank to fund working capital. The loan was payable to the bank on July 8, 2002. On February 26, 2002, the Company borrowed an additional \$50,000 from the same bank which was payable on demand. On July 26, 2002 the bank agreed to extend the due dates on the \$225,000 loan and \$50,000 loan to September 1, 2002, provided the Company pay the bank the July and August interest payments on such loans and a \$6,750 extension fee.

Stitch Networks Corporation  
Balance Sheets  
(Unaudited)

	March 31	
	2002	2001
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,174,857	\$ 5,773,807
Accounts receivable, net of allowance for doubtful accounts of \$5,224 and \$11,818 at March 31, 2002 and 2001, respectively	113,927	78,254
Inventory	227,966	460,845
Due from related party, net	57,469	-
Other	34,550	62,273
<b>Total current assets</b>	<b>2,608,769</b>	<b>6,375,179</b>
Property and equipment, net	1,520,554	1,782,305
Other assets	32,638	9,027
<b>Total assets</b>	<b>\$ 4,161,961</b>	<b>\$ 8,166,511</b>
<b>Liabilities and stockholder`s equity (deficit)</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 650,525	\$ 590,358
Accrued expenses	300,791	118,948
Current portion of long-term debt	2,706,088	111,415
<b>Total current liabilities</b>	<b>3,657,404</b>	<b>820,721</b>
Long-term debt, net of current portion	629,910	2,077,849
<b>Stockholder`s equity (deficit):</b>		
Series A convertible preferred stock, \$.01 par value; 3,114,637 shares authorized, issued and outstanding; liquidation value of \$2,425,186 (unaudited) at March 31, 2002	31,146	31,146
Series B convertible preferred stock, \$.01 par value; 5,276,895 shares authorized, issued and outstanding; liquidation value of \$11,684,853 (unaudited) at March 31, 2002	52,769	52,769
Common stock, \$.01 par value; 17,000,000 shares authorized; 6,000,000 shares issued and outstanding	60,000	60,000
Additional paid-in capital	14,626,505	14,611,985
Accumulated deficit	(14,895,773)	(9,487,959)
<b>Total stockholders` equity (deficit)</b>	<b>(125,353)</b>	<b>5,267,941</b>
<b>Total liabilities and stockholders` equity (deficit)</b>	<b>\$ 4,161,961</b>	<b>\$ 8,166,511</b>

See accompanying notes.

Stitch Networks Corporation

Statements of Operations  
(Unaudited)

	Three months ended March 31	
	2002	2001
Revenue	\$ 368,928	\$ 94,346
Operating expenses:		
Cost of revenue	230,203	42,826
Compensation	483,151	756,465
General and administrative	156,396	273,920
Research and development	136,622	192,453
Sales and marketing	45,884	134,689
Depreciation and amortization	199,628	205,909
Total operating expenses	1,251,884	1,606,262
	(882,956)	(1,511,916)
Other income (expense):		
Interest income	6,937	87,339
Interest expense	(48,786)	(51,345)
Other, net	884	17,194
	(40,965)	53,188
Net loss	\$ (923,921)	\$ (1,458,728)

See accompanying notes.

Stitch Networks Corporation

Statements of Stockholders' Equity (Deficit)

Three months ended March 31, 2002  
(Unaudited)

	Preferred Stock				Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Series A Convertible		Series B Convertible		Shares	Amount			
	Shares	Amount	Shares	Amount					
Balance, December 31, 2001	3,114,637	\$31,146	5,276,895	\$52,769	6,000,000	\$60,000	\$14,619,244	\$(13,971,852)	\$791,307
Compensation expense relating to options issued to nonemployees	-	-	-	-	-	-	7,261	-	7,261
Net loss	-	-	-	-	-	-	-	(923,921)	(923,921)
Balance, March 31, 2002	3,114,637	\$31,146	5,276,895	\$52,769	6,000,000	\$60,000	\$14,626,505	\$(14,895,773)	\$(125,353)

See accompanying notes.

Stitch Networks Corporation

Statements of Cash Flows  
(Unaudited)

	Three months ended March 31	
	2002	2001
	-----	
Cash flows from operating activities		
Net loss	\$ (923,921)	\$ (1,458,728)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	199,628	205,909
Non-cash stock compensation expense	7,261	-
Loss on disposal of property and equipment	-	17,344
Changes in operating assets and liabilities:		
Accounts receivable	18,233	(67,767)
Inventory	7,034	(411,313)
Other assets	54,054	69,650
Accounts payable	(73,592)	407,580
Accrued expenses	82,018	(4,103)
Due to/from related party	(63,357)	(8,875)
	-----	
Net cash used in operating activities	(692,642)	(1,250,303)
Cash flows from investing activities		
Purchase of property and equipment	(93,970)	(19,464)
	-----	
Net cash used in investing activities	(93,970)	(19,464)
Cash flows from financing activities		
Borrowings of long term debt	587,287	-
Repayments of long term debt	(62,126)	(35,823)
	-----	
Net cash provided by (used in) financing activities	525,161	(35,823)
	-----	
Net decrease in cash and cash equivalents	(261,451)	(1,305,590)
Cash and cash equivalents, beginning of period	2,436,308	7,079,397
	-----	
Cash and cash equivalents, end of period	\$ 2,174,857	\$ 5,773,807
	=====	
Supplemental disclosures of cash flow information:		
Interest paid	\$ 48,950	\$ 53,165
	=====	

See accompanying notes.



Stitch Networks Corporation

Selected Notes to Financial Statements

Three months ended March 31, 2002 and 2001  
(Unaudited)

1. Description of Business

Stitch Networks Corporation (the Company), a Delaware corporation was incorporated in February 1996 as Goodvest Corporation and, in March 1999, changed its name to e-Vend.net Corporation. In June 2001 the Company changed its name to Stitch Networks Corporation. The Company designs and employs embedded connectivity solutions that enable network servers to monitor and control vending machines and appliances over the internet. The Company's customers are principally located in the United States.

On December 31, 2000, the Company executed a Vending Placement, Supply and Distribution Agreement (the Agreement) with Eastman Kodak Company, Maytag Corporation and Dixie Narco, Inc., in order to form a strategic alliance to market and execute a national vending program for the sale of one-time use camera and film products. The Agreement provides for an initial term of three years ending December 31, 2003, with additional provisions for early termination and extensions as defined. Furthermore, the Agreement also provides for exclusivity among the parties for the term of the Agreement relating to the sale of camera and film products from vending machines within the Continental United States. This agreement represents the majority of the Company's operations in 2001 and during the first quarter of 2002.

2. Summary of Significant Accounting Policies

Interim Financial Information

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary have been included. Operating results for the three month period ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

Use of Estimates

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

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents includes all highly liquid investments purchased with original maturity of three months or less.

Inventory

Inventory, which consists of finished goods, components, and packaging materials, is stated at the lower of cost (first in, first out basis) or market.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are recorded at cost and amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the related lease term. The estimated useful lives are as follows:

Vending machines and related components	3 to 7 years
Computers and purchased software	3 years
Equipment and furniture	5 to 7 years
Leasehold improvements	3 years

Revenue Recognition

Revenue from the sale of products from the Company's vending machines is recognized upon the sale of such products and acceptance by the customer. Monthly fees for the use of vending machines equipped with embedded internet connectivity is recognized upon usage of the equipment.

Research and Development

The Company expenses research and development costs as incurred.

3. Property and Equipment

Property and equipment consist of the following:

	March 31	
	2002	2001
Vending machines and related components	\$ 1,131,063	\$ 775,048
Computers and purchased software	1,518,079	1,501,760
Equipment and furniture	444,242	451,819
Leasehold improvements and other	207,748	199,854
	-----	-----
	3,301,132	2,928,481
Less accumulated depreciation and amortization	1,780,578	1,146,176
	-----	-----
	\$ 1,520,554	\$ 1,782,305
	=====	=====

#### 4. Long-Term Debt

During the period from January 2002 to April 2002 the Company borrowed approximately \$779,000 under their borrowing facility to fund the purchase of vending machines used for the distribution and sale of Kodak film products. These borrowings are being repaid in accordance with the repayment schedules set at the time of each borrowing, including equal monthly payments over periods ranging from 31 to 36 months and an interest rate based upon an amount in excess of three year U.S. Treasury Notes.

On January 9, 2002, the Company obtained a \$225,000 loan from a bank to fund working capital. The loan was payable to the bank on July 8, 2002. On February 26, 2002, the Company borrowed an additional \$50,000 from the same bank which was payable on demand. On July 26, 2002 the bank agreed to extend the due dates on the \$225,000 loan and \$50,000 loan to September 1, 2002, provided the Company pay the bank the July and August interest payments on such loans and a \$6,750 extension fee.

#### 5. Related-Party Transactions

During the three months ended March 31, 2002 and 2001, the Company purchased vending machines from Dixie-Narco, Inc. (Dixie), a wholly-owned subsidiary of a shareholder of the Company. Total purchases from Dixie for the quarter ended March 31, 2002 and 2001 were \$156,571 and \$1,321, respectively. Amounts due from related party in the accompanying balance sheet represents the net amount due from Dixie under the terms of the Dixie agreement.

#### 6. Subsequent Events

On May 14, 2002, USA Acquisition Corp., a wholly-owned subsidiary of USA Technologies merged with and into Stitch Networks Corporation (Stitch) pursuant to an Agreement and Plan of Merger by and among USA Technologies, Inc., USA Acquisition Corp., Stitch and the stockholders of Stitch dated April 10, 2002. At the close of the transaction, Stitch became a wholly owned subsidiary of USA Technologies, Inc.

All of the outstanding shares of stock of Stitch were converted into the right to receive an aggregate of 22,762,341 shares of Common Stock of USA Technologies, Inc. and warrants to purchase up to 7,587,447 shares of Common Stock of USA Technologies, Inc. at \$.40 per share at any time through June 30, 2002. None of these warrants were exercised and these warrants have expired. Additionally, USA Technologies, Inc. assumed outstanding Stitch stock options which were converted into options to purchase an aggregate of 2,475,318 shares of Common Stock of USA Technologies, Inc. at \$.165 per share at any time prior to May 14, 2007 and warrants identical to those issued to the stockholders to purchase up to 412,553 shares Common Stock of USA Technologies, Inc. A total of 4,800,000 of the shares of the Common Stock issued to the former stockholders of Stitch are being held in escrow in order to secure the former stockholders' indemnification obligations under the Agreement and Plan of Merger and are subject to cancellation.

The management of USA Technologies, Inc. has taken measures to reduce costs at Stitch subsequent to the acquisition date. Head count has been significantly reduced and a consultant has been engaged to sublet the Stitch facility. Operating costs are also being reduced as the two operations integrate under one facility.

USA Technologies Inc.  
Unaudited Pro Forma Consolidated Financial Statements  
Basis of Presentation

The Pro Forma Consolidated Balance Sheet as of March 31, 2002, the Pro Forma Consolidated Statement of Operations for the nine months ended March 31, 2002, and the Pro Forma Consolidated Statement of Operations for the year ended June 30, 2001, are based on the historical financial statements of USA Technologies, Inc. (USA) and Stitch Networks Corporation (Stitch). The acquisition of Stitch has been accounted for using the purchase method of accounting. The Pro Forma Consolidated Balance Sheet as of March 31, 2002 has been prepared assuming the Stitch acquisition was completed March 31, 2002. The Pro Forma Consolidated Statement of Operations for the nine months ended March 31, 2002 has been prepared assuming the Stitch acquisition was completed on July 1, 2001. The Pro Forma Consolidated Statement of Operations for the year ended June 30, 2001 has been prepared assuming that the Stitch acquisition was completed on July 1, 2000.

The Unaudited Pro Forma financial statement information is presented for informational purposes only. The Pro Forma Consolidated Balance Sheet and Statements of Operations do not purport to represent what USA's actual financial position or results of operations would have been had the acquisition of Stitch occurred as of such dates, or to project USA's financial position or results of operations for any period or date, nor does it give effect to any matters other than those described in the notes thereto. In addition, the allocations of purchase price to the assets and liabilities of Stitch are preliminary and the final allocations may differ from the amounts reflected herein. The Unaudited Pro Forma Consolidated Balance Sheet and Unaudited Pro Forma Statements of Operations should be read in conjunction with USA's financial statements and notes thereto, and the historical financial statements of Stitch which are included elsewhere on this current report on Form 8-K.

USA Technologies Inc.  
Pro Forma Consolidated Balance Sheet  
March 31, 2002  
(Unaudited)

	Stitch -----	USA ----	Acquisition Adjustments -----	Pro Forma -----
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$2,174,857	\$1,328,455	-	\$ 3,503,312
Accounts receivable, net	113,927	237,047	-	350,974
Due from related party	57,469	-	-	57,469
Inventory	227,966	876,765	-	1,104,731
Subscriptions receivable	-	79,237	-	79,237
Prepaid expenses and other current assets	34,550	899,214	-	933,764
	-----			
<b>Total current assets</b>	<b>2,608,769</b>	<b>3,420,718</b>	<b>-</b>	<b>6,029,487</b>
Property and equipment, net	1,520,554	576,939	-	2,097,493
Software development costs	-	5,326,186	-	5,326,186
Goodwill	-	-	(1) 5,386,999	5,386,999
Intangible assets	-	-	(1) 3,268,000	3,268,000
Other assets	32,638	408,215	-	440,853
	-----			
<b>Total assets</b>	<b>\$4,161,961</b>	<b>\$9,732,058</b>	<b>\$8,654,999</b>	<b>\$22,549,018</b>
	=====			
<b>Liabilities and shareholder`s equity</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 650,525	\$2,118,063	-	\$2,768,588
Accrued expenses	300,791	1,346,017	-	1,646,808
Equipment line of credit	-	34,632	-	34,632
Current portion of long-term debt	2,706,088	58,113	-	2,764,201
	-----			
<b>Total current liabilities</b>	<b>3,657,404</b>	<b>3,556,825</b>	<b>-</b>	<b>7,214,229</b>
Long-term debt, less current portion	629,910	4,605,370	-	5,235,280
Convertible debentures, less current portion	-	51,667	-	51,667
	-----			
<b>Shareholders` equity:</b>				
Series A convertible preferred stock, no par value; 1,800,000 shares authorized; 540,789 issued and outstanding at March 31, 2002 (Unaudited)	83,915	3,830,628	(1) (83,915)	3,830,628
Stitch Common Stock, \$.01 par value; 17,000,000 shares authorized; 6,000,000 shares issued and outstanding at March 31, 2002 (Unaudited)	60,000	-	(1) (60,000)	-
USA Common Stock, no par value; 85,000,000 shares authorized; 39,787,136 issued and outstanding shares at March 31, 2002 (Unaudited)	14,626,505	45,252,955	(1)(14,626,505)	45,252,955
Deferred compensation	-	(25,750)	-	(25,750)
Additional paid-in-capital	-	-	(1) 8,529,646	8,529,646
Accumulated deficit	(14,895,773)	(47,539,637)	(1)14,895,773	(47,539,637)
	-----			
<b>Total shareholders` equity (deficit)</b>	<b>(125,353)</b>	<b>1,518,196</b>	<b>8,654,999</b>	<b>10,047,842</b>
	-----			
<b>Total liabilities and shareholders` equity</b>	<b>\$4,161,961</b>	<b>\$9,732,058</b>	<b>\$8,654,999</b>	<b>\$22,549,018</b>
	=====			

See Notes to Unaudited Pro Forma Consolidated Financial Statements

USA Technologies, Inc.  
Pro Forma Consolidated Statement of Operations  
For the year ended June 30, 2001  
(Unaudited)

	Stitch -----	USA ---	Acquisition Adjustments -----	Pro Forma -----
Revenues	\$ 502,248	\$ 1,451,002	-	\$ 1,953,250
Operating expenses:				
Cost of sales	318,067	816,239	-	1,134,306
General and administrative	1,298,648	4,666,636	-	5,965,284
Compensation	3,009,020	2,966,776	-	5,975,796
Research and development	761,078	961,378	-	1,722,456
Depreciation and amortization	828,059	209,646	-	1,364,505
Total operating expenses	6,214,872	9,620,675	(2) 326,800	16,162,347
	-----	-----	-----	-----
	(5,712,624)	(8,169,673)	(326,800)	(14,209,097)
Other income (expense):				
Interest income	410,968	60,034	-	471,002
Interest expense	(199,495)	(1,122,505)	-	(1,322,000)
Other, net	7,037	(40,100)	-	(33,063)
	-----	-----	-----	-----
Total other income (expense)	218,510	(1,102,571)	-	(884,061)
Loss before cumulative effect of accounting change and extraordinary item	(5,494,114)	(9,272,244)	(2)(326,800)	(15,093,158)
Cumulative effect of accounting change	-	(821,000)	-	(821,000)
	-----	-----	-----	-----
Loss before extraordinary item	(5,494,114)	(10,093,244)	(326,800)	(15,914,158)
Extraordinary loss on exchange of debt	-	(863,000)	-	(863,000)
	-----	-----	-----	-----
Net loss	(5,494,114)	(10,956,244)	(326,800)	(16,777,158)
Cumulative preferred dividends	-	(836,541)	-	(836,541)
	-----	-----	-----	-----
Loss applicable to common shares	\$ (5,494,114)	\$(11,792,785)	\$ (326,800)	\$(17,613,699)
	=====	=====	=====	=====
Loss per common share (basic and diluted)		\$(0.70)		\$(0.44)
		=====		=====
Weighted average number of common shares outstanding (basic and diluted)		16,731,999	23,637,341	40,369,340
		=====	=====	=====

USA Technologies, Inc.  
Pro Forma Consolidated Statement of Operations  
for the nine months ended March 31, 2002  
(Unaudited)

	Stitch -----	USA ---	Acquisition Adjustments -----	Pro Forma -----
Revenue	\$ 1,005,394	\$ 1,118,271	-	\$ 2,123,665
Operating expenses:				
Cost of sales	1,137,153	611,805	-	1,748,958
General and administrative	731,398	3,665,611	-	4,397,009
Compensation	1,988,871	3,155,986	-	5,144,857
Research and development	477,879	642,438	-	1,120,317
Depreciation and amortization	578,789	243,812	-	1,067,701
Total operating expenses	4,914,090	8,319,652	(3) 245,100	13,478,842
	-----	-----	-----	-----
	(3,908,696)	(7,201,381)	(245,100)	(11,355,177)
Other income (expense):				
Interest income	6,937	10,464	-	17,401
Interest expense	(150,123)	(991,578)	-	(1,141,701)
Other, net	39,347	-	-	39,347
	-----	-----	-----	-----
Total other income (expense)	(103,839)	(981,114)	-	(1,084,953)
	-----	-----	-----	-----
Net loss	(4,012,535)	(8,182,495)	(3)(245,100)	(12,440,130)
Cumulative preferred dividends	-	(822,561)	-	(822,561)
	-----	-----	-----	-----
Loss applicable to common shares	\$(4,012,535)	\$(9,005,056)	\$(245,100)	\$(13,262,691)
	=====	=====	=====	=====
Loss per common share (basic and diluted)		\$(0.30)		\$(0.25)
		=====		=====
Weighted average number of common shares outstanding (basic and diluted)		30,186,045	23,637,341	53,823,386
		=====	=====	=====

Notes to Unaudited Pro Forma Consolidated Financial Statements

- (1) To record the acquisition of Stitch at an assumed purchase price (calculated pursuant to the Merger Agreement dated May 14, 2002). The purchase price is assumed to be paid by the issuance of 22,762,341 shares of USA Technologies, Inc. Common Stock (\$7,511,573), the issuance of 8,000,000 Common Stock warrants (\$160,000), the issuance of 2,475,318 Common Stock options (\$569,323), and the issuance of 875,000 shares of Common Stock (\$288,750) to Technology Partners, LLC for payment of services rendered to the Company in connection with the acquisition. This adjustment also records the difference between the assumed purchase price of \$8,529,646 and the net assets of Stitch to: intangible assets (\$3,268,000) and goodwill (\$5,386,999).
- (2) To amortize the intangible assets recorded in connection with the Stitch acquisition over a 10 year estimated useful life as if the acquisition occurred on July 1, 2000.
- (3) To amortize the intangible assets recorded in connection with the Stitch acquisition over a 10 year estimated useful life as if the acquisition occurred on July 1, 2001.



PART II INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 24. Indemnification of Officers and Directors.

Section 1746 of the Pennsylvania Business Corporation Law of 1988, as amended ("BCL"), authorizes a Pennsylvania corporation to indemnify its officers, directors, employees and agents under certain circumstances against expenses and liabilities incurred in legal proceedings involving such persons because of their holding or having held such positions with the corporation and to purchase and maintain insurance of such indemnification. Our By-laws substantively provide that we will indemnify our officers, directors, employees and agents to the fullest extent provided by Section 1746 of the BCL.

Section 1713 of the BCL permits a Pennsylvania corporation, by so providing in its By-laws, to eliminate the personal liability of a director for monetary damages for any action taken unless the director has breached or failed to perform the duties of his office and the breach or failure constitutes self-dealing, willful misconduct or recklessness. In addition, no such limitation of liability is available with respect to the responsibility or liability of a director pursuant to any criminal statute or for the payment of taxes pursuant to Federal, state or local law. Our By-laws eliminate the personal liability of the directors to the fullest extent permitted by Section 1713 of the BCL.

Item 25. Other Expenses of Issuance and Distribution.

The following is an itemized statement of the estimated amounts of all expenses payable by the Registrant in connection with the registration of the common stock, other than underwriting discounts and commissions.

Securities and Exchange Commission - Registration Fee . . . . .	\$ 3,213.97
Printing and Engraving Expenses . . . . .	\$11,786.03
Accounting Fees and Expenses . . . . .	\$25,000.00
Legal Fees and Expenses . . . . .	\$25,000.00
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Total . . . . .	\$65,000.00
	=====

Item 26. Recent Sales of Unregistered Securities.

During the three years immediately preceding the date of the filing of this registration statement, the following securities were issued by USA without registration under the Securities Act of 1933, as amended ("Act"):

Private Placements.

During September 2000 we received signed subscription agreements for the sale of 11.5 units at \$100,000 each, for an aggregate of \$1,150,000. Each unit consisted of 100,000 shares of common stock and 100,000 common stock purchase warrants. The offering was sold to 12 accredited investors, and did not involve any general advertising or solicitation, and was therefore exempt from registration under Rule 506 of Regulation D promulgated under the Act.

On September 15, 2000, we signed an Investment Agreement with Swartz Private Equity, LLC, a private equity fund, pursuant to which Swartz agreed to purchase up to \$20,000,000 of common stock. The purchases would be made at our option over a three year period in amounts and at prices based upon market conditions. The purchase by Swartz is subject to an effective registration statement.

During early 2001, we sold 568.15 units or a total of \$5,681,500 principal amount of 12% Convertible Senior Notes and 1,136,300 shares of common stock. Of this amount, \$3,823,000 of the senior notes were purchased through the exchange of \$3,823,000 of the old senior notes. Each unit consisted of a \$10,000 principal amount Senior Note and 2,000 shares of common stock. Each 12% Convertible Senior Note is convertible into Common Stock at \$1.25 per share anytime through its maturity date of December 31, 2003. Holders of the existing 12% Senior Notes due in December 2001 had the right to invest in the offering by exchanging their existing Notes instead of paying cash. For each \$10,000 face amount existing Senior Note exchanged, the holder would receive one unit. The offering was sold to accredited investors and did not involve any general advertising or solicitation, and was therefore exempt from registration under Rule 506 of Regulation D promulgated under the Act.

On April 20, 2001 the Company sold 450,000 shares of its Common Stock to 9 accredited investors for \$1.00 per share for an aggregate of \$450,000. The offering was sold to accredited investors and did not involve any general advertising or solicitation, and was therefore exempt from registration under Rule 506 of Regulation D promulgated under the Act.

In April 2001, the Company issued shares of common stock to our executives as follows: George R. Jensen, Jr. - 125,000 shares; Stephen P. Herbert - 120,000 shares; H. Brock Kolls, Jr. - 87,000 shares; Leland P. Maxwell - 39,500 shares; and Michael Lawlor - 34,500 shares. The Company issued the shares pursuant to the exemption from registration set forth in Section 4(2) of the Act. All of these investors are accredited investors and we obtained appropriate investment representations and the securities contained appropriate restrictive legends under the Act.

During July 2001, the Company issued to La Jolla Cove Investors, Inc. a warrant to purchase up to 500,000 shares of Common Stock. The warrant can be exercised at any time in whole or in part within one year following the effectiveness of the registration statement covering the resale of the shares issuable upon exercise of the warrant. The exercise price of the warrant is the lower of \$1.00 or 80% of the lowest closing bid price of the Common Stock during the 20 trading days prior to exercise. The Company has agreed to prepare and file at its cost and expense a registration statement covering the resale of La Jolla of the shares underlying the warrant. At the time of the issuance of the warrant, La Jolla paid to the Company a non-refundable fee of \$50,000 to be credited towards the exercise price under the warrant. A broker-dealer received a commission of \$3,500 in connection with this warrant. The offering of the warrant and the underlying shares was exempt from registration pursuant to Section 4(2) of the Act. LaJolla is an accredited investor and we obtained appropriate investment representation and the securities contained appropriate restrictive legends under the Act.

During August 2001, the Company issued to La Jolla a \$225,000 Convertible Debenture bearing 9 3/4 percent interest with a maturity date of August 2, 2003. Interest is payable by the Company monthly in arrears. The Debenture is convertible at any time after the earlier of the effectiveness of the registration statement referred to below or 90 days following issuance at the lower of \$1.00 per share or 80% of the lowest closing bid price of the Common Stock during the 20 days preceding exercise. If on the date of conversion the closing bid price of the shares is \$.40 or below, the Company shall have the right to prepay the portion being converted at 150% of the principal amount being converted. In such event, La Jolla shall have the right to withdraw its conversion notice. At the time of conversion of the Debenture, the Company has agreed to issue to La Jolla warrants to purchase an amount of Common Stock equal to ten times the number of shares actually issued upon conversion of the Debenture. The warrants are exercisable at any time for two years following issuance and at the related conversion price of the Debenture. The Company has agreed to prepare and file at its expense a registration statement covering the resale of the shares of Common Stock underlying the Debenture as well as the related warrants issuable upon conversion of the Debenture. La Jolla paid to the Company the sum of \$100,000 at the time of the issuance of the Debenture and has agreed to pay \$125,000 at the time of the effective date of the registration statement. The convertible debenture was issued pursuant to the exemption from registration set forth in Section 4(2) of the Act. LaJolla is an accredited investor and we obtained appropriate investment representation and the securities contained appropriate restrictive legends under the Act.

During the period from March 2001 through September 2001, we sold a total of 739.54 units in the 2001-B Private Placement Offering at a price of \$6,000 per unit. Each unit consisted of 10,000 shares of common stock and 20,000 2001-B common stock purchase warrants. The offering was sold to 193 accredited investors, and did not involve any general advertising or solicitation, and was therefore exempt from registration under Rule 506 of Regulation D promulgated under the Act.

During the period from September 2001 through October 19, 2001, we sold for our 2001-C offering an aggregate of 4,212,350 shares of common stock at \$.50 per share for a total of \$2,106,175. For each share of common stock purchased, each investor also received a 2001-C warrant. The offering was sold to 102 accredited investors, and did not involve any general advertising or solicitation, and was therefore exempt from registration under Rule 506 of Regulation D promulgated under the Act.

During October 2001, the Company issued 200,000 shares to Ratner & Prestia, P.C., an accredited investor. The offering did not involve any general advertising or solicitation, and was therefore exempt from registration under Section 4(2) of the Act. The proceeds from the sales of the shares will be

applied by Ratner & Prestia towards the unpaid professional fees due to them by the Company. The investor is an accredited investor and we obtained appropriate investment representation and the securities contained appropriate restrictive legends under the Act.

During the period from November 2001 through June 30, 2002, the Company sold \$4,814,593 principal amount of 12% Convertible Senior Notes due December 31, 2004. Each Senior Note is convertible into shares of common stock at \$.40 per share anytime through maturity. The notes were sold to accredited investors and the offer and sale thereof did not involve any general advertising or solicitation and the offer and sale was therefore exempt from registration under Rule 506 of the Regulation D promulgated under the Act.

In January 2002, the Company issued shares of common stock to the following executive officers as a bonus: George R. Jensen, Jr.- 320,000 shares; Stephen P. Herbert- 300,000 shares; H. Brock Kolls-200,000 shares; Leland Maxwell-130,000 shares; and Michael Lawlor- 130,000 shares. The issuance of the shares was exempt from registration under Section 4(2) of the Act. All of these investors are accredited and we obtained appropriate investment representations and the securities contained appropriate restrictive legends under the Act.

In May 2002, we acquired Stitch Networks Corporation. Pursuant to the transaction, Stitch become our wholly-owned subsidiary. In exchange for their Stitch stock, the Stitch stockholders received an aggregate of 22,762,341 of our shares of common stock and warrants to purchase up to 8,000,000 of our shares of common stock at \$.40 per share at any time through June 30, 2002. We also issued to the former option holders of Stitch options to purchase up to 2,475,318 shares at \$.165 per share at any time for five years following closing. The offer and sale of the shares, warrants, and options was exempt from registration under Section 4(2) of the Act.

The Stitch stockholders acquiring our shares and warrants are all accredited investors and we obtained appropriate investment representations and the securities contained appropriate restrictive legends under the Act. The thirty-three former option holders of Stitch receiving our options consisted of directors, officers or key employees of Stitch, all of whom were sophisticated investors. In connection with the issuance of the options, we obtained appropriate investment representations and the securities contained appropriate restrictive legends under the Act.

In April 2002, the Company agreed to issue 400,000 shares of Common Stock to Alex Consulting, Inc., a consultant to the Company. The offer and sale of the shares was exempt from registration under Section 4(2) of the Act. The investor is an accredited investor and we obtained appropriate investment representation and the securities contained appropriate restrictive legends under the Act.

In April 2002, the Company agreed to issue 90,000 shares of Common Stock to Larry Gershman, a consultant to the Company. The offer and sale of the shares was exempt from registration under Section 4(2) of the Act. The investor is an accredited investor and we obtained appropriate investment representation and the securities contained appropriate restrictive legends under the Act.

In April 2002, the Company agreed to issue to Technology Partners (Holdings) LLC, our investment banker, a total of 150,000 shares of Common Stock. The shares are to be issued at the rate of 25,000 per month under the six month extension of their consultant agreement. The offer and sale of the shares was exempt from registration under Section 4(2) of the Act. The investor is an accredited investor and we obtained appropriate investment representation and the securities contained appropriate restrictive legends under the Act.

During September 2002, the Company sold 2,000,000 shares of restricted Common Stock at \$.12 per share for aggregate proceeds of \$240,000 to an investor. In addition, in October 2002, the Company granted to the investor warrants to purchase up to 2,000,000 shares at \$.10 per share through November 30, 2002 (later extended to March 31, 2003), and if all of these warrants are exercised, the investor has been granted another identical warrant for 2,000,000 shares exercisable at any time through March 31, 2003. The offer and sale of the shares was exempt from registration under Section 4(2) of the Act. The investor is an accredited investor and we obtained appropriate investment representation and the securities contained appropriate restrictive legends under the Act.

Commencing during June 2002 and through October 2002, the Company sold to 186 accredited investors \$4,284,008 principal amount of 12% Senior Notes due December 31, 2005 and 8,568,000 shares of Common Stock. For each \$10,000 invested, the subscriber received a \$10,000 note and 20,000 shares of Common Stock. The Company has received signed subscription documents for the 2002-A Private Placement of Senior Notes for \$4,284,008, of which \$2,585,000 has been deposited and the remainder of \$1,699,008 was for services. The notes were sold to accredited investors and the offer and sale thereof did not involve any general advertising or solicitation and the offer and sale was therefore exempt from registration under Rule 506 of the Regulation D promulgated under the Act.

La Jolla Cove Investors converted Debentures and exercised warrants. The investor utilized previously remitted funds to the Company which was reflected as a deposit in the June 30, 2002 consolidated financial statements. Specifically, from inception through December 31, 2002, La Jolla converted \$135,000 of 9 3/4 percent Convertible Debentures, for which the Company issued 829,099 shares of stock, and exercised 8,290,990 warrants to purchase Common Stock at an average price of \$.16 per share. The Company had previously executed a Securities Purchase Agreement with La Jolla for the purchase of \$225,000 (increased by \$100,000 on June 18, 2002) of Convertible Debentures bearing 9 3/4 percent interest with a maturity date of August 3, 2003 (extended to August 2, 2004 on June 18, 2002). Interest is payable by the Company monthly in arrears. The Debenture is convertible at any time after the earlier of the effectiveness of the registration statement or 90 days following issuance, at the lower of \$1.00 per share or 80% (later lowered to 72%) of the lowest closing bid price of the Common Stock during the 30 days preceding exercise. The offer and sale of the shares was exempt from registration under Section 4(2) of the Act.

In July 2002 the Company agreed to issue an aggregate of 234,600 shares to employees as part of those employees' severance payments at the time of and as part of the employee's termination of employment. The offer and sale of the shares was exempt from registration under Section 4(2) of the Act. All of these eight former employees were sophisticated and were afforded access to all public filings as well as to any other information reasonably obtainable by USA. We received investment representations from all of these investors and all the securities contained appropriate restrictive legends under the Act.

In July 2002, the Company agreed to issue to Karl Mynyk, a former employee, an aggregate of 125,000 shares in settlement of litigation between he and the Company. The shares were valued at \$.20 per share. The offer and sale of the shares was exempt from registration under Section 4(2) of the Act. Mr. Mynyk is a sophisticated investor, was afforded access to all public filings as well as to any other information reasonably obtainable by USA. We received investment representations from him and the securities contained appropriate restrictive legends under the Act.

In October 2002 and January 2003, the Company issued 529,324 and 593,634 shares, respectively, (valued at \$.20 per share) to the holders of the senior notes in lieu of the cash quarterly interest payments due for the quarters ended September 2002 and December 2002, respectively. In addition, for these two quarters the Company granted warrants to purchase up to 1,122,958 shares at \$.20 per share at any time prior to December 31, 2004. The offer and sale of the shares and warrants was exempt from registration under Rule 506 promulgated under the Act. All of these securities were sold to accredited investors and the offer and sale did not involve any general advertising or solicitation.

In October 2002, the Company issued to Edwin P. Boynton 50,000 shares in lieu of the 100,000 options granted to him in April 2002. The offer and sale of the shares was exempt from registration under Section 4(2) of the Act. Mr. Boynton is an accredited investor and a Director of the Company, we obtained investment representations from him and the securities contained appropriate restrictive legends under the Act.

In October 2002, the Company sold to an investor, Kazi Management VI, Inc. 3,571,429 shares of Common Stock at \$.07 per share and issued the following warrants: (1) warrants to purchase up to 7,142,858 shares of Common Stock at \$.07 at any time for a five year period; and (2) warrants to purchase up to 7,142,858 shares at \$.07 per share and up to 5,000,000 shares at \$.10 per share, exercisable over a one year period. The offer and sale of the shares was exempt from registration under Section 4(2) of the Act. The investor is an accredited investor and we obtained appropriate investment representations from the investor and the securities contained appropriate restrictive legends under the Act.

In October 2002, the Company sold to an investor, Alpha Capital Aktiengesellschaft, 1,500,000 shares at \$.10 per share and granted warrants to purchase up to 750,000 shares at \$.15 per share at any time for five years. Within seven days following the effectiveness of the registration statement covering these shares, the Company has agreed to sell to the investor an additional 1,500,000 shares at \$.10 per share and grant warrants to purchase up to 750,000 shares at the then closing price per share at any time for five years. The securities were sold to an accredited investor and the offer and sale thereof did not involve any general advertising or solicitation and the offer and sale was therefore exempt from registration under Rule 506 of the Regulation D promulgated under the Act.

In October 2002, the Company granted to the holders of the 12% senior notes warrants to purchase that number of shares equal to 75% of the dollar amount of the notes held by such holder. The total number of warrants issued was 10,360,025 and are exercisable at any time prior to March 31, 2003. If the holder exercises all of such holder's warrants, the holder shall receive another identical warrant exercisable at any time prior to March 31, 2003. From November 2002 through March 31, 2003, 6,493,691 of these warrants were exercised at \$.10 per share for a total of \$649,369. The offer and sale of the warrants and these shares was exempt from registration under Rule 506 promulgated under the Act. All of the noteholders are accredited investors and already the holders of our notes. The warrants and the shares all contained appropriate restrictive legends under the Act.

On October 31, 2002, eight employees of and two consultants to USA entered into subscription agreements with USA to receive an aggregate of 1,480,000 shares for services to be rendered to USA. The shares were valued at \$.125 per share and were exempt from registration under Section 4(2) of the Act. All of the employees and consultants were sophisticated investors, made appropriate investment representations, were afforded access to all public filings and all other information that USA could reasonably obtain, and the securities contained appropriate restrictive legends under the Act.

In November 2002 and through April 4, 2003, the Company issued an aggregate of 13,327,880 shares to 126 accredited investors at \$.10 per share for an aggregate of \$1,332,788. The offer and sales of the shares was exempt from registration under Rule 506 promulgated under the Act. In this regard, the offer and sale thereof did not involve any general advertising or solicitation and the securities contained appropriate restrictive legends under the Act.

In February, 2003, Jubilee Investment Trust, PLC ("Jubilee"), a United Kingdom investment trust made an equity investment in USA Technologies at U.S.\$0.20 per share. Jubilee is a newly established investment trust set up to invest in securities traded on a range of public markets, primarily in the United Kingdom. USA Technologies issued to Jubilee 15,000,000 shares of Common Stock of USA Technologies at a price per share of U.S.\$0.20 with an aggregate value of U.S.\$3,000,000. In full payment for the shares of USA Technologies, Jubilee issued to USA Technologies a U.S.\$3,000,000 equivalent of their shares (1,870,091 shares of Jubilee at a price per share valued at One British Pound which was the initial public offering price per share for the Jubilee shares). The exchange rate used by the parties for the transaction was One British Pound equals U.S.\$1.6042. The shares to be issued to Jubilee by USA Technologies will not be registered under the Securities Act of 1933, as amended. Jubilee has agreed not to sell USA Technologies' shares for a period of two (2) years from the date of issuance unless USA Technologies agrees otherwise. The shares were issued to Jubilee by USA pursuant to the exemption from registration set forth in Section 4(2) of the Act.

In March 2003, we issued a warrant to La Jolla Cove Investors, Inc. to purchase up to 9,000,000 shares at \$.10 per share. The warrants expire as follows: 3,000,000 on the three month anniversary of the date of this prospectus; 3,000,000 on the 6 month anniversary of the date of this prospectus; and 3,000,000 on the 9 month anniversary of the date of this prospectus. The warrants may not be exercised without our consent on any date on which the closing price of our shares is less than \$.40. We have agreed to register the shares underlying the warrants for resale under the Act for a period of one year. The warrants were offered and sold to La Jolla pursuant to the exemption from registration set forth in Section 4(2) of the Act.

In April 2003, we issued 551,327 shares and warrants to purchase up to 551,327 shares to the holders of our senior notes who elected to receive these securities in lieu of the cash interest payment due for the quarter ended March 31, 2003. The shares were purchased at the rate of \$.20 per share and the warrants are exercisable at \$.20 per share at any time through June 30, 2004. We have agreed to register the shares and the shares underlying the warrants under the Act for resale for a period of 2 years. The securities were offered and sold under the exemption from registration set forth in Rule 506 promulgated under the Act. All of the noteholders are accredited investors and there was no general solicitation or advertising.



## II. Stock Options

In September 2000, we issued to Swartz Private Equity, LLC, a warrant to purchase up to 1,200,000 shares at a purchase price of \$1.00 per share. The number of shares subject to the option and the exercise price are subject to adjustment.

In October 2000, we issued to George R. Jensen, Jr., options to purchase up to 200,000 shares of our common stock at \$1.50 per share. In February 2001, we extended the expiration date of those options until June 30, 2003.

During March 2001, the Company granted to Automated Merchandising Systems, Inc. options to purchase up to 1,000,000 shares at \$1.00 per share at any time through June 30, 2001. The expiration date of these options was extended until September 30, 2001. These options have expired.

During March 2001, the Company granted to each of the six Directors who were not executive officers options to purchase up to 50,000 shares of Common Stock for \$1.00 at any time within five years of vesting.

During March 2001, the Company granted to employees of the Company who were not executive officers fully vested options to purchase up to 85,000 shares of Common Stock for \$1.00 at any time within five years of vesting.

During April 2001, the Company issued options to the following executives: George R. Jensen, Jr. - 100,000 options; Stephen P. Herbert - 80,000 options; H. Brock Kolls, Jr. - 80,000 options; Leland P. Maxwell - 50,000 options; and Michael Lawlor - 50,000 options. The options are exercisable at any time within five years following vesting at \$1.00 per share.

During April 2001, the Company issued to Marconi Online Systems, Inc. an option to purchase up to 6,000,000 shares, of which 3,000,000 are exercisable at \$1.00 per share through June 5, 2001, and 3,000,000 are exercisable at \$1.25 through September 5, 2001. None of these options were exercised.

During April 2001, the Company issued to Swartz Private Equity, LLC, a warrant to purchase up to 377,927 shares of common stock at \$1.00 per share. The exercise price is subject to semi-annual reset provisions.

In August 2001, we issued to Larry Gershman, a marketing and financial consultant, fully vested warrants to purchase an aggregate of 150,000 shares of our common stock at \$.70 per share exercisable at any time through August 2, 2003. In September 2001, we issued fully vested options to the following employees or consultants: Adele Hepburn - 200,000 options; Frances Young - 100,000 options; and George O'Connell - 100,000 options. The options are exercisable at \$.70 per share at any time through June 30, 2003.

In November 2001, the Company authorized issuance of 1,080,000 fully vested options to purchase its Common Stock to its Executive Officers, provided that they were employed by the Company as of January 2, 2002. The amounts of options authorized were: George R. Jensen, Jr. - 320,000 options; Stephen P. Herbert - 300,000 options; Haven Brock Kolls - 200,000 options; Leland Maxwell - 130,000 options; and Michael Lawlor - 130,000 options. Each option is exercisable at \$.40 per share at any time and on or before June 30, 2003. These options vested during March, 2002.

In November 2001, the Company issued the following fully vested options to purchase an aggregate of 650,000 shares: Gary Oakland - 100,000 options; Adele Hepburn - 300,000 options; and Frances Young - 250,000 options. These options vested during March, 2002.

In April 2002, the Company granted to H. Brock Kolls an aggregate of fully vested options to purchase up to 50,000 shares exercisable at \$.40 per share for a three year period following issuance.

On December 31, 2002, a total of 778,000 options to purchase Common Stock were cancelled by members of the Board of Directors, and reported on Form 4 to the SEC. No new options have been issued.

On December 31, 2002, a total of 1,290,000 options to purchase Common Stock were cancelled by executive officers, and reported on Form 4 to the SEC. No new options have been issued.

The issuance of all of the foregoing options was made in reliance upon the exemption provided by Section 4(2) of the Act as all of the options were issued to officers, directors, employees or consultants of USA, each of such issuances were separate transactions not part of any plan, and none of the issuances involved any general solicitation or advertising.

Item 27. Exhibits.

Exhibit Number	Description
3.1	Articles of Incorporation of USA filed on January 16, 1992 (Incorporated by reference to Exhibit 3.1 to Form SB-2 Registration Statement No. 33-70992).
3.1.1	First Amendment to Articles of Incorporation of USA filed on July 17, 1992 (Incorporated by reference to Exhibit 3.1.1 to Form SB-2 Registration Statement No. 33-70992).
3.1.2	Second Amendment to Articles of Incorporation of USA filed on July 27, 1992 (Incorporated by reference to Exhibit 3.1.2 to Form SB-2 Registration Statement No. 33-70992).
3.1.3	Third Amendment to Articles of Incorporation of USA filed on October 5, 1992 (Incorporated by reference to Exhibit 3.1.3 to Form SB-2 Registration Statement No. 33-70992).
3.1.4	Fourth Amendment to Articles of Incorporation of USA filed on October 18, 1993 (Incorporated by reference to Exhibit 3.1.4 to Form SB-2 Registration Statement No. 33-70992).

3.1.5 Fifth Amendment to Articles of Incorporation of USA filed on June 7, 1995 (Incorporated by Reference to Exhibit 3.1 to Form SB-2 Registration Statement No. 33-98808).

3.1.6 Sixth Amendment to Articles of Incorporation of USA filed on May 1, 1996 (Incorporated by Reference to Exhibit 3.1.6 to Form SB-2 Registration Statement No. 333-09465).

3.1.7 Seventh Amendment to Articles of Incorporation of USA filed on March 24, 1997 (Incorporated by reference to Exhibit 3.1.7 to Form SB-2 Registration Statement No. 333-30853).

3.1.8 Eighth Amendment to Articles of Incorporation of USA filed on July 5, 1998 (Incorporated by reference to Exhibit 3.1.8 to Form 10-KSB for the fiscal year ended June 30, 1998).

3.1.9 Ninth Amendment to Articles of Incorporation of USA filed on October 1, 1998 (Incorporated by reference to Exhibit 3.1.9 to Form SB-2 Registration Statement No. 333-81591).

3.1.10 Tenth Amendment to Articles of Incorporation of USA filed on April 12, 1999 (Incorporated by reference to Exhibit 3.1.10 to Form SB-2 Registration Statement No. 333-81591).

3.1.11 Eleventh Amendment to Articles of Incorporation of USA filed on June 7, 1999 (Incorporated by reference to Exhibit 3.1.11 to Form SB-2 Registration Statement No. 333-81591).

3.2 By-Laws of USA (Incorporated by reference to Exhibit 3.2 to Form SB-2 Registration Statement No. 33-70992).

4.1 Warrant Agreement dated as of June 21, 1995 between USA and American Stock Transfer and Trust Company (Incorporated by reference to Exhibit 4.1 to Form SB-2 Registration Statement N. 33-98808, filed October 31, 1995).

4.2 Form of Warrant Certificate (Incorporated by reference to Exhibit 4.2 to Form SB-2 Registration Statement, No. 33-98808, filed October 31, 1995).

4.3 1996 Warrant Agreement dated as of May 1, 1996 between USA and American Stock Transfer and Trust Company (Incorporated by reference to Exhibit 4.3 to Form SB-2 Registration Statement No. 333-09465).

- 4.4 Form of 1996 Warrant Certificate (Incorporated by reference to Exhibit 4.4 to Form SB-2 Registration Statement No. 333-09465).
- 4.5 Form of 1997 Warrant (Incorporated by reference to Exhibit 4.1 to Form SB-2 Registration Statement No. 333-38593, filed February 4, 1998).
- 4.6 Form of 12% Senior Note (Incorporated by reference to Exhibit 4.6 to Form SB-2 Registration Statement No. 333-81591).
- 4.7 Warrant Certificate of I. W. Miller Group, Inc. (Incorporated by reference to Exhibit 4.7 to Form SB-2 Registration Statement No. 84513).
- 4.8 Warrant Certificate of Harmonic Research, Inc. (Incorporated by reference to Exhibit 4.8 to Form SB-2 Registration Statement No. 333-84513).
- 4.9 Registration Rights Agreement dated August 3, 2001 by and between the Company and La Jolla Cove Investors, Inc. (Incorporated by reference to Exhibit 4.9 to Form 10-KSB filed on October 1, 2001).
- 4.10 Securities Purchase Agreement dated August 3, 2001 between the Company and La Jolla Cove Investors, Inc. (Incorporated by reference to Exhibit 4.10 to Form 10-KSB filed on October 1, 2001).
- 4.11 Form of Conversion Warrants to be issued by the Company to La Jolla Cove Investors, Inc. (Incorporated by reference to Exhibit 4.11 to Form 10-KSB filed on October 1, 2001).
- 4.12 \$225,000 principal amount 9 3/4% Convertible Debenture dated August 3, 2001 issued by the Company to La Jolla Cove Investors, Inc. (Incorporated by reference to Exhibit 4.12 to Form 10-KSB filed on October 1, 2001).
- 4.13 Warrant certificate dated July 11, 2001 from the Company to La Jolla Cove Investors, Inc. (Incorporated by reference to Exhibit 4.13 to Form 10-KSB filed on October 1, 2001).
- 4.14 August 2, 2001 letter from La Jolla Cove Investors, Inc. to the Company (Incorporated by reference to Exhibit 4.14 to Form 10-KSB filed on October 1, 2001).
- 4.15 Subscription Agreement dated October 26, 2001 by and between the Company and Ratner & Prestia, P.C. (Incorporated by reference to Exhibit 4.15 to Form SB-2 Registration Statement No. 333-72302).
- 4.16 Subscription Agreement dated October 26, 2002 by and between the Company and Ratner & Prestia, P.C.

4.17 Stock Purchase Agreement dated October 26, 2002 by and between the Company and Kazi Management VI, Inc.

4.18 Warrant Certificate (no. 189) dated October 26, 2002 in favor of Kazi Management VI, Inc.

4.19 Registration Rights Agreement dated October 26, 2002 by and between the Company and Kazi Management, Inc.

4.20 Warrant Certificate (no. 190) dated October 26, 2002 in favor of Kazi Management VI, Inc.

4.21 Subscription Agreement dated November 4, 2002 by and between the Company and Alpha Capital Aktiengesellschaft

4.22 Form of Common Stock Purchase Warrant dated November 4, 2002 in favor of Alpha Capital Aktiengesellschaft

\*\*4.23 Warrant Certificate (No. 196) dated March 17, 2003 in favor of LaJolla Cove Investors, Inc.

\*\*4.24 Form of 2004 Senior Note

\*\*4.25 Form of 2005 Senior Note

5.1 Opinion of Lurio & Associates, P.C.

10.1 Employment and Non-Competition Agreement between USA and Adele Hepburn dated as of January 1, 1993 (Incorporated by reference to Exhibit 10.7 to Form SB-2 Registration Statement No. 33-70992).

10.2 Adele Hepburn Common Stock Options dated as of July 1, 1993 (Incorporated by reference to Exhibit 10.12 to Form SB-2 Registration Statement No. 33-70992).

10.3 Certificate of Appointment of American Stock Transfer & Trust Company as Transfer Agent and Registrar dated October 8, 1993 (Incorporated by reference to Exhibit 10.23 to Form SB-2 Registration Statement No. 33-70992).

10.4 Employment and Non-Competition Agreement between USA and H. Brock Kolls dated as of May 1, 1994 (Incorporated by reference to Exhibit 10.32 to Form SB-2 Registration Statement No. 33-70992).

10.4.1 First Amendment to Employment and Non-Competition Agreement between USA and H. Brock Kolls dated as of May 1, 1994 (Incorporated by reference to Exhibit 10.13.1 to Form SB-2 Registration Statement No. 333-09465).

10.4.2 Third Amendment to Employment and Non-Competition Agreement between USA and H. Brock Kolls dated February 22, 2000 (Incorporated by reference to Exhibit 10.3 to Form S-8 Registration Statement No. 333-341006).

10.5 H. Brock Kolls Common Stock Options dated as of May 1, 1994 (Incorporated by reference to Exhibit 10.42 to Form SB-2 Registration Statement No. 33-70992).

10.5.1 H. Brock Kolls Common Stock Options dated as of March 20, 1996  
(Incorporated by reference to Exhibit 10.19 to Form SB-2 Registration Statement  
No. 33-70992).

10.6 Barry Slawter Common Stock Options dated as of August 25, 1994  
(Incorporated by reference to Exhibit 10.43 to Form SB-2 Registration Statement  
No. 33-70992).

10.7 Employment and Non-Competition Agreement between USA and Michael Lawlor  
dated June 7, 1996 (Incorporated by reference to Exhibit 10.28 to Form SB-2  
Registration Statement No. 333-09465).

10.7.1 First Amendment to Employment and Non-Competition Agreement between USA  
and Michael Lawlor dated February 22, 2000 (Incorporated by reference to Exhibit  
10.5 to Form S-8 Registration Statement No. 333-34106).

10.8 Michael Lawlor Common Stock Option Certificate dated as of June 7, 1996  
(Incorporated by reference to Exhibit 10.29 to Form SB-2 Registration Statement  
No.333-09465).

10.9 Employment and Non-Competition Agreement between USA and Stephen P. Herbert  
dated April 4, 1996 (Incorporated by reference to Exhibit 10.30 to Form SB-2  
Registration Statement No. 333-09465).

10.9.1 First Amendment to Employment and Non-Competition Agreement between USA  
and Stephen P. Herbert dated February 22, 2000 (Incorporated by reference to  
Exhibit 10.2 to Form S-8 Registration Statement No. 333-34106).

10.9.2 Second Amendment to Employment and Non-Competition Agreement  
between Stephen P. Herbert and the Company dated April 15, 2002.

10.10 Stephen P. Herbert Common Stock Option Certificate dated April 4, 1996  
(Incorporated by reference to Exhibit 10.31 to Form SB-2 Registration Statement  
No. 333-09465).

10.11 RAM Group Common Stock Option Certificate dated as of August 22, 1996  
(Incorporated by reference to Exhibit 10.34 to Form SB-2 Registration No.  
33-98808).

10.12 RAM Group Common Stock Option Certificate dated as of November 1, 1996  
(Incorporated by reference to Exhibit 10.35 to Form SB-2 Registration No.  
33-98808).

10.13 Joseph Donahue Common Stock Option Certificate dated as of September 2,  
1996 (Incorporated by reference to Exhibit 10.37 to Form SB-2 Registration No.  
33-98808).

10.14 Employment and Non-Competition Agreement between USA and Leland P. Maxwell dated February 24, 1997 (Incorporated by reference to Exhibit 10.39 to Form SB-2 Registration No. 33-98808)

10.14.1 Second Amendment to Employment and Non-Competition Agreement between USA and Leland P. Maxwell dated February 22, 2000 (Incorporated by reference to Exhibit 10.4 to Form S-8 Registration Statement No. 333-34106)

10.15 Leland P. Maxwell Common Stock Option Certificate dated February 24, 1997 (Incorporated by reference to Exhibit 10.40 to Form SB-2 Registration No. 33-98808).

10.16 Letter between USA and GEM Advisers, Inc. signed May 15, 1997 (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on May 22, 1997).

10.17 H. Brock Kolls Common Stock Option Certificate dated as of June 9, 1997 (Incorporated by reference to Exhibit 10.43 to Form SB-2 Registration Statement 333-30853).

10.18 Stephen Herbert Common Stock Option Certificate dated as of June 9, 1997 (Incorporated by reference to Exhibit 10.44 to Form SB-2 Registration Statement No. 333-30853).

10.19 Michael Feeney Common Stock Option Certificate dated as of June 9, 1997 (Incorporated by reference to Exhibit 10.46 to Form SB-2 Registration Statement No. 333-30853).

10.20 Joint Venture Agreement dated September 24, 1997 between USA and Mail Boxes Etc. (Incorporated by reference to Exhibit 10.47 to Form 10-KSB filed on September 26, 1997).

10.21 Employment and Non-competition Agreement between USA and George R. Jensen, Jr. dated November 20, 1997 (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on November 26, 1997).

10.21.1 First Amendment to Employment and Non-Competition Agreement between USA and George R. Jensen, Jr., dated as of June 17, 1999.

10.21.2 Second Amendment to Employment and Non-Competition Agreement between USA and George R. Jensen, Jr. dated February 22, 2000 (Incorporated by reference to Exhibit 10.1 to Form S-8 Registration Statement No. 333-34106).

10.21.3 Third Amendment to Employment and Non-Competition Agreement between USA and George R. Jensen, Jr. dated January 16, 2002.

10.21.4 Fourth Amendment to Employment and Non-Competiton Agreement between USA and George R. Jensen, Jr., dated April 15, 2002.

10.22 Agreement between USA and Promus Hotels, Inc. dated May 8, 1997 (incorporated by reference to Exhibit 10.49 to Form SB-2 Registration Statement No. 333-38593, filed on February 4, 1998).



10.23 Agreement between USA and Choice Hotels International, Inc. dated April 24, 1997 (Incorporated by reference to Exhibit 10.50 to Form SB-2 Registration Statement No. 333-38593, filed on February 4, 1998).

10.24 Agreement between USA and PNC Merchant Services dated July 18, 1997 (Incorporated by reference to Exhibit 10.51 to Form SB-2 Registration Statement No. 333-38593, filed on February 4, 1998).

10.25 Separation Agreement between USA and Keith L. Sterling dated April 8, 1998 (Incorporated by reference to Exhibit to Exhibit 10.1 to Form 10-QSB filed May 12, 1998).

10.26 Phillip A. Harvey Common Stock Option Certificate dated as of April 22, 1999 (Incorporated by reference to Exhibit 10.35 to Form SB-2 Registration Statement No. 333-81591).

10.27 Consulting Agreement between Ronald Trahan and USA dated November 16, 1998 (incorporated by Reference to Exhibit 28 to Registration Statement No. 333-67503 on Form S-8 filed on November 18, 1998)

10.28 Consulting Agreement between Mason Sexton and USA dated March 10, 1999 (incorporated by reference to Exhibit 28 to Registration Statement No. 333-74807 on Form S-8 filed on March 22, 1999).

10.29 Financial Public Relations Agreement between USA and I. W. Miller Group, Inc. dated August 1, 1999 (Incorporated by reference to Exhibit 10.38 to Form SB-2 Registration Statement No. 333-84513).

10.30 Consulting Agreement between Harmonic Research, Inc. and USA dated August 3, 1999 (Incorporated by reference to Exhibit 10.39 to Form SB-2 Registration Statement No. 333-84513).

10.31 Investment Agreement between USA and Swartz Private Equity, LLC dated September 15, 2000 (incorporated by reference to Exhibit 10.1 to Form 8-K dated September 21, 2000).

10.32 Commitment Warrant issued to Swartz Private Equity LLC dated August 23, 2000 (incorporated by reference to Exhibit 10.2 to Form 8-K dated September 21, 2000).

10.33 Warrant Anti-Dilution Agreement between USA and Swartz Private Equity, LLC dated September 15, 2000 (incorporated by reference to Exhibit 10.3 to Form 8-K dated September 21, 2000).

10.34 Registration Rights Agreement between USA and Swartz Private Equity dated September 15, 2000 (incorporated by reference to Exhibit 10.4 to Form 8-K dated September 21, 2000).

10.35 Agreement for Wholesale Financing and Addendum for Scheduled Payment Plan with IBM Credit Corporation dated May 6, 1999 (incorporated by reference to Exhibit 10.40 to Form 10-KSB for the fiscal year ended June 30, 1999).

10.36 Agreement and Plan of Merger dated April 10, 2002, by and among the Company, USA Acquisitions, Inc., Stitch Networks Corporation, David H. Goodman, Pennsylvania Early Stage Partners, L.P., and Maytag Holdings, Inc. (Incorporated by reference to Exhibit 2.1 to Form 10-QSB for the quarter ended March 31, 2002).

\*\*10.37 Cancellation of subscription Agreement between USA and Ratner & Prestia, P.C. dated March 20, 2003.

\*\*10.38 Agreement between USA and Mars Electronics, Inc. dated March 8, 2002.

\*\*10.39 Strategic Alliance Agreement between USA and ZiLOG Corporation dated October 15, 2002.

\*\*10.40 Vending Placement, Supply and Distribution Agreement between Stitch Networks Corporation, Eastman Kodak Company, Maytag Corporation and Dixie-Narco, Inc. dated December 2000.

\*\*10.41 Design and Manufacturing Agreement between USA and RadiSys dated June 27, 2000.

\*\*10.42 Loan Agreement between Stitch Networks Corporation and US Bancorp dated May 22, 2001.

\*\*23.1 Consent of Ernst & Young LLP.

24.1 Power of Attorney

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\*\* -- Filed herewith.

Item 28. Undertakings.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high and of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement. Provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

For purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing this Amendment No. 1 to Form SB-2 and has duly caused this Amendment No. 1 to Registration Statement on Form SB-2 to be signed on its behalf by the undersigned, thereunto duly authorized, in Wayne, Pennsylvania, on April 17, 2003.

USA TECHNOLOGIES, INC.

By: /s/ George R. Jensen, Jr.

-----  
George R. Jensen, Jr.,  
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, This Amendment No. 1 to Registration Statement has been duly signed below by the following persons in the capacities and dates indicated.

Signatures -----	Title -----	Date -----
/s/ George R. Jensen, Jr. ----- George R. Jensen, Jr.	Chairman of the Board, and Chief Executive Officer (Principal and Chief Executive Officer) Director	April 17, 2003
/s/ Leland P. Maxwell ----- Leland P. Maxwell	Vice President, Chief Financial Officer Treasurer (Principal Accounting Officer)	April 17, 2003
/s/ Stephen P. Herbert ----- Stephen P. Herbert	President, Chief Operating Officer, Director	April 17, 2003

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Director April 17, 2003

William W. Sellers

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Director April 17, 2003

William L. Van Alen, Jr.

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Director April \_\_, 2003

Steven Katz

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Director April 17, 2003

Douglas M. Lurio

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Director April \_\_, 2003

Edwin R. Boynton

-----  
Director April \_\_, 2003

Kenneth C. Boyle

\* By: /s/ George R. Jensen, Jr.  
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George R. Jensen, Jr., as  
Attorney-in-Fact pursuant to  
the Power of Attorney previously  
provided as part of the  
Registration Statement.

EXHIBIT INDEX

Exhibit Number	Description
- - - - -	- - - - -
4.23	Warrant Certificate (No. 196) dated March 17, 2003 in favor of LaJolla Cove Investors, Inc.
4.24	Form of 2004 Senior Note
4.25	Form of 2005 Senior Note
10.37	Cancellation of subscription Agreement between USA and Ratner & Prestia, P.C. dated March 20, 2003.
10.38	Agreement between USA and Mars Electronics, Inc. dated March 8, 2002.
10.39	Strategic Alliance Agreement between USA and ZiLOG Corporation dated October 15, 2002.
10.40	Vending Placement, Supply and Distribution Agreement between Stitch Networks Corporation, Eastman Kodak Company, Maytag Corporation and Dixie-Narco, Inc. dated December 2000
10.41	Design and Manufacturing Agreement between USA and RadiSys dated June 27, 2000.
10.42	Loan Agreement between Stitch Networks Corporation and US Bancorp dated May 22, 2001.
23.1	Consent of Independent Auditors
- - - - -	- - - - -



THESE WARRANTS AND THE COMMON STOCK ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW. THESE WARRANTS AND THE COMMON STOCK ISSUABLE UPON THE EXERCISE HEREOF MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT UNDER SUCH ACT AND SUCH LAWS WITH RESPECT TO THESE WARRANTS AND THE COMMON STOCK ISSUABLE UPON THE EXERCISE HEREOF, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

WARRANT CERTIFICATE  
NO. 196

9,000,000 COMMON STOCK WARRANTS

USA TECHNOLOGIES, INC.  
-----  
COMMON STOCK WARRANTS  
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(These Warrants will be void if not exercised  
by the Termination Date specified below.)

1. Warrants. Subject to the terms and conditions hereof, this certifies

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that LA JOLLA COVE INVESTORS, INC., or any subsequent holder hereof, is the owner of 9,000,000 Warrants (the "warrants") of USA Technologies, Inc., a Pennsylvania corporation (the "Company"). Each Warrant entitles the holder hereof to purchase from the Company at any time prior to 5:00 p.m. on the "Termination Date"(as defined in Section 4), one fully paid and non-assessable share of the Company's Common Stock, without par value (the "Common Stock"), subject to adjustment as provided in Section 7 hereof.

2. Warrant Price. The Warrants shall be exercised by delivery to the

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Company (prior to the Termination Date) of the Warrant price for each share of Common Stock being purchased hereunder (the "Warrant Price"), this Certificate, and the completed Election To Purchase Form which is attached hereto. The Warrant Price shall be \$.10 per share of Common Stock. The Warrant Price shall be subject to adjustment as provided in Section 7 hereof. The Warrant Price is payable either in cash or by certified check or bank draft payable to the order of the Company.

3. Exercise. Upon the surrender of this Certificate and payment of the

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Warrant Price as aforesaid, the Company shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the registered holder of this Warrant and in such name or names as the registered holder may designate, a certificate or certificates for the number of full shares of Common Stock so purchased upon the exercise of any Warrant. Such certificate or



certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Common Stock on and as of the date of the delivery to the Company of this Certificate and payment of the Warrant Price as aforesaid. If, however, at the date of surrender of this Certificate and payment of such Warrant Price, the transfer books for the Common Stock purchasable upon the exercise of any Warrant shall be closed, the certificates for the Common Stock in respect to which any such Warrant are then exercised shall be issued and the owner of such Common Stock shall become a record owner of such Common Stock on and as of the next date on which such books shall be opened, and until such date the Company shall be under no duty to deliver any certificate for such Common Stock.

Notwithstanding anything else set forth herein, unless the Company shall consent thereto in writing, the holder shall not be permitted to exercise this Warrant (in whole or in part) on any date on which the closing bid price of the Common Stock (on that date) shall be less than \$.40 per share. If the date of exercise of this Warrant shall not be on a trading date, then the closing bid price for Common Stock on the last trading date immediately preceding the exercise date shall be used. The closing bid price shall be subject to adjustment as set forth in Section 7 in a manner similar to the Warrant Price.

4. Termination Date. Each Warrant must be exercised in accordance with the terms hereof prior to the Termination Date relating to such Warrant, all as set forth below ("Termination Date").

Number of Warrants	Termination Date
3,000,000	No later than 3 months following the effective date of the Registration Statement (as defined in Section 12)
3,000,000	No later than 6 months following the effective date of the Registration Statement (as defined in Section 12)
3,000,000	No later than 9 months following the effective date of the Registration Statement (as defined in Section 12)

On the Termination Date relating to any such Warrant any and all unexercised rights hereunder relating to such Warrant shall become null and void and such unexercised Warrant shall without any action on behalf of the Company become null and void.

5. Partial Exercise. The rights of purchase represented by the Warrants

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shall be exercisable, at the election of the registered holder hereof, either as an entirety, or from time to time for any part of the Common Stock specified herein and, in the event that the Warrants are exercised with respect to less than all of the Common Stock specified herein at any time prior to the Termination Date, a new Certificate will be issued to such registered holder for the remaining number of Warrants not so exercised.

6. Lost, Mutilated Certificate. In case this Common Stock Warrant

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Certificate shall become mutilated, lost, stolen or destroyed, the Company shall issue in exchange and substitution for and upon cancellation of the mutilated certificate, or in lieu of and in substitution for the Certificate lost, stolen, or destroyed, a new Certificate of like tenor and representing an equivalent right or interest, but only upon receipt of evidence satisfactory to the Company of such loss, theft or destruction of such certificate and indemnity, if requested, also satisfactory to the Company.

7. Adjustments. Subject and pursuant to the provisions of this Section 7,

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the Warrant Price and number of shares of Common Stock subject to the Warrants shall be subject to adjustment from time to time only as set forth hereinafter:

a. In case the Company shall declare a Common Stock dividend on the Common Stock, then the Warrant Price shall be proportionately decreased as of the close of business on the date of record of said Common Stock dividend in proportion to such increase of outstanding shares of Common Stock.

b. If the Company shall at any time subdivide its outstanding Common Stock by recapitalization, reclassification or split-up thereof, the Warrant Price immediately prior to such subdivision shall be proportionately decreased, and, if the Company shall at any time combine the outstanding shares of Common Stock by recapitalization, reclassification, or combination thereof, the Warrant Price immediately prior to such combination shall be proportionately increased. Any such adjustment to the Warrant Price shall become effective at the close of business on the record date for such subdivision or combination. The Warrant Price shall be proportionately increased or decreased, as the case may be, in proportion to such increase or decrease, as the case may be, of outstanding shares of Common Stock.

c. Upon any adjustment of the Warrant Price as hereinabove provided, the number of shares of Common Stock issuable upon exercise of the Warrants remaining unexercised immediately prior to any such adjustment, shall be changed to the number of shares determined by dividing (i) the appropriate Warrant Price payable for the purchase of all shares of Common Stock issuable upon exercise of all of the Warrants remaining unexercised immediately prior to such adjustment by (ii) the Warrant Price per share of Common Stock in effect immediately after such adjustment. Pursuant to this formula, the total sum payable to the Company upon the exercise of the Warrants remaining unexercised immediately prior to such adjustment shall remain constant.

d. (i) If any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with another corporation, person, or entity, or the sale of all or substantially all of its assets to another corporation, person, or entity, shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities, cash, property, or assets with respect to or in exchange for Common Stock, and provided no election is made by the Company pursuant to subsection (ii) hereof, then, as a condition of such reorganization, reclassification, consolidation, merger or sale, the Company or such successor or purchasing corporation, person, or entity, as the case may be, shall agree that the registered holder of the Warrants shall have the right thereafter and until the Termination Date to exercise such Warrants for the kind and amount of stock, securities, cash, property, or assets receivable upon such reorganization, reclassification, consolidation, merger, or sale by a holder of the number of shares of Common Stock for the purchase of which such Warrants might have been exercised immediately prior to such reorganization, reclassification, consolidation, merger or sale, subject to such subsequent adjustments which shall be equivalent or nearly equivalent as may be practicable to the adjustments provided for in this Section 7.

(ii) Notwithstanding subsection (i) hereof and in lieu thereof, the Company may elect by written notice to the registered holder hereof, to require such registered holder to exercise all of the Warrants remaining unexercised prior to any such reorganization, reclassification, consolidation, merger or sale. If the holder of this Warrant shall not exercise all or any part of the Warrants remaining unexercised prior to such event, such unexercised Warrants shall automatically become null and void upon the occurrence of any such event, and of no further force and effect. The Common Stock issued pursuant to any such exercise shall be deemed to be issued and outstanding immediately prior to any such event, and shall be entitled to be treated as any other issued and outstanding share of Common Stock in connection

with such event. If an election is not made by the Company pursuant to this subsection (ii) in connection with any such event, then the provisions of subsection (i) hereof shall apply to such event.

e. Whenever the Warrant Price and number of shares of Common Stock subject to this Warrant is adjusted as herein provided, the Company shall promptly mail to the registered holder of this Warrant a statement signed by an officer of the Company setting forth the adjusted Warrant Price and the number of shares of Common Stock subject to this Warrant, determined as so provided.

f. This form of Certificate need not be changed because of any adjustment which is required pursuant to this Section 7. However, the Company may at any time in its sole discretion (which shall be conclusive) make any change in the form of this Certificate that the Company may deem appropriate and that does not affect the substance hereof; and any Certificate thereafter issued, whether in exchange or substitution for this Certificate or otherwise, may be in the form as so changed.

8. Reservation. There has been reserved, and the Company shall at all times keep reserved out of the authorized and unissued shares of Common Stock, a number of shares of Common Stock sufficient to provide for the exercise of the right of purchase represented by the Warrants. The Company agrees that all shares of Common Stock issued upon exercise of the Warrants shall be, at the time of delivery of the Certificates for such Common Stock, validly issued and outstanding, fully paid and non-assessable.

9. Fractional Shares. The Company shall not issue any fractional shares of Common Stock pursuant to any exercise of any Warrant and shall pay cash to the holder of any Warrant in lieu of any such fractional shares.

10. No Right. The holder of any Warrants shall not be entitled to any of the rights of a shareholder of the Company prior to the date of issuance of the Common Stock by the Company pursuant to an exercise of any Warrant.

11. Securities Laws. As a condition to the issuance of any Common Stock pursuant to the Warrants, the holder of such Common Stock shall execute and deliver such representations, warranties, and covenants, that may be required by

applicable federal and state securities law, or that the Company determines is reasonably necessary in connection with the issuance of such Common Stock. In addition, the certificates representing the Common Stock shall contain such legends, or restrictive legends, or stop transfer instructions, as shall be required by applicable Federal or state securities laws, or as shall be reasonably required by the Company or its transfer agent.

12. Registration Rights. The Company shall at its sole cost and expense

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prepare and file with the Securities and Exchange Commission and thereafter use its best efforts to have declared effective, the Registration Statement referred to in the next sentence registering all of the shares of Common Stock underlying this Warrant for resale by the holder under the Securities Act of 1933, as amended. In this regard, the Common Stock underlying this Warrant shall be included in the pending Registration Statement of the Company on Form SB-2 previously filed with the Securities and Exchange Commission on November 6, 2002 (file no. 333-101032) (the Registration Statement). The Company shall use its best efforts to have the Registration Statement maintained effective until the earlier of (i) one year from the effective date thereof, or (ii) the date that all of the Common Stock underlying this Warrant is resold pursuant to the Registration Statement or otherwise.

13. Transferability. Subject to compliance with applicable securities laws,

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the Warrants represented by this Certificate and this Certificate shall inure to the benefit of and be exercisable by any holders heirs, personal representatives, successors and assigns, and shall be fully assignable and transferable by any holder at any time and from time to time, including by will, intestacy or otherwise. Any such assignee or transferee shall be entitled to all the benefits hereof and shall be the holder hereof.

14. Applicable Law. The Warrants and this Certificate shall be deemed to

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be a contract made under the laws of the Commonwealth of Pennsylvania and for all purposes shall be construed in accordance with the laws thereof regardless of its choice of law rules.

IN WITNESS WHEREOF, USA TECHNOLOGIES, INC., has executed and delivered this Warrant Certificate as of the date written below.

USA TECHNOLOGIES, INC.

By:  
George R. Jensen, Jr.,  
Chief Executive Officer

Attest:  
Leland P. Maxwell, Secretary

Dated: March 17, 2003

USA TECHNOLOGIES, INC.  
200 Plant Avenue  
Wayne, Pennsylvania 19087  
Attn: George R. Jensen, Jr.,  
Chief Executive Officer

ELECTION TO PURCHASE  
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The undersigned hereby irrevocably elects to exercise the right of purchase represented by the attached Warrant Certificate No. of the Company. The undersigned desires to purchase shares of Common Stock provided for therein and tenders herewith full payment of the Warrant Price for the shares of Common Stock being purchased, all in accordance with the Certificate. The undersigned requests that a Certificate representing such shares of Common Stock shall be issued to and registered in the name of, and delivered to, the undersigned at the address set forth in the attached certificate. If said number of shares of Common Stock shall not be all the shares purchasable under the Certificate, then a new Common Stock Warrant Certificate for the balance remaining of the shares of Common Stock purchasable shall be issued to and registered in the name of, and delivered to, the undersigned at the address set forth in the attached certificate.

Dated:, 2003

Signature:



SAMPLE  
12% CONVERTIBLE SENIOR NOTE  
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No. 2001-

\$ \_\_\_\_\_ DATED: \_\_\_\_\_, 2001

FOR VALUE RECEIVED, the undersigned, USA Technologies, Inc., a Pennsylvania corporation ("USA"), hereby promises to pay to the order of ("Lender"), at , or at such other place as the Lender may designate in writing, the principal sum of Dollars (\$ ), together with interest (computed on the basis of a 360-day year of twelve 30-day months) from the date hereof on the outstanding principal balance hereof, to be fixed at a rate equal to 12% per annum, in accordance with the following terms:

1. PRINCIPAL AMOUNT. The principal amount of this 12% Convertible Senior Note("Convertible Senior Note") shall be due and payable on December 31, 2004 at which time all unpaid interest which has accrued on the Convertible Senior Note shall also be due and payable ("Maturity Date"). USA shall not be required to pay to the holder hereof any principal amount of this Convertible Senior Note which has been converted into shares of Common Stock of USA ("Common Stock") pursuant to Section 7 hereof.

2. INTEREST. Interest on the outstanding principal balance of this Convertible Senior Note shall accrue at the rate of 12% per annum and shall be payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year until the Maturity Date, commencing on the date hereof. From and after the date of any conversion of the principal amount of this Convertible Senior Note pursuant to Section 7 hereof, no interest shall accrue on the amount of principal which has been so converted. USA shall pay any unpaid and accrued interest on any principal amount of this Convertible Senior Note which has been converted into Common Stock pursuant to Section 7 hereof through the date of such conversion, payable by USA to the holder hereof on the quarterly payment date immediately following the date of conversion.

3. RESTRICTIVE LEGEND. Neither this Convertible Senior Note nor the Common Stock into which this Convertible Senior Note may be converted may be offered for sale or sold, or otherwise transferred in any transaction which would constitute a sale thereof within the meaning of the Securities Act of



1933, as amended (the "Act"), unless: (i) such security has been registered for sale under the Act and registered or qualified under applicable state securities laws relating to the offer and sale of securities; or (ii) exemptions from the registration requirements of the Act and the registration or qualification requirements of all such state securities laws are available and USA shall have received an opinion of counsel reasonably satisfactory to USA that the proposed sale or other disposition of such securities may be effected without registration under the Act and would not result in any violation of any applicable securities laws relating to the registration or qualification of securities for sale.

#### 4. SUBORDINATION.

A. SENIOR DEBT. The indebtedness (including unpaid principal of and interest on this Convertible Senior Note) as well as all other obligations and liabilities of USA to Lender hereunder evidenced in this Convertible Senior Note is subordinated to the prior payment when due of the principal of, premium, if any, and interest on all "Senior Indebtedness" (as defined below) of USA as follows: Upon any distribution of its assets in a liquidation or dissolution of USA, or in bankruptcy, reorganization, insolvency, receivership or similar proceedings relating to USA, the Lender shall not be entitled to receive payment until the holders of Senior Indebtedness are paid in full. Until a payment default occurs with respect to any Senior Indebtedness, all payments of principal and interest due to Lender under this Convertible Senior Note shall be made in accordance with this Convertible Senior Note. Upon the occurrence of any payment default with respect to any Senior Indebtedness then, upon written notice thereof to USA and Lender by any holder of such Senior Indebtedness or its representative, no payments of principal or interest on the Convertible Senior Note shall be made by USA until such payment default has been cured to the satisfaction of the holder of such Senior Indebtedness or waived by such holder, provided, however, that if during the 180 day period following such default, the holder of Senior Indebtedness has not accelerated its loan, commenced foreclosure proceedings or otherwise undertaken to act on such default then USA shall be required to continue making payments under the Convertible Senior Note, including any which had not been paid during such 180 day period. In the event that any bank or other financial institutional lender to USA at any time so requires, the Lender shall execute, upon request of USA, any

intercreditor or subordination agreement(s) with any such bank or other financial institutional lender on terms not materially more adverse to the Lender than the subordination terms contained in this Convertible Senior Note.

B. DEFINITION. "Senior Indebtedness" means (a) all direct or indirect, contingent or certain, indebtedness of any type, kind or nature (present or future) created, incurred or assumed by USA with respect to any present or future bank or other financial institutional indebtedness of USA, or (b) any indebtedness created, incurred, or assumed, by USA secured by a lien on any assets of USA. Notwithstanding anything herein to the contrary, Senior Indebtedness does not include (i) unsecured accounts payable to trade creditors of USA incurred in the ordinary course of business, (ii) any debt owed by USA to any officer, director or stockholder of USA (not including any Convertible Senior Notes held by any of them), (iii) any obligation of USA issued or contracted for as payment in consideration of the purchase by USA of the capital stock or substantially all of the assets of another person or in consideration for the merger or consolidation with respect to which USA was a party, (iv) any operating lease obligations of USA, (v) any other indebtedness which by its terms is subordinated to the Convertible Senior Note, or (vi) any "other indebtedness" which is subordinated to all indebtedness to which this Convertible Senior Note is subordinated in substantially like terms as this Convertible Senior Note which such "other indebtedness" shall be treated as equal with the indebtedness evidenced by this Convertible Senior Note.

5. EVENT OF DEFAULT. An "Event of Default" under this Convertible Senior Note means the occurrence of any of the following events (whether the reason for such Event of Default shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body): (i) nonpayment of any principal or interest installment when and as due hereunder which is not cured by USA within thirty (30) days after the due date; (ii) any other breach of the terms hereof which is not cured by USA within thirty (30) days after notice from Lender; (iii) the institution of any proceedings by or against USA under any law relating to bankruptcy, insolvency, reorganization or other form of debtor relief or USA's making an assignment for the benefit of creditors, or the appointment of a receiver, trustee, conservator or other judicial representative for USA or any of its respective properties, or the admission in writing by USA of its inability to pay its debts generally as they become due; or (iv) any default by USA under any agreement for borrowed money which default continues after expiration of the applicable notice and grace period, if any, provided in the agreement and which permits the holder thereof to accelerate the indebtedness due thereunder. Upon the occurrence of an Event of Default, the entire principal and any accrued interest due hereunder shall accelerate and become immediately due and payable without presentation,

demand, protest or further demand or notice of any kind, all of which are expressly waived by USA, and Lender shall thereupon have all rights and remedies provided hereunder or otherwise available at law or in equity. The period of time commencing from the date of the occurrence of an Event of Default until the date such default is cured shall be referred to as the "Default Period". During any Default Period, any late interest or principal payments will accrue interest at a rate of 1% per month, cumulative and compounding until all accrued and unpaid principal and interest is paid in full.

6. PREPAYMENT. USA shall have the right to prepay this Convertible Senior Note in whole or in part, at any time and from time to time prior to the Maturity Date, and in its sole and absolute discretion, without incurring any penalties or additional obligations of any kind. If USA elects to prepay this Convertible Senior Note at any time in an amount less than the then entire remaining outstanding principal amount hereof, the holders of the Convertible Senior Notes to be prepaid shall be selected by USA on a random basis. If USA elects to prepay this Convertible Senior Note in whole or in part any time prior to the Maturity Date, the holder hereof shall have the right to convert all of (but not less than all of) the principal amount to be prepaid by USA into shares of Common Stock pursuant to the terms and conditions of Section 7 hereof. Such right to convert must be exercised within thirty (30) days following receipt by the holder hereof from USA of notice of prepayment pursuant to this Section 6.

7. CONVERSION RIGHTS.

A. CONVERSION. Subject to the terms and conditions hereof, the holder hereof may convert all or any portion of the principal amount hereof at any time or from time to time prior to the Maturity Date, into fully paid and non-assessable shares of USA's Common Stock, without par value (the "Common Stock"), subject to adjustment as provided in Section 7.F. hereof ("Conversion Rights"). The number of shares of Common Stock to be issued upon any such conversion shall be determined by dividing the principal amount of this Convertible Senior Note to be converted by the Conversion Price (as defined herein).

B. CONVERSION PRICE. The Conversion Rights shall be exercised

by delivery to USA (prior to the Maturity Date) of this Certificate and the completed Election To Convert Form which is attached hereto. The Conversion Price shall be \$.40 per share of Common Stock, subject to adjustment as provided in Section 7.F. hereof ("Conversion Price").

C. EXERCISE. Upon the surrender of this Certificate and the completed Election To Convert Form as aforesaid, USA shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the registered holder of this Convertible Senior Note, a certificate or certificates for the number of full shares of Common Stock so purchased upon the exercise of the Conversion Rights. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Common Stock on and as of the date of the delivery to USA of this Certificate and the completed Election To Convert Form as aforesaid. If, however, at the date of surrender of this Certificate and the completed Election To Convert Form, the transfer books for the Common Stock issuable upon the exercise of the Conversion Rights shall be closed, the certificates for the Common Stock in respect to which any such Conversion Rights are then exercised shall be issued and the owner of such Common Stock shall become a record owner of such Common Stock on and as of the next date on which such books shall be opened, and until such date USA shall be under no duty to deliver any certificate for such Common Stock.

D. PARTIAL CONVERSION. The Conversion Rights represented by the Convertible Senior Note shall be exercisable, at the election of the registered holder hereof, either as an entirety, or from time to time for any part of the outstanding principal amount of this Convertible Senior Note, and in the event that the Conversion Rights are exercised with respect to less than the entire then outstanding principal amount of this Convertible Senior Note, at any time prior to the Maturity Date, a new certificate will be issued to such registered holder in the remaining principal amount of this Convertible Senior Note.

E. MATURITY DATE. All of the Conversion Rights must be exercised in accordance with the terms hereof prior to the Maturity Date. At and after the Maturity Date any and all unexercised rights hereunder shall expire and all such unexercised Conversion Rights shall without any action on behalf of USA become null and void. USA shall not be required to provide notice to the holder hereof of the expiration of the Conversion Rights hereunder, and the Conversion Rights shall automatically expire without any required prior notice from USA.

F. ADJUSTMENTS. Subject and pursuant to the provisions of this subsection F, the Conversion Price shall be subject to adjustment from time to time only as set forth hereinafter:

i. In case USA shall declare a Common Stock dividend on the Common Stock, then the Conversion Price shall be proportionately decreased as of the close of business on the date of record of said Common Stock dividend in proportion to such increase of outstanding shares of Common Stock.

ii. If USA shall at any time subdivide its outstanding Common Stock by recapitalization, reclassification or split-up thereof, the Conversion Price immediately prior to such subdivision shall be proportionately decreased, and, if USA shall at any time combine the outstanding shares of Common Stock by recapitalization, reclassification, reverse stock split, or combination thereof, the Conversion Price immediately prior to such combination shall be proportionately increased. Any such adjustment to the Conversion Price shall become effective at the close of business on the record date for such subdivision or combination. The Conversion Price shall be proportionately increased or decreased, as the case may be, in proportion to such increase or decrease, as the case may be, of outstanding shares of Common Stock.

iii. Whenever the Conversion Price is adjusted as herein provided, USA shall promptly mail to the registered holder of this Convertible Senior Note a statement signed by an officer of USA setting forth the adjusted Conversion Price, determined as so provided.

iv. This form of Certificate need not be changed because of any adjustment which is required pursuant to this Section F. However, USA may at any time in its sole discretion (which shall be conclusive) make any change in the form of this Certificate that USA may deem appropriate and that does not affect the substance hereof; and any Certificate thereafter issued, whether in exchange or substitution for this Certificate or otherwise, may be in the form as so changed.

G. RESERVATION. There has been reserved, and USA shall at all times keep reserved out of the authorized and unissued shares of Common Stock, a number of shares of Common Stock sufficient to provide for the exercise of the Conversion Rights represented by this Convertible Senior Note. USA agrees that all shares of Common Stock issued upon exercise of this Convertible Senior Note shall be, at the time of delivery of the Certificates for such Common Stock, validly issued and outstanding, fully paid and non-assessable.

H. FRACTIONAL SHARES. USA shall not issue any fractional shares of Common Stock pursuant to any conversion of this Convertible Senior Note and shall pay cash to the holder of this Convertible Senior Note in lieu of any such fractional shares.

8. NO RIGHT. The holder of this Convertible Senior Note shall not be entitled to any of the rights of a shareholder of USA prior to the date of issuance of the Common Stock by USA pursuant to any conversion of this Convertible Senior Note or any exercise of the Purchase Rights.

9. REGISTRATION RIGHTS. As set forth above, neither this Convertible Senior Note nor the Common Stock into which this Convertible Senior Note is convertible shall be registered under the Act or any state securities laws, and shall constitute restricted securities as defined under Rule 144 promulgated under the Act. Notwithstanding the foregoing, following the issuance of this Convertible Senior Note, USA shall, at its expense, file and use its best efforts to have declared effective, a registration statement under the Act covering the resale of the Common Stock underlying this Convertible Senior Note. USA shall use its best efforts to have the resale of the Common Stock by non-affiliates of USA exempted from the registration requirements under applicable state securities laws.

10. SECURITIES LAWS. As a condition to the issuance of any Common Stock pursuant to this Convertible Senior Note, the holder of such Common Stock shall execute and deliver such representations, warranties, and covenants, that may be required by applicable federal and state securities law, or that USA determines is reasonably necessary in connection with the issuance of such Common Stock. In addition, the certificates representing the Common Stock shall contain such legends, or restrictive legends, or stop transfer instructions, as shall be required by applicable Federal or state securities laws, or as shall be reasonably required by USA or its transfer agent.

11. CHOICE OF LAW. This Convertible Senior Note shall be construed and enforced in accordance with and governed by the laws of the Commonwealth of Pennsylvania without regard to Pennsylvania's conflict of laws provisions.

12. CHOICE OF FORUM. Lender irrevocably consents and agrees that any legal action or proceeding against USA or brought by Lender, under, arising out of, or in any manner relating to, this Convertible Senior Note, shall be brought solely and exclusively in the Court of Common Pleas of the Commonwealth of Pennsylvania located in the County of Philadelphia, Pennsylvania, or in the United States District Court for the Eastern District of Pennsylvania, located in Philadelphia, Pennsylvania. Lender expressly and irrevocably consents to the

personal jurisdiction of such Courts in any such action or proceeding and waives any claim or defense in any such action or proceeding based upon any alleged lack of personal jurisdiction, improper venue, or forum non conveniens.

13. WAIVER. No failure or delay on the part of the Lender to insist on strict performance of USA's obligations hereunder or to exercise any remedy shall constitute a waiver of the Lender's rights in that or any other instance. No waiver of any of the Lender's rights shall be effective unless in writing, and any waiver of any default of any instance of non-compliance shall be limited to its express terms and shall not extend to any other default or instance of non-compliance.

14. LOST, MUTILATED CERTIFICATE. In case this Convertible Senior Note certificate shall become mutilated, lost, stolen or destroyed, USA shall issue in exchange and substitution for and upon cancellation of the mutilated certificate, or in lieu of and in substitution for the Certificate lost, stolen, or destroyed, a new Certificate of like tenor and representing an equivalent right or interest, but only upon receipt of evidence satisfactory to the USA of such loss, theft or destruction of such certificate and indemnity, if requested, also satisfactory to USA.

15. ILLEGALITY. Any provision hereof found to be illegal, invalid or unenforceable for any reason whatsoever shall not affect the validity, legality or enforceability of the remainder hereof.

16. USURY. If the effective interest rate on this Convertible Senior Note would otherwise violate any applicable usury law, then the interest rate shall be reduced to the maximum permissible rate and any payment received by the Lender in excess of the maximum permissible rate shall be treated as a prepayment of the principal of this Convertible Senior Note.

17. EXPENSES. USA agrees to reimburse Lender for all costs and expenses, including reasonable attorneys' fees, incurred by the Lender, relating to the enforcement of this Convertible Senior Note.

18. SUBSCRIPTION AGREEMENT. This Convertible Senior Note has been issued by USA pursuant to the terms of the Subscription Agreement between USA and Lender dated of even date herewith, the terms of which are incorporated herein by reference.

19. ASSIGNS, ETC..This Convertible Senior Note shall be binding upon USA's successors and assigns and subject to Section 3 hereof, shall inure to the benefit of each holder of this Convertible Senior Note and such holder's successors, endorsees and assigns.

Intending to be legally bound, USA has caused this Convertible Senior Note to be executed in its corporate name, by its duly authorized representatives and to be dated as of the date and year first above written.

USA TECHNOLOGIES, INC.

By:

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George R. Jensen, Jr.,  
Chief Executive Officer

By:

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Leland P. Maxwell,  
Secretary



USA TECHNOLOGIES, INC.  
200 Plant Avenue  
Wayne, Pennsylvania 19087  
Attn: George R. Jensen, Jr.,  
Chief Executive Officer

ELECTION TO CONVERT FORM  
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The undersigned hereby irrevocably elects to exercise the rights of conversion represented by the attached Convertible Senior Note Certificate No. of USA. The undersigned desires to convert \$ of the principal amount of the attached Certificate into shares of Common Stock all as provided for therein and tenders herewith the original Convertible Senior Note, all in accordance with the Certificate. The undersigned requests that a Certificate representing such shares of Common Stock shall be issued to and registered in the name of the undersigned and delivered to the undersigned at the address set forth below. If less than the entire principal amount of the Convertible Senior Note represented by the attached certificate has been converted, then a new Convertible Senior Note Certificate in the remaining principal amount of the Convertible Senior Note shall be issued to and registered in the name of the undersigned and delivered to the undersigned at the address set forth below.

Dated: \_\_\_\_\_, 20  
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Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Address: \_\_\_\_\_



SAMPLE  
12% CONVERTIBLE SENIOR NOTE  
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No.2002-A-\_\_\_\_

\$\_\_\_\_\_

DATED:\_\_\_\_\_ , 2002

FOR VALUE RECEIVED, the undersigned, USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USA"), hereby promises to pay to the order of \_\_\_\_\_ ("Lender"), at \_\_\_\_\_, or at such other place as the Lender may designate in writing, the principal sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_), together with interest (computed on the basis of a 360-day year of twelve 30-day months) from the date hereof on the outstanding principal balance hereof, to be fixed at a rate equal to 12% per annum, in accordance with the following terms:

1. PRINCIPAL AMOUNT. The principal amount of this 12% Convertible Senior Note("Convertible Senior Note") shall be due and payable on December 31, 2005 at which time all unpaid interest which has accrued on the Convertible Senior Note shall also be due and payable ("Maturity Date"). USA shall not be required to pay to the holder hereof any principal amount of this Convertible Senior Note which has been converted into shares of Common Stock of USA ("Common Stock") pursuant to Section 7 hereof.

2. INTEREST. Interest on the outstanding principal balance of this Convertible Senior Note shall accrue at the rate of 12% per annum and shall be payable quarterly in arrears on September 30, March 31, December 31, and June 30 of each year until the Maturity Date, commencing on the date hereof. From and after the date of any conversion of the principal amount of this Convertible Senior Note pursuant to Section 7 hereof, no interest shall accrue on the amount of principal which has been so converted. USA shall pay any unpaid and accrued interest on any principal amount of this Convertible Senior Note which has been converted into Common Stock pursuant to Section 7 hereof through the date of such conversion, payable by USA to the holder hereof on the quarterly payment date immediately following the date of conversion.

3. RESTRICTIVE LEGEND. Neither this Convertible Senior Note nor the Common Stock into which this Convertible Senior Note may be converted may be offered for sale or sold, or otherwise transferred in any transaction which would constitute a sale thereof within the meaning of the Securities Act of 1933, as amended (the "Act"), unless: (i) such security has been registered for sale under the Act and registered or qualified under applicable state securities laws relating to the offer and sale of securities; or (ii) exemptions from the

registration requirements of the Act and the registration or qualification requirements of all such state securities laws are available and USA shall have received an opinion of counsel reasonably satisfactory to USA that the proposed sale or other disposition of such securities may be effected without registration under the Act and would not result in any violation of any applicable securities laws relating to the registration or qualification of securities for sale.

#### 4. SUBORDINATION.

A. SUBORDINATION TO SENIOR DEBT. The indebtedness (including unpaid principal of and interest on this Convertible Senior Note) as well as all other obligations and liabilities of USA to Lender hereunder evidenced in this Convertible Senior Note is subordinated to the prior payment when due of the principal of, premium, if any, interest on, and all other amounts due in connection with or under all "Senior Debt" (as defined below) as follows: Upon any distribution of its assets in a liquidation or dissolution of USA, or in bankruptcy, reorganization, insolvency, receivership or similar proceedings relating to USA, the Lender shall not be entitled to receive payment until the holders of Senior Debt are paid in full. Until a payment default occurs with respect to any Senior Debt, all payments of principal and interest due to Lender under this Convertible Senior Note shall be made in accordance with this Convertible Senior Note. Upon the occurrence of any payment default with respect to any Senior Debt then, upon written notice thereof to USA and Lender by any holder of such Senior Debt or its representative, no payments of principal or interest on the Convertible Senior Note shall be made by USA until such payment default has been cured to the satisfaction of the holder of such Senior Debt or waived by such holder, provided, however, that if during the 180 day period following such default, the holder of Senior Debt has not accelerated its loan, commenced foreclosure proceedings or otherwise undertaken to act on such default then USA shall be required to continue making payments under the Convertible Senior Note, including any which had not been paid during such 180 day period. In the event that any Bank Or Other Financial Institution at any time so requires, the Lender shall execute, upon request of USA, any intercreditor or subordination agreement(s) with and/or in favor of any such Bank Or Other Financial Institution on terms not materially more adverse to the Lender than the subordination terms contained in this Convertible Senior Note.

B. DEFINITIONS. For all purposes of this Section 4:

"SENIOR DEBT" means (a) any and all Indebtedness (whether outstanding on the date hereof or thereafter created) created, Guaranteed, incurred or assumed by USA with respect to any Bank Or Other Financial Institution, or (b) any and all Indebtedness created, Guaranteed, incurred, or assumed, by USA to the extent secured by a lien on any assets of USA. Senior Debt as described in the prior sentence shall be deemed to exist whether such Indebtedness is or is not specifically designated by the Company as being "Senior Debt" in its defining instruments.

Notwithstanding anything herein to the contrary, Senior Debt does not include (i) unsecured accounts payable to trade creditors of USA incurred in the ordinary course of business, (ii) any debt owed by USA to any officer, director or stockholder of USA (not including any Convertible Senior Notes held by any of them), (iii) any obligation of USA issued or contracted for as payment in consideration of the purchase by USA of the capital stock or substantially all of the assets of another person or in consideration for the merger or consolidation with respect to which USA was a party, (iv) any operating lease obligations of USA, (v) any other indebtedness which by its terms is subordinated to the Convertible Senior Notes, or (vi) any "other indebtedness" which is subordinated to all indebtedness to which this Convertible Senior Note is subordinated in substantially like terms as this Convertible Senior Note which such "other indebtedness" shall be treated as equal with the indebtedness evidenced by this Convertible Senior Note (including but not limited to USA's previously issued senior notes).

"BANK OR OTHER FINANCIAL INSTITUTION" means a bank as defined in Section 3(a)(2) of the Act whether acting in its individual or fiduciary capacity; an insurance company as defined in Section 2(a)13 of the Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; a Small Business Investment Company licensed by the Small Business Administration; or an employee benefit plan, including an individual retirement account, which is subject to the provisions of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, insurance company, or registered investment adviser.

"GUARANTEE" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

"INDEBTEDNESS" means, with respect to any Person any indebtedness of such Person, whether or not contingent, direct, or indirect, in respect of borrowed money or evidenced by bonds, notes, Senior Notes or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or representing the balance deferred and unpaid of the purchase price of any property (including capital lease obligations).

"PERSON" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof, including the Company, or any subsidiary of the Company.

5. EVENT OF DEFAULT. An "Event of Default" under this Convertible Senior Note means the occurrence of any of the following events (whether the reason for such Event of Default shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body): (i) nonpayment of any principal or interest installment when and as due hereunder which is not cured by USA within thirty (30) days after the due date; (ii) any other breach of the terms hereof which is not cured by USA within thirty (30) days after notice from Lender; (iii) the institution of any proceedings by or against USA under any law relating to bankruptcy, insolvency, reorganization or other form of debtor relief or USA's making an assignment for the benefit of creditors, or the appointment of a receiver, trustee, conservator or other judicial representative for USA or any of its respective properties, or the admission in writing by USA of its inability to pay its debts generally as they become due; or (iv) any default by USA under any agreement for borrowed money which default continues after expiration of the applicable notice and grace period, if any, provided in the agreement and which permits the holder thereof to accelerate the indebtedness due thereunder. Upon the occurrence of an Event of Default, the entire principal and any accrued interest due hereunder shall accelerate and become immediately due and payable without presentation, demand, protest or further demand or notice of any kind, all of which are expressly waived by USA, and Lender shall thereupon have all rights and remedies provided hereunder or otherwise available at law or in equity. The period of time commencing from the date of the occurrence of an Event of Default until the date such default is cured shall be referred to as the "Default Period". During any Default Period, any late interest or principal payments will accrue interest at a rate of 1% per month, cumulative and compounding until all accrued and unpaid principal and interest is paid in full.

6. PREPAYMENT. USA shall have the right to prepay this Convertible Senior Note in whole or in part, at any time and from time to time prior to the Maturity Date, and in its sole and absolute discretion, without incurring any penalties or additional obligations of any kind. If USA elects to prepay this Convertible Senior Note at any time in an amount less than the then entire remaining outstanding principal amount hereof, the holders of the Convertible Senior Notes to be prepaid shall be selected by USA on a random basis. If USA elects to prepay this Convertible Senior Note in whole or in part any time prior to the Maturity Date, the holder hereof shall have the right to convert all of (but not less than all of) the principal amount to be prepaid by USA into shares of Common Stock pursuant to the terms and conditions of Section 7 hereof. Such right to convert must be exercised within thirty (30) days following receipt by the holder hereof from USA of notice of prepayment pursuant to this Section 6.

7. CONVERSION RIGHTS.

A. CONVERSION. Subject to the terms and conditions hereof, the holder hereof may convert all or any portion of the principal amount hereof at any time or from time to time prior to the Maturity Date, into fully paid and non-assessable shares of Common Stock, subject to adjustment as provided in Section 7.F. hereof ("Conversion Rights"). The number of shares of Common Stock to be issued upon any such conversion shall be determined by dividing the principal amount of this Convertible Senior Note to be converted by the Conversion Price (as defined herein).

B. CONVERSION PRICE. The Conversion Rights shall be exercised by delivery to USA (prior to the Maturity Date) of this Certificate and the completed Election To Convert Form which is attached hereto. The Conversion Price shall be \$.20 per share of Common Stock, subject to adjustment as provided in Section 7.F. hereof ("Conversion Price").

C. EXERCISE. Upon the surrender of this Certificate and the completed Election To Convert Form as aforesaid, USA shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the registered holder of this Convertible Senior Note, a certificate or certificates for the number of full shares of Common Stock so purchased upon the exercise of the Conversion Rights. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Common Stock on and as of the date of the delivery to USA of this Certificate and the completed Election To Convert Form as aforesaid. If, however, at the date of surrender of this Certificate and the

completed Election To Convert Form, the transfer books for the Common Stock issuable upon the exercise of the Conversion Rights shall be closed, the certificates for the Common Stock in respect to which any such Conversion Rights are then exercised shall be issued and the owner of such Common Stock shall become a record owner of such Common Stock on and as of the next date on which such books shall be opened, and until such date USA shall be under no duty to deliver any certificate for such Common Stock.

D. PARTIAL CONVERSION. The Conversion Rights represented by the Convertible Senior Note shall be exercisable, at the election of the registered holder hereof, either as an entirety, or from time to time for any part of the outstanding principal amount of this Convertible Senior Note, and in the event that the Conversion Rights are exercised with respect to less than the entire then outstanding principal amount of this Convertible Senior Note, at any time prior to the Maturity Date, a new certificate will be issued to such registered holder in the remaining principal amount of this Convertible Senior Note.

E. MATURITY DATE. All of the Conversion Rights must be exercised in accordance with the terms hereof prior to the Maturity Date. At and after the Maturity Date any and all unexercised rights hereunder shall expire and all such unexercised Conversion Rights shall without any action on behalf of USA become null and void. USA shall not be required to provide notice to the holder hereof of the expiration of the Conversion Rights hereunder, and the Conversion Rights shall automatically expire without any required prior notice from USA.

F. ADJUSTMENTS. Subject and pursuant to the provisions of this subsection F, the Conversion Price shall be subject to adjustment from time to time only as set forth hereinafter:

i. In case USA shall declare a Common Stock dividend on the Common Stock, then the Conversion Price shall be proportionately decreased as of the close of business on the date of record of said Common Stock dividend in proportion to such increase of outstanding shares of Common Stock.

ii. If USA shall at any time subdivide its outstanding Common Stock by recapitalization, reclassification or split-up thereof, the Conversion Price immediately prior to such subdivision shall be proportionately decreased, and, if USA shall at any time combine the outstanding shares of Common Stock by recapitalization, reclassification, reverse stock split, or combination thereof, the Conversion Price immediately prior to such combination shall be proportionately increased. Any such adjustment to the Conversion Price shall become effective at the close of business on the record date for such subdivision or combination. The Conversion Price shall be proportionately increased or decreased, as the case may be, in proportion to such increase or decrease, as the case may be, of outstanding shares of Common Stock.



iii. Whenever the Conversion Price is adjusted as herein provided, USA shall promptly mail to the registered holder of this Convertible Senior Note a statement signed by an officer of USA setting forth the adjusted Conversion Price, determined as so provided.

iv. This form of Certificate need not be changed because of any adjustment which is required pursuant to this Section F. However, USA may at any time in its sole discretion (which shall be conclusive) make any change in the form of this Certificate that USA may deem appropriate and that does not affect the substance hereof; and any Certificate thereafter issued, whether in exchange or substitution for this Certificate or otherwise, may be in the form as so changed.

G. RESERVATION. There has been reserved, and USA shall at all times keep reserved out of the authorized and unissued shares of Common Stock, a number of shares of Common Stock sufficient to provide for the exercise of the Conversion Rights represented by this Convertible Senior Note. USA agrees that all shares of Common Stock issued upon exercise of this Convertible Senior Note shall be, at the time of delivery of the Certificates for such Common Stock, validly issued and outstanding, fully paid and non-assessable.

H. FRACTIONAL SHARES. USA shall not issue any fractional shares of Common Stock pursuant to any conversion of this Convertible Senior Note and shall pay cash to the holder of this Convertible Senior Note in lieu of any such fractional shares.

8. NO RIGHT. The holder of this Convertible Senior Note shall not be entitled to any of the rights of a stockholder of USA prior to the date of issuance of the Common Stock by USA pursuant to any conversion of this Convertible Senior Note.

9. REGISTRATION RIGHTS. As set forth above, neither this Convertible Senior Note nor the Common Stock into which this Convertible Senior Note is convertible shall be registered under the Act or any state securities laws, and shall constitute restricted securities as defined under Rule 144 promulgated under the Act. Notwithstanding the foregoing, promptly following the termination of the private placement offering by USA of the 12% Convertible Senior Notes of which this Convertible Senior Note is a part, USA shall, at its expense, file and use its best efforts to have declared effective, a registration statement under the Act covering the resale of the Common Stock underlying this Convertible Senior Note. USA shall use its best efforts to have the resale of the Common Stock by non-affiliates of USA exempted from the registration requirements under applicable state securities laws.

10. SECURITIES LAWS. As a condition to the issuance of any Common Stock pursuant to this Convertible Senior Note, the holder of such Common Stock shall execute and deliver such representations, warranties, and covenants that may be required by applicable federal and state securities law, or that USA determines is reasonably necessary in connection with the issuance of such Common Stock. In addition, the certificates representing the Common Stock shall contain such legends, or restrictive legends, or stop transfer instructions, as shall be required by applicable Federal or state securities laws, or as shall be reasonably required by USA or its transfer agent.

11. CHOICE OF LAW. This Convertible Senior Note shall be construed and enforced in accordance with and governed by the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws provisions.

12. CHOICE OF FORUM. Lender irrevocably consents and agrees that any legal action or proceeding against USA or brought by Lender, under, arising out of, or in any manner relating to, this Convertible Senior Note, shall be brought solely and exclusively in the Court of Common Pleas of the Commonwealth of Pennsylvania located in the County of Philadelphia, Pennsylvania, or in the United States District Court for the Eastern District of Pennsylvania, located in Philadelphia, Pennsylvania. Lender expressly and irrevocably consents to the personal jurisdiction of such Courts in any such action or proceeding and waives any claim or defense in any such action or proceeding based upon any alleged lack of personal jurisdiction, improper venue, or forum non conveniens.

13. WAIVER. No failure or delay on the part of the Lender to insist on strict performance of USA's obligations hereunder or to exercise any remedy shall constitute a waiver of the Lender's rights in that or any other instance. No waiver of any of the Lender's rights shall be effective unless in writing, and any waiver of any default of any instance of non-compliance shall be limited to its express terms and shall not extend to any other default or instance of non-compliance.

14. LOST, MUTILATED CERTIFICATE. In case this Convertible Senior Note certificate shall become mutilated, lost, stolen or destroyed, USA shall issue

in exchange and substitution for and upon cancellation of the mutilated certificate, or in lieu of and in substitution for the Certificate lost, stolen, or destroyed, a new Certificate of like tenor and representing an equivalent right or interest, but only upon receipt of evidence satisfactory to the USA of such loss, theft or destruction of such certificate and indemnity, if requested, also satisfactory to USA.

15. ILLEGALITY. Any provision hereof found to be illegal, invalid or unenforceable for any reason whatsoever shall not affect the validity, legality or enforceability of the remainder hereof.

16. USURY. If the effective interest rate on this Convertible Senior Note would otherwise violate any applicable usury law, then the interest rate shall be reduced to the maximum permissible rate and any payment received by the Lender in excess of the maximum permissible rate shall be treated as a prepayment of the principal of this Convertible Senior Note.

17. EXPENSES. USA agrees to reimburse Lender for all costs and expenses, including reasonable attorneys' fees, incurred by the Lender, relating to the enforcement of this Convertible Senior Note.

18. SUBSCRIPTION AGREEMENT. This Convertible Senior Note has been issued by USA pursuant to the terms of the Subscription Agreement between USA and Lender dated of even date herewith the terms of which are incorporated herein by reference.

19. ASSIGNS, ETC..This Convertible Senior Note shall be binding upon USA's successors and assigns and subject to Section 3 hereof, shall inure to the benefit of each holder of this Convertible Senior Note and such holder's successors, endorsees and assigns.

Intending to be legally bound, USA has caused this Convertible Senior Note to be executed in its corporate name, by its duly authorized representatives as of the date and year first above written.

USA TECHNOLOGIES, INC.

By: \_\_\_\_\_  
George R. Jensen, Jr.,  
Chief Executive Officer

By: \_\_\_\_\_  
Leland P. Maxwell,  
Secretary

USA TECHNOLOGIES, INC.  
200 Plant Avenue  
Wayne, Pennsylvania 19087  
Attn: George R. Jensen, Jr.,  
Chief Executive Officer

ELECTION TO CONVERT FORM  
-----

The undersigned hereby irrevocably elects to exercise the rights of conversion represented by the attached Convertible Senior Note Certificate No. of USA. The undersigned desires to convert \$ of the principal amount of the attached Certificate into shares of Common Stock all as provided for therein and tenders herewith the original Convertible Senior Note, all in accordance with the Certificate. The undersigned requests that a Certificate representing such shares of Common Stock shall be issued to and registered in the name of the undersigned and delivered to the undersigned at the address set forth below. If less than the entire principal amount of the Convertible Senior Note represented by the attached certificate has been converted, then a new Convertible Senior Note Certificate in the remaining principal amount of the Convertible Senior Note shall be issued to and registered in the name of the undersigned and delivered to the undersigned at the address set forth below.

Dated: \_\_\_\_\_, 20  
-----

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Address: \_\_\_\_\_







PURCHASE AND SYSTEM DEVELOPMENT AGREEMENT

This Agreement Is made on the 8th day of March 2002 by and between Mars Electronics International, Inc. Delaware Corporation with principal offices all 1301 Wilson Drive, West Chester, Pennsylvania 19380 ("MEI") and USA Technologies, Inc. a Pennsylvania Corporation with principal offices at 200 Plant Avenue, Wayne, Pennsylvania 19087 ("USA Tech"), MEI and USA may sometimes be referred to herein as the "Party" or "Parties."

WHEREAS, MEI is a leading manufacturer of electronics utilized in the vending, retail, kiosk and telecom industries, and

WHEREAS, USA Tech is a leading manufacturer of credit card and other transaction devices for use in the office and vending equipment industries, and

WHEREAS, MEI and USA Tech desire to further the usage of credit card transactions in the above stated industries in the US and Canadian market,

NOW! THEREFORE, in consideration of the mutual covenants and promises contained herein, MEI and USA Tech agree as follows:

1. PURPOSE. The purpose of this Agreement is to progress the usage of credit cards specifically within the vending industry and, if warranted, other industries including, but not limited to the retail, kiosk and telecom industries. MEI and USA Tech will accomplish this with (1) the joint development of an interface specification or the implementation of the USA Tech interface specification as the "open interface specification" for connecting card readers to vending machine controllers and telemeters, (2) a USA Tech developed credit card reader solution to connect to the MEI Telemeter using the interface specification described above in (1), that does not consume the bill acceptor mounting position in a vending machine (the USA Tech developed credit card reader solution that connects to the MEI Telemeter that is specifically referred to in Subsection 2 is hereinafter referred to as "Product" per Appendix A), all known as the Development Phase see Section 3A). A Market Phase (see Section 3B), will commence immediately upon the successful completion of the Development Phase per the Time Table of Deliverables in Appendix B, provided the product meets all agreed specifications and therefore deemed ready for Product launch.

2. TERM OF AGREEMENT. This Agreement shall have a two (2) year term and shall expire on the second annual anniversary date of execution of the Agreement unless earlier terminated pursuant to Sections 14, 15, 16, 17, and 22 below. By mutual consent or in the event this Agreement expires prior to one (1) full year of Production sales, this Agreement will be extended for a one (1) year additional term or for the additional time frame needed for Product to have one (1) full year of sales, by an amendment hereto duly executed by both Parties' authorized representatives.

3A. DEVELOPMENT PHASE. During the Development Phase as outlined per Appendix B, both Parties agree to work together to lay the ground work for the sales of the Product in the market place according to the points of the Agreement detailed heretofore. This work includes:



A. Both Parties will refrain from working with the identified competition of the other during the Development Phase for the promotion or development of credit card acceptance equipment or the promotion of credit card clearing services. For MEI, this includes other providers of cash payment systems, limited to Coinco, ConLux (or Dixie Narco as it relates to their distribution of Conlux payment systems to other parties) Global Payment Technologies (GPT) and Japan Cash Machines. For USA Tech, this is limited to US Wireless, Stich Network or IBM.

B. Both Parties will work together to address any major account concerns that may prevent the Product from USA Tech from being accepted as a viable product offering in the market by those parties. This is limited to PepsiCo, the Coca Cola Company and their affiliated bottling operations.

C. Both Parties will have the right to pursue activities with other parties, including the direct competition of either Party if explicitly directed to do so during the Development Phase by identified major accounts. For MEI, this is limited to PepsiCo, The Coca-Cola Company and their affiliated bottling operations. For USA Tech, this is limited to ZilOG. The Coca Cola Company or their affiliated bottling enterprises. IBM or Marconi.

D. In the event the Product does not meet the targeted cost, completion schedule or specification as outlined in Appendix A at the end of the Development Phase, both Parties will agree either to terminate or to re-negotiate the terms of this Agreement.

3B. MARKET PHASE. The Market Phase will be entered immediately upon the completion of a market ready product within the timeframe identified during the Development Phase per Appendix B. During the Market Phase both parties have the right to operate in the market to sell the Product with the proviso that exclusivity will be maintained with respect to each others competitors as identified in 3A subsection A for the development and sale of credit clearing equipment and financial services for use in the US Vending Market.

At the start of the Market Phase, an "opt out" on exclusivity is available for either Party for customers identified explicitly in Section 3A, Subsection C and under the following conditions: if potential credit card equipment. Clearing services or other business is at risk due to exclusivity, either Party may exclude those customers from the exclusivity of the Market Phase.

"Opt Out" will be executed in writing to the other Party, stating the reason for the inability to agree to exclusivity for each customer excluded from the Market Phase.

Both Parties will continue to work together for acceptance of the Product by customers excluded during the Market Phase.

4. PROPRIETARY AND CONFIDENTIAL INFORMATION. MEI and USA Tech agree not to disclose or utilize any proprietary information supplied by the Parties to each other during the term of this Agreement except where disclosure or utilization of said information is required to perform the services contemplated herein. Any proprietary or confidential information previously exchanged between the Parties shall be subject to the requirements of this Agreement as fully as if this Agreement had been in effect on the date such information was provided. Any disclosure of proprietary and/or confidential information will be limited to those employees or agents who need to know such information for the purpose of performing services contemplated herein, it being understood that such persons will be informed of its confidential

nature and be directed to treat it confidentially. Promptly, upon request, each Party will return confidential or proprietary information to the other without retaining copies.

5. NONSOLICITATION. During the term of this Agreement and for a period of one year after the termination of this Agreement hereunder for whatever reason, each Party agrees that it will refrain from and will not without the prior written consent of the other Party, directly or indirectly solicit any of the employees of the other Party to terminate their employment with the other Party for their own employ.

6. DELIVERY. All delivery of Product to MEI by USA Tech wills F.O.B. Wayne, PA. The Parties agree that the delivery time for the Product is two (2) to four (4) weeks from the date of receipt of purchase order from MEI.

#### 7. PRODUCT PRICE/PAYMENT

a) USA Tech shall sell the Product to MEI at the prices set forth on the attached Appendix A, plus applicable sales taxes, shipping charges and all costs attendant to delivery of the Product to MEI. The prices set forth in Appendix A shall be fixed for one year following the first production run of the Product at the prices set forth on the attached Appendix A, plus applicable sales taxes, shipping charges and all costs attendant to delivery of the Product to MEI. The prices set forth in Appendix A shall be fixed for one year following the first production runs of the Product.

b) Payment Terms. Payment to USA Tech is due and payable thirty (30) days after receipt of the Product and invoice by MEI.

8. WARRANTY. USA Tech shall provide the same warranty period to MEI as MEI provides to its customers. For a standard twelve (12) month warranty period, USA shall repair and maintain the Product at no parts and labor charges to MEI, one repair and/or replacement basis, except for shipping costs, which are the responsibility of MEI. In the event MEI offers a warranty in excess of twelve (12) months to its customers, MEI and USA Tech will determine a Warranty Program specific to each customer, in connection with the standard or extended warranties. USA Tech's entire liability and MEI's entire and exclusive remedy shall be limited to repairing and/or replacing the Product. USA Tech's warranty shall not apply if the Product has been damaged by improper or unreasonable use, negligence, accident or any other causes unrelated to defective materials and workmanship. THE FOREGOING WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES OF USA TECH- EXPRESSED OR IMPLIED, ORAL OR WRITTEN. INCLUDING BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OR MERCHANT ABILITY AND FITNESS FOR A PARTICULAR PURPOSE WHICH ARE EXPRESSLY DISCLAIMED.

9. DUTIES OF USA TECH. USA Tech's duties shall include the following:

a) To independently develop the Product within the timelines outlined per Appendix B, that mounts in vending machines independent of the existing bill acceptor opening (specifically, can/bottle and full line machines).

b) To provide MEI and MEI customers the financial services associated with the Product of a monthly fee not to exceed \$10.00 per Product.

c) To ensure financial service rates do not exceed 6% per transaction.

d) To support MEI in the establishment of public domain standard credit card interface (not MDB) for the vending industry and specifically to interface with MEI Telemeter (part of the Product design in Appendix C).

e) To provide Installation (including arid warranty for Product sold by USA Tech at USA Tech's cost.

f) To provide MEI with residual income from the network and financial services.

g) To pass through any communications fees, which will be incremental to USA Tech's financial fees, to the end customer as part of the customer's monthly fee. These communications fees will be subsequently reimbursed to MEI by USA Tech.

10. DUTIES OF MEI. MEI's duties shall include the following:

a) To provide the sales force to sell the Product and adhere to the schedule in good faith (See Appendix B). at no cost to USA Tech, via internal and external Sales Associates. {External Sales Associates are organized by Full Line and Bottling industries then by region and/or specific customer,}

b) To develop an open standard device capable of WAN communication that will enable transaction in the vending machine when connected to the Product.

c) To provide distribution channels for the Product via MEI's active distributors nationwide and via direct sales in OEMs.

d) To develop and provide advertising and promotional materials for sales and distribution purposes.

e) To develop and provide a training program for the Product for Sales Associates and distributors.

f) To provide Engineering and Marketing support in development of the generic reader interface at the rate of approximately 32 man-hours per month by qualified MEI Associates. Additional requested support will be negotiated on a case-by-case basis.

g) To provide installation and warranty for Product sold by MEI at MEI's cost.

h) To provide USA Tech Product forecasts for each calendar year quarter, sixty (60) days prior to the first of each respective calendar quarter.

i) To provide remuneration to USA Tech in the event Product sales of 10,000 units are not achieved either by the expiration of this Agreement or after on a (1) full year of Product sales whichever occurs last. Such remuneration will be paid on the basis of \$4.00 per unit for the difference between 10,000 units and actual units sold. Payment shall be made within sixty (60) days from the expiration or termination of this Agreement. The final calculation shall be made on the basis of \$4.00 per unit (e.g., 8,000 units unsold equates to a remuneration of \$32,000.00).

j) To sell the MEI Telemeter to USA Tech for use with the Product.

k) For MEI to take in to consideration the manufacturing of the Product by MEI for USA Tech.

l) Upon the execution of this Agreement. MEI will use its best efforts to develop new sales of USA Tech's credit card accepting equipment. financial service products and E-Port product based upon MEI's acceptance of USA Tech's Reseller Agreement.

m) To provide a working communication link between the vending machine and USA Tech's financial services.

11. ASSIGNMENT. Neither Party may subcontract or assign this Agreement, or any purchase order issued pursuant to it, to any third party without the prior written consent of the other Party, except that MEI may assign its rights and obligations under this Agreement in whole or in part to any division, subsidiary, or corporate affiliate of MEI without the consent of USA Tech.

12. GOVERNING LAW. This Agreement shall be governed by the laws of the State of Pennsylvania and any and all actions brought to enforce or interpret this Agreement shall be brought in the State Courts of the State of Pennsylvania and the Parties hereby consent and grant to the State Courts of Pennsylvania jurisdiction over any and all causes of action arising pursuant to this Agreement and/or any related agreements between Parties.

13. INTERVENING LAW. If the Federal, State, Local and/or any other governmental authority forbids the doing of business by and between the Parties hereto, then this Agreement shall be deemed null and void and of no effect.

14. MEI'S RIGHT TO TERMINATE AGREEMENT. MEI may immediately terminate this Agreement by written notice if;

a) Any relevant Federal, State or Local authority fails to approve this Agreement or otherwise objects to the performance by USA Tech or MEI of any obligation imposed on them under this Agreement.

b) MEI forms the view that the performance by it or USA Tech of any obligation imposed under this Agreement may reasonably be expected to result in breach of any applicable Federal, State or Local law.

c) USA Tech fails to perform Duties as specified in Section 9.

15. USA'S RIGHT TO TERMINATE AGREEMENT. USA Tech may immediately terminate Agreement by written notice if:

a) Any relevant Federal, State or Local authority fails to approve this Agreement or otherwise objects to the performance by USA Tech or MEI of any obligation imposed on them under this Agreement.

b) USA Tech forms the view that the performance by it or MEI of any obligation imposed under this Agreement may reasonably be expected to result in breach of any applicable Federal, State or Local law.

c) MEI fails to perform Duties as specified in Section 10.

16. ACTS OF INSOLVENCY. Either Party may terminate this Agreement without liability by written notice to the other and may regard the other Party in default of this Agreement if the other Party makes a general assignment for the benefit of creditors, files a voluntary petition of bankruptcy, suffers or permits the appointment of a receiver for its business or assets or becomes subject to any proceeding under any bankruptcy law, whether foreign, or has wound up or liquidated, voluntarily or otherwise. In the event that any of the above events occur, that Party shall immediately notify in writing the other Party of its occurrence.

17. RIGHTS TO MANUFACTURE. Should this Agreement be terminated due to default, the defaulting Party shall grant a two (2) year non-exclusive right to manufacture the most current version of the Product and/or Telemeter for the purpose of the other Party's use, manufacture or distribution. To this end, all intellectual property rights, including without limitation, patents and the necessary know-how to enable and ensure the manufacture and distribution of the Product, shall be provided free of charge by the defaulting Party and is to include all necessary production drawings, specifications as well as a list of all suppliers. Furthermore, the defaulting Party shall offer for sale to the other all proprietary tools required for the manufacture of the Products

18. INDEPENDENT CONTRACTORS. Both Parties agree that MEI and USA Tech will act as independent contractors in the performance of their respective duties under this Agreement. Accordingly, both Parties shall be responsible for payment of all applicable taxes including Federal, State and Local taxes arising out of their respective activities in accordance with this Agreement, including by way of illustration but not limitation, Federal and State income tax, Social Security tax, Unemployment Insurance tax relating to the respective Party performing services hereunder and any other taxes or business license fees as required by law to be paid by such Party in connection with the services contemplated herein. At no time shall employees of one Party be considered employees of the other Party.

19. FORCE MAJEURE. In the event that either Party is unable to perform any of its obligations under this Agreement, or to enjoy any of its benefits because of natural disaster, actions or decrees of governmental bodies or communication line failure not the fault of the affected Party (referred to as a "Force Majeure Event"), the Party who has been so affected shall immediately give written notice to the other Party and shall do everything possible to resume performance. Upon receipt of such notice, all obligations under the Agreement shall be immediately suspended. If the period of non-performance exceeds thirty (30) days from the receipt of notice of the Force Majeure Event, the Party who has been so affected may, by giving written notice, terminate this Agreement.

#### 20. INSURANCE

a) Both Parties agree to carry through out the term of this Agreement at its sole cost and expense the following insurance policies:

(i) A Comprehensive General Liability Policy with limits of not less than one million dollars (\$1,000,000) each occurrence and two million dollars (\$2,000,000) aggregate and having endorsements for a personal injury, property damage, product liability and contractual coverage;

(ii) Worker's Compensation Insurance that shall include Employer's Liability Insurance in accordance with the laws of the State of Pennsylvania for USA Tech's employees manufacturing the equipment and/or working in related facilities during the installation and servicing of the Products.

b) Within a reasonable time each Party will provide the other with paid up Certificates of Insurance for the above policies. Certificates of Insurance shall contain endorsements naming MEI/USA Tech as an additional insured and further providing that such policies shall not be materially changed, amended and/or canceled except after thirty (30) days advance written notice from the insurance company to the affected Party. For claims related to and/or resulting from the Products, USA Tech's insurance coverage will at all times be primary regardless of any insurance maintained by MEI.

21. INDEMNIFICATION. Each Party shall, at its own expense, defend, indemnify and hold harmless the Party, its divisions, subsidiaries or corporate affiliates and each of their employees, officers and directors against any and all liability, demands, damages, expenses and losses for death, personal injury, illness or property damage arising out of each Party's negligence, gross negligence, recklessness or willful conduct and any breach if its representations, warranties or performance under this Agreement.

22. DEFAULT. Failure of either Party to comply with the terms and conditions contained herein shall constitute a breach of the Agreement and the non-defaulting Party may send written notice to the other Party detailing the nature of such breach. The defaulting Party shall have thirty (30) days to cure the breach. The defaulting Party's failure to cure the breach in thirty (30) days will result in the immediate termination of the Agreement at the option of the aggrieved Party. In the event of default, the non-defaulting Party shall have the right to pursue all available remedies at law or in equity.

23. NO PARTNERSHIP. Nothing contained herein shall be deemed as creating a partnership, joint venture or similar business relationship between the Parties or as authorizing either Party to bind, contract for or incur any liability or obligation for or in the name of the other. Both Parties agree nothing herein shall be construed to create any contract right on the part of any third party or any duty or obligation to such third party on the part of MEI or USA Tech whatsoever.

24. KEY PERSONNEL. Both Parties may mutually agree as to who of USA Tech's personnel is essential to the performance of this Agreement (See Appendix D for "Key Personnel"). Notwithstanding anything to the contrary in this Agreement, USA Tech shall immediately notify MEI upon any change in its Key Personnel (specifically, any Key Personnel that leaves USA Tech's employ for any reason) and shall make good faith effort to replace any Key Personnel within sixty (60) days of said personnel's departure.

25. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon an inure to the benefit of the parties hereto, their successors and assigns.

26. SUPERCEDING AND INCORPORATING CLAUSE. The terms and conditions of this Agreement are deemed incorporated by reference into any and all purchase orders, agreements or other contracts by and between the Parties without specifically making reference to same. To the extent a conflict

exists between the terms and conditions of this Agreement and any previous agreements between the Parties, the terms of this Agreement will be controlling.

#### 27. PATENTS, INTELLECTUAL PROPERTY, COPYRIGHT and TRADEMARKS.

USA Tech owns all right, title and interest in and to the USA Tech Initial Intellectual Property, MEI owns all right, title and interest in and to the MEI Initial Intellectual Property. Each Party shall have the sole right to file for, obtain, maintain, register and extend patent and copyright protection for any Patent and Copyright, and to control the prosecution of applications, for the Initial Intellectual Property that it owns. Each Party shall have the sole right to file for, obtain, maintain, register and extend trademark protection for any Trademark and to control the prosecution of applications, for the Initial Intellectual Property that it owns.

Nothing shall prevent or limit either Party from engaging in research, development or commercialization for third parties of the Initial Intellectual Property that it owns or any modifications, enhancements or derivative thereof.

All right and title to and interest in Intellectual Property Rights resulting from this Agreement shall be owned either by MEI, USA Tech or jointly by the Parties. In the event that the development work is completed by one party, than that party shall own all Intellectual Property Rights. In the event that the development work is completed jointly by both parties, then both parties shall own the Intellectual Property Rights. "Intellectual Property Rights" means, collectively, the Patent Rights, Information and Inventions and Trademark Rights arising from this Agreement, but does not include 1) Copyrights pertaining to the Activities and Information and Inventions that are able to be copyrighted, which shall be owned by MEI to the extent they pertain to components of transactional electronics or by USA Tech to the extent they pertain to credit card transaction devices and 2) Patent Right or Information and Inventions to the extent they are created or invented solely by one Party without assistance from the other Party as evidenced by written records, in which case such Patent Right or Information and Inventions shall be owned solely by the inventing or creating Party.

Under the performance of this Agreement, USA Tech and MEI shall promptly disclose to the other in writing the development, making, conception or reduction to practice of all Information and Inventions related to the Product, the interface specification or the Telemeter, whether created or discovered solely by a Party or jointly. However, in the case of any dispute whether a Patent Right or Information and Inventions fall within 2) above, the burden of proof shall be borne by the Party asserting that the Patent Right or Information and Inventions were created or invented with its assistance.

At no time shall this Agreement be construed as granting any rights to or interests in one Party with respect to the property or equipment of the other Party. Neither party shall acquire any interest in the name, trademarks or trade name (whether registered or not) of the other nor use them in publicity releases or advertising, or in any other matter, including customer lists, without securing the prior written approval of the other. The proscription against such unauthorized publicity shall apply also to such publicity regarding the name of MEI, or its divisions, subsidiaries and/or corporate affiliates.

28. SEVERABILITY. If any part of this Agreement is contrary to, prohibited by or deemed invalid under applicable laws or regulations, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder hereof shall not be.

29. HEADINGS. Section headings used herein are for convenience of reference use only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

30. NOTICES. Except as otherwise provided herein all notices and other communications required under the terms and provisions hereof shall be in writing and shall become effective when delivered by hand or received by overnight courier or registered first class mail, postage prepaid, addressed as follows:

a) If to MEI,

Andrea M. Grassi, Commercial Manager: Contracts & Services

MEI  
1301 Wilson Drive  
West Chester, PA 19380  
Phone: (610) 430-2500, Fax: (610) 430-2694

With copy to:

Cary M. Sagady, Marketing Manager, Business Innovation'

b) If to USA Tech:  
Michael K. Lawlor, Senior Vice President Sales & Marketing  
USA Technologies, Inc.  
200 Plant Avenue  
Wayne, PA 19087  
Phone: (610) 989-0340, Fax: (610) 989-0344

c) If to any of the foregoing Parties at such other address as such Party shall from time to time designate in writing to the other Parties hereto.

31. ENTIRE AGREEMENT. This Agreement contains the entire Agreement between the Parties and all understandings and agreements heretofore between the Parties are merged into this Agreement. This Agreement may be modified or amended only in writing, signed by both Parties hereto or their duly authorized agents.

32. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument.

IN WITNESS WHEREOF, the Parties hereto hereby execute this Agreement and agree to be bound by its terms.

Mars Electronics International, Inc.

ATTEST: \_\_\_\_\_ BY: \_\_\_\_\_

ATTEST: \_\_\_\_\_ BY: \_\_\_\_\_



USA Technologies, Inc.

ATTEST: \_\_\_\_\_ BY: \_\_\_\_\_

APPENDIX A -  
Product Pricing and Financial Fees  
(To Be Determined at the end of the Development Phase, based on the  
cost and pricing parameters specified below)

A. The target cost for the Product will not exceed \$120.00 per unit. Each Party will have the same percent profit margin on the Product. Notwithstanding, both Parties will target a 30% margin on their product cost. The target selling price of the Product to the customer is \$200.00. The selling price shall be exclusive of the 5% MEI sales commission and is based on a quantity of 10,000 units. In the event Product sales exceed 10,000 units during the term of this Agreement, both parties will mutually agree upon next tier pricing.

B. In the event that financial services associated with the Product exceed \$10.00 due to increased costs incurred by USA Tech, USA Tech will document and notify MEI in writing of the increased costs and implement the new credit card services fees in 30 days from the date of notification. Any monthly service fee increase will not exceed a 10% increase on an annual basis.

C. MEI will receive a residual income from the financial services based upon USA Tech providing the financial services to MEI and/or a MEI customer. For the first 10,000 Product being installed, USA Tech will pay MEI a residual of \$1.00 per Product per month. USA Tech will pay MEI a \$2.00 residual per month per Product upon 10,001 Product being installed and USA Tech continues to provide MEI and/or MEI customers with financial services.

D. Payment to be made to MEI on a quarterly basis is linked to new sales of the Product by MEI Sales Associates and/or USA Tech Sales Associate (See Section 3).

E. USA Tech will provide MEI and MEI customers with financial services rates on a cost + 0.25% basis. In the event that financial services rates provided by USA Tech to MEI or to MEI customers exceed 6% due to increased costs incurred by USA Tech from the USA Tech credit card processor, USA Tech will document and notify MEI in writing of the increased costs and implement the new processing rates in 30 days from the date of notification. In no event shall financial service rates increase more than 10% on an annual basis.

F. In the event that MEI and USA Tech do not extend the agreement past the initial two (2) year term of this Agreement, USA Tech will continue to provide financial services to MEI and/or to MEI customers for a period of two (2) additional years from the termination date of this Agreement in accordance with E above.

APPENDIX B

Development Phase  
for USA Technologies / MEI System

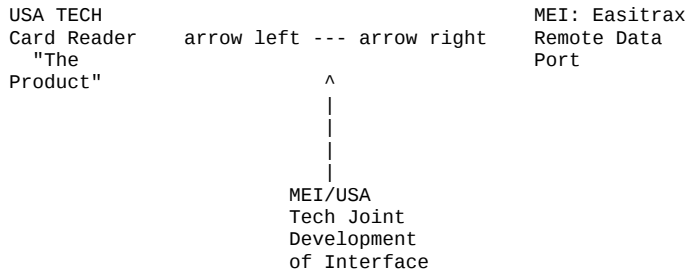
The new Product will be developed by USA Technologies during the course of this Agreement. The system will partition the card reader mechanics/electronics to invent a simple interface thereby allowing the reader to utilize the MEI telemeter. Additionally, the amount of hardware installed in the vending machine will be reduced.

As seen in the block diagram (Appendix C), there is increased flexibility in how a system can be configured. The ultimate goal is to validate the card account and enable the transaction. With this proposed approach, USA Tech or MEI can move the card data to an authorization bank.

The intellectual property of each company will be protected. USA Tech will control the encryption/decryption of card data along with card authorization while MEI will enable to vending machine with Easitrax(R) hardware.

Work Details:

- - - - -



Time Table of Deliverables:

- - - - -

Deliverable	Responsibility	Date
System Specification	MEI/USA Tech	March 2002
New Card Reader Prototype	USA Tech	July 2002
MEI Remote Data Port Proto.	MEI	May 2002
Integration Testing	MEI/USA Tech	July/August 2002
Press Announcement	MEI	March 2002 (prior to Spring NAMA)
Sales Plan	MEI	September 2002
End of Development Phase; Product Launch at Fall NAMA Show or earlier if commercially available	MEI/USA Tech	October 2002
Customer Trials	MEI/USA Tech	August 2002
Product Release & Ship	MEI/USA Tech	October 2002

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Start of Market Phase  
10K units sold

MEI/USA Tech

Per Agreement  
Parameters  
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APPENDIX C

USA/MEI System

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[PRODUCTION CHART APPEARS HERE]

APPENDIX D  
USA TECHNOLOGIES KEY PERSONNEL  
(To be Determined)



## STRATEGIC ALLIANCE AGREEMENT

This Agreement ("Agreement") is effective as of October 15, 2002 ("Effective Date") by and between ZiLOG, Inc., a Delaware corporation having a place of business at 532 Race Street, San Jose, CA 95126 ("ZiLOG"), and USA Technologies, Inc., a Pennsylvania corporation having a place of business at 200 Plant Ave., Wayne, PA 19087-3520 ("USAT") (each individually a "Party" and collectively, the "Parties").

Whereas:

- (A) ZiLOG is a semiconductor company and has developed a web-enabled processor that may be used in the retail point of sale market;
- (B) USAT has developed cashless payment technology, including credit or debit card payment technology as well as associated financial network systems, including its e-Port<sup>TM</sup> credit/debit card payment technology; and
- (C) The Parties wish to establish a strategic alliance pursuant to which they will collaborate on certain projects including, (a) the design and development of a point of sale ("POS") reference design and development kit to be marketed by ZiLOG and (b) an eZ80 based e-port POS terminal to be marketed by USAT to its markets, based on a combination of ZiLOG's technology and expertise and USAT's technology and expertise.

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, the sufficiency and adequacy of which are acknowledged, and intending to be legally bound, the Parties agree as follows:

## ARTICLE 1 - DEFINITIONS

Unless defined elsewhere in this Agreement, capitalized terms shall have the meanings set forth in this Article 1:

"Confidential Information" means, with respect to a Party, all proprietary or confidential material or information relating thereto obtained in connection with this Agreement. Confidential Information shall include all communications or data in any form including, without limitation, oral, written, graphic, electronic or electromagnetic form, which contain any information related to the disclosing Party and/or its products and/or its business including, without limitation, processes, patents, technology, know-how, techniques, improvements, inventions, business plans and strategies, marketing plans, product plans, trade secrets, customer lists, supplier lists, transaction methods and relationships between the disclosing Party and other entities, clients, financial records or information, phone numbers, addresses, security records and methods, formulas, development and marketing methods, designs, design practices, product or material sources and relationships, potential customers and listings, employee information (including, without limitation, employee identification, job titles, job duties and compensation), or contractor information, any information learned by the receiving Party in the process of examining any informa

tion supplied by the disclosing Party, and any other information of any nature and in any form disclosed to the receiving Party by the disclosing Party or learned by the receiving Party, which relates to or is useful in the disclosing Party's current or anticipated future business operations. However, Confidential Information shall not include any information or material that: (a) is generally known or becomes generally known to the public without impropriety; (b) was independently developed by the receiving Party without impropriety; (c) is received from a Third Party who obtained such information without impropriety; or (d) whose disclosure is compelled by law; provided that any such disclosure shall not otherwise affect the confidential nature of any such information.

"Intellectual Property" means all patents, patent applications, patented and unpatented inventions, design rights, copyrights (including, without limitation, rights in computer software), know-how and other trade secret rights, and all other intellectual property rights and the rights or forms of protection of a similar nature or having equivalent or similar effect to any of these rights (whether or not any of these rights is registered, and including, without limitation, applications for registration of, and rights to apply for, any such rights). In the case of patent applications and patents, Intellectual Property shall also include all existing and future provisional and utility applications, continuations, divisionals, continuations-in-part, reissues, reexaminations, foreign counterparts, and any other patent application or patent derived therefrom or claiming priority thereto.

"Joint Intellectual Property" means any Intellectual Property in or associated with the Joint Technology, exclusive of the ZiLOG Intellectual Property and the USAT Intellectual Property.

"Joint Technology" means Technology that: (a) is related to the subject matter of this Agreement; (b) is developed during the Term of this Agreement; and (c) is jointly developed by employees of ZiLOG and USAT.

"Person" means any individual, entity, firm, corporation, partnership, association, limited liability company, joint-stock company, trust or unincorporated association.

"POS Reference Design" means the POS reference design, as more particularly described in Appendix A, as amended from time to time by the Parties.

"POS Development Kit" means the POS development kit, as more particularly described in Appendix A, as amended from time to time by the Parties.

"Technology" means any tangible or intangible product, process, article of manufacture, work of authorship, data, information software, hardware, or other technological subject matter.

"Third Party" means a Person other than USAT and ZiLOG.

"USAT Intellectual Property" means all the Intellectual Property in or associated with the USAT Technology.



"USAT Software" means any proprietary software owned or created by USAT as more particularly described in Appendix D as modified from time to time.

"USAT Technology" means Technology related to the subject matter of this Agreement that is: (a) owned or controlled by USAT prior to the Effective Date; (b) developed or acquired by USAT outside of, or independently of, this Agreement; or (c) developed by either Party during the Term of this Agreement but which primarily constitutes a modification, improvement, or enhancement of, or is otherwise predominantly based on, a USAT Technology. For example and without limitation, USAT Technology shall include USAT Software that either predates or is developed outside or independently of this Agreement, as well as any Technology that is primarily a modification, improvement, enhancement thereof or based predominantly thereon.

"ZiLOG Intellectual Property" means all the Intellectual Property in or associated with the ZiLOG Technology.

"ZiLOG Technology" means Technology related to the subject matter of this Agreement that is: (a) owned or controlled by ZiLOG prior to the Effective Date; (b) developed or acquired by ZiLOG outside of, or independently of, this Agreement; or (c) developed by either Party during the Term of this Agreement but which primarily constitutes a modification, improvement, or enhancement of, or is otherwise predominantly based on, a ZiLOG Technology. For example and without limitation, ZiLOG Technology shall include ZiLOG's Technology associated with the eZ80 that either predates or is developed outside or independently of this Agreement, as well as any Technology that is primarily a modification, improvement, enhancement thereof or based predominantly thereon.

## ARTICLE 2 - RETAIL POS

- 2.1 POS Reference Design and Development Kit . The Parties shall use commercially reasonable efforts to jointly design and develop the POS Reference Design and POS Development Kit.
- 2.2 Resources. Each Party shall provide at least two equivalent full time employees whose principal focus shall be the completion of the POS Reference Design and the POS Development Kit. The selection of any such employees shall be in the sole discretion of each Party and may be changed at the discretion of the employ ing Party by notifying the other Party. The functional capabilities that will be provided by each Party are more particularly described on Appendix B.
- 2.3 Launch Date. Each Party shall use commercially reasonable efforts to Complete the POS Reference Design and POS Development Kit by March 1, 2003 (the "First Kit"). ZiLOG shall be primarily responsible for packaging and commercial readiness of the POS Development Kit and POS Reference Design. For purposes of this Section 2.3, "Complete" shall mean (a) the POS Reference Design and

POS Development Kit are in form and substance satisfactory to ZiLOG, as more particularly described in Appendix C and (b) the Parties will have delivered a single complete POS Development Kit with all of the necessary parts and components.

- 2.4 Additional Development Kits. After the production of the First Kit, each Party shall be responsible for the production and costs of any additional POS Development Kits that it needs.
- 2.5 Cooperation. Each Party shall use commercially reasonable efforts to facilitate the other Party's efforts with respect to the completion of the POS Reference Design and the POS Development Kit.

#### ARTICLE 3 - eZ80 BASED E-PORT POS TERMINAL

- 3.1 Commencement Date. USAT shall commence development of an eZ80 based eport POS terminal ("eZ80 Eport") by the later of (a) ninety (90) days from the Effective Date and (b) thirty (30) days from the release of the relevant eZ80 chip necessary for the development of the eZ80 eport (the "Commencement Date").
- 3.2 Completion. USAT shall use commercially reasonable efforts to complete and release the eZ80 Eport within sixty (60) days of the Commencement Date (the "Completion Date"). The Completion Date may be extended to the extent that any delay in the completion of the POS Reference Design materially affects the Completion Date. 3.3 Responsibilities. USAT shall be solely responsible for all work and expenses as associated with the development and completion of the eZ80 eport except that ZiLOG shall provide the usual and customary support and services that it would or ordinarily provide to customers designing products that incorporate ZiLOG products. 3.4 eZ80 Terms and Conditions. ZiLOG shall sell any eZ80 family of products to be used with respect to the eZ80 eportal to USAT at the best available prices based on the volume of purchases by USAT. All other terms and conditions for the sales of the eZ80 family of products shall be at ZiLOG's usual terms (as modified from time to time), as more specifically described on Appendix F.
- 3.5 eZ80 eport Ownership. The eZ80 eport shall be USAT Technology; provided that USAT shall not acquire any ownership or other interest in any ZiLOG Technology used in the eZ80 eport

ARTICLE 4 - MARKETING

- 4.1 POS Development Kits. ZiLOG shall have the right to sell or otherwise distribute POS Development Kits to its customers during or after the term of this Agreement. The sale of the POS Development Kits shall include all licenses necessary for use in, and during, the customer's design process, including, any licenses in connection with the USAT Software. If any such customer wishes to license the USAT Software for its production phase, then such customer shall be required to obtain a license in accordance with Section 4.3.
- 4.2 Licenses. Both Parties shall have the right to license the POS Reference Design on whatever terms each Party may determine in its sole discretion. The Party licensing the POS Reference Design shall be entitled to retain any revenue derived from such a license. The licensing of the POS Reference Design shall include all licenses necessary for use in, and during, the customer's design process, including, any licenses in connection with the USAT Software. If any such customer wishes to license the USAT Software for its production phase, then such customer shall be required to obtain a license in accordance with Section 4.3.
- 4.3 USAT Licenses. USAT shall license the USAT Software to any ZiLOG customer on the terms set forth on Appendix E as modified from time to time; provided that such terms shall at no time be less favorable than the terms offered by USAT to its best customers.
- 4.4 Marketing Plan. ZiLOG shall offer the POS Development Kits and POS Reference Design to its customers in the retail point of sale markets. USAT shall market the eZ80 sport to its target markets, including the vending market and office equipment market. Each Party shall prepare and share with the other Party its marketing plan in connection with the foregoing.

ARTICLE 5 - PROPRIETARY RIGHTS

- 5.1 Ownership by USA . USAT shall solely own the USAT Technology and USAT Intellectual Property. To the extent necessary to achieve the foregoing, ZiLOG hereby quitclaims and assigns to USAT any ownership interest that ZiLOG may have in the USAT Technology and the USAT Intellectual Property, and agrees to take any steps, and perform any acts, necessary to perfect USAT's title thereto.
- 5.2 Ownership by ZiLOG. ZiLOG shall solely own the ZiLOG Technology and ZiLOG Intellectual Property. To the extent necessary to achieve the foregoing, USAT hereby quitclaims and assigns to ZiLOG any ownership interest that USAT may have in the ZiLOG Technology and the ZiLOG Intellectual Property, and agrees to take any steps, and perform any acts, necessary to perfect ZiLOG's title thereto.
- 5.3 Joint technology

- (a) Minimal Applicability. Notwithstanding anything to the contrary, it is understood that:
- (i) Joint Technology, ZiLOG Technology and USAT Technology are all mutually exclusive; and In the event that any Technology could plausibly constitute Joint Technology and either ZiLOG Technology or USAT Technology, such Technology will be deemed to constitute either ZiLOG Technology or USAT Technology but not Joint Technology.
- (b) License Grant. To the extent that making, using, selling, offering to sell, importing, displaying or performing the Joint Technology would otherwise require a license under a Party's Intellectual Property, that Party hereby grants to the other Party a worldwide, perpetual, irrevocable, non exclusive, royalty-free license (without the right to sublicense except to its Customers) under the granting Party's Intellectual Property to make, use, sell, offer to sell, import, publicly display, or publicly perform the Joint Technology.
- 5.4 Ownership of Joint Technology The Parties shall jointly own any Joint Technology (including any Joint Intellectual Property). The Parties recognize that joint ownership of the Joint Intellectual Property does not, by itself, imply any license under the Parties' separate Intellectual Property, which license may be required to use the Joint Technology.
- 5.5 Third Party Intellectual Property. Neither Party shall intentionally and knowingly incorporate any Technology or Intellectual Property belonging to or controlled by any Third Party in the Joint Technology, or require the use of such Third Party's Intellectual Property in such Joint Technology, unless: (a) the Party seeking to incorporate such Third Party Intellectual Property has a license to such Third Party's Intellectual Property (including the right to sublicense to the other Party and its Customers); (b) obtains for the other Party (and its customers) a license thereunder; or (c) obtains the other Party's permission to incorporate such Third Party's Intellectual Property into such Joint Technology.
- 5.6 Patent Applications.
- 5.6.1 Notification. When either Party develops any invention that might constitute, include or be included within the other Party's Intellectual Property, the developing Party shall provide the other Party with written notice thereof.
- 5.6.2 Separate Intellectual Property Each Party shall have the sole right to file, and be fully responsible for, the prosecution of any patent applications relating to its own Intellectual Property.

5.6.3 Joint Intellectual Property. The Parties shall take all commercially reasonable action to protect the Joint Intellectual Property, including protecting all copyrights, trademarks, patents, and trade secrets under applicable law. In this regard, the Parties shall confer with each other and decide how to pursue protection for any Joint Intellectual Property and how to allocate the costs and filing responsibilities between them. The Parties recognize: (1) that in situations where each Party makes an inventive contribution to at least one claim of a patent, the Parties will by operation of law be considered joint inventors under the patent, even where the Parties made unequal contributions thereto; (ii) that such joint inventors will by operation of law be considered joint owners of the entire patent, including those claims that were "invented" solely by one Party; (iii) that such joint ownership set forth in (ii) would be inconsistent with the terms and conditions of this Agreement because claims "invented" solely by one Party should be that Party's Intellectual Property; but (iv) that the inconsistency set forth in (iii) cannot be resolved by partitioning ownership of the patent on a claim-by-claim or field-of-use basis (because such partitioning is contrary to law).

Therefore, in order to facilitate the intent of this Agreement as expressed in this Article 5, neither Party shall unilaterally file any patent application: (a) containing any claim which, if it had been filed alone and apart from any other claim in the application, would constitute Joint Intellectual Property; or (b) claiming any invention that is supported by a disclosure involving the other Party's Technology or Intellectual Property; rather, the Parties shall meet to allocate filing and prosecution responsibilities prior to filing any such application.

In the event a Party violates this Section, the other Party shall have the right, in addition to any other remedies available to it, to seek injunctive or other equitable relief to enjoin such acts, it being specifically acknowledged by the Parties that any other remedies may be inadequate.

5.7 Publications. Before either Party submits papers or abstracts for publication or otherwise publicly discloses subject matter (including research or development results) relating to Joint Technology, Joint Intellectual Property, or the other Party's Technology or Intellectual Property, such Party shall inform the other Party, and provide the other Party with a copy of the proposed submission or disclosure, at least one (1) month before such submission or disclosure. Upon request of the informed Party, the informing Party shall delay the publication or disclosure for up to three (3) months in order to allow the informed Party sufficient time to protect its patent rights or other Intellectual Property rights, both in the United States and abroad.

5.8 Defense of Joint Technology

5.8.1 Joint Defense. The Parties agree to take all actions necessary, including litigation, to defend any Joint Technology (including any Joint Intellectual Property), the Parties shall agree on a mutually acceptable defense strategy (a "Joint Defense"). Each Party shall share equally in all related third party costs and expenses (including legal fees) arising in connection with any such Joint Defense (the "Joint Defense Costs"). Subject to Section 4.8.2, any recovery (a "Recovery") from such a Joint Defense shall be shared equally by the Parties.

5.8.2 Failure to Pay. If either Party fails to pay its share of the Joint Defense Costs (the "Defaulting Party"), then the non-defaulting Party shall have the right, but not the obligation, to make any necessary payments on behalf of the Defaulting Party. The non-defaulting Party shall be fully reimbursed for any such payments plus interest of 10% per annum on the amount of such payments (collectively, the "Payment Reimbursement") before the Defaulting Party shall be entitled to its share of any recovery; provided, that the non-defaulting Party shall be entitled to deduct and setoff any such Payment Reimbursement from any related Recovery. In addition, for so long as the Defaulting Party is in default of any such payment obligations (including any prior and outstanding Payment Reimbursements), the non-defaulting Party shall have the right to make all decisions with respect to the Joint Defense.

5.9 Use of Other Party's Marks. Each Party shall submit to the other Party for its approval all promotional and advertising material that uses the other Party's name, trademarks, brands or logos, prior to any public or commercial use of such material.

#### ARTICLE 6 - REVENUE FROM JOINT TECHNOLOGY

6.1 Revenue from Joint Technology. The Parties agree that any Net Revenue generated by the licensing or sale of any Joint Technology, other than through the marketing or sale of the POS Reference Design and the POS Development Kits, shall be shared equally. For purposes of this Article 5, "Net Revenue" means gross revenue less all actual direct costs and expenses associated with any such licensing or sale of Joint Technology and specifically excludes the cost of overhead, the Party's sales force, sales commissions and other such indirect costs.

6.2. Quarterly Payments. Any share of the Net Revenue due to the other Party shall be paid within 45 days after the end of each quarter and shall be accompanied by a full accounting of the payment, including the gross revenue and any direct costs and expenses deducted in determining the Net Revenue.

6.3 Audit. Each Party (the "Auditing Party") shall have the right to audit the other Party's books and records in connection with any Net Revenue upon reasonable notice and at reasonable times but no more frequently than twice per calendar

year. The cost of any such audit shall be borne by the Auditing Party, unless the audit reveals discrepancies in favor of the Auditing Party in excess of 10% above the amount previously paid to the Auditing Party. In this case, the full cost of such audit shall be borne by the other Party.

#### ARTICLE 7 - REPRESENTATIONS AND WARRANTIES; PERFORMANCE

7.1 Representation and warranties. NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES WITH REGARD TO THE PERFORMANCE OF ANY OF ITS OBLIGATIONS UNDER THIS AGREEMENT. EACH PARTY HEREBY DISCLAIMS ANY WARRANTIES OF ANY KIND, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR ERROR-FREE PERFORMANCE (WHETHER OR NOT THE ERROR IS DISCOVERABLE).

7.2 Performance. Each Party shall:

- (a) Use commercially reasonable skill and care in the performance of its obligations;
- (b) Document its activities related to the activities under this Agreement by maintaining a properly witnessed, hardbound laboratory notebook (to the extent applicable) accessible to the other Party upon request;
- (c) Perform its obligations under this Agreement in conformance with the standards generally observed in the industry for similar services, at the time of such performance; and
- (d) Perform its obligations in accordance with any due date agreed between the Parties or, in any event, in a timely and professional manner.

#### ARTICLE 8 - TERM AND TERMINATION

8.1 Term. This Agreement shall commence on the Effective Date and shall continue in force for five years and shall automatically be renewed for one year periods unless notified by the other Party no less than 60 days prior to end of the current year that it does not wish to renew this Agreement or earlier terminated pursuant to this Article 8 or Section 11.2 (the "Term").

8.2 Termination for Breach. Each Party shall have the right, without prejudice to its other rights or remedies, to terminate this Agreement immediately by written notice to the other Party if the other Party:

- (a) Has materially breached any of its obligations under this agreement and either the breach is incapable of remedy or the other Party shall have failed to remedy that breach within thirty (30) days after receiving written notice requiring it to remedy that breach;
- (b) Becomes bankrupt, insolvent or subject to an order for liquidation, administration, winding-up or dissolution; or
- (c) Makes any assignment for the benefit of creditors.

This right of termination is in addition to any right that the terminating Party may have to claim damages or seek any other legal or equitable remedies.

8.3 Termination for Convenience. Either Party may terminate this Agreement with out cause at any time upon two (2) months written notice to the other Party. 8.4 Survival. The following provisions shall survive expiration or termination of this Agreement for any reason:

- (a) Articles 4, 5, 6, 8, 9 and 10; and
- (b) any provision that plainly indicates that it should survive.

#### ARTICLE 9 - LIMITATIONS ON LIABILITY

- 9.1 Generally. NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGES, INCLUDING LOSS OF BUSINESS, PROFITS OR GOODWILL, WHETHER ARISING FROM NEGLIGENCE, BREACH OF CONTRACT OR OTHERWISE, EVEN IF SPECIFICALLY INFORMED OF OR OTHERWISE HAVING A REASON TO KNOW, OF THE LOSS OR DAMAGE.
- 9.2 Damage to Persons or Property . Neither Party shall make any claim against, or be liable to, the other Party with respect to any injury, death, damage, or loss to persons or property involved in operations undertaken pursuant to this Agreement, whether such injury, death, damage, or loss arises through negligence or other wise.
- 9.3 Delayed Performance. Neither Party shall make any claim against the other Party for damages or other for any delay (including a deferral, suspension or postponement) in the performance of any of its obligations under this Agreement.



#### ARTICLE 10 - CONFIDENTIALITY

Except as specifically authorized herein, neither Party shall disclose or use for any purpose outside the scope of this Agreement, any Confidential Information acquired or learned by such Party (including its employees, directors, officers, agents and/or contractors) from or about the other Party, except with such other Party's prior written permission. In the event that a Party is compelled by law to disclose Confidential Information of the other Party, such Party shall provide the other Party with notice of such compelled disclosure and a reasonable opportunity to contest it and shall seek a protective order. In the event a Party seeks to divulge or otherwise improperly use any such Confidential Information, the other Party shall have the right in addition to any other remedies available to it, to seek injunctive or other equitable relief to enjoin such acts, it being specifically acknowledged by the Parties that any other remedies may be inadequate. Upon expiration or termination of this Agreement for any reason, each Party shall return any Confidential Information of the other Party (which may include that Party's Technology or Deliverables) to the other Party; provided that each Party may keep one copy of any such Confidential Information for compliance or litigation purposes so long as it is kept confidential in accordance with this Agreement. Any unauthorized submission or disclosure, in violation of Section 5.7, shall be considered a breach of this Article 10. This Article 10 shall survive any termination of this Agreement.

#### ARTICLE 11 - MISCELLANEOUS

- 11.1 Relationship Between the Parties. The Parties are independent contractors to each other, and nothing in this Agreement shall be deemed to create an employment, partnership, or agency relationship.
- 11.2 Force Neither Party shall be liable to the other for any delay or nonperformance of its obligations under this Agreement arising from any cause beyond its reasonable control including, without limitation, any of the following: act of God, governmental act, war, fire, flood, explosion, accident, civil commotion, labor stoppage or impossibility of obtaining materials. Subject to the affected Party promptly notifying the other Party in writing of the cause and the likely duration of the cause, the performance of the affected Party's obligations, to the extent affected by the cause, shall be suspended during the period that the cause persists provided that, if performance is not resumed within two (2) months after the date of that notice, the other Party may by notice in writing terminate this Agreement with immediate effect, notwithstanding any obligations of the Parties under this Agreement.

- 11.3 Assignment. Except as authorized herein, neither Party shall assign, transfer (whether by operation of law or otherwise) or otherwise part with any of its rights, or delegate or subcontract any of its duties or obligations under this Agreement, without the prior written consent of the other Party, except that, upon notice to the other Party, either Party may assign or transfer its rights, duties, and obligations under this Agreement to a wholly owned subsidiary, or to a Third Party acquiring the whole or a majority of its stock, assets, or intellectual property, pertaining to the subject matter of this Agreement, without the consent of the other Party. This Agreement shall be binding on and inure to the benefit of any heirs, permitted assignees, permitted transferees, or permitted successors.
- 11.4 Waivers. A waiver (whether express or implied) by either Party of any of the provisions of this Agreement or of any breach of or default by the other Party in performing any of those provisions shall not constitute a continuing waiver and that waiver shall not prevent the waiving Party from subsequently enforcing any of the provisions of this Agreement not waived or from acting on any subsequent breach of or default by the other Party under any of the provisions of this Agreement.
- 11.5 Amendments. Except as authorized herein, no amendment, waiver or variation of this Agreement shall be binding on the Parties unless set out in writing, expressed to amend this Agreement and signed by or on behalf of each of the Parties.
- 11.6 Severability. The invalidity, illegality or unenforceability of any of the provisions of this Agreement shall not affect the validity, legality and enforceability of the remaining provisions of this Agreement.
- 11.7 Entire Agreement. This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof, and supersedes all previous agreements and understandings between the Parties. Except as authorized herein, this Agreement may not be modified except via a writing signed by both Parties.
- 11.8 Governing Law and Jurisdiction. This Agreement is governed by and shall be construed in accordance with the laws of the State of New York, without giving effect to its choice of laws provisions. Each Party submits to the jurisdiction and venue of the Federal courts located in New York County, New York, for all purposes relating to this Agreement.
- 11.9 Notices. All notices, consents, requests, demands or other legal communications between the respective Parties shall be in writing and shall be effective for all purposes upon receipt, including without limitation, in the case of: (i) personal delivery; (ii) delivery by messenger, express or air courier or similar courier; (iii) delivery by United States first class certified or registered mail, postage prepaid; (iv) transmittal by telecopier or facsimile and confirmed by the recipient; or (v) transmittal by e-mail, if addressed as follows:

If to USAT: 200 Plant Avenue  
Wayne, PA 19087  
Att: H. Brock Kolls,  
Senior Vice President  
(610) 989-0340 (Voice)  
(610) 989-0344 (fax)  
E-mail: sherbert@usatech.com

If to ZiLOG: 532 Race Street  
San Jose, CA 95126  
Att: Senior Vice President,  
System Development  
(408) 558-8500 (voice)  
(408) 558-8300 (fax)  
E-mail: nsheridan@zillog.com

Either Party may change its address by written notice to the other in the manner set forth above. Receipt of communications sent under (iii) or (iv) of this Article will be sufficiently evidenced by return receipt. In the case of illegible or otherwise unreadable facsimile transmissions, the receiving Party shall promptly notify the transmitting Party of any transmission problem and the transmitting Party shall promptly resend any affected pages.

10.10 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and counterpart signature pages may be assembled to form a single original document.

10.11 Headers. The headings in this Agreement shall not affect its interpretation.

In witness whereof, the Parties have executed this Agreement on the dates set forth below.

Zilog INC.  
By /S/ Mike Burger  
-----

USA TECHNOLOGIES, INC.  
By /S/ Stephen P. Herbert  
-----

Name: Mike Burger  
Title: President

Name: Stephen P. Herbert  
Title: President

Date: 10/15/02

Date: 10/15/02

Appendix A  
POS REFERENCE DESIGN  
&  
POS DEVELOPMENT KIT

Zilof/Usa Technology DRAFT - Appendix A  
POS Development Kit Description

The POS Development Kit will be composed of two major components shown in Figure 1; the reference design (A) and the POS peripheral board (B).

(Graphic Omitted)

Figure 1 - e-Port™ reference design and POS peripheral board

e-Port™ REFERENCE DESIGN:  
-----

With respect to the e-Port™ reference design, ZiLOG and USA will focus on developing a low cost e-Port™ reference design targeted at the economy (low-end) POS market. The e-port reference design will initially include the following functionality:

- 1) Utilize ZiLOG eZ80™ processor technology;
- 2) An "out-of-the-box" limited use version of USALive™ (non-web-based version) for testing, and prototyping as well as be capable of accessing the web enabled version of the USALive™ network
  - a) Will utilize USA's turnkey banking process;
  - b) Will be networked to USA's USALive™ network;
- 3) e-Port™ test software

POS PERIPHERAL BOARD.  
-----

With respect to the POS peripheral board, ZiLOG and USA will focus on creating a peripheral board, which can showcase the features of the e-Port™ reference design and also provide the standard peripherals and communication interfaces required for the point-of-sale market.

The POS peripheral board will initially include the following:

- 1) Connector for e-Port™ reference design
- 2) Footprint for communication modules
- 3) Connector for hybrid card reader
- 4) Footprint for 2x16 LCD screen
- 5) Serial interface
- 6) Printer interface
- 7) Keypad interface
- 8) Power supply
- 9) Jtag or Zdi debug connector
- 10) Connector for eZ80™ Webserver development platform

The POS Development Kit will contain the following:

-----

- 1) e-Port™ REFERENCE DESIGN
- 2) POS PERIPHERAL BOARD - Items 1 and 2 combine to comprise the development board
- 3) Test Cards - for card reader
- 4) Assigned Merchant ID Number
- 5) Development Tools
  - a) Embedded Software Design tools - ZDS H
- 6) Example application
  - a) Instruction Manual to make application work
- 7) Development Board Drivers
- 8) PC applications
  - a) Software that runs on the PC to authenticate a transaction
  - b) Terminal configuration software
  - c) Common development tools
- 9) USALive network software
- 10) Necessary cables, connectors, and power supplies.

Appendix B

EMPLOYEE FUNCTIONAL CAPABILITIES

The POS Development Kit will be composed of two major components shown in Figure I of Appendix A; the ePort™ reference design (A) and the POS peripheral board (B). Below is a list of major tasks for creating the ePort™ reference design, POS peripheral board, software, and kit release.

Ref. Design and Peripheral Board

Ref Design Hardware

Schematic Pinout	USAT Board Design
Verification	Engineer USAT Board Design Engineer
Interface Debug	USAT Embedded Systems Engineer
Functional Testing	USAT Embedded Systems Engineer
Documentation delivery	USAT Embedded Systems Engineer

PCB

PCB Layout	ZiLOG PCB Layout Designer
PCB mfg-xx Boards	
PCB Assembly	

Peripheral Board Hardware

Schematic Pinout	ZiLOG Board Design Engineer
Verification	ZiLOG Board Design Engineer
Interface Debug	ZiLOG Embedded Systems Engineer
Functional Testing	ZiLOG Embedded Systems Testing Engineer
Documentation delivery	ZiLOG Embedded Systems Engineer

PCB

PCB Layout	ZiLOG PCB Layout Designer
PCB mfg-xx Boards	
PCB Assembly	

Software

Embedded SW Design Tools (ZDS)	USAT Embedded Software Engineer
Development Brd Drivers	USAT Embedded Software Engineer
Example E-Port Application	USAT Embedded Software Engineer
E-Port Application Manual	USAT Embedded Software Engineer
USALive network software	USAT Embedded Software Engineer
PC Simulation Application	USAT Embedded Software Engineer
First Article Application	USAT Embedded Software Engineer
/integration testing	
	USAT Embedded Systems Engineer
	ZiLOG Embedded Software Engineer
	ZiLOG Embedded Systems Engineer

POS Development Kit Creation

Full Release Testing	ZiLOG Embedded Software Engineer
Quick Start Guide	ZiLOG Embedded Systems Engineer

Kit List and Build

Create Bill of Materials	ZiLOG Board Design Engineer
Order components, boards, etc.	ZiLOG Board Design Engineer
Build	ZiLOG Board Design Engineer
Package Design	ZiLOG Graphic Artist

ZiLOG Part Number Creation

Web Entry for Kit availability	ZiLOG IT
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Position Descriptions:



## Embedded Systems Engineer

Able to design, develop and troubleshoot complex hardware and software solutions for systems that require embedded microcomputer command and control. Perform systems modeling, simulation and analysis in designing embedded systems. Responsibilities also include the creation of documentation for new hardware and software designs.

### Qualifications:

- \* BSEE, minimum (or its equivalent) Proven experience designing microcontroller-based systems, including communications protocols and IP networking
- \* Minimum of 5 years directly related experience
- \* Outstanding verbal and written communication skills
- \* Strong team orientation

## Embedded Software Engineer

Generate detailed embedded software requirements specifications from high-level product specifications, then drive the development of the software architecture, design, implementation, integration and testing of software applications for a next generation platform of embedded POS terminal. Develop and implement embedded software/firmware for the development of new products. Design and coding tasks will include Application Programming Interfaces (APIs), task Queuing, communications protocol stacks, command/message parsers for commodity and custom microprocessor based systems. Ensure software/firmware test/release procedures are followed. Follow up on the release of new revisions or bug fixes. Work very closely with hardware design engineers in the new product development.

### Qualifications:

- \* BS or NIS in Computer Engineering, Software Engineering,
- \* Electrical Engineering, or Computer Science
- \* Five years experience in design and implementation of embedded systems and software.
- \* Expert knowledge of C or C++ and assembly language.
- \* Experience with RTOS, device driver, application interface design, electrical engineering, and digital logic design including the ability to read a schematic.
- \* Experience with VHDL or other FPGA tools and 8-bit microcontroller architectures desirable.
- \* Software programming experience in several of the following areas: data communication (industrial fieldbus, RS485-232, USB, TCP, UDP, SDI-12, RF, etc.), data logging, A/D data acquisition control and intelligent sensor networks.

## Board Design Engineer

Hardware design responsibility for logic design of circuit board assemblies, schematic captures, vendor and customer interface, component selection. Directing layout designer to complete PCB layout, circuit board prototyping, lab bring-up, and debug. Design, debug and bring up printed circuit boards. Find chip related bus protocol problems and work with hardware and software groups to find resolution.

### Qualifications:

- o BSEE (or its equivalent)
- o Possess strong board / digital / analog design experience using high-speed microprocessors and their supporting chipsets, memory technologies, bus technologies, system I/O interface, field programmable gate arrays (FPGAs) and ASICs.
- o Strong knowledge and expertise in schematic capture and layout CAD tools and library support.
- o Requires a strong understanding of AGP, PCI, SDRAM/DDR, TMDS, LVDS, USB, Ethernet, IB, and ASIC(s).

## PCB Layout Designer

Support product development efforts by successfully translating engineering schematics to physical models. Involves working with design engineers to design printed circuit boards and modifying existing circuit boards to facilitate engineering changes.

### Qualifications:

- o Associates Degree
- o Recent (moderate to extended) direct experience in the design of analog/digital board schematic capture and layout through production.
- o Must have proficiency in all facets of design; experience with mixed signal layouts

containing both digital devices and sensitive analog signal circuits.

Appendix C

ZILOG REQUIREMENTS FOR RELEASE  
OF  
POS DEVELOPMENT KIT

## 1. PURPOSE

- 1.1. This document provides definitions for the severity of bugs and guidelines for releasing the POS reference design kit.

## 2. SCOPE

- 2.1. These guidelines apply to the POS reference design kit developed jointly by Zilog and USAT.

## 3. BUG DEFINITIONS

- 3.1. Catastrophic Bug (Level 1): A major bug that causes the operating system to crash and/or destroys data. No workaround exists and the customer cannot proceed until this item is fixed.

### Examples:

- o A write memory to disk command overwrites the entire disk space
- o Invoking a command locks up the system and only a reset recovers.

- 3.2. Major Bug (Level 2): A major malfunction bug that renders the product useless to the customer. No work-around exists. The customer can do almost no more useful work.

### Example:

- o The STOP command of the debugger fails to return control of the MCU to the user.

- 3.3. Severe Bug (Level 3): A significant error that prevents customer usage and is in a critical function so as significantly reduce the usefulness of the product. A workaround does not exist or is so difficult or time consuming to use as to render it useless. The customer can still do useful work but at a slower rate or in other areas of their project. The customer's project deadline is usually adversely affected.

### Example:

- o The memory change command does not work. Using the memory set command is a work-around.

- 3.4. Routine Bug: (Level 4): An error that impedes customer usage but is not in a critical system function. A work-around does not exist or is hard to use. The customer can still proceed with useful work and complete their project.

### Example:

- o Memory Search command fails with a range over 32K.

3.5. Minor Bug (Level 5): A minor error that does not prevent customer usage from completing their design. A work-around always exists and is easy to use.

Examples:

- o Typo in User's Manual or Help file.
- o Garbage character displayed along with all required data.

3.6. Enhancement Request (Level 6): A request to enhance the product functionality in hardware, software or documentation.

Examples:

- o Add an option to the memory search command to report all non-matches.
- o Add a troubleshooting section to the user's manual.

#### 4. RELEASE GUIDELINES

4.1. Never ship with Level 1 or 2 bugs.

4.2. Shipping with Level 3 bugs is discouraged and requires Support Products Director or Manager approval.

4.3. Excessive amounts (over 5) of Level 4 bugs will prevent product release/shipment.



Software	Type	Description
e-PortTmtest software	PC based - Visual Basic version	PC-development board interface software
e-PortTm reference design firmware	Assembly/C/C++/object	Reference design board eZ80 based firmware
Reference Design Configuration Software	PC based -Visual Basic version	Terminal configuration software, settings, operational parameters
USALive Network Software	PC based - Visual Basic version	Development board call in software, loads/runs on a single PC

Appendix E

USAT LICENSE TERMS



SOFTWARE LICENSE AGREEMENT

Licensor:

USA Technologies, Inc.  
200 Plant Avenue  
Wayne, PA 19087

End User:

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- - - - -  
- - - - -  
- - - - -  
- - - - -

Effective  
Date:  
- - - - -

INTENDING TO BE LEGALLY BOUND, and in consideration of the mutual agreements stated below, Licensor and End User agree as follows:

SECTION I.: DEFINED TERMS  
- - - - -

1. "Affiliated Party" means, with respect to a given Person, any Person which, directly or indirectly, controls, is controlled by, or is under common control with, the given Person.
2. "Documentation" means all user, operating, programming and training manuals, technical information, and other documentation and materials provided by or on behalf of Licensor to End User in connection with the Software.
3. "Licensing Fee" means the license fees and payment terms applicable to this License Agreement, as defined and described on Schedule 1.3.
4. "Licensor Materials" means the Software, the Documentation, all confidential information, materials and trade secrets relating to Licensor or any Affiliated Party of Licensor.
5. "Liability" means any suit, action, proceeding at law or in equity, claim (groundless or otherwise), liability, loss, damage, payment, deficiency,

settlement, penalty, fine, cost and legal and other expense (including reasonable attorney fees and disbursements and court costs).

6. "Person" means any individual, sole proprietorship, joint venture, partnership, corporation, association, firm, trust, estate, governmental agency, regulatory authority, or any other legal entity.

7. "Software" means the e-Port software and all modifications and updates provided by or on behalf of Licensor to End User.

8. "System" means the Software and the Documentation.

## SECTION II.: GRANT OF LICENSE

1. Non-Exclusive Grant. In exchange for the Licensing Fees, Licensor hereby grants to End User a nonexclusive license to use the Software and the Documentation in the manner set forth in this Agreement. Licensor expressly reserves the right to reproduce, publish, sell, license and distribute the Software and Documentation to any Persons.

2. Non-transferrable. The license granted hereby is non-transferable. End User may not sell, assign or otherwise transfer any portion of the System to any Person, sublicense any Person to use any portion of the System or permit any Person to use the System, except as expressly provided in this Agreement.

3. Permitted Uses. In connection with the License granted by this Agreement, End User may do the following:

A. Have the Software installed in accordance with Licensor's instructions.

B. Use and execute the Software only on the microprocessor specified by type and identification number set forth in Schedule 2.3.

C. Use the System solely for the purposes of a "single contract relationship". Without limiting the generality of the foregoing, End User may not use any portion of the System in connection with any other service or supply relationship.

4. Restrictions. End User may only use the Software, Documentation and the Licensor Materials as specifically authorized in this Agreement. Without limiting the generality of the foregoing, End User is subject to the following restrictions:

A. End User may not use, copy, modify, alter, transfer or distribute the Software or Documentation (electronically or otherwise), or any copy, adaptation, transcription, or merged portion thereof, except as expressly authorized in this Agreement, or otherwise in a writing signed by Licensor.

B. End User may not reverse assemble, reverse compile, or otherwise translate the Software.

C. End User may not install the Software in any system or use it at any location, other than as set forth in Section 2.3, without Licensor's prior written consent. If End User uses, copies, or modifies the Software or if End User transfers possession of any copy, adaptation, transcription, or merged portion of the Software to any other party in any way not expressly authorized by Licensor, End User's license hereunder will automatically terminate.

D. End User may not demonstrate the Software before, or use the Software in the presence of, any third parties, without Licensor's prior written consent after first disclosing to Licensor who such third parties are and the purpose therefor. Licensor may withhold such consent for any reason.

E. End User shall act in accordance with the rules of the industry segment in which the End User operates, including various applicable merchant agreements.

### SECTION III: WARRANTIES AND LIMITATIONS

1. Software Conforms to Documentation. Licensor warrants, for End User's benefit alone, that the Software conforms in all material respects to the Documentation for the current version of the Software. This warranty is expressly conditioned on End User's observance of the operating instructions set forth in the Documentation. Licensor is not responsible for obsolescence of the Software that may result from changes in End User's requirements. The foregoing warranty shall apply only to the most current version of the Software issued by Licensor from time to time. Licensor assumes no responsibility for the use of superseded, outdated, or uncorrected versions of the Software.

2. End User's Exclusive Remedy. As End User's exclusive remedy for any material defect in the Software for which Licensor is responsible, Licensor shall attempt through reasonable effort to correct or cure any reproducible defect by issuing corrected instructions, a restriction, or a bypass. In the event Licensor does not correct or cure such nonconformity or defect after it has had a reasonable opportunity to do so, End User's exclusive remedy shall be to terminate this Agreement. Licensor shall not be obligated to correct, cure, or otherwise remedy any nonconformity or defect in the Software if End User has made any changes whatsoever to the Software, if the Software has been misused or damaged in any respect, or if End User has not reported to

Licensor the existence and nature of such nonconformity or defect promptly upon discovery thereof.

3. Disclaimer. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, LICENSOR DISCLAIMS ANY AND ALL PROMISES, REPRESENTATIONS, AND WARRANTIES WITH RESPECT TO THE SOFTWARE AND THE DOCUMENTATION INCLUDING ITS CONDITION, ITS CONFORMITY TO ANY REPRESENTATION OR DESCRIPTION, THE EXISTENCE OF ANY LATENT OR PATENT DEFECTS, ANY NEGLIGENCE, AND ITS MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE.

4. Limitations on Liability . Neither Licensor, nor any Affiliated Party of Licensor, shall have or suffer any liability for loss of data or documentation, it being understood that End User is responsible for reasonable backup precautions. In no event shall Licensor or any Affiliated Party of Licensor be liable for any loss of profits; any incidental, special, exemplary, or consequential damages; any claims or demands brought against End User, or any other Liability whatsoever, even if Licensor has been advised of the possibility of such claims or demands. This limitation upon damages and claims is intended to apply without regard to whether other provisions of this Agreement have been breached or have proven ineffective.

#### SECTION IV.: SUPPORT SERVICES

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Licensor shall support the System in the manner specified in Schedule 4. However, Licensor offers support only for the most current version of the Software issued by licensor from time to time, so End User is responsible for prompt substitution and/or incorporation of all new releases or fixes issued by Licensor pursuant to its warranty and support programs.

#### SECTION VI: END USER'S RESPONSIBILITIES

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Hardware. Licensor assumes no responsibility under this Agreement for obtaining or providing the hardware. End User is also responsible for ensuring a proper environment and proper utilities for the computer system on which the Software will operate, including an uninterrupted power supply.

#### SECTION VII: OWNERSHIP AND CONFIDENTIALITY

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1. Ownership. Licensor shall have sole and exclusive ownership of all right, title, and interest in and to the Licensor Materials, the System and all modifications and enhancements of the System (including ownership of all trade secrets and copyrights pertaining thereto), subject only to the rights and privileges expressly granted to End User herein by Licensor. This Agreement does not provide End User with title or ownership of the Software or Documentation, but only a right of limited

use. End User must keep the Software free and clear of all claims, liens, and encumbrances.

2. Not Impair Licensor's Rights. During the term of this Agreement and at all times thereafter, End User will not contest or impair, directly or indirectly, licensor's ownership of the Software, Documentation or any of the Licensor Materials.

3. Confidentiality.

A. The Licensor Materials, including the ideas and expressions thereof which are contained therein, are acknowledged by End User to be confidential, proprietary information of Licensor, and trade secrets of great value to Licensor.

B. The Licensor Materials are provided to End User for the exclusive use of End User strictly in accordance with the provisions of this Agreement, and shall be held in confidence by End User. End User shall not in any manner or form disclose, provide, or otherwise make available, in whole or in part, the Licensor Materials or any other confidential proprietary information of Licensor to any Person (other than End User's employees in the scope of their employment). End User shall take all appropriate action, whether by instruction, agreement or otherwise with its employees and others to ensure the protection, confidentiality and security of the Licensor Materials. End User agrees to use at least the same degree of care in maintaining the confidentiality of such information and materials that End User exercises in maintaining the confidentiality of its own trade secrets and confidential information and materials.

4. Remedies. End User acknowledges that, in the event of End User's breach of any of the provisions of this Agreement, licensor will not have an adequate remedy in money or damages. Licensor and/or an Affiliated Party of licensor, as applicable, shall be entitled to obtain an injunction against such breach issued by any court of competent jurisdiction immediately upon request. The right of Licensor or an Affiliated Party of licensor to obtain injunctive relief shall not limit its or their right to seek further remedies available in law or in equity.

#### SECTION VII CLAIM OF INFRINGEMENT

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If a third party claims that the Software infringes its patent, copyright, or trade secret, or any similar intellectual property right, Licensor will take commercially reasonable steps to remedy the alleged infringement, including obtaining an appropriate license for the Software, provided that End User promptly notifies Licensor in writing of the claim. If such a claim is made or appears possible, End User agrees to permit Licensor to enable End User to continue to use the Software, or to modify or replace the Software and/or Documentation. If licensor determines that none of these alternatives is desirable or is reasonably available, End User agrees to de-install and to return all copies of the Software and/or Documentation on licensor's written request and the

license provided for herein shall ten-ninate. Notwithstanding the foregoing, Licensor has no obligation for any claim based on End User's modification of the Software or its combination, operation, or use with any product, data, or apparatus not specified or provided by Licensor, provided that such claim is based on such combination, operation, or use and such claim would be avoided by combination, operation, or use with products, data, or apparatus specified or provided by Licensor. THIS PARAGRAPH STATES LICENSOR'S ENTIRE OBLIGATION TO END USER WITH RESPECT TO ANY CLAIM OF INFRINGEMENT.

SECTION V111.: AUDIT RIGHTS  
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End User hereby authorizes Licensor, or an authorized agent of Licensor, to work with End User's OEM partner who is installing the Software in order to track the number of microprocessors in which the Software has been installed. Licensor understands that any trade secrets or other confidential information and materials of End User that are disclosed or discovered through such audit may be valuable assets of End User; Licensor agrees to use at least the same degree of care in maintaining the confidentiality of such information and materials that Licensor exercises in maintaining the confidentiality of its own trade secrets and confidential information and materials.

SECTION IX.: TERM; TERMINATION  
-----

1. Term. This Agreement is effective as of the date hereof, and shall continue until ten-ninated as provided herein.

2. Termination.

A. This Agreement shall automatically terminate upon End User ceasing to use the Software.

B. This Agreement shall automatically terminate immediately upon End User's material a] breach of this Agreement, provided that End User shall have failed to cure any such breach within 30 days notice thereof by Licensor.

C. This Agreement may be terminated at any time by Licensor for its convenience upon 30-days prior notice to End User, at no cost to Licensor.

3. Effect of Termination. Upon termination of this Agreement, 0 tights granted to End User will terminate and revert to Licensor. Promptly upon termination of this Agreement for any reason or upon discontinuance or abandonment of End User's possession or use of the System, End User must de-install all portions of the Software from the hardware, and return or destroy, as requested by Licensor, all copies of the Software and Documentation in End User's possession (whether modified or

unmodified), and all other materials pertaining to the System (including all copies thereof). End User agrees to certify in writing End User's compliance with the requirements of this Section 9.3, upon Licensor's request. For a period of 12 months after the termination of this Agreement, End user shall permit Licensor, or an authorized agent of Licensor, to enter End User's premises and to inspect End User's computer equipment and facilities in order to verify End User's compliance with this Section 9.3. Licensor understands that any, trade secrets or other confidential information and materials of End User that are disclosed or discovered through such audit may be valuable assets of End User; Licensor agrees to use at least the same degree of care in maintaining the confidentiality of such information and materials that Licensor exercises in maintaining the confidentiality of its own trade secrets and confidential information and materials.

4. Surviving Provisions. The following provisions of this Agreement shall survive any termination of this Agreement: Sections 3, 6 and 9.3.

#### SECTION X.: GENERAL PROVISIONS

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1. Relationship between Parties. The relationship between Licensor and End User is that of independent contractors, and not partners, joint ventures or agents. Neither party has any authority to bind the other party in any manner. Neither party will be liable for any debts or liabilities of the other party, and, except as otherwise provided in this Agreement, each party will be responsible for its own expenses incurred in performing its obligations under this Agreement.

2. Entire Understanding. This Agreement, together with the exhibits and schedules to this Agreement, state the entire understanding between the parties with respect to the subject matter hereof and supersede all earlier and contemporaneous oral and written communications and agreements with respect to the same subject matter. Except as expressly provided herein, neither this Agreement, nor any exhibit or schedule to this Agreement, may be amended or modified except in a written document signed by both parties.

3. Additional Documents. Each of the parties hereto shall take or cause to be taken all actions, or do or cause to be done all things, or execute and deliver any and all documents, instruments and writings, necessary, convenient, proper or advisable to consummate, make effective, and carry out the terms and provisions of this Agreement.

4. Parties in Interest. This Agreement will bind, benefit, and be enforceable by End User and Licensor, and their respective successors and, to the extent permitted hereby, assigns. Without the prior written consent of Licensor, End User may not assign, sublicense or subcontract any of its rights or obligations under this Agreement to any Person. Nothing herein expressed or implied is intended or shall be construed to confer upon or to give to any Person, other than the parties hereto, their

respective successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

5. No Waivers. No failure to exercise, delay in exercising, or single or partial exercise of any right, power or remedy by either party, and no course of dealing between the parties, will constitute a waiver of, or will preclude any other or further exercise of, the same or any other right, power or remedy.

6. Severability. If any provision of this Agreement is construed to be invalid, illegal or in unenforceable, then the remaining provisions will not be affected thereby and will be enforceable without regard thereto.

7. Section Headings. Section and subsection headings are for convenience of reference only, do not constitute part of this Agreement, and will not affect its interpretation.

8. Inclusion. As used in this Agreement, the word "including" means "including but not limited to."

9. Governing Law. This Agreement shall be interpreted and construed in accordance with the laws of the Commonwealth of Pennsylvania, without reference to choice of law principles.

WITNESS THE DUE EXECUTION AND DELIVERY HEREOF AS OF THE DATE FIRST STATED ABOVE.

USA TECHNOLOGIES, INC.

By: \_\_\_\_\_

Name and Title: \_\_\_\_\_

END USER: \_\_\_\_\_

By: \_\_\_\_\_

Name and Title: \_\_\_\_\_



Appendix F

ZILOG STANDARD TERMS AND CONDITIONS

## 1. GENERAL

These Standard Terms and Conditions of Sale and those noted on the front of ZiLOG's Sales Order Acknowledgment (collectively hereinafter "Terms and Conditions") shall govern all sales by ZiLOG to Buyer. These Terms and Conditions shall be construed as an offer or counteroffer and shall not be construed as an acceptance of Buyer's Purchase Order. After the last Sales Order Acknowledgment is submitted by ZiLOG to Buyer, no modification or addition thereto shall be binding on either party unless it is in writing and, signed by both parties. Products ("Products") shall mean any of the Product Types listed in Section 7(c) below.

## 2. TERMS OF PAYMENT

All Products sold to Buyer will be invoiced upon shipment by ZiLOG. Terms of payment shall be net thirty (30) days from date of invoice, subject to the approval of the ZiLOG Credit Department. ZiLOG reserves the right to require payment in advance, C.O.D. or to otherwise modify credit terms. ZiLOG reserves the right to charge interest from the date payment is due, at the maximum legal rate on all delinquent accounts.

## 3. TAXES

Buyer shall provide to ZiLOG any applicable correctly completed tax exemption certificate(s). Otherwise, Buyer shall pay to ZiLOG, in addition to the prices provided for herein, any foreign or domestic duty, sales or use tax, transfer tax, excise tax or similar charge (exclusive of taxes based on net income or net worth) which ZiLOG may be required to pay with respect to the production, manufacture, sale, transportation, storage, delivery or use of Products sold hereunder.

## 4. SHIPMENT AND DELIVERY

(A) Unless otherwise specified, delivery will be made F.O.B. Destination for sernicon ductor components, board level products, development systems, microcomputer systems, and/or peripherals. All goods sold hereunder will be delivered to a carrier who shall be selected by ZiLOG unless Buyer requests in writing use of another carrier. All risks of loss will pass to Buyer upon delivery by ZiLOG to the carrier. ZiLOG shall exert good faith efforts to make all shipments in accordance with delivery dates noted in Buyer's copy of ZiLOG's Sales Order Acknowledgment.

(B) Each shipment made hereunder shall be considered a separate transaction. In the event of default by Buyer, ZiLOG may decline to make further shipments. If ZiLOG elects to continue to make shipment, such action shall not constitute a waiver of any default by Buyer or any provision of these Terms and Conditions.

(C) Buyer shall indemnify and defend ZiLOG against any and all claims or losses to Zi LOG resulting from the negligent or other unlawful acts of a carrier selected by Buyer.

#### 5. SECURITY INTEREST

ZiLOG hereby reserves a purchase money security interest in the goods sold hereunder and all the proceeds thereof, including, but not limited to, insurance proceeds to secure performance of all Buyer's payment obligations under this Agreement. Buyer's failure to pay any amount when due shall give the ZiLOG the right to repossess and remove the goods, provided that such repossession and removal shall not be made from any customer of Buyer's except upon ten (10) days prior notice to Buyer. Such repossession and removal shall be without prejudice to any of ZiLOG's other remedies at law or in equity. Buyer agrees, without further consideration, at any time to do or cause to be done, to execute and to deliver all such further acts and instruments as ZiLOG may reasonably request in order to perfect ZiLOG's security interest in the goods, including without limitation, a financing statement appropriate for filing. If Buyer, for whatever reason, fails to sign a financing statement after ZiLOG has reasonably requested that Buyer sign such a financing statement, Buyer agrees that ZiLOG shall have the authority as Buyer's attorney-in-fact to sign the financing statement as Buyer's agent.

#### 6. INSPECTION AND ACCEPTANCE

The performance of the Product shall be in accordance with the ZiLOG Customer Procurement Specifications referenced on the front hereof. The Buyer shall inspect and accept the Products within two (2) weeks of the date of Buyer's receipt or four (4) weeks from the date of ZiLOG's shipment, whichever is the shorter period. Any claim for Products not conforming to the Customer Procurement Specifications must be made in writing within this period. ZiLOG has the right to examine at Buyer's premises, any products the Buyer claims are nonconforming. ZiLOG has the right to impose a reasonable rescreening charge (of not less than 25 cents per unit for semiconductor components) if shipments returned to ZiLOG are found to be within the Acknowledgment Quality level. Repairs that are ZiLOG's responsibility may be made, at ZiLOG's election, at Buyer's premises.

#### LIMITED WARRANTY

(A) Hardware: ZiLOG warrants for the applicable period as set forth in subsection (C) that Products will be free from defects in workmanship or material under normal use and service. ZiLOG's obligation under this warranty shall not arise until Buyer returns the defective product, freight prepaid to ZiLOG's facility. ZiLOG's sole obligation under this warranty shall be, at its option, to replace or repair, without charge, any defective Product or component part of such Products.

(B) Software and Firmware: ZiLOG warrants for the period set forth in subsection (C) that Software and Firmware supplied hereunder shall be free of material defects and conform to published ZiLOG specifications. ZiLOG's sole obligation, and Buyer's sole remedy shall be for ZiLOG to exert its best efforts to correct such defects and to supply Buyer with a corrected version within a reasonable time after Buyer notifies ZiLOG in writing of any defect.

This warranty does not cover any modifications to the Software and Firmware made by any person other than ZiLOG, or defects caused by, or otherwise related to, such modification.

(C) Effective period of warranty:

PRODUCT TYPE	FROM DATE OF SHIPMENT
Board Level Products )	
Development Systems )	90 Days
Microcomputer Systems )	
Peripherals )	
Software/Firmware	90 Days, unless otherwise
stated Semiconductor Components	1 Year
Semiconductor Die or Wafers	See (E) below

Any replacement of Products, or components thereof, under this warranty shall not extend the period of the warranty which was applicable at the initial sale of the Product.

ZiLOG shall not be liable under this warranty if (i) the Products which Buyer alleges are defective have been repaired or altered by anyone other than ZiLOG's designated personnel or authorized representative unless such repair or alteration was effected pursuant to the prior written approval of ZiLOG or (ii) testing and examination by ZiLOG reveals the alleged defect to have been caused by Buyer's misuse, neglect, improper installation or any other cause beyond the range of intended use of the Products or by accident, fire or other hazard.

(D) Buyer or Buyer's customer retains sole responsibility for all Software, Information or Memory Data stored on or integrated with any of the Products returned under this warranty. In some cases, products sold pursuant to this Sales Order Acknowledgment may have been used and refurbished by ZiLOG before sale hereunder. ZiLOG warrants all such refurbished products perform identically to all new products sold by ZiLOG.

(E) Semiconductor wafers or die are sensitive to handling, environmental conditions, and performance alterations during Buyer's assembly and test of Products. ZiLOG makes no warranty concerning these wafers or die other than that they were manufactured and tested in accordance with ZiLOG's usual manufacturing and test practices. Buyer is responsible for testing these wafers and die products within two (2) weeks of the date of Buyer's receipt or four (4) weeks from the date of ZiLOG's shipment, whichever is the shorter period. Any claim for nonconformance must be made before this period expires or before Buyer commences assembly of the Product. AFTER BUYER BEGINS ASSEMBLY OR THE TIME PERIODS SPECIFIED ABOVE EXPIRE, THE PRODUCT IN DIE OR WAFER FORM SHALL BE DEEMED SOLD TO BUYER ON AN "AS IS" BASIS, AND ZILOG SHALL NOT WARRANTY THE PERFORMANCE OF THE-PRODUCT.

## 7. LIMITS OF LIABILITY AND INDEMNIFICATION

(A) THE WARRANTIES OF ZILOG SET FORTH ABOVE ARE IN LIEU OF, AND BUYER HEREBY WAIVES ALL OTHER WARRANTIES OF ZILOG, EXPRESS OR IMPLIED, ARISING OUT OF OR IN CONNECTION WITH, THE SALE OF PRODUCTS, OR THE USE, INSTALLATION OR PERFORMANCE THEREOF, IN THE COURSE OF DEALING OR PERFORMANCE UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

(B) ZILOG SHALL NOT BE LIABLE TO BUYER, TO BUYER'S CUSTOMERS OR TO ANY OTHER PERSON, AND BUYER AGREES TO INDEMNIFY ZILOG WITH RESPECT TO ANY CLAIM FOR INCIDENTAL, SPECIAL, INDIRECT, PUNITIVE, OR CONSEQUENTIAL DAMAGES, INCLUDING LOSS OF PROFIT, AND LOSS OF PLANT, EQUIPMENT OR PRODUCTION ARISING FROM THE SALE OR SUBSEQUENT USE OF PRODUCTS.

(C) TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL THE TOTAL LIABILITY OF ZILOG ARISING OUT OF THESE TERMS AND CONDITIONS OR THE USE OR PERFORMANCE OF THE PRODUCTS EXCEED THE SUM OF THE AMOUNTS PAID BY BUYER FOR THE PRODUCTS.

## 8. PATENT INFRINGEMENT INDEMNIFICATION

(A) ZiLOG agrees, at its own expense, to defend Buyer and any customer thereof ("in denmittee") from and against any claim, suit or proceeding, and to pay all judgements and costs finally awarded against Buyer or said customer by reason of claim, suit or proceeding insofar as it is based upon an allegation that the Products or any part thereof furnished by ZiLOG infringe any letter patent, if ZiLOG is notified properly of such claim in writing and is given authority and full and proper information and assistance (at ZiLOG's expense) for defense of the same. In case such Products, or any part thereof, are held in such suit to constitute infringement and the use of Products or any part is enjoined, ZiLOG shall at its sole discretion and at its own expense: (1) procure for the indemnitee the right to continue using the Products or part; (2) replace or modify the same so that it becomes noninfringing; or (3) remove such Products or part thereof and grant indemnitee a credit for the depreciated value of the same.

(B) The indemnitee shall have the right to employ separate counsel in any claim, suit or proceeding set forth in paragraph (A) and to participate in the defense thereof, but the fees and expenses of the indemnitee's counsel shall not be borne by ZiLOG unless: (1) ZiLOG specifically so agrees; or (2) ZiLOG, after notice and without cause does not assume such defense. ZiLOG shall not be liable to indemnify indemnitee for any settlement-effected without ZiLOG's consent, which consent shall not be unreasonably withheld.

(C) The indemnification set forth in subsection 9(A) shall not apply and Buyer shall indemnify ZiLOG and hold it harmless from all liability or expense (including costs of suit and attorney's fees) if the infringement arises from, or is based upon ZiLOG's compliance with

particular requirements of Buyer or Buyer's customer that differ from ZiLOG's standard specifications for the Products, or modifications or alterations of the Products, or a combination of the Products with other items not furnished or manufactured by ZiLOG.

(D) Buyer agrees that ZiLOG shall not be liable for any collateral, incidental, punitive or consequential damages arising out of any patent infringement.

(E) The foregoing states the entire liability of ZiLOG for patent infringement.

9. FORCE MAJEURE

Neither party to this Agreement shall be responsible or liable to the other party, to any third party for any damages including, without limitation, incidental and consequential damages, arising out of, nonperformance or delay in performance of the terms and conditions herein due to acts of God, wars, riots, strikes, unavailability of suitable and sufficient labor, materials, die or capacity or technical or yield failures and except as provided in section 4(C) above, any unforeseen event-beyond its control.

If any such events occur, ZiLOG may, in its sole discretion, allocate production and deliveries among any and all of its customers and for its own requirements for further manufacture and other use.

10. PROPRIETARY RIGHTS

Buyer agrees that ZiLOG retains proprietary rights in and to all Product specifications, designs and engineering details for Products, to all ZiLOG designed Software and Firmware, to all manuals marked as proprietary, to all discoveries, inventions, patent and other proprietary rights arising out of work done in connection with any contract between Buyer and ZiLOG, and to all other information or assistance of a technical nature provided to Buyer by ZiLOG that is not so provided for reproduction or delivery to Buyer's customers. Buyer warrant that it will not disclose in any manner to any third person information to which ZiLOG retains proprietary rights therein.

11. CANCELLATION, RESCHEDULE AND FAILURE TO RELEASE

(A) If Buyer cancels shipment of any purchase order, or a portion of any purchase order, or reschedules without prior agreement by ZiLOG any purchase order, or a portion of any purchase order, the following charges may, at ZiLOG option, be assessed and invoiced by ZiLOG.

Product Type	Notice Received Prior to	Cancellation/Reschedule Charges:
Commercial	Schedule Date: 0 - 30 days	No cancellations allowed 15% restocking charges apply

Military	0 - 60 days	No cancellations allowed 100% invoice charges apply
ROM for	0 - 60 days	No cancellations allowed Invoice for Work-in-Process or 100% invoice charges for finished goods.
IrDA Custom Product"	0 - 90 days	No cancellations allowed Invoice for Work-in-Process or 100% invoice charges for finished goods.

ROM CODE VARIATIONS: Since ROM Coded Products are custom products made specifically for Buyer, Buyer agrees that ZiLOG may ship a quantity of such ROM Coded Products which is five percent (5%) more or less than the quantity ordered and that such variation will be accepted as delivery in full and paid for by Buyer.

\*Notice shall be calculated from the Customer Request Date confirmed in the most recent Sales Order Acknowledgment.

\*\* An IrDA Custom Product constitutes any transceiver that deviates from its standard manufacturing flow to specifically suit the requirements of one customer. This transceiver is assigned a special part number, and can only be used by Buyer for which it was produced.

(B) ZiLOG price quotations and acknowledgments are dependent upon quantity and schedule. If Buyer does not release the full quantity quoted and acknowledged within the time frame stated on the quotation, ZiLOG reserves the right, at ZiLOG's sole discretion, to either invoice the full quantity quoted and acknowledged within the time frame stated on the quotation or to invoice for a higher price in accord with ZiLOG's price schedule for the lower quantity actually released by Buyer.

## 12. REMEDIES AND DAMAGES

(A) If Buyer rightfully and timely rejects or justifiably revokes acceptance of items or if Buyer has accepted nonconforming items and has timely notified ZiLOG of a breach of warranty, Buyer's sole and exclusive remedy will be for ZiLOG (at ZiLOG's option) to repair, replace or credit Buyer/Buyer's-account with respect to any nonconforming goods returned to ZiLOG during the applicable warranty or inspection period set forth above and with respect to any nonconforming services on the condition that (i) ZiLOG is promptly, upon Buyer's discovery of the nonconformity, notified in writing with a detailed explanation, (ii) ZiLOG issues a Return Material Authorization ("RMA") number for return of goods F.O.B. ZiLOG's designated plant and (iii) ZiLOG's examination discloses that such items are non conforming. Such RMA shall be effective for forty-five (45) days from issuance date.

(B) ZiLOG has the right to terminate this Agreement if in ZiLOG's sole judgment

Buyer's financial condition does not justify the terms of payment applicable from time to time and upon demand, Buyer does not immediately comply with any modification of payment terms required by ZiLOG in accordance with paragraph 2.

### 13. SOFTWARE AND FIRMWARE

Software and Firmware shall be licensed by ZiLOG upon Buyer's execution of the applicable ZiLOG Software License Agreement which along with these Standard Terms and Conditions of Sale, shall govern the use of ZiLOG Software and Firmware.

### 14. EXPORT OR REEXPORT REQUIREMENTS

Buyer and ZiLOG shall comply with all export laws of the United States. Export directly or indirectly of these Products, or goods containing these Products to any other country may be prohibited unless Buyer obtains prior export or re-export authorization from the United States Government. Buyer shall hold ZiLOG harmless and indemnify it for any fines, penalties or other liability, (including attorney's fees) that result from Buyer's failure to meet these obligations.

### 15. GENERAL

(A) This Agreement and the Sales Order Acknowledgement constitute the entire agreement between the parties and supersedes all prior agreements and understandings between them relating to the subject matter hereunder and no modification of this Agreement shall be binding on either party unless it is in writing and signed by both parties.

(B) No waiver of any provision of this Agreement shall be effective unless made in writing.

(C) Buyer and ZiLOG agree that this Agreement is made and entered into in, and shall be governed by the laws of , the State of California. Buyer and ZiLOG consent to jurisdiction of any state or federal court in California to resolve any claim or controversy arising from or in any manner related to the transaction documented in this Agreement.

(D) Section headings are for convenience only and shall not be considered in the interpretation of this Agreement.

(E) The plural shall include the singular, and the singular shall include the plural when ever used.

(F) The provisions of this Agreement are severable and if any one or more such provisions are judicially determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions or portions of this Agreement shall nevertheless be binding on and be enforceable by and between the parties.



(G) The prevailing party in any legal action brought by one party against the other shall be entitled, in addition to any other rights and remedies it may have, to reimbursement for its expenses incurred thereby, including court costs and reasonable attorney's fees.

(H) All notices required or permitted hereunder shall be in writing and shall be personally delivered or dispatched by prepaid first-class airmail or by fax and sent to the address indicated.

This Agreement may not be terminated by Buyer without ZiLOG's prior written consent. If ZiLOG so consents to such termination, Buyer shall be liable for termination charges, including without limitation, a price adjustment based on the quality of products actually delivered and all costs direct and indirect, incurred and committed for this Agreement together with reasonable allowance for prorated expenses and anticipated profits.

(I) An action for breach of contract for sale or any other legal or equitable cause of action arising from or in any manner related to the order specified in the Quotation or Sales Order Acknowledgment must be commenced within one (1) year after the cause of action has occurred.



VENDING PLACEMENT, SUPPLY AND DISTRIBUTION AGREEMENT  
BETWEEN  
EASTMAN KODAK COMPANY  
AND  
MAYTAG CORPORATION  
AND  
DIXIE-NARCO, INC.  
AND  
E-VEND.NET CORPORATION

TABLE OF CONTENTS

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1.	STRATEGIC ALLIANCE .....
2.	VENDING SYSTEMS PLACEMENT COMMITMENTS .....
3.	EXCLUSIVE RELATIONSHIP .....
4.	SLOTING FEES .....
5.	TARGET LOCATIONS .....
6.	SOLICITATION OF TARGET LOCATIONS .....
7.	PLACEMENT AGREEMENTS .....
8.	INSTALLATION OF VENDING SYSTEMS .....
9.	RETAIL SALE; PRICE AND TERMS. ....
10.	PACKAGE / SIGNAGE. ....
11.	RETURN PRIVILEGES / STOCK BALANCING .....
12.	INTERNET REPORTING .....
13.	CUSTOMER SERVICE AND VENDING SYSTEMS MAINTENANCE .....
14.	TERM / CAUSES FOR TERMINATION,.....
15.	WIND-DOWN PERIOD .....
16.	ESCROW OF VENDING SYSTEMS, SOFTWARE, SOURCE CODES AND HARDWARE EQUIPMENT .....
17.	INDEMNIFICATION .....
18.	EXCLUSION OF CONSEQUENTIAL DAMAGES.....
19.	PROPRIETARY RIGHTS .....
20.	TAXES.....
21.	RIGHT TO AUDIT.....
22.	PUBLICITY.....
23.	REPRESENTATIONS AND WARRANTIES.....
24.	CONFIDENTIALITY .....
25.	NOTICES.....
26.	DISPUTE RESOLUTION PROCEDURE.....
27.	GOVERNING LAW .....
28.	INDEPENDENT CONTRACTORS .....
29.	SUCCESSORS AND ASSIGNS .....
30.	AMENDMENT AND WAIVER .....
31.	DELAYS OR OMISSIONS .....
32.	FORCE MAJEURE .....
33.	SEVERABILITY .....
34.	SURVIVAL .....
35.	SCHEDULES .....
36.	TITLES AND SUBTITLES .....
37.	COUNTERPARTS .....
38.	TIME OF THE ESSENCE.....
39.	CROSS GUARANTY .....
40.	ENTIRE AGREEMENT.....

Schedules

- - - - -

- A. VENDING PROGRAM INSTALLATIONS / MONTHLY SLOTTING FEES
- B. E-VEND STANDARD PLACEMENT AGREEMENT
- C. MINIMUM PURCHASE ORDER PRICE FOR KODAK MERCHANDISE
- D. VENDING PROGRAM TEAMING STRATEGY
- E. DISPUTE RESOLUTION REPRESENTATIVES
- F. E-VEND ESCROW AGREEMENT
- G. E-VEND PACKAGING SPECIFICATIONS FOR VENDING

VENDING PLACEMENT, SUPPLY AND DISTRIBUTION AGREEMENT  
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THIS VENDING PLACEMENT, SUPPLY AND DISTRIBUTION AGREEMENT ("Agreement"), dated as of this 1 day of December 2000, is by and between Eastman Kodak Company, a New Jersey corporation ("Kodak"), Maytag Corporation, a Delaware corporation ("Maytag"), Dixie-Narco, Inc., a Delaware corporation and wholly-owned subsidiary of Maytag Holdings, Inc., which is a wholly owned subsidiary of Maytag ("Dixie") and e-Vend.net Corporation, a Delaware corporation ("e-Vend") (collectively, individually and respectively defined as "Parties" and "Party").

RECITALS

WHEREAS, Kodak is a developer, manufacturer and marketer of consumer, professional, health and other imaging products, processes and services, including cameras and film products.

WHEREAS, Maytag and Dixie have expertise in manufacturing, market development, distribution and servicing of vending equipment.

WHEREAS, e-Vend has developed a method of distributing product from vending machines equipped with e-Vend's payment and reporting system (the "e-Vend System"), which, among other things, enables vending machines to accept credit and debit cards as payment, and to be remotely monitored and controlled through the global computer network and a network operating center owned and operated by e-Vend. WHEREAS, Kodak and e-Vend previously entered into a Vending Placement, Supply, and Distribution Test Agreement dated May, 1999 (the "Previous Agreement") under which Kodak and e-Vend tested the marketing and sale of Kodak one time use cameras and film from vending machines manufactured by Dixie, and equipped with the e-Vend System owned and operated by e-Vend (hereafter "Vending Systems").

WHEREAS, Maytag and e-Vend have entered into a Strategic Alliance Agreement dated December 8, 1999 (the "Strategic Alliance Agreement") under which Maytag acquired a substantial minority ownership position in e-Vend.

WHEREAS, Kodak, Maytag, Dixie and e-Vend wish to form a strategic alliance to market and execute a large scale, national vending program ("Vending Program") under which e-Vend shall purchase all of its requirements of Kodak consumer cameras and film which are identified in Schedule C of this Agreement or developed during the Term of this Agreement ("Kodak Merchandise") from Kodak, distribute and sell the Kodak Merchandise solely from Vending Systems installed in Target Locations (as defined in and contemplated by Section 5 hereof) in the continental United States in accordance with the terms set forth in this Agreement.

WHEREAS, the Parties wish specifically to set forth their respective rights and obligations in carrying out the objectives of the strategic alliance.

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

1. STRATEGIC ALLIANCE.

1.1 National Vending Program. Kodak, Maytag, Dixie and e-Vend hereby form a strategic alliance and agree to work together to implement the Vending Program. In implementing the objectives of the strategic alliance, each Party agrees to perform its respective obligations as set forth in this Agreement.

1.2 Evaluation of Global Opportunity. Maytag and e-Vend also shall evaluate with Kodak the feasibility and desirability of a strategic alliance in the event Kodak notifies Maytag and e-Vend in writing that Kodak wishes to extend the Vending Program on an international basis. The terms of any such extension shall be set forth in one or more separate agreements that are mutually satisfactory to each Party.

2. VENDING SYSTEMS PLACEMENT COMMITMENTS.

2.1 Subject to the terms of this Agreement, e-Vend, Maytag and Dixie hereby grant, and Kodak hereby accepts, the right to the space in and on the number of activated Vending Systems as set forth on Schedule A attached hereto for the marketing and retail sale of Kodak Merchandise from the Target Locations during the Term of this Agreement (as defined below in Section 14.1).

2.2 Subject to the terms of this Agreement, Kodak hereby grants to eVend, Maytag and Dixie, and e-Vend, Maytag and Dixie each hereby accepts, the right during the Term of this Agreement to distribute and sell Kodak Merchandise solely from activated Vending Systems located at Target Locations within the United States.

2.3 Subject to Kodak's rights under Section 14.2 and 14.3, each Party to this Agreement shall utilize all reasonable measures to meet the number of vending systems as set forth in Schedule A. However, the number of vending Systems to be committed and placed in the Target Locations shall not exceed the numbers established for each approval gate ("Gate") as set forth in Schedule A without the explicit written approval of Kodak.

3. EXCLUSIVE RELATIONSHIP. The Vending Systems subject to this Agreement will sell, contain and dispense only Kodak Merchandise unless written

approval is given by Kodak and e-Vend to include other products or merchandise. In addition, e-Vend, Maytag and Dixie agree that until the expiration or sooner termination of this Agreement, they will not, directly or indirectly, purchase or sell from any Vending Systems, vending systems, vending machines and other unattended merchandising devices of any kind within the continental United States, including vending machines and merchandising devices that accept only cash as payment for products sold ("Cash Operated Machines"), any consumer cameras and film products of a third party. The foregoing restrictions shall not limit e-Vend, Maytag or Dixie in any way from selling third party products or merchandise other than consumer cameras and film, from vending systems, vending machines and other unattended merchandising devices of any kind not controlled under this Agreement. Kodak agrees that until the expiration or sooner termination of this Agreement, it shall not, directly or indirectly through a third party, sell or permit the sale of Kodak Merchandise through vending machines and other unattended merchandising devices of any kind within the continental United States, other than Cash Operated Machines, provided, however, that Kodak has not exercised its option to discontinue the Vending Program after Gate 1 or Gate 2 as set forth in Section 14 below (and on Schedule A) and completed any Wind-down Period (hereafter defined). In the event that Kodak does exercise its option to discontinue the Vending Program after Gate 1 or Gate 2, Kodak is free to pursue other vending relationships for selling its Kodak Merchandise, and likewise Maytag, Dixie and/or e-Vend will be permitted to purchase and sell from vending systems, vending machines and other unattended merchandising devices of any kind third party consumer cameras and film products of any kind, other than from those Vending Systems which are subject to the Wind-down provisions of Section 14.2 or 14.3. The foregoing restriction shall not limit Kodak in any way from selling Kodak Merchandise through Cash Operated Machines, except that Maytag and/or e-Vend shall have a first right of refusal to provide Cash Operated Machines or services relating to Cash Operated Machines under competitive industry rates and provided that their respective products and services for that market also are competitive in Kodak's reasonable business judgment.

4. SLOTTING FEES. In consideration of: (a) e-Vends, Maytag's and Dixie's granting of the rights to Kodak as stated in Section 2 of this Agreement; (b) their procuring, retrofitting, installing and maintaining Vending Systems for distribution of Kodak Merchandise under this Agreement; and (c) their agreement to the restrictions contained in Section 3 of this Agreement while this Agreement is in effect, Kodak shall make monthly payments of One Hundred and Fifty Dollars and no Cents (\$150.00) ("Slotting Fees") to e-Vend for each Vending System, up to a maximum of two thousand (2,000) vending Systems that are activated, connected and functioning during that calendar month pursuant to this Agreement subject to abatement as provided in Section 13.2 of this Agreement. Except in accordance with this Agreement, the first month's Slotting Fees for each Vending System shall be billed by e-Vend to Kodak at the end of the first month the Vending System is installed, activated, connected and functioning. The remaining monthly Slotting Fees for each such Vending System shall thereafter be billed by e-Vend to Kodak at the beginning of each month and, unless the Vending System is deactivated, shall continue for the longer of the Term of this Agreement or a



three (3) year period from the date the Vending System is first installed and activated. To the extent the Slotting Fees continue beyond the expiration of this Agreement as provided above, the period between the expiration or termination of this Agreement and the last day on which Slotting Fees are payable shall be treated in the same manner as the Wind Down Period set out in Section 14.2, with the provisions of Section 15 also applying to such period. Should any Vending System be activated on any day other than the first day of the month, the Slotting Fees for that month shall be prorated accordingly. Except for the initial month, Slotting Fees for each activated, connected and functioning Vending System during a particular month shall be net for payments made within forty (40) days of the later of (i) the first day of that month or (ii) the date the monthly invoice is received from e-Vend ("Payment Date"). Approximately five (5) business days before each Payment Date, e-Vend shall provide to Kodak a statement of Slotting Fees due on the following Payment Date (i.e., the statement for the November 1st payment will be provided on or about September 25th). If a Payment Date falls on a non-business day, Slotting Fees shall be due by the first business day thereafter.

5. TARGET LOCATIONS. The Parties agree to target the travel and leisure market which will consist primarily of "Point of Picture" locations ("POP Locations"), including zoos, amusement/theme parks, national parks, monuments, other tourist attractions, stadiums and arenas, as well as transitory venues "on the way" to POP locations ("Transitory Locations") including airports, train stations, rest stops and welcome centers. The Parties also agree to consider new and existing Kodak retail locations ("Retail Locations") as, solely identified by Kodak, and at Kodak's sole discretion, on a case by case basis (approved "POP Locations", "Transitory Locations" and "Retail Locations" are collectively referred to herein as "Target Locations"). Maytag, Dixie and/or e-Vend shall have the responsibility for identifying and procuring suitable locations for Vending Systems placements pursuant to the Teaming Strategy attached hereto as Schedule D. Kodak, at its sole discretion on a case by case basis, shall have final approval regarding the selection of any Target Location with existing Kodak business. Kodak also shall have the right, in its sole discretion, to veto the selection of any Target Location if the selected Target Location is not compatible with Kodak's marketing image. Where appropriate, Kodak will add value to the process of acquiring Target Locations by making its existing contact and account information available to, and sharing leads identifying suitable Target Locations with, the Maytag Customer Focus Team (as defined in Section 13.3). Placement of Vending Systems at Target Locations will be subject to the availability or ability to procure installation and maintenance support on commercially reasonable terms.

6. SOLICITATION OF TARGET LOCATIONS. The Parties shall work together to develop mutually agreed upon marketing materials for the Vending Program the costs of which shall be paid fifty percent (50%) by e-Vend and Maytag, and fifty percent (50%) by Kodak. Dixie and e-Vend, with the support and cooperation of Kodak as provided in Section 5 above, this Section and Section 8 below, shall be ultimately responsible for soliciting and procuring all of the Placement Agreements (as defined in Section 7 below) with Target Locations and will only delegate, subcontract or

otherwise transfer this function or responsibility to third parties with Kodak's prior written approval, which approval shall not be unreasonably withheld. Dixie and e-Vend shall be fully liable for all actions of selected third parties from such delegation, subcontracting or transfer of this function or responsibility, notwithstanding any approval by Kodak. Dixie and e-Vend will not assign this responsibility to third parties. e-Vend and Dixie shall use reasonable commercial efforts to secure sufficient Placement Agreements with Target Locations to timely achieve the number of Vending Systems as set forth in Schedule A. Kodak shall cooperate with e-Vend and Dixie in their efforts to solicit and procure Placement Agreements from Target Locations, and Kodak: (a) shall identify for e-Vend and Dixie, and use good faith reasonable commercial efforts to incorporate the Vending Program into, any sponsorship contracts Kodak has with Kodak-sponsored venues which are POP Locations or Transitory Locations; (b) reserves its right to make joint sales calls with e-Vend and Dixie on all Retail Locations and any other Target Location with at least ten (10) locations, and e-Vend shall notify Kodak at least ten (10) business days before any such calls are made by e-Vend. Kodak, upon receipt of such notice, shall make reasonable commercial efforts to notify e-Vend promptly of its desire to attend any such calls and to not unreasonably delay such calls. Kodak shall also make commercially reasonable efforts to participate with e-Vend and Maytag at up to two (2) trade shows per year, and shall permit e-Vend and/or Maytag sales personnel to represent themselves as an authorized distributor of Kodak Merchandise in their capacity as representatives of the Vending Program. Maytag, e-Vend and Kodak shall each have at least one individual designated as a liaison to this Vending Program.

#### 7. PLACEMENT AGREEMENTS.

7.1 Unless otherwise agreed to by the Parties, Placement Agreements shall be by and between e-Vend and the Target Location; shall have an initial term no longer than the term of the initial financing or lease placed on the Vending System to be installed at the site, which in no event will exceed three (3) years from the date of the initial installation of the Vending System at any site; and shall be substantially in the form of the agreement attached as Schedule B to this Agreement ("Placement Agreements"). Kodak shall receive a copy of each and every Placement Agreement entered into by e-Vend and the Target Locations within two (2) weeks of its execution. Unless otherwise agreed to by the Parties, Placement Agreements shall give e-Vend the right to install Vending Systems and use a dedicated phone line and electrical power at the Target Locations, and require the Target Locations to provide stocking and restocking services for a term of not less than one (1) year. Kodak acknowledges that there is no guarantee that each Target Location will be willing to enter into Placement Agreements on the above terms. Dixie and e-Vend shall use reasonable commercial efforts to work with each Target Location to identify the optimal number of Vending Systems to install and the placement of each Vending System within the Target Location.

7.2 No Placement Agreement shall be renewed without the prior written consent of both e-Vend and Kodak. Each renewal term shall be for a period of

one (1) year, provided that by its terms, the renewal term automatically shall terminate upon the expiration or termination of this Agreement.

7.3 Upon the expiration or earlier termination of this Agreement, and the termination of each Placement Agreement (whether co-terminus with this Agreement or ending during any applicable Wind-down Period), the Placement Agreement shall not be renewed. Instead, each Party reserves the right to attempt to negotiate and enter into a new agreement for the given site on such terms and for such products or services as the Party, in its sole discretion, deems proper.

7.4 Maytag, Dixie and/or e-Vend shall maintain, at their sole cost and expense throughout the term of each Placement Agreement and on each Vending System, a commercial general liability insurance policy, including product liability and personal injury and property damage liability, from a qualified insurance company which names Kodak as an additional insured. The amount of coverage shall be a minimum of One Million Dollars (\$1,000,000) per occurrence. In addition, e-Vend shall provide on each Vending System, at its sole cost and expense throughout the term of each Placement Agreement, insurance coverage in the event of theft and/or vandalism. e-Vend may self insure for theft and/or vandalism, provided that it, at all times before reaching the Gate 2 decision point contemplated by Section 14.3 of this Agreement, maintains a net worth of not less than the product of One Thousand dollars (\$1,000) multiplied by the number of then activated, connected and functioning Vending Systems under this Agreement, and should the Parties continue this Agreement beyond the Gate 2 decision point, at all times thereafter, maintains a net worth of not less than the product of Five Hundred dollars (\$500) multiplied by the number of then activated, connected and functioning Vending Systems under this Agreement. Maytag, Dixie and/or e-Vend shall provide to Kodak certificates of insurance issued by the company or companies providing the above insurance protections evidencing (i) that such company or companies are licensed in the states of the Placement Agreement locations; (ii) that such company or companies have either a Best's Rating of A- or higher, a Best's Financial Performance Rating of 7 or higher, or a Standard & Poor rating of at least A or higher; (iii)-that such coverage is in full force and effect and (iv) providing that no such insurance may be canceled without at least thirty (30) days' written notice to Kodak.

#### 8. INSTALLATION OF VENDING SYSTEMS.

8.1 Within fourteen (14) calendar days after a Placement Agreement is executed with a Target Location e-Vend shall submit an invoice to Kodak for Five Hundred Dollars (\$500.00) to cover the costs of Shipping the Vending Systems from eVend's or Dixie's warehouse to the Target Location and (ii) installation. Dixie shall be responsible for such shipping and installation. Dixie or e-Vend shall provide to Kodak, detailed information on where each Vending System within a particular Target Location is to be installed, including the direction the Vending Systems will face for the delivery personnel. Dixie and/or e-Vend shall use reasonable commercial efforts to provide Kodak with photographs of each Vending System installation within five (5) business

days of that installation. Kodak acknowledges that, as of the date hereof, the Vending Systems require a standard phone jack and dedicated, non PBX phone line and standard 110V electrical line and outlet. If not available at a Target Location, e-Vend and/or Dixie, directly or through a third party contractor, shall install a standard phone jack and dedicated, non PBX phone line, and bear all costs of such installation and maintenance. Dixie and/or e-Vend are solely responsible for all other costs related to the installation of Vending Systems including Federal, state, county and all other placement fees, licensing fees, all applicable taxes, and all credit/debit card processing fees.

8.2 Dixie and/or e-Vend shall be responsible for all shipping costs associated with returning Vending Systems to e-Vends or Dixie's warehouse upon permanent retirement of the Vending Systems or upon expiration or termination of this Agreement. Vending Systems cannot be permanently retired unless such Vending System is beyond repair or has been vandalized beyond its reasonable use, or it is technically obsolete. Each permanent retirement of a Vending System requires Kodak's written approval. Excluding those Vending Systems discussed in Section 8.3 below, Maytag and/or e-Vend has the right to relocate or move any Vending System after its initial installation and shall be responsible for all shipping and installation costs associated with these subsequent moves, including all moves of the Vending Systems from one Target Location to another. Once e-Vend deactivates a Vending System that is being relocated, the Slotting Fees on the Vending System shall cease immediately, and Dixie and/or e-Vend shall use reasonable commercial efforts to move the Vending Systems within fourteen (14) calendar days. For any Vending System moved from one Target Location to another, Slotting Fees shall be reactivated once the Vending System is activated, connected and functioning in its relocated position at the new Target Location. For Vending Systems which are relocated within a Target Location, Slotting Fees shall be reactivated once the Vending Systems are activated, connected and functioning in their relocated position.

8.3 In the event of particularly high visibility and high traffic at a Target Location from a media/sponsorship aspect, Kodak reserves the absolute right, not to be exercised with respect to more than ten per cent (10%) of the activated Vending Systems in any rolling one year period, to (a) require Dixie and/or e-Vend to relocate or remove a Vending System, or (b) prohibit the relocation or removal of a Vending System, at any time and for any reason. Kodak shall bear the reasonable costs of any such required move, including the costs of shipping and installation at a new location. Once Kodak notifies e-Vend in writing of its decision to relocate or permanently remove any such Vending System, e-Vend shall notify Kodak within two (2) business days of receipt of such notice from Kodak, of how many days it will take to have installed the required standard phone jack and dedicated, non PBX phone line at the new Target Location (the "Phone Install Period"). If, upon receipt of such notice, Kodak wishes to proceed with the relocation, it shall promptly so notify e-Vend (the "Relocation Notice"). Upon receipt of the Relocation Notice, e-Vend shall proceed promptly with the relocation at Kodak's reasonable cost and expense, keeping the Vending System at the existing location active and fully functioning, until e-Vend is ready to relocate the Vending System. Should E

Vend fail to relocate a Vending System within the longer of fourteen (14) days from (a) the Relocation Notice or (b) the end of the Phone Install Period, Slotting Fees will be abated from the end of the relevant fourteen (14) day period until the Vending System is activated, connected and functioning in its relocated position.

#### 9. RETAIL SALE; PRICE AND TERMS.

9.1 e-Vend, Maytag and Kodak shall consult from time to time concerning the Kodak Merchandise to be made available for retail sale from the Vending Systems. However, Kodak shall have the ultimate right to delist or add new products to the Kodak Merchandise provided that Kodak justifies the decision with a rational business case which is consistent with its general marketing program for these types of products. All requirements of Kodak Merchandise shall be purchased by e-Vend solely through the authorized distribution centers of Kodak in the United States and shall be sold solely through Vending Systems in the United States. Kodak shall ship Kodak Merchandise only pursuant to written purchase orders received by Kodak. e-Vend shall place purchase orders for Kodak Merchandise only in pallet quantities as defined by Kodak. All forms of such purchase orders shall include a purchase order number, quantity ordered, ship to location, catalog number and a detailed identification of the Kodak Merchandise. Kodak shall make commercially reasonable efforts to maintain sufficient inventory of Kodak Merchandise to meet the Vending Systems' customer demand. Kodak shall use reasonable commercial efforts to fill all orders from e-Vend within thirty (30) days of receipt of orders and, if requested in writing by e-Vend, shall endeavor to reduce the time required to fill any order before the thirty (30) day target if needed for a particular Target Location. However, if it becomes necessary from time to time for Kodak to discontinue shipments of Kodak Merchandise to e-Vend for any of the Vending Systems, to revoke or modify any provisions in the foregoing schedule, or to allocate distribution of any of its products and services among its customers, Kodak reserves the right to take whatever reasonable actions, in its sole judgment, Kodak determines to be fair and appropriate.

9.2 Unless otherwise agreed to by e-Vend and Kodak with respect to a Target Location, the amount paid by e-Vend to Kodak for the Kodak Merchandise sold by Kodak to e-Vend shall be the greater of sixty two percent (62%) of the actual retail price received by e-Vend for the Kodak Merchandise or the Minimum Price (as modified by Kodak from time to time, the "Minimum Price") for each product as set forth on Schedule C (the greater of sixty two percent (62%) of the actual retail price received by eVend for the Kodak Merchandise or the Minimum Price being hereafter referred to as the "e-Vend Purchase Price"). The Minimum Price may only be increased when, and to extent that: (a) the cost of the materials (exclusive of vending related packaging) used in the Kodak Merchandise increases; (b) there is an increase in Consumer Price Index ("CPI"); or (c) the Kodak catalog dealer price per item increases. With respect to any such increases attributable to an increase in the CPI, Kodak shall be entitled to raise the Minimum Price in the aggregate amount of the increase of the CPI between the date of this Agreement and the date of the Minimum Price increase, reduced by the amount of

any CPI-based Minimum Price increases previously imposed. For example, if the CPI increases by two percent (2%) in the first calendar year of this Agreement, any Minimum Price increase based upon this CPI increase imposed by Kodak shall be limited to two percent (2%) of the then effective Minimum Price. In the event that Kodak does not increase the Minimum Price during any given time period, or the Minimum Price increase is less than the CPI increase for that time period, Kodak shall be allowed to aggregate the percentage differences between the CPI increases and Minimum Price increases for this time period and increase the Minimum Price accordingly. As an additional example, if the CPI increases by two percent (2%) each year for three years, for an aggregate increase of six percent (6%), and Kodak has then only imposed a one percent (1 %) Minimum Price increase tied to the CPI, Kodak shall be allowed to increase the then effective Minimum Price by up to five percent (5%) based solely upon the increases in the CPI during this three year time period. "Consumer Price Index." in this Agreement shall mean the consumer price index as published in the Wall Street Journal. Under separate agreements, e-Vend shall be solely responsible for any and all payments to Target Locations for restocking the Vending Systems, and to credit and debit card processors for credit and/or debit card processing fees. At the time of placing purchase orders, e-Vend shall be charged, and Kodak shall invoice Kodak Merchandise ordered at, Kodak's catalog dealer low net price per item (the "Dealer Cost"). Within thirty (30) days of the close of each month, e-Vend shall deliver to Kodak a statement which reconciles the difference between the Dealer Cost charged to e-Vend by Kodak and the eVend Purchase Price for Kodak Merchandise purchased by e-Vend from Kodak and sold through Vending Systems during the month (the "Reconciliation Statement"), together with such back-up data and records as Kodak from time to time reasonably may request. In the event the e-Vend Purchase Price exceeds the Dealer Cost, e-Vend shall forward to Kodak with the Reconciliation Statement a check in an amount equal to the amount by which the e-Vend Purchase Price exceeds the Dealer Cost. In the event the Dealer Cost exceeds the e-Vend Purchase Price, e-Vend shall be entitled to a credit from Kodak in an amount equal to the amount of the excess. In addition to Kodak's audit rights in Section 21, Kodak has the right to review or audit the Reconciliation Statement and all supporting books and records. Any e-Vend Purchase Price understatement of the purchase price shall bear interest at the Wall Street Journal's prime interest rate plus four (4) percentage points from the date the payment originally was due. In addition, if the e-Vend Purchase Price is found to be understated on the Reconciliation Statement by more than five percent (5%), Maytag and/or e-Vend shall pay for all audit costs.

9.3 Subject to the Kodak Credit Department and unless otherwise Specified in writing by Kodak, terms of payment for arty miler of Kodak Merchandise shall be a cash discount allowance of two percent (2%) hard on die net amount of the invoices ("Invoice totals")fur payment within twenty-five (25) day of (late of invoice ("DOI"), providing e-Vend does not have an account with Kodak which is past due, and net for payments within forty (40) days of DOI. No additional discounts or chargebacks are allowed for early payment anticipation.

9.4 Standard shipping and handling costs for the Kodak Merchandise to e-Vend shall be paid by Kodak on all orders from e-Vend that have a billing value of One Thousand Dollars (\$1,000) or more, excluding any applicable tax, and calling for single shipments to a domestic United States location shipped from Regional Distribution Centers or designated shipping points. All shipments shall be FOB Kodak's Regional Distribution Center. Orders of less than One Thousand Dollars (\$1,000), as well as items that require special handling and orders on which e-Vend requests a method of shipment other than that which would normally be used by Kodak, shall be shipped at e-Vend's cost FOB Kodak's Regional Distribution Center.

Current shipping costs are approximated below, but are subject to change:

Ground Shipments:

0 to 16 kilograms: \$10  
17 to 46 kilograms: \$25  
Over 46 kilograms: \$40

Air Shipments:

Under 4.4 kilograms: \$20 \$4.40 per kilogram for next day air service  
Above 4.4 kilograms: \$3.30 per kilogram for second day air service.

9.5 e-Vend shall, inspect arriving shipments promptly and any errors in shipment shall be reported immediately upon receipt to the Kodak Regional Distribution Center. Specifically, visible-damages and shortages shall be reported to the carrier and to Kodak within twenty-four (24) hours after delivery to e-Vend. Requests for adjustments on concealed damages or shortages involving cartons received intact shall be reported by e-Vend to the Kodak Regional Distribution Center within fifteen (15) days of receipt of the shipment. All notices are required to be in writing, time being of the essence, or e-Vend waives any rights with respect to damage or shortage claims of any kind. Provided any damage or shortage is timely reported as set out above, e-Vend may assert any claims for lost or damaged freight within nine (9) months from the original date of invoice, time being of the essence. Any such requests from e-Vend after nine (9) months for the original invoice date shall not be investigated or honored, all rights thereto being waived. If e-Vend reports damages or shortages in shipments in the time periods set out above, Kodak shall bear the risk of loss of shortages and defects only, not transit damage. If e-Vend fails to timely report damages or shortages as set out above, e-Vend shall bear the risk of loss. In the cases where e-Vend bears the risk of loss, Kodak shall assist e-Vend in filing damage claims with the carrier.

9.6 e-Vend's purchase orders which qualify for Kodak's shipping and handling prepayment plan, as outlined in Section 9.4 above, shall be shipped FOB Kodak warehouse, transportation paid to destination. Kodak shall have final approval of the method of transportation and carrier to e-Vend. e-Vend orders that do not qualify for the Kodak shipping and handling prepayment plan shall be prepaid, but the charges shall be

added to the invoice of e-Vend. If a portion of an e-Vend order which originally qualified for the shipping and handling to be paid by Kodak backorders, the back order shall be shipped transportation paid by Kodak, regardless of billing value.

9.7 All Kodak Merchandise is sold without any warranty or liability of any kind, except that which is expressly stated on, is packaged with, or accompanies such products, processes and services, and, with respect to the sale, use, and handling of Kodak sensitized goods are subject to the applicable limitation of liability listed as follows:

Kodak Merchandise is warranted to be free from defects in manufacturing, labeling, and packaging. KODAK DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

IN THE EVENT OF A BREACH OF FOREGOING WARRANTY, KODAK'S SOLE OBLIGATION, AND E-VENDS, DIXIE'S OR MAYTAG'S EXCLUSIVE REMEDY, SHALL BE THE REPLACEMENT OF SUCH DEFECTIVE MERCHANDISE, EVEN THOUGH THE DEFECT, DAMAGE, OR LOSS IS CAUSED BY THE NEGLIGENCE OR OTHER FAULT OF KODAK, SHOULD THIS EXCLUSIVE REMEDY FAIL ITS ESSENTIAL PURPOSE, KODAK'S ENTIRE LIABILITY SHALL BE LIMITED TO THE REFUND OF THE PURCHASE PRICE OF THE DEFECTIVE PRODUCT.

IN NO EVENT SHALL KODAK BE LIABLE FOR INDIRECT, INCIDENTAL, SPECIAL AND/OR CONSEQUENTIAL DAMAGES, INCLUDING THE COST OF COVER.

#### 10. PACKAGING/SIGNAGE.

10.1 All Kodak Merchandise sold from Vending Systems shall be packaged by Kodak for shipping in pallet quantities to e-Vend so that the Kodak Merchandise may be readily inserted into e-Vends packaging of the size described in Schedule G. Each shipment shall be sufficiently labeled to identify the SKU's contained in the shipment. e-Vend shall pick, package, can, label all Kodak Merchandise in eVend's cylindrical vending containers with lids, and ship to Target Locations at a rate of Fifty Cents (\$0.50) per unit which e-Vend shall invoice Kodak. Where economies of scale may be achieved, e-Vend shall pass those direct savings through to Kodak and reduce the costs to Kodak accordingly. Kodak retains the right to bring these packaging, canning and labeling processes in-house at its sole discretion. In the event that Kodak does bring these packaging, canning and labeling processes in-house, Kodak shall package all Kodak Merchandise to be sold from Vending Systems for shipping to e-Vend in accordance with e-Vends specifications for vending as set forth in Schedule G. Kodak shall be responsible for providing e-Vend with artwork, the use of which is solely subject to Kodak's written approval, for can labels meeting e-Vends specifications for vending.



10.2 Kodak shall also be responsible for providing Dixie and/or e-Vend with DURATRANS display material and signage meeting Dixie's and e-Vends specifications for the front and side panels of each Vending System. Dixie and/or e-Vend shall be responsible for coordinating the printing of all DURATRANS display materials, signage or posters at a cost to be approved and paid by Kodak. All DURATRANS display materials, signage or posters shall be installed by e-Vend, Dixie or the Target Location personnel with all such costs to be paid by e-Vend, Dixie and/or the Target Location. Dixie and/or e-Vend shall bear the costs to replace the DURATRANS display materials, signage or posters in the Vending Systems on an as needed basis due to vandalism, wear and tear, defect, or other commercially reasonable requests by Kodak (except all Kodak-elective DURATRANS display materials, signage or poster changes involving marketing, special promotions, and change of logos or Kodak Marks as defined in Section 19.2 below shall be paid by Kodak). With Kodak's written approval, DURATRANS display materials, signage and/or posters may be customized for special occasions.

10.3 Kodak shall have final and sole approval on all artwork used for can labels, DURATRANS display material, signage and posters, and retains the rights to all of the artwork. Subject to Kodak's approval, which shall not be unreasonably withheld, e-Vend and/or Dixie may install and display on or contiguous to Vending Systems its or their respective signs, logos and service marks as e-Vend and/or Dixie deems appropriate. e-Vend shall use its best efforts to package and ship Kodak Merchandise within thirty (30) days of receipt of Kodak Merchandise and artwork from Kodak for stocking in Vending Systems by e-Vend, Dixie or Target Location personnel, as applicable.

#### 11. RETURN PRIVILEGES / STOCK BALANCING.

11.1 All Kodak Merchandise is sold without return privileges except as provided in Section 11.2, 14.2 and 14.3, or where the Kodak Merchandise is determined to be defective in manufacturing, outdated sensitized goods or shipped in error by Kodak.

11.2 Under unusual circumstances, and with prior approval of their Kodak marketing representative and regional sales management, which approval shall not be unreasonably withheld, e-Vend may return to Kodak in reasonable quantities any Kodak Merchandise in accordance with Kodak's standards which may change from time to time.

11.3 Before returning any Kodak Merchandise to Kodak, e-Vend shall request from Kodak, and Kodak shall issue to e-Vend, a Return Authorization Number and shipping instructions for the Kodak Merchandise to be returned. Returns of Kodak Merchandise otherwise authorized under any condition shall be accepted only if the Kodak Merchandise was shipped from one of Kodak's Regional U.S. Distribution Centers. Kodak Merchandise returns from e-Vend shall be made immediately on receipt

of Kodak authorization, and shipping shall be prepaid by e-Vend CIF to the Kodak Regional Distribution Center. If the Kodak Merchandise is defective or has been shipped incorrectly by Kodak, an adjustment will be made for the transportation charges incurred by e-Vend through the use of a commercial carrier. Upon receipt of returned Kodak Merchandise, Kodak shall credit e-Vends account for such returned Kodak Merchandise. The credit for authorized returns shall be based on the same price as on the original invoice or the current price, whichever is less. In any event, the same price level (Dealer Cost) shall always apply. Where Kodak acknowledges responsibility, the price on the original invoice shall be the basis for the credit

11.4 The expiration dating on Kodak Merchandise indicates the useful life of these products when kept under recommended conditions. Kodak agrees that all Kodak Merchandise shipped to e-Vend will bear an expiration date that is at least eighteen (18) months after the date on which the particular Kodak Merchandise is shipped by Kodak to e-Vend. E-Vend shall notify Kodak in writing within fifteen (15) days after e-Vends receipt of any shipment from Kodak if the Kodak Merchandise received has an expiration date which is less than the required eighteen (18) months, and Kodak shall replace any such Kodak Merchandise in the same manner. The Kodak Merchandise should be rotated on the basis of expiration dates to keep stocks fresh. If the Kodak Merchandise is returned from e-Vend with an expiration date that is nine (9) months or less from the date of return, and is not covered by Section 11.5 below, e-Vend shall pay a fifteen per cent (15%) restocking fee to replace such Kodak Merchandise, provided that such Kodak Merchandise, when originally shipped by Kodak to e-Vend, bore an expiration date that was at least eighteen (18) months after the date on which the particular Kodak Merchandise was shipped by Kodak to e-Vend.

11.5 In general, no credit or allowance will be provided by Kodak for Kodak Merchandise received within two (2) months of, or after its expiration date, and shall be deemed outdated, provided that such Kodak Merchandise, when originally shipped by Kodak to e-Vend, bore an expiration date that was at least eighteen (18) months after the date on which the particular Kodak Merchandise was shipped by Kodak to e-Vend. E-Vend shall report, and file claims with respect to, any Kodak Merchandise received with an expiration date which is less than the required eighteen (18) months, and Kodak shall replace same within the time periods, in the same manner, and subject to the terms and conditions, provided for shortages as set out in Section 9.5 above. Small amounts of outdated Kodak Merchandise that e-Vend tray occasionally accumulate may be returned to the appropriate Kodak Regional Distribution Center for credit consideration. Such returns shall be made when in reasonable quantities. An allowance of twenty five per cent (25%) of the current lowest net price on outdated Kodak Merchandise will be made. This applies only to Kodak Merchandise shipped from the Kodak regional Distribution Center, provided the Kodak Merchandise is returned in the original packages with seals unbroken and transportation charges prepaid. Kodak reserves the right to determine whether quantities of returned outdated Kodak Merchandise are reasonable, and whether the allowance should be made in full. Quantities of less than five stock keeping units ("SKU") of Kodak Merchandise in a separate shipment are not acceptable.

In order for Kodak to process the credit promptly, an itemized list of the returned Kodak Merchandise, identified by the catalog number, must accompany each shipment from eVend.

11.6 If, at the time Kodak Merchandise is returned to Kodak, e-Vend has no account payable balance owing to Kodak, then Kodak will issue a check to eVend within forty-five (45) days in an amount equal to the amount that e-Vend was originally billed for such Kodak Merchandise. All transportation charges incurred with respect to pre-approved returned Kodak Merchandise, excluding outdated Kodak Merchandise, shall be paid by Kodak.

## 12. INTERNET REPORTING.

12.1 All Vending Systems shall report by phone line on a daily basis to e-Vends data collection network hosted by e-Vend on its secure Internet Web server located at e-Vends network operating center (the "Network"). e-Vend shall develop and maintain throughout the Term of this Agreement plus the first to occur of three (3) years after the termination or expiration of this Agreement, or until Kodak is no longer dealing with Vending Systems, a secure location on the Network which Kodak shall have irrevocable access twenty four (24) hours per day, seven (7) days per week and three hundred sixty five (365) days per year (366 days during leap year), via password from any remote personal computer with Internet access in order to download sales results from each Vending System into Excel. The secure location will report daily transactions for each Vending System, including price and products sold, total transactions at all Vending Systems, as well as -transactions over varying time periods as may be selected by Kodak. The secure location shall also report average daily sales of each SKU of Kodak Merchandise per Vending System, average daily sales of each SKU of Kodak Merchandise for all Vending Systems, and the daily functioning status of each Vending System. Kodak, from time to time, may provide input to e-Vend regarding the display and format of the above data reported and e-Vend will endeavor to accommodate Kodak's requests to the extent it is commercially reasonable for e-Vend to do so. Kodak shall be able to see Vending Systems are activated, connected and operating as of each daily report when logging onto the Network. e-Vend shall use reasonable commercial efforts to use the Network to manage inventory efficiently and maintain appropriate stocking levels to meet consumer demand for Kodak Merchandise.

12.2 At any time one or more of the Vending Systems is (are) not functioning for any reason e-vend shall immediately notify Kodak the reason(s) the Vending machines is (are) down the remedy to repair the Vending Systems and put it (them) back into operating status and the timing when such remedy shall be implemented.

12.3 e-Vend shall provide Kodak, both electronically and via hardcopy, a monthly sales report for each SKU of Kodak Merchandise and each Vending System, and in total, from the highest to the lowest price points by month and year to date.

### 13. CUSTOMER SERVICE AND VENDING SYSTEMS MAINTENANCE

13.1 e-Vend will provide Kodak Merchandise technical assistance and customer service twenty-four (24) hours per day, seven (7) days per week and three hundred and sixty five (365) days per year (366 days during leap year), which shall include the maintenance of a toll-free customer service telephone line, to purchasers of Kodak Merchandise from the Vending Systems. e-Vend shall place a sign with its phone number(s) on all of the Vending Systems indicating that it is responsible for, and should be contacted with respect to, any maintenance issues or customer complaints, including without limitation, whenever a Vending System destroys a credit/debit card or does not function properly. In addition, Dixie and/or e-Vend shall commit to maintain a sufficient amount of inventory of spare and replacement parts to adequately supply the activated, connected and functioning Vending Systems.

13.2 e-Vend and Dixie agree to maintain Vending Systems under this Agreement in good working order. Dixie and/or e-Vend shall provide fully operational and substantially reliable software systems to operate the Vending Systems and process all transactions contemplated in this Agreement. Dixie and e-Vend shall also maintain the software system in good working order, use commercially reasonable efforts to repair any errors, failures or malfunctions within forty eight (48) hours or less, which may include the installation of a substitute Vending System or portions thereof. Kodak acknowledges that the ability to process credit and debit card transactions is dependent upon third party service providers, including telecommunication providers, and credit and debit card processors. Accordingly, Vending Systems inability to process transactions may occur from time to time. However, Vending Systems failures or malfunctions which occur more than four (4) times per year on a rolling basis with respect to one percent (1 %) or more activated Vending Systems for more than two consecutive days shall be cause for termination of this Agreement as stated in Section 14 below. Exclusive of its ability to terminate this Agreement for causes as stated in Section 14 below, in the event of Vending Systems failures or malfunctions which have not been corrected within the forty eight (48) hour time period, e-Vend shall abate, during the period the Vending System is inactive, all Slotting Fees under Section 4 and on Schedule A of this Agreement.

13.3 Dixie agrees to maintain supply arrangements with e-Vend and sufficient production capacity to supply e-Vend with Vending Systems necessary to allow the Parties to timely achieve the number of activated Vending Systems as set forth on Schedule A. In addition, Maytag agrees to create and maintain during the Term of this Agreement, and during the Wind-down Period for each Vending System, a "Customer Focus Team" consisting of at least one full-time and one part-time Maytag employee who will (a) lead e-Vend, Kodak and Dixie in identifying Target Locations and developing sales materials for the Vending Program; (b) leverage and manage Maytag's distribution network in the vending industry to assist e-Vend as needed in efficiently installing Vending Systems at Target Locations; and (c) manage a service network for on-site

maintenance of both the hardware and software systems, at e-Vends sole expense, of Vending Systems to assist e-Vend, as needed, in the performance of its obligations under Section 13.2 of this Agreement.

13.4 Dixie and e-Vend shall use commercially reasonable efforts repair or replace, as applicable, any Vending System that is stolen, damaged or vandalized beyond reasonable use to full operation within fourteen (14) days of being notified that Vending System is inoperable. Should Dixie and/or e-Vend fail to correct, repair or replace the inoperable Vending System within this fourteen (14) day period, Slotting Fees will be abated from the end of the fourteen (14) day period until the Vending System is activated, connected and properly functioning.

13.5 Under this Agreement, Dixie shall be responsible for all of the maintenance, technical assistance and customer service supporting the hardware and equipment used in this Vending Program, and e-Vend shall be responsible for all of the maintenance, technical assistance and customer service supporting the software and data management associated with this Vending Program.

#### 14. TERM / CAUSES FOR TERMINATION.

14.1 Unless sooner terminated pursuant to this Section, or extended pursuant to Section 14.3, this Agreement shall have a term (the "Term") beginning on the date hereof and continuing until December 31, 2003.

14.2 Within ninety (90) days after the installment and activation of the first five hundred (500) Vending Systems by e-Vend, Dixie and/or Maytag, Kodak, in its sole discretion, may terminate this Agreement for any reason by providing Maytag and/or e-Vend written notice ("First Termination"). On the day Kodak provides written notice to Maytag and/or e-Vend to exercise the First Termination ("First Termination Date"), Kodak shall have the option to: (a) buy-out the leasing or financing on all such activated and properly functioning Vending Systems relating to this Agreement on the First Termination Date at the same price incurred by Maytag, Dixie and/or e-Vend; or (b) continue the Vending Program under this Agreement, including the payment of Slotting Fees, for the Wind-down Period for each activated Vending System from the date each Vending System is first installed. For the purposes of Sections 14.2 and 14.3, the period between the termination of this Agreement and the expiration of the three (3) year period beginning with the initial installation and activation of each Vending System is called the "Wind-down Period No additional Vending Systems shall be installed nor activated after this First Termination Date. In addition, e-Vend, MAYtag and Dixie shall have no Obligation to install or activate any additional Vending Systems upon the Installment and activation of the first five hundred (500) Vending Systems unless and until the passage, without receipt from Kodak of a First Termination Notice, of ninety (90) days, or receipt from Kodak of a notice that it is waiving its right to exercise the First Termination. In the case where Kodak buys-out the leasing or financing on the Vending Systems activated and functioning on the First Termination Date, all unused Kodak Merchandise in e

Vend's inventory as of the First Termination Date may be returned to Kodak in accordance with Kodak's standard return procedures as stated in Sections 11.3 through 11.5 above, and all Kodak trademark and other Kodak identification must be removed from all non-activated Vending Systems and associated materials. If at the Gate I decision point, but no more than ninety (90) days after the installment and activation of the first five hundred (500) Vending Systems by e-Vend, Dixie and/or Maytag, Kodak decides not to terminate this Agreement, Kodak, in its sole discretion, shall determine and provide written notice to e-Vend and Maytag of the next quantity of additional Vending Systems which shall be installed and activated by e-Vend, Dixie and/or Maytag up to a maximum of an additional one thousand five hundred (1,500) Vending Systems ("Gate 2 Quantity").

14.3 Within ninety (90) days after the installment and activation of the Gate 2 Quantity of Vending Systems by e-Vend, Dixie and/or Maytag, Kodak, in its sole discretion, may elect to terminate this Agreement for any reason with written notice to Maytag and/or e-Vend ("Second Termination"). On the day Kodak provides written notice to Maytag and/or e-Vend to exercise the Second Termination ("Second Termination Date"), Kodak shall again have the option to: (a) buy-out the leasing or financing on all such activated and properly functioning Vending Systems relating to this Agreement on the Second Termination Date at the same price incurred by Maytag, Dixie and/or e-Vend; or (b) continue the Vending Program under this Agreement, including the payment of Slotting Fees, for the Wind-down Period for each activated Vending System froth the date each Vending System is first installed. No additional Vending Systems shall be installed nor activated after this Second Termination Date. In addition, e-Vend, Dixie and Maytag shall have- no obligation to install or activate any additional Vending Systems upon the installment and activation of the Gate 2 Quantity of Vending Systems unless and until the passage, without receipt from Kodak of a Second Termination Notice, of ninety (90) days, or receipt from Kodak of a notice that it is waiving its right to exercise the Second Termination. In the case where Kodak buys-out the leasing or financing on the Vending Systems activated and functioning on the Second Termination Date, all unused Kodak Merchandise in e-Vends inventory as of the Second Termination Date may be returned to Kodak in accordance with Kodak's standard return procedure as stated in Sections 11.3 through 11.5 above, and all Kodak trademark and other Kodak identification must be removed from all non-activated Vending Systems and associated materials. If, at the Gate 2 decision point, Kodak decides not to terminate this Agreement, within ninety (90) days after the installment and activation of the Gate 2 Quantity plus a thirty (30) day extension to be exercised by Kodak, if needed, the Parties hereto Tall attempt to mutually agree on the terms and conditions necessary to effect a three (3) years extension on this Agreement including among other things: reviewing best business practices and trying to determine the balance of Vending Systems, up to a cumulative total of ten thousand (10,000) Vending Systems, to be installed and activated for the balance of the Term; and mutually agree on a new monthly Slotting Fee for all Vending Systems installed and activated during the Tenn of this Agreement.

14.4 Maytag, Dixie and e-Vend shall use their best efforts to continue to drive innovation in their respective technical competencies regarding packaging and wireless vending technology. Maytag, Dixie and e-Vend shall also make commercially reasonable efforts to pioneer or compete as the "leaders in technology" in the wireless vending technology field. Given this, Kodak may terminate this Agreement immediately with seven (7) day written notice to Maytag, Dixie or e-Vend, if Maytag's, Dixie's and eVend's expenditures for research and development for wireless vending and remote vending data management and storage and other successor technologies falls below an aggregate of Five Hundred Thousand dollars (\$500,000.00) during any rolling twelve (12) month period of the calendar year beginning with the year, 2001.

14.5 Kodak may terminate this Agreement immediately if Maytag, Dixie or e-Vend has not cured any material breach of this Agreement within thirty (30) days after written notice of a material breach of this Agreement has been provided by Kodak, as the non-breaching Party, to Maytag, Dixie and e-Vend. If Kodak terminates this Agreement due to any material breach by either Maytag, Dixie or e-Vend as stated in the previous sentence, then Kodak, in addition to such other remedies as may be available under this Agreement, at law or in equity or otherwise, shall have no liability to the nonbreaching Party. Maytag and e-Vend may terminate this Agreement immediately if Kodak has not cured any material breach of this Agreement within thirty (30) days after written notice of a material breach of this Agreement has been provided by Maytag and eVend, as the non-breaching Parties, to Kodak. Upon tennination of this Agreement by eVend and Maytag in connection with an uncured material breach of this Agreement by Kodak pursuant to the immediately preceding sentence, e-Vend shall be entitled to recover from Kodak the net present value of the remaining balance due on the leasing or financing on all activated and properly functioning Vending Systems relating to this Agreement upon such termination, and e-Vend, Dixie and Maytag shall have such other remedies as may be available under this Agreement, at law, in equity or otherwise.

14.6 Any Party shall have the right to terminate this Agreement immediately upon delivering to the p Party or its representatives written notice of such tennination if any other Party: (a) becomes insolvent, or requests its creditors for a moratorium, or enters into a general :assignment for the benefit of creditors or an agreement of composition with its creditors, or suffers the appointment of a temporary or permanent receiver, trustee or custodian for all, or substantial part of its assets that is not dismissed within thirty (30) days; or (b) files a voluntary petition for relief under Title 1 I of the United State Code, as amended for time to time (the "Bankruptcy Code"), or if an Order for Relief under the Bankruptcy Code is entered against it, or if a petition or answer is tiled proposing entry of an Order for Relief under the Bankruptcy Code (which pension or answer is not discharged or denied within sixty (60) days after the filing thereof), or (c) commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to it or any such proceeding is commenced against any Party which is not dismissed for a period of sixty (60) days.

15. WIND-DOWN PERIOD. In the event Kodak elects to continue the Vending Program including payment of Slotting Fees during the Wind-down Period under Sections 14.2 or 14.3, or if Slotting Fees are payable after the expiration or termination of this Agreement under Section 4, then as to each Vending System that is then installed, activated and functioning: (a) the Parties shall have all applicable obligations and rights as if this Agreement was still in effect; and (b) these rights and obligations with respect to a given Vending System shall expire on the last day before the third (3rd) anniversary of the date the Vending System was first installed.

16. ESCROW OF VENDING SYSTEMS, SOFTWARE, SOURCE CODES AND HARDWARE EQUIPMENT.

16.1 To secure Maytag's guaranty of e-Vends performance under this Agreement as set out in Section 39, and to induce Kodak to enter into this Agreement, Maytag and e-Vend, as soon as practically possible, but no more than thirty (30) days, time being of the essence, after the execution of this Agreement, shall enter into an escrow agreement ("e-Vend Escrow Agreement") substantially in the form attached as Schedule F to this Agreement and deliver a copy to Kodak, and shall deposit with the Escrow Agent the Escrow Property as defined in the e-Vend Escrow Agreement. Failure to timely execute the e-Vend Escrow Agreement shall entitle any Party to terminate this Agreement. The e-Vend Escrow Agreement shall be maintained for Maytag's and Kodak's benefit until the last to occur of the expiration or termination of this Agreement, or the end of any Wind-down Period.

16.2 In the event e-Vend (a) becomes insolvent, or requests its creditors for a moratorium, or enters into a general assignment for the benefit of creditors or an agreement of composition with its creditors, or suffers the appointment of a temporary or permanent receiver, trustee or custodian for all or substantial part of its assets that is not dismissed within thirty (30) days; or (b) files a voluntary petition for relief under Title 11 of the Bankruptcy Code, or if an Order for Relief under the Bankruptcy Codes entered against it, or if a petition or answer is filed proposing entry of an Order for Relief under the Bankruptcy (which petition or answer is not discharged or denied within sixty (60) days after the filing thereof; or (c) commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to it or any such proceeding is commenced against e-Vend which is not dismissed for a period of sixty (60) days, then Escrow Agent (as defined) shall release and distribute the Escrow property to Maytag as set out, and in accordance with, the e-Vend Escrow Agreement e-Vend shall also deliver into escrow assignments of e-vend's rights, title and interest in and to the Escrow Property, exclusive of the e-Vend Software and Sourcecodes. Title to the e-Vend Software and Sourcecodes, as defined in the e-Vend Escrow Agreement, shall remain vested in e-Vend. However, Maytag, under non-exclusive license from e-Vend, and if so directed by Kodak, will be entitled to use the eVend Software to perform and complete the obligations of e-Vend and/or Maytag under this Agreement on all activated and properly functioning Vending Systems at the time of



release of e-Vend Software by Escrow Agent as contemplated by this Agreement. The license to the e-Vend Software granted to Maytag under this Agreement will continue until the last to occur of three (3) years beyond the termination or expiration of this Agreement, or for so long as Kodak pays, and is obligated to pay, Slotting Fees under this Agreement.

#### 17. INDEMNIFICATION.

17.1 e-Vend shall defend, indemnify and hold Kodak, Maytag, Dixie and the Target Locations harmless from and against any and all losses, damages, liabilities, claims, demands, lawsuits and expenses, including court costs and reasonable attorney's fees ("Claims") arising out of an allegation that personal injury or property damage was caused by the e-Vend System (as defined in the Recitals above), or by eVend's packaging of the Kodak Merchandise discussed in Section 10.1 above, to any third party, or an allegation of any infringement by the e-Vend System (exclusive of content furnished by Kodak) of any patent, copyright, trademark, service mark, right of privacy or publicity or any other intellectual property rights of a third party. If such an infringement claim is asserted, or if Kodak, Dixie and/or Maytag believes one likely, eVend shall have the right, but no obligation, to procure a license from the party claiming or likely to claim infringement. Notwithstanding the foregoing, e-Vend has no responsibility to defend, indemnify or hold Maytag, Dixie and/or Kodak harmless from and against any Claims of whatever nature arising out of personal injury or property damage caused by Maytag, Dixie or Kodak or their employees or agents.

17.2 Maytag shall defend, indemnify and hold e-Vend, Kodak and the Target Locations harmless from and against any and all Claims arising out of an that personal injury or property damage was caused by any Vending Systems (exclusive of the e-Vend System or Claims caused by e-Vends packaging of the Kodak Merchandise discussed in Section 10.1 above), to any third party, or an allegation of any infringement by the Vending Systems (exclusive of the e-Vend System and Kodak Merchandise furnished by Kodak) of any patent, copyright, trademark, service mark, right of privacy or publicity or any other intellectual property rights of a third party. If such an infringement claim is asserted, or if Kodak and/or e-Vend believes one likely, Maytag and Dixie shall have the right, but no obligation, to procure a license from the party claiming or likely to claim infringement. Notwithstanding the foregoing, Maytag and Dixie have no responsibility to defend, indemnify or hold e-Vend and/or Kodak harmless from and against any Claims of whatever nature arising out of personal injury or property damage caused by Kodak of its employee of agents

17.3 Kodak shall defend, indemnify and hold e-Vend, Maytag, Dixie and the Target Locations harmless from and against an%: and all Claims arising out of any allegation that the Kodak Merchandise cause personal injury or property damage to any third party, and/or an allegation that the artwork, graphics, images, text or other content furnished by Kodak, contained in or included on the Kodak Merchandise, any Kodak approved promotional materials for the Vending Program provided by Kodak, including

product can labels and DURATRANS display materials, infringe any design patent, copyright, trademark, service mark, right of privacy or publicity or any other intellectual property rights of a third party. If such an infringement claim is asserted, or if Maytag, Dixie and/or e-Vend believes one likely, Kodak shall have the right, but no obligation, to procure a license from the party claiming or likely to claim infringement. Notwithstanding the foregoing, Kodak has no responsibility to defend, indemnify or hold e-Vend, Dixie and/or Maytag harmless from and against any Claims of whatever nature arising out of personal injury or property damage caused by e-Vend, Dixie or Maytag or their respective employees or agents.

17.4 Maytag, Dixie and/or e-Vend shall be responsible for getting permission to place Vending Systems in Target Locations through the Placement Agreements, and shall defend, indemnify and hold Kodak harmless from and against any and all Claims arising out of an allegation for trespass arising out of any acts or omissions of e-Vend, Dixie or Maytag or by any other person or entity other than Kodak in connection with the performance or fulfillment of this Agreement. In addition, if e-Vend is not performing or fulfilling its obligations under this Agreement, and Kodak needs to perform such duties, then e-Vend shall defend, indemnify and hold Kodak harmless from and against any and all Claims arising out of an allegation for trespass arising out of any acts or omissions in connection with the performance or fulfillment of e-Vends or Maytag's obligations under this Agreement.

17.5 The foregoing rights of indemnification shall be conditioned on the indemnified Party (i) furnishing prompt notification of any claim subject to indemnity to the indemnifying Party; (ii) permitting the indemnifying Party to control the defense and settlement of any third-party claim or action, provided that the indemnified Party shall have the right to approve any such settlement, which approval shall not be unreasonably withheld; and (iii) cooperating in the defense by the indemnifying Party at the indemnifying Party's expense.

17.6 The indemnifying Party will have no obligation with respect to any claim based upon any modification of the Vending Systems or Kodak Merchandise or the use or sale of Vending Systems or Kodak Merchandise in combination with products or components not furnished by the indemnifying Party or if the claim would not have occurred but for such modification, use or sale.

17.7 The indemnification provisions provided by each Party in this Section 17 of the other Parties shall include each Party's officers, directors, and shareholders, and shall include the costs, expenses and reasonable attorneys fees incurred by the Party being indemnified as a result of the assertion or protection of any indemnified claim.

18. EXCLUSION OF CONSEQUENTIAL DAMAGES. - NO PARTY, UNDER ANY CIRCUMSTANCES, SHALL BE LIABLE TO THE OTHER FOR CONSEQUENTIAL (INCLUDING, WITHOUT LIMITATION, LOST PROFITS

AND ECONOMIC DAMAGES), INCIDENTAL, INDIRECT, SPECIAL OR PUNITIVE DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREIN, EVEN IF SUCH PARTY HAS BEEN APPRISED OF THE LIKELIHOOD OF SUCH DAMAGES OCCURRING.

19. PROPRIETARY RIGHTS.

19.1 e-Vend advises that it has proprietary rights in its packaging and vending technology, e-Vend System, network and related hardware and software, and service mark or trademark rights in the marks "e-Vend", "e-Vend.net" and "Powered by e-Vend.net", exclusive ownership of which shall remain with e-Vend. No interest in any such rights e-Vend may have, including any associated goodwill, shall be transferred to or acquired by Kodak through the execution and performance of this Agreement.

19.2 The Kodak Merchandise may bear one or more Kodak trademarks in its product names ("Kodak Marks"). e-Vend, Dixie and Maytag may not remove, alter, or otherwise modify or conceal any Kodak Marks on the Kodak Merchandise. Subject to Kodak's prior written approval, which may be granted or withheld in Kodak's sole and absolute discretion, e-Vend, Dixie and Maytag, during the Term of this Agreement and any Wind-down Period only, may use the Kodak Marks on Vending Systems subject to this Agreement or in advertising but only where the advertising directly refers to the Kodak Vending Systems or Kodak Merchandise or states the fact that e-Vend, Dixie and Maytag are distributors of such Kodak Merchandise and only in accordance with such terms and conditions as Kodak from time to time may establish. e-Vend, Dixie and MAYtag are not authorized to use any other Kodak Marks, including, without limitation, the name Kodak or any Kodak corporate symbol at any other time or for any other purpose. Kodak retains all rights in the Kodak Marks. e-Vend, Dixie and Maytag recognize the great value of the publicity and goodwill associated with the Kodak Marks and acknowledges that such goodwill exclusively accrues to the benefit of and belongs to Kodak. e-Vend, Dixie and Maytag have no rights of any kind whatsoever with respect to the Kodak Marks. e-Vend, Dixie and Maytag may not use the Kodak Marks on or in connection with any goods or services (including but not limited to promotional and merchandising items such as key chains, mugs and T-shirts) other than the Kodak Merchandise, except as preapproved in writing by Kodak.

20. TAXES. e-Vend shall be responsible for collecting and paying any and all applicable state and federal sales taxes arising from the sale of Kodak Merchandise from Vending Systems and shall indeninifv and hold harmless Kodak against any claims, damages, losses or liabilities, including reasonable attorneys fees, resulting from e-Vends failure to do so. To the extent that a single sales or similar tax pertaining to e-Vends purchase or lease of Vending Systems or with respect to Slotting Fees on those Vending Systems is imposed, e-Vend shall be responsible for such tax and shall indemnify and hold Kodak harmless against the same. In the event more than one separate sales or similar tax is imposed with respect to e-Vends purchase or lease of Vending Systems and the Slotting Fees with respect to those Vending Systems, one

against e-Vend with respect to its purchase or lease of the Vending Systems and the other against Kodak with respect to Slotting Fees, Kodak and e-Vend shall each be responsible for fifty percent (50%) of any such tax which is imposed with respect to Slotting Fees only. Either Party may from time to time, at its option, challenge the imposition of any such second-tier tax. In the event Kodak and/or e-Vend challenge(s) the imposition of any sales or similar tax, each shall be solely responsible for its costs or expenses, including reasonable attorneys' fees, that it incurs in connection with such challenge ("Challenge Costs"), and neither party shall have any responsibility for the other's Challenge Costs.

21. RIGHT TO AUDIT. Kodak shall have the right to perform any factory, field; accounting or other audit in connection with this Agreement.

22. PUBLICITY. The Parties agree to cooperate in issuing a joint press release announcing the strategic alliance formed by this Agreement and the national roll out of the Vending Program after the execution of this Agreement in a form that is acceptable to all Parties. All press releases announcing this Agreement and the national roll out of the Vending Program must be approved in final form by all Parties. Except as otherwise required by law or in accordance with good faith or advice by legal counsel, for so long as this Agreement is in effect, none of the Parties shall issue or cause the publication of any press release or other public announcement with respect to the subject matter of this Agreement without the express prior written approval of the other Parties as to form, content, medium and all other aspects of the press or media. Without the prior written consent of Maytag, Kodak or e-Vend, as the case may be, none of the Parties shall use the others' names or any confusingly similar variations thereof, in any marketing materials, product descriptions, point-of-purchase materials, or annual or periodic reports, or otherwise. Such approval and consent, if granted, will be at the sole and absolute discretion of the granting Party, on such terms and conditions as the granting Party from time to time may establish.

23. REPRESENTATIONS AND WARRANTIES. Each Party represents and warrants to the others, that:

(a) it is a corporation duly incorporated and validly existing and in good standing under the laws of the states of New Jersey or Delaware, as applicable;

(b) it has full requisite corporate right. power and authority to execute, deliver and enter into this Agreement and perform its obligations under each of this Agreement

(c) it is duly licensed, authorized or qualified to do business and is in good standing in every jurisdiction in which a license, authorization or qualification is required for the ownership or leasing of its assets or the transaction of business of the character transacted by it, except where the failure to be so licensed, authorized or

qualified would not have a material adverse effect on the Party's ability to fulfill its obligations under this Agreement;

(d) its execution, delivery and performance of this Agreement do not (i) contravene or constitute a default under any contractual restriction binding on or affecting it or any of its properties or certificate of incorporation or by-laws or (ii) to the best of its knowledge, require any consent, permit or approval of any U.S. governmental agency or authority;

(e) this Agreement has been duly executed and delivered by it and is a legal, valid and binding obligation thereof enforceable against it in accordance with its terms; and

(f) to the best of its knowledge, there are no claims, judgments or settlements binding on it or any of its affiliates, or pending or threatened claims or litigation against it or any of its affiliates, which would prevent or impede its performance under this Agreement.

#### 24. CONFIDENTIALITY.

24.1 During the performance of each Party's respective obligations under this Agreement, each Party may come to have knowledge of certain confidential information relating to the other Party's business, financial matters and/or trade secrets, which shall be deemed to include the terms of this Agreement ("Confidential Information"). All quantities, prices, forecasts, specifications, product planning information and delivery information shall also be deemed Confidential Information and shall be kept strictly confidential by all Parties. In no event shall any Party disclose the Confidential Information of any other Party to any third party without the prior written "consent of the owner of the Confidential Information, which consent may be conditioned upon the agreement of the third party to maintain the confidentiality of the information. Confidential Information shall not include information that: (i) was known to the recipient prior to disclosure; (ii) was independently developed by recipient without use of or reference to confidential information of another party; (iii) was disclosed to recipient by a third party without any violation of a confidentiality agreement to the best of recipient's knowledge; or (iv) is generally available to the public. Each Party shall be responsible for any breach of this provision by its employees and shall notify all relevant employees and agents of the confidentiality obligations set forth herein. Notwithstanding anything contained herein to the contrary it shall not be a breach of this provision for any party to disclose such information required to be disclosed in connection with an administrative regulatory or judicial process or proceeding provided, however, that prompt notice to the non-disclosing Party is given of the possibility of such disclosure and that the Party which may be compelled to disclose shall use its reasonable best efforts to resist disclosure.

24.2 Any Confidential Information furnished by Kodak to e-Vend, Dixie and/or Maytag shall be returned (to the extent it is in e-Vends, Dixie's and/or

Maytag's possession, custody or control) by e-Vend, Dixie and/or Maytag to Kodak upon expiration or earlier termination of this Agreement. Any Confidential Information furnished by e-Vend, Dixie and/or Maytag to Kodak shall be returned (to the extent it is in Kodak's possession, custody or control) by Kodak to e-Vend, Dixie and/or Maytag upon the expiration or earlier termination of this Agreement. The Confidential Information shall be kept in a secure fashion in a manner consistent with the treatment of confidential information within the applicable Party so as to prevent disclosure to third parties. Internal dissemination of the Confidential Information by the Parties shall be limited to those of its employees whose duties justify a need to know the Confidential Information, and such employees shall be obligated to comply with this Section 24.

25. NOTICES. All notices or other communications required or permitted under this Agreement or given in connection herewith shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the Party to be notified; (b) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient, if not, then on the next business day; (c) five (5) days after having been sent by first-class registered or certified mail, return receipt requested, postage prepaid; or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt; and shall be addressed as follows:

If to Maytag, to:

Maytag Corporation  
403 West Fourth Street North  
P.O. Box 39  
Newton, Iowa 50208  
Attention: Roger Scholten  
Facsimile: (641) 787-8115

With a copy to:

Maytag Corporation  
403 West Fourth Street North  
P.O. Box 39 Newton, Iowa 50208  
Attention: General Counsel  
Facsimile: (641) 787-8102

If to Dixie, to:

Dixie-Narco, Inc.  
One Dixie Narco Boulevard  
P.O. Drawer 719  
Williston, South Carolina 29853  
Attention: Doug Huffer  
Facsimile: 803-266-5050

With a copy to:

Maytag Corporation  
403 West Fourth Street North  
P.O. Box 39 Newton, Iowa 50208  
Attention: General Counsel  
Facsimile: (641) 787-8102

If to Kodak, to:

Eastman Kodak Company  
4 Concourse Parkway  
Suite 300  
Atlanta, Georgia 30328  
Attention: Eric Lent  
Facsimile: (770) 522-2500

With a copy to:

Eastman Kodak Company  
General Counsel Office  
343 State Street  
Rochester, New York 14650-0207  
Attention: James M. Quinn  
Facsimile: (716) 724-6611

If to e-Vend, to:

e-Vend.net Corporation  
500 N. Walnut Street, Suite 100  
Kennett Square, PA 19348  
Attention: Daniel J. Kearney  
Facsimile: (610) 925-5467

## 26. DISPUTE RESOLUTION PROCEDURE

26.1 If, in the opinion of one Party, another Party has failed to comply with the requirements of this Agreement, or to perform its obligations in a satisfactory manner, then this dispute resolution procedure will be invoked. In order to expedite the prompt resolution of any disputes which may arise hereunder, all Parties agree that this dispute resolution procedure will be employed prior to any Party availing itself of any legal remedies (except for injunctive relief and the right to terminate this Agreement as provided in Section 14 above) against another party.

26.2 The aggrieved party will provide the other Parties with a dispute notice (the "Dispute Notice"), and the dispute will be referred to the initial level representatives (the "Initial Level") identified in Schedule E. Maytag and Dixie shall designate a single representative to represent the both of them at this Initial Level and a single representative for the Mediation Level (as defined in the next Section).

26.3 In the event a dispute has not been resolved at the Initial Level, or a corrective plan of action has not been mutually agreed upon, within thirty (30) calendar days of the giving of the Dispute Notice, then any Party may seek resolution of the dispute at the mediation level (the "Mediation Level") by a written notice to all of the other Parties (the "Mediation Notice"). At the Mediation Level, each Party shall endeavor in good faith to resolve the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Rules before resorting to litigation or some other dispute resolution procedure. The entire mediation proceeding shall be confidential and all discussions, representations and statements made during the mediation, as well as any communications, thoughts, impressions or notes of the mediator, will be inadmissible and not subject to discovery in any future litigation, arbitration or other proceeding. The Parties agree to use all reasonable efforts to meet within fifteen (15) calendar days after the Mediation Notice to begin mediation and to resolve the dispute. The Parties agree to participate in good faith in the mediation to its conclusion as designated by the mediator.

26.4 If the Parties are not successful in resolving the dispute through mediation, or a corrective plan of action has not been agreed upon, the earlier of sixty (60) days from the date of the Dispute Notice or sixty (60) days from the Mediation Notice, then any Party may commence litigation or other proceedings in connection with the dispute, all rights being reserved.



27. GOVERNING LAW.

27.1 This Agreement shall be governed in all respects by the laws of the State of New York as such laws are applied to agreements between New York residents entered into and performed entirely in New York. Subject to the provisions of Section 26 and the remainder of this Section 27, disputes may be brought in any court with appropriate jurisdiction. Without limiting the foregoing, each Party irrevocably consents to the jurisdiction of the state courts of New York and the United States District Court for the Eastern District of New York with respect to all matters arising from this Agreement, for that limited purpose only, and each Party waives any objections to venue in such courts and agrees that process may be served in the manner provided herein for giving of notices or otherwise as allowed by the applicable court; provided, however, that each Party agrees not to commence any action, suit or proceeding in state court unless the United States District Court for the Eastern District of New York lacks subject matter jurisdiction with respect to the dispute or otherwise is unable to hear the matter.

27.2 Each Party agrees to comply with all applicable laws, rules and regulations in the performance of its obligations under this Agreement

28. INDEPENDENT CONTRACTORS. Each Party to this Agreement is, and at all times will remain, an independent contractor and no Party shall represent itself to be the agent, joint venturer, or partner of another Party hereto or, except for Dixie and Maytag, to be related, to any other Party. No representations shall be made or acts done by any Party which would establish any apparent relationship of agency, joint venture, or partnership. No employer-employee relationship or agent-principal relationship shall be deemed created by this Agreement. Maytag, Dixie and e-Vend are not authorized to enter into any agreements or contracts of any kind, including the Placement Agreements, on behalf of Kodak and they are not authorized to bind Kodak in any manner. Kodak is not authorized to enter into any agreements or contracts of any kind, including the Placement Agreements, on behalf of e-Vend, Dixie and/or Maytag, and Kodak is not authorized to bind e-Vend, Dixie and/or Maytag in any manner.

29. SUCCESSORS AND ASSIGNS.

29.1 Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors and assigns of the Parties hereto. This Agreement shall be in full force and effect, provided that such successors and assigns have comparable expertise and net worth to the Parties of this Agreement upon occurrence of (i) an initial public offering or public sale of additional shares of any Party, or their subsidiaries' stock (as applicable); (ii) a change of control event (including, but not limited to, an acquisition of any Party); or (iii) other sale, acquisition or merger of any Party.

29.2 Except as otherwise provided herein, the rights and obligations of the Parties hereunder shall neither be assigned nor delegated without the prior written

consent of the other Parties, provided that any Party may assign or delegate their respective rights and obligations hereunder, in whole or in part, to any parent or subsidiary or affiliate of e-Vend, Maytag or Kodak in existence at the time of execution of this Agreement, upon prior written notice to the other Parties. Such assignment shall not diminish any rights or duties that e-Vend, Dixie, Maytag or Kodak may have had prior to the effective date of assignment.

30. AMENDMENT AND WAIVER.

30.1 This Agreement may be amended or modified with respect to the rights or obligations of a particular party only upon the written consent of that Party.

30.2 The obligations of a Party under this Agreement may be waived only with the written consent of each of the other Parties and the rights of a Party under this Agreement may be waived only by the written consent of that Party.

31. DELAYS OR OMISSIONS. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any Party, upon any breach, default or noncompliance by another Party under this Agreement shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character by a Party of any breach, default or noncompliance under this Agreement or any waiver on such Party's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to any Party, shall be cumulative and not alternative.

32. FORCE MAJEURE. Except for payments due under this Agreement, none of the Parties will be responsible for any failure to perform due to causes beyond its reasonable control, including but not limited to acts of God, war, riot, embargoes, acts of civil or military authorities, fire, floods, earthquakes, accidents, strikes, mechanical failure, or fuel crises, provided that such Party gives prompt written notice thereof to the other Parties.

33. SEVERABILITY. In case any provision of the Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

34. SURVIVAL Only those obligations under Sections 16, 19 and 24 of this Agreement, the obligation that e-Vend, Dixie and/or Maytag shall stop using the Kodak Marks as stated in Section 19.2, and the obligation to continue certain Slotting Fee payments for a period of time under Section 4, shall survive the expiration or termination of this Agreement, except that in the event of a Wind-down Period under Sections 14.2 or 14.3 or the continuation of certain Slotting Fee payments under Section 4, the provisions

of Section 15 shall control and survive the termination of this Agreement. No other obligations under this Agreement shall survive the expiration or termination of this Agreement.

35. SCHEDULES. The provisions of all of the Schedules described herein and attached hereto are hereby deemed fully incorporated into this Agreement by reference herein. This Agreement and the attached Schedules constitute the full and entire understanding and agreement among the Parties with regard to the subjects hereof and no Party shall be liable or bound to any other in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein and therein.

36. TITLES AND SUBTITLES. The titles of the sections and subsections of this Agreement are for convenience or reference only and are not to be considered in construing this Agreement.

37. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

38. TIME OF THE ESSENCE. Unless otherwise expressly provided herein, where there are deadlines mentioned in this Agreement, time is of the essence.

39. CROSS GUARANTY.

39.1 Maytag and e-Vend each guarantees the performance of the other in this Agreement as if the duty of the performance under this Agreement were each of its own. Without limiting the foregoing, Maytag shall be responsible for all payments and sums due from e-Vend to Kodak, and e-Vend shall be responsible for payments and sums due from Maytag to Kodak. Kodak shall be able to enforce the obligations of Maytag and e-Vend under this Agreement against Maytag or e-Vend or both. Maytag also guarantees the performance of Dixie in this Agreement as if Dixie's duty of performance under this Agreement were its own. Kodak shall be able to enforce the obligations of Dixie under this Agreement against either Maytag or Dixie or both.

39.2 In the event that Kodak, up to and including the installation and activation of the first five hundred (500) Vending Systems, wishes to exercise its rights under Section 39.1 against Maytag in connection with a failure by c-Vend or Dixie 14) Perform their respective obligations under- this Agreement, or against c Vcnd III connection with a failure by Maytag or Dixie to perform their respective: obligation under this Agreement, it shall provide Maytag, Dixie and e-Vend with written notice of' such exercise: (a) of at least five (5) days in advance with respect to any monetary failure or non-monetary failures which substantially prevent the operation or supply of more than twenty percent (20%) of the Vending Systems then in place; or (b) at least fifteen (15) days in advance with respect to any other non-monetary failures (the "Other Failures").

Notwithstanding the foregoing, the Vending Systems cure requirements of Section 13.2 and 13.4 are still applicable.

39.3 In the event that Kodak, after the installation and activation date of the five hundredth (500th) Vending Systems but before installation and activation of the Gate 2 Quantity (as defined in Section 14.2), wishes to exercise its rights under Section 39.1 against Maytag in connection with a failure by e-Vend or Dixie to perform their respective obligations under this Agreement, or against e-Vend in connection with a failure by Maytag or Dixie to perform their respective obligations under this Agreement, it shall provide Maytag, Dixie and e-Vend with written notice of such exercise: (a) of at least five (5) days in advance with respect to any monetary failure or non-monetary failures which substantially prevent the operation or supply of more than fifteen percent (15%) of the Vending Systems then in place; or (b) at least fifteen (15) days in advance with respect to any Other Failures. Notwithstanding the foregoing, the Vending Systems cure requirements of Section 13.2 and 13.4 are still applicable.

39.4 In the event that Kodak, after the installation and activation of the Gate 2 Quantity of Vending Systems but before the expiration or earlier termination of this Agreement (up to a maximum cumulative total of ten thousand (10,000) Vending Systems), wishes to exercise its rights under Section 39.1 against Maytag in connection with a failure by e-Vend or Dixie to perform their respective obligations under this Agreement, or against e-Vend in connection with a failure by Maytag or Dixie to perform their respective obligations under this Agreement, it shall provide Maytag, Dixie and eVend with written notice of such exercise: (a) of at least five (5) days in advance with respect to any monetary failure or non-monetary failures which substantially prevent the operation or supply of more than one percent (1 %) of the Vending Systems then in place; or (b) at", least fifteen (15) days in advance with respect to any Other Failures. Notwithstanding the foregoing, the Vending Systems cure requirements of Section 13.2 and 13.4 are still applicable.

39.5 Notwithstanding the foregoing provisions in Sections 39.2, 39.3 and 39.4, if any Other Failures cannot reasonably be cured within the fifteen (15) day period, then provided the required Party commences to cure the Other Failures within the initial fifteen (15) days, and thereafter diligently prosecutes the cure to completion, tile tirne to cure the Other Failures (and the corresponding minimum advance notice to the guarantor) will be extended to such time as reasonably may be necessary to cure same, not to exceed thirty (30) days.

39.6 If (i) MAYtag and e-Vend received notice of any failure of e-Vend to pert-01111 its obligations under this Agreement pursuant to Sections 39.2, 39.3 or 39.4, which failure has not been cured within tile notice period provided for above, and (ii) Maytag notifies Kodak in writing to snake all further payments to e-Vend under this Agreement directly to Maytag (the "Payment Direction Notice"), then, from five (5) days after the date of the Payment Direction Notice, Kodak will pay directly to Maytag any and all sums due or amounts otherwise owing from Kodak to e-Vend under this

Agreement (other than any payments already processed and sent by Kodak to e-Vend), and e-Vend hereby expressly consents to such payment. Such obligation of Kodak shall terminate five (5) days after receipt from Maytag of written notice rescinding the Payment Direction Notice and Kodak shall resume making all further payments (other than any payments already processed and sent by Kodak to Maytag) under this Agreement to e-Vend. Kodak's compliance with the foregoing, if properly elected by Maytag, is an express condition to Maytag's obligation to perform the obligations of eVend under this Section 39. Kodak is hereby irrevocably authorized and directed to pay the Slotting Fees to Maytag as set out in this Section as full satisfaction of Kodak's obligations to pay Slotting Fees under this Agreement.

40. ENTIRE AGREEMENT.

40.1 Each Party acknowledges that no representation, statement, understanding, or agreement has been made other than what is expressly set forth in this Agreement. No Party has relied on anything done or said with respect to this Agreement, its duration, termination, renewal or with respect to the relationship between the Parties, other than what is expressly set forth in this Agreement. All Parties agree that there are no other representations or understandings which change or modify the terms of this Agreement to prevent this Agreement from becoming effective as written, or that in any way affects or relates to the subject matter hereof. Maytag and e-Vend also acknowledge that the terms and conditions of this Agreement are fair and reasonable.

40.2 This Agreement terminates and supersedes any prior agreements, including the Previous Agreement, between the Parties. '

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date set forth in the first paragraph hereof.

EASTMAN KODAK COMPANY

BY:  
-----

Name:  
-----

Title:  
-----

MAYTAG CORPORATION

By:  
-----

Name:  
-----

Title:  
-----

E-VEND.NET CORPORATION

By:  
-----

Name:  
-----

Title:  
-----

DIXIE-NARCO, INC.

By:  
-----

Name:  
-----

Title:  
-----

40. ENTIRE AGREEMENT.

40.1 Each Party acknowledges that no representation, statement, understanding, or agreement has been made other than what is expressly set forth in this Agreement. No Party has relied on anything done or said with respect to this Agreement, its duration, termination, renewal or with respect to the relationship between the Parties, other than what is expressly set forth in this Agreement. All Parties agree that there are no other representations or understandings which change or modify the terms of this Agreement to prevent this Agreement from becoming effective as written, or that in any way affects or relates to the subject matter hereof. Maytag and e-Vend also acknowledge that the terms and conditions of this Agreement are fair and reasonable.

40.2 This Agreement terminates and supersedes any prior agreements, including the Previous Agreement, between the Parties.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date set forth in the first paragraph hereof.

EASTMAN KODAK COMP NY

BY:

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Name:

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Title:

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MAYTAG CORPORATION

By:

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Name:

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Title:

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E-VEND.NET CORPORATION

-----

By:

-----

Name:

-----

Title:

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DIXIE-NARCO, INC.

By:

-----

Name:

-----

Title:

-----

Schedule A

Vending Program Installations per Approval "Gate"

-----  
and  
---

e-Vend Monthly Slotting Fee Pavment Schedule

-----  
per Connected and Functioning Vending Svstems  
-----

Number of Activated Vending Systems per Approval "Gate"	Monthly Slotting Fees Per Vending Systems
Gate 1: Up to 500 Units	\$150.00
Gate 2: An Additional 500 - 1,500 Units	\$150.00
Gate 3: Up to 10,000 Cumulative Total	To Be Re-evaluated/ Negotiated***

\*\*\* Kodak and Maytag/e-Vend shall negotiate the terms of this Agreement when Kodak has made such determination to continue with the Vending Systems placement program.



Schedule B

e-Vend Standard Placement Agreement (attached)

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B-1

VENDING SYSTEM PLACEMENT AGREEMENT

THIS VENDING SYSTEM PLACEMENT AGREEMENT, dated this \_\_\_\_\_ day of \_\_\_\_\_ 2000, is between e-Vend.net Corporation, having an address at 500 North Walnut Street, Kennett Square, PA 19348 ("E-VEND") and \_\_\_\_\_, having an address at \_\_\_\_\_ (the "Company").

E-VEND is engaged in the business of installing, operating and maintaining a network of credit card operated vending systems ("Vending Systems") which dispense Kodak T" photographic and imaging products, processes and services ("Merchandise") from Vending Systems.

The Company owns or otherwise has the right to occupy the location or locations identified on Schedule One attached to and made a part of this Agreement (a "Location," and if more than one, the "Locations").

E-VEND, alone, is responsible and liable for its obligations and commitments under this Agreement including the installation, operation and maintenance of the Vending Systems at each Location, and the Company shall look exclusively to E-VEND for the performance of same.

The Company and E-VEND wish to confirm their agreement under which E-VEND will install and maintain Vending Systems offering Merchandise at the Locations.

In consideration of the mutual promises contained herein, and for other good and valuable consideration, the parties, intending to be legally bound, hereby agree as follows:

1. Recitals Incorporated. The foregoing recitals are incorporated into this Agreement.

2. Installation of Vending Systems. Subject to the terms and conditions of this Agreement, the Company hereby grants to E-VEND, and its designees, a nonexclusive license and right to enter onto each Location to install, repair, maintain and replace at each Location a Vending System stocked with Merchandise and /or the Merchandise for the term set forth on Schedule One. The Company shall furnish and provide adequate space and facilities for the installation, operation and maintenance of Vending Systems without hindrance. Promptly after execution of this Agreement, the Company shall designate managers of each Location who shall consult with a representative of E-VEND to identify appropriate space within Locations for the installation of Vending Systems. Each Vending System requires a standard phone jack and phone line and standard 110V electrical line and outlet, the costs of installation and maintenance of which shall be borne by the Company. In designating space for Vending Systems, the parties shall seek to place Vending Systems in areas with high foot traffic, visibility and convenient customer access to the Vending System, without undue interference with the Company's operations or traffic flow, while also seeking to minimize phone and electrical line installation costs.

3. Company Stocking Semices. Should the Company elect to do so on Schedule One to this Agreement, the Company shall be responsible for Stocking and restocking Vending Systems in accordance with E-VEND's instruction during the term of this Agreement E-VEND representatives shall provide any necessary training concerning its stocking requirements to managers of the Locations and shall provide tire managed of each Location with a key to the Vending machine. The parties anticipate that stocking service requirement shall be similar to those requirement tit stock a beverage vending machine. Stocking service will essentially consist of receiving Merchandise from E-VEND, stocking that Merchandise into the appropriate columns in the Vending System in accordance with E-VEND's instructions, reporting to E-VEND concerning inventory received and stocked, occasionally installing promotion-specific posters on the front of the Vending System using tape or other adhesive provided by E-VEND, and occasionally removing from the Vending Systems and shipping (at E-VEND's expense) obsolete inventory in accordance with E-VEND's instructions. The Merchandise may bear one or more

Kodak" trademarks in its product names ("Kodak Marks"). E-VEND and the Company may not remove, alter, or otherwise modify or conceal any Kodak Marks on the Merchandise. E-VEND and the Company may not use the Kodak Marks on or in connection with any goods or services (including but not limited to promotional and merchandising items such as key chains, mugs and T-shirts) other than the Merchandise, except as preapproved in writing by the Eastman Kodak Company.

4. Company Commissions. In consideration of the Company's grant of rights and services provided under this Agreement, if the Company has elected to provide Stocking services under Paragraph 3 of the Agreement, E-VEND shall pay to the Company commissions equal to twenty percent (20%) of E-VEND's net revenues from the Vending Systems during the term of this Agreement; otherwise, if the Company has elected not to provide stocking services, E-VEND shall pay to the Company commissions equal to fifteen percent (15%) of E-VEND's net revenues from the Vending Systems during the term of this Agreement. Net revenues shall mean E-VEND's gross revenues from the sale of Merchandise from the Vending Systems at the Location or Locations, less sales or similar taxes and less returns. Commissions shall be payable within thirty (30) days after each calendar quarter in which net revenues are received by E-VEND during the term. Each commission payment to the Company shall be accompanied by a report which shows E-VEND's gross revenue from each Vending System, all adjustments to gross revenue to arrive at net revenue, and the calculation of the Company's commission based on net revenue for the calendar quarter. In the event E-VEND pays commissions on Merchandise which is returned in a subsequent period, E-VEND shall be entitled to full credit for the commissions paid with respect to the returned Merchandise, which E-VEND may apply against any balance due to the Company, or if no balance is due, invoice the Company for the amount of the credit, in which event the Company shall issue a check to E-VEND within thirty (30) days of receipt of E-VEND's invoice. No commissions shall be due in connection with promotional (free of charge to consumers) distribution of Merchandise from Vending Systems.

5. Customer Service. E-VEND will provide product technical assistance and customer service, which shall include the maintenance of a twenty-four hour per day, seven days per week toll-free customer service telephone line, to purchasers of Merchandise from the Vending Systems. E-VEND will be responsible for Handling customer returns and the Location agrees to refer any customer return requests to E-VEND.

6. Term. The initial term of this Agreement shall be as specified on Schedule One and shall continue thereafter for additional one year periods on the same terms and conditions unless either party provides written notice of termination to the other at least 30 days prior to the expiration of the initial term or any renewal term. In addition, any renewal term automatically shall terminate on the expiration or termination of E-VEND's underlying agreement with the Eastman Kodak Company.

7. Title to Machines. Title to each Vending System placed by E-VEND shall at all times be and remain exclusively with E-VEND and the Company agrees it will take no action detrimental to E-VEND with respect thereto and shall not assert any claim or interest therein. E-VEND may change, service, modify, access, replace or remove the Vending Systems at any time during the term of this Agreement.

8. Indemnification. E-VEND shall defend, indemnify and hold the Company harmless from and against any and all losses, damages, liabilities, claim, demand, lawsuits and expenses, including, court costs and reasonable attorney's fees ("Claims") arising out of any causes of action or claims that the Vending Systems or products dispensed therefrom cause personal injury or property damage to any third party or any causes of action or claims that the Vending Systems or products infringe any patent, copyright, trademark, service mark, right of privacy or publicity or any other intellectual property rights of a third party. The foregoing rights of indemnification shall be conditioned on the Company (i) furnishing prompt notification of any claim subject to indemnity to E-VEND; (ii) permitting E-VEND to control the defense and settlement of any third-party claim or action; and (iii) cooperating in the defense by E-VEND at E-VEND's expense.

9. Insurance. E-VEND shall maintain throughout the term of this Agreement, at its sole cost and expense, a commercial general liability insurance policy, including product liability and personal injury and property damage liability, from a qualified insurance company approved by the Company which names the Company as an additional insured. The amount of coverage shall be a minimum of One Million Dollars (\$1,000,000) per occurrence. E-VEND shall provide to the Company certificates of insurance issued by the company or companies providing such insurance protection evidencing that such coverage is in full force and effect and providing that no such insurance may be canceled without at least 10 days' written notice to the Company at the Company's address provided above.

10. Exclusion Of Consequential Damages. NEITHER PARTY SHALL, UNDER ANY CIRCUMSTANCES, BE LIABLE TO THE OTHER FOR CONSEQUENTIAL (INCLUDING, WITHOUT LIMITATION, LOST PROFITS), INCIDENTAL, INDIRECT OR SPECIAL DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREIN, EVEN IF SUCH PARTY HAS BEEN APPRISED OF THE LIKELIHOOD OF SUCH DAMAGES OCCURRING.

11. Confidentiality. During the performance of each party's respective obligations hereunder, each party may come to have knowledge of certain confidential information relating to the other party's business, financial matters and/or trade secrets, which shall be deemed to include the terms of this Agreement. Each party agrees that it will not use the other party's confidential information for any purpose except as consistent with the performance of this Agreement and further agrees that it will not disclose any such confidential information to any person except on a need-to-know basis in order to fulfill its obligations hereunder. In no event shall either party disclose the confidential information of the other party to any third party without the prior written consent of the other party, which consent may be conditioned upon the agreement of the third party to maintain the confidentiality of the information. Confidential information shall not include information that: (i) was known to the recipient prior to disclosure; (ii) was independently developed by the recipient without use of or reference to confidential information of the other party; (iii) was disclosed to recipient by a third party without any violation of a confidentiality agreement to the best of recipient's knowledge; or (iv) is generally available to the public. Each party shall be responsible for any breach of this provision by its employees and shall notify all employees and agents of the confidentiality obligations set forth herein. Notwithstanding anything contained herein to the contrary, it shall not be a breach of this provision for either party to disclose such information required to be disclosed in connection with an administrative, regulatory or judicial process or proceeding; provided, however, that prompt notice to the non-disclosing party is given of the possibility of such disclosure and that the party which may be compelled to disclose shall use its reasonable best efforts to resist disclosure.

12. Notices. All notices, payments, or deliveries called for by this Agreement shall be deemed sufficient upon actual delivery to the respective address of each party set forth above or upon mailing by registered or certified mail, return receipt requested to such address, or to such other address as a party may designate in writing from time to time.

13. Independent Contractors. The parties to this Agreement are independent contractors and this Agreement shall not create or imply any agency relationship between the parties, nor shall this Agreement constitute a joint venture or partnership between the parties.

14. Assignment the rights of either party under this Agreement may be assigned in whole or in part, by either party without the prior written consent of the other, provided that the Company may not, through assignment or otherwise, change any location without E-VEND's prior written consent, which may be granted or withheld in E-VEND's sole and absolute discretion. This Agreement shall inure to the benefit of and be binding upon, and enforceable against, the parties hereto and their respective successors and assigns. Any assignment contrary to the terms hereof shall be null and void and of no force or effect. Any assignee of the Company must have a sufficient interest in the real property on, and adjacent to the site on, which the Vending System is located to permit the full and proper performance of this Agreement

15. Partial Invalidity. If any provision of this Agreement shall be deemed to be unlawful or unenforceable by a court of competent jurisdiction, such determination shall have no effect on the validity and enforceability of the other terms and conditions of this Agreement, and the challenged term shall be deemed deleted.

16. Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, and each of which alone and both of which together, shall constitute one and the same instrument.

17. Entire Agreement. This Agreement and the Schedule expressly incorporated herein constitute the entire agreement between the parties and supersede all prior statements, representations, and agreements on the subject matter hereof. This Agreement may be amended only by a writing that refers to this Agreement and is signed by both parties.

18. Survival. All obligations under Sections 4, 8, 10 and 1 I of this Agreement shall survive the expiration or termination of this Agreement.

19. Governing Law. This Agreement has been made in Delaware and shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and performed within the State of Delaware.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth above.

E-VEND:

e-Vend.net Corporation

By:

-----  
David H. Goodman

President & CEO

THE COMPANY:

[Insert Company Name]

By:

-----

SCHEDULE ONE  
(of Vending System Placement Agreement)

COMPANY LOCATIONS:

Please indicate whether the Company will provide Stocking Services under Paragraph 3:

The Company will provide stocking services under Paragraph 3\_\_\_\_\_

The Company will not provide stocking services under Paragraph 3\_\_\_\_\_

Term: One year

Initial:\_\_\_\_\_

THE COMPANY:\_\_\_\_\_

E-Vend\_\_\_\_\_

Schedule C

Minimum Purchase Order Price (Pallet Quantities)

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for Kodak Merchandise  
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Product	Minimum Price
Max Flash	\$8.05
Max Daylight	\$6.19
Max HQ	\$8.67
Switchable	\$8.67
Access	\$8.36
Max 400 -2 Pack	\$7.43
APS 200 - 2 Pack	\$8.05

Schedule D  
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Teaming Strategy

Sales

Prioritized Roll-Out Locations	Kodak	Maytag/Dixie/e-Vend
1. Point of Picture (POP)	Sponsorship reps team with Maytag/Dixie/e-Vend to incorporate vending into all appropriate sponsorship venues. Kodak's Vending Manager will work with Maytag/Dixie/e-Vend on strategy and minimal execution. Provide some POP location lists through Kodak's association memberships, etc. Kodak Project Liaison will coordinate efforts and consider other reasonable requests for participation.	* Take the lead in identifying and securing all POP locations. * Team with Kodak's sponsorship reps to place machines in sponsorship venues. * Where Kodak has relationships with venues outside of the sponsorship agreements, we retain the right to introduce Vend to the customer.
2. On the Way to POP	Same as above, but only if Lead the sales applicable on a Location basis.	effort to identify and place machines.
3. Retails New non-Kodak retail locations	This tier of location shall be the tertiary priority. Kodak has the ultimate right to schedule and have a representative present during all meetings and sales calls with these locations. Kodak shall have the right to approve and/or modify all contracts and placement agreements prior to presentation to all retail locations.	



4. Retail \* This class of trade is the fourth priority and is not  
Existing Kodak viewed as a primary driver of growing the vending market.  
retail locations Opportunities will be assessed on a case-by-case basis.

Maytag/Dixie/e-Vend acknowledges the fact that Kodak has existing selling relationships that may cause Kodak and Maytag/Dixie/-Vend to modify the program based on existing Kodak contracts and/or partnerships; Kodak acknowledges that it is bound by the exclusivity clause and its parameters set forth in the agreement.

Kodak has the ultimate right to schedule and have a representative present during all meetings and sales calls with these locations. Kodak shall have the right to approve and/or modify all contracts and placement agreements prior to presentation to all retail locations.

Teaming Strategy (continued)

Installation

Prioritized Roll-Out Locations	Kodak	Vend
1. Point of Picture (POP)	Kodak is not required in this stage, but reserves the right to be there should we desire.	* Full execution utilizing internal competencies.
2. On the Way to POP	Kodak is not required in this stage, but reserves the right to be there should we desire.	* Full execution utilizing internal competencies.
3. Retail (Collective)	Reserve the right to be there should we desire pursuant to Sales matrix	* Full execution utilizing internal competencies.

Maintenance

Prioritized Roll-Out Locations	Kodak	Vend
1. Point of Picture (POP)	N/A	* Full execution utilizing internal competencies.
2. On the Way to POP	N/A	* Full execution utilizing internal competencies.
3. Retail (Collective)	N/A	* Full execution utilizing internal competencies.

Schedule E

Dispute Resolution Representatives

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Initial Level:

Kodak -----	Maytag / Dixie -----	e-Vend -----
Vice President, Cameras Business Unit	Maytag Vice President of Corporate Development	Vice President & General Counsel

Mediation Level:

Kodak -----	Maytag /Dixie -----	e-Vend -----
President of Consumer Imaging, U.S. & Canada Region	Maytag President of Commercial Solutions	President & CEO

Schedule F

ESCROW AGREEMENT

THIS SOFTWARE ESCROW AGREEMENT ("Escrow Agreement"), dated as of this \_\_\_\_\_ day of \_\_\_\_\_ 2000, is by and between e-Vend.net Corporation ("Vendor") and Maytag Corporation ("Maytag") and NAME, Attorney-at-law, & \_\_\_\_\_ LOCATION ("Escrow Agent ") (collectively and individually defined as "Parties" and "Party").

WHEREAS, Vendor, Maytag and the Eastman Kodak Company ("Kodak") entered into a Vending, Placement, Supply and Distribution Agreement (the "Vending Agreement") of even date herewith.

WHEREAS, to secure Maytag's guaranty of Vendor's obligations under the Vending Agreement and to induce Kodak to enter into the Vending Agreement, Vendor has agreed to pledge or assign, in escrow, all rights and obligations under the "Placement Agreement," including, without limitation, an assignment of all "Placement Agreements" and non-exclusive rights to use all software, source codes and other aspects of the "eVend System," each as defined in the Vending Agreement, for the sole purpose of completing performance of Maytag's and Vendor's obligations under the Vending Agreement

WHEREAS, the Escrow Agent is prepared to act as Escrow Agent for Vendor and Maytag.

NOW THEREFORE, the Parties agree as follows:

1. Transfer of the Sourcecodes

Vendor will deliver the Sourcecodes of the e-Vend software contained in the eVend System and necessary to run the Vending Program ("e Vend Software") to the Escrow Agent within ten days from the signature of this Escrow Agreement. The Sourcecodes will be readable with Windows NT.

Vendor warrants that the Sourcecodes which will be deposited correspond to the technical development of the e-Vend Software as of the time of the execution of the Vending Agreement, and that any revised, enhanced or replacements to the e-Vend Software when and as tile%! are made front time to tinge. shall be deposited with the Escrow Agent within ten days from till from such revision enhancement or replacment to the e-Vend Software

2. Escrow Property

(a) Rights to the Sourcecodes: Vendor will transfer, on a fiduciary basis, ownership of the media containing the Sourcecodes and the rest of tile e-Vend Software to the Escrow Agent, excluding the intellectual property rights embodied in the Sourcecodes.

If the Escrow Agent delivers the Sourcecodes and the rest of the e-Vend Software to Maytag in accordance with Section 5.1 of this Escrow Agreement, Maytag, under nonexclusive license from Vendor, will be entitled to use the Sourcecodes and the rest of the e-Vend Software solely to perform and complete the obligations of Vendor and/or Maytag under the Vending Agreement on all activated and properly functioning Vending Systems at the time of release of the Sourcecodes by Escrow Agent as contemplated by this Escrow Agreement. The license to the Sourcecodes granted to Maytag under this Escrow Agreement will continue until the last to occur of three (3) years beyond the termination or expiration of the Vending Agreement, or for so long as Kodak pays, and is obligated to pay, Slotting Fees under the Vending Agreement. Maytag shall at all times maintain the confidentiality of the Sourcecodes and use the Sourcecodes only as contemplated by this Escrow Agreement. Title and all intellectual property rights in the Sourcecodes shall at all times remain solely with the Vendor.

(b) Assignment of Placement Agreements: Vendor shall execute and deliver with this Escrow Agreement an assignment of Placement Agreements (the "Placement Agreement Assignment") substantially in the form attached hereto as Exhibit A.

(c) Assignment of Equipment: In addition, Vendor shall execute and deliver into escrow with this Escrow Agreement an assignment of all of the rights to, and contracts and leases relating to, equipment (e.g., Vending Systems and network equipment) of Vendor now or hereafter acquired which are necessary for the full and proper performance of Vendor's or Maytag's obligations under the Vending Agreement (the "Equipment Assignment") substantially in the form attached hereto as Exhibit B.

### 3. Custody by the Escrow Agent

The Escrow Agent shall hold the Sourcecodes and the rest of the e-Vend Software, the Placement Agreement Assignment, and the Equipment Assignment in a safe place for the Term of the Vending Agreement, and any Wind-down Period provided therein; at the completion of which the Sourcecodes and the rest of the e-Vend Software, the Placement Agreement Assignment, and the Equipment Assignment, if not previously delivered to Maytag pursuant to this Escrow Agreement, shall be returned to Vendor.

The Escrow Agent will inform Vendor of any loss, damage or theft of the Sourcecodes and the rest of the e-Vend Software, the Placement Agreement Assignment, or the Equipment Assignment. In this case, Vendor undertakes to deliver immediately to the Escrow Agent another copy of the Sourcecodes and the rest of the e-Vend Software, 10 re-execute the Placement Agreement Assignment or to re-execute the Equipment

### 4. Control of the Sourcecodes and the (test of the e-Vend Software

Each Party to this Escrow Agreement has the right to verify on the premises of the Escrow Agent the availability of a current and updated version of the Sourcecodes and the rest of the e-Vend Software. The verification includes the right to check that the data carrier contains the Sourcecodes and the rest of the e-Vend Software. Each Party to this Escrow Agreement shall announce its intentions at least three (3) days in advance so that the other Parties may attend such verification.

At the end of each three-month period or in case of new releases, Vendor will update the Sourcecodes and the rest of the e-Vend Software.

5. Release of the Escrow Property

The Escrow Agent irrevocably undertakes to release the Sourcecodes and the rest of the e-Vend Software, the Placement Agreement Assignment and the Equipment Assignment (collectively and individually the "Escrow Property), as follows:

5.1 Any and all of the Escrow Property, upon receipt of joint written instructions from Vendor, Maytag and Kodak; or

5.2 Any and all of the Escrow Property, upon presentation of a judicial decision enforceable in the state of New York; or

5.3 If Maytag delivers written notice to Escrow Agent, copy to Kodak and Vendor, certified by an officer of Maytag, that one of the events specified in (a), (b) or (c) below has occurred, and if within five (5) days thereafter Vendor has not produced an affidavit of an executive officer of Vendor, with a copy to Kodak, clearly refuting that the claimed event has not occurred (the "Affidavit"), then on the sixth (6th) day, Escrow Agent shall release to Maytag the Sourcecodes and the rest of the e-Vend Software:

In the event (a) Vendor becomes insolvent, or requests its creditors for a moratorium, or enters into a general assignment for the benefit of creditors or an agreement of composition with its creditors, or suffers the appointment of a temporary or permanent receiver, trustees or custodian for all or a substantial part of its assets that is not dismissed within thirty (30) days; or (b) Vendor files a voluntary petition for relief under Title 11 of the Bankruptcy Code, or if an Order for Relief under the Bankruptcy Code is entered against it, or if a petition or answer is filed proposing entry of an Order for Relief under the Bankruptcy Code (which petition or answer is not discharged or denied within sixty (60) days after the filing thereof); or (c) Vendor commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to it or any such proceeding is commenced against Vendor which is not dismissed for period of sixty (60) days.

5.4 Maytag, at any time within ninety (90) days after the notice to the Escrow Agent under Section 5.3 above, may give notice to the Escrow Agent, with copies to Vendor and Kodak, directing the Escrow Agent to deliver the Placement Agreement Assignment to Maytag. In the event such notice is given and Vendor does not produce the Affidavit under Section 5.3, the Escrow Agent shall deliver the Placement Agreement Assignment to Maytag. If Maytag does not timely direct the Escrow Agent to deliver the Placement Agreement Assignment to Maytag, Escrow Agent shall deliver the Placement Agreement Assignment to Vendor or its estate, as applicable.

5.5 Maytag, at any time within ninety (90) days after the notice to the Escrow Agent under Section 5.3 above, may give notice to the Escrow Agent, with copies to

Vendor and Kodak, directing the Escrow Agent to deliver the Equipment Assignment to Maytag. In the event such notice is given and Vendor has not produced the Affidavit under Section 5.3, the Escrow Agent shall deliver the Equipment Assignment to Maytag, and Maytag shall be obligated to pay to Vendor's estate the then existing fair market value of the equipment covered by the Equipment Assignment. The fair market value shall be: (a) the value then agreed upon by Maytag and the authorized representatives of Vendor's estate, and approved by any supervising court; or (b) in the absence of such an agreement, as determined by any court with jurisdiction over the Parties and the subject matter of the disagreement. If Maytag does not timely direct the Escrow Agent to deliver the Equipment Assignment to Maytag, Escrow Agent shall deliver the Equipment Assignment to Vendor or its estate, as applicable.

5.6 Maytag agrees to subordinate its rights under the Equipment Assignment to the security interest of any equipment lessor or purchase money lender, provided the lessor or lender, as applicable, grants Maytag the right, at its option, to assume the equipment lease or loan upon the release of the Equipment Assignment to Maytag, with Maytag being thereafter liable for all payments then owed or subsequently coming due under the lease or the loan, other than late charges, penalties or expenses of collection, including attorney fees, previously charged or incurred. Upon the happening of any event described in clauses (a), (b) or (c) of Section 5.3, above, Vendor hereby irrevocably authorizes any equipment lessor or lender with an interest in the equipment covered by the Equipment Assignment to provide to Maytag, upon written request, an accounting of all amounts then due under the applicable lease or loan, as well as a copy of all relevant lease or loan documents which Maytag would be assuming if it exercised its rights under this Section.

#### 6. Duties of the Escrow Agent

The Escrow Agent shall keep the Sourcecodes, Assignment and Equipment Assignment with the same care as its own matters. It will not incur any liability for loss of data or access to the data by non-authorized persons. Except as provided in this Escrow Agreement, Escrow Agent agrees that it shall not disclose or otherwise make available to any third party, or make any use of the Sourcecodes, Assignment or Equipment Assignment without Vendor's prior written consent.

The Escrow Agent's sole duties and obligations are those specifically stated herein.

The Escrow Agent shall not be responsible for any action or omission unless he/she was grossly negligent or acted or failed to act in bad faith.

#### 7. Fees

The Escrow Agent shall be compensated for any special service required or necessary to the exercise of his/her function on the basis of his/her normal professional charge.

All Parties are jointly liable towards the Escrow Agent for the payment of the Escrow Agent's fee.

Vendor and Maytag undertake jointly and severally to hold harmless and indemnify the Escrow Agent from any liability or expense that he/she may incur by virtue



of any claim or dispute in connection herewith which may arise between Vendor and Maytag including attorneys' fees.

8. Conflict of Interest

Vendor and Maytag duly acknowledge that the function of the Escrow Agent will not disqualify him/her to further represent and advise Vendor in any dispute with Maytag or Kodak.

9. Death of the Escrow Agent

In case of death of the Escrow Agent, his/her function shall be taken over by another person appointed jointly by all Parties and approved by Kodak in writing.

10. Amendments

Any amendment or supplement to this Escrow Agreement shall be valid only if made in written form, signed by the Parties, and approved in writing by Kodak.

11. Applicable law and jurisdiction

This Agreement shall be governed by and construed in accordance with the laws of the state of New York. Any dispute between the parties relating to this Escrow Agreement may be brought in any court with jurisdiction over the Parties and the subject matter. Without limiting the foregoing, the Parties each irrevocably consent to the jurisdiction of the state courts of New York and the United States District Court for the Eastern District of New York for all matters arising from this Escrow Agreement, and for that limited purpose only; provided; however, that each Party agrees not to commence any action, suit or proceeding in the state court unless the United States District Court for the Eastern District of New York lacks subject matter jurisdiction with respect to the dispute or otherwise is unable to hear the matter.

[SIGNATURE CONTINUE ON NEXT PAGE]

IN WITNESS WHEREOF, the Vendor and Maytag hereto have executed this Escrow Agreement as of the date set forth in the first paragraph hereof.

VENDOR:  
E-VEND.NET CORPORATION

MAYTAG CORPORATION

By \_\_\_\_\_  
Signature  
Name \_\_\_\_\_  
(Type or Print)  
Title \_\_\_\_\_  
Date \_\_\_\_\_

By \_\_\_\_\_  
Signature  
Name \_\_\_\_\_  
(Type or Print)  
Title \_\_\_\_\_  
Date \_\_\_\_\_

ESCROW AGENT

By \_\_\_\_\_  
Signature  
Name \_\_\_\_\_  
(Type or Print)  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Exhibit A  
to the e-Vend Escrow Agreement

ASSIGNMENT OF PLACEMENT AGREEMENTS  
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THIS ASSIGNMENT OF PLACEMENT AGREEMENTS (this "Assignment"), dated as of \_\_\_\_\_, 2000, between e-Vend.net Corporation (the "Assignor") and Maytag Corporation (the "Assignee"),

WITNESSETH:

WHEREAS, the Assignor and the Assignee, together with Dixie-Narco, Inc. and the Eastman Kodak Company ("Kodak"), are parties to a Vending, Placement, Supply and Distribution Agreement (the "Vending Agreement") and an Escrow Agreement (the "Escrow Agreement"), each of even date herewith, whereby the parties have agreed to assign, in escrow, the "Placement Agreements" (as defined in the Vending Agreement) for the sole purpose of securing the performance of Assignor's obligations under the Vending Agreement.

NOW, THEREFORE, to induce Assignee and Kodak to enter into the Vending Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Assignor hereby assigns, transfers and sets over unto the Assignee, absolutely and not as a collateral assignment, all the Assignor's rights, title and interests in and to each of the Placement Agreements, whether now existing or hereafter entered into, except to the extent reserved below, including, without limitation, in such assignment (a) any and all rights of the Assignor to compel performance of the terms of the Placement Agreements, (b) all rights, benefits and claims under all warranty and indemnity provisions contained in the Placement Agreements, (c) the benefit of all insurance payments provided for in the Placement Agreements and (d) the right to any other moneys due and to become due to the Assignor under the Placement Agreements. Notwithstanding the foregoing, so long as none of the Events (as defined in Section 4 below) shall have occurred, and upon the occurrence of an Event, for so long as Escrow Agent has not released this Assignment to Assignee pursuant to Section 5.4 of the Escrow Agreement, the Assignee Irrevocably authorized the Assignor without affecting the terms of this Assignment (i) to exercise in its own name and solely enjoy all benefits and powers under such Placement Agreements including the right to all moneys due or to become due, and (ii) to enforce any warranty or indemnity under such Placement Agreements and to retain any recovery or benefit resulting from the enforcement of any such warranty or indemnity.

2. It is expressly agreed that anything herein to the contrary notwithstanding, the Assignor shall remain liable under the Placement Agreements to

perform all of its obligations thereunder and the Assignee shall have no obligation or liability under the Placement Agreements by reason of, or arising out of, this Assignment nor shall the Assignee be required or obligated in any manner to perform or fulfill any obligations of the Assignor under or pursuant to any of the Placement Agreements, or to make any payment or to make any inquiry, as to the nature or sufficiency of any payment received by it, or to present or file any claim or to take any other action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled hereunder at any time or times; provided, however, that should Assignee demand release of this Assignment from Escrow Agent pursuant to Section 5.4 of the Escrow Agreement, and should Escrow Agent thereafter release this Assignment to Assignee, Assignee shall assume and become liable for all obligations of Assignor under the Placement Agreements and shall indemnify and hold Assignor harmless against the same.

3. The Assignor agrees that so long as this Assignment is in effect, it will not, without the prior written consents of the Assignee and Kodak, which consents shall not be unreasonably withheld or delayed, amend, modify or permit to be amended or modified in any material respect any of the Placement Agreements or waive or permit to be waived any material provisions of any of the Placement Agreements, or exercise any right to terminate or cancel any of the Placement Agreements or consent or agree to, or suffer or permit, the termination thereof whether or not on account of any default therein specified.

4. The Assignor hereby irrevocably appoints the Assignee, its successors and assigns, the Assignor's true and lawful attorney-in-fact with full power (in the name of the Assignor or otherwise) at any time after an Event (as hereinafter defined) has occurred, to do any act or assert any right under any or all of the Placement Agreements which Assignor, itself, could do or assert. Without limiting the generality of the preceding sentence, upon the occurrence of an Event, Assignor irrevocably authorizes Assignee to ask, require, demand, and receive any and all moneys and claims for moneys due and to become due under, or arising out of, each of the Placement Agreements to the extent that the same have been assigned by this Assignment, to endorse any checks or other instruments or orders in connection with the Placement Agreements, to file any claims or take any action or institute (or, if previously commenced, assume control of) any proceedings and to obtain any recovery in connection with the Placement Agreements as deemed necessary by the Assignee. An "Event" shall occur when one of the following events occurs, including the passage of any applicable grace period: (a) Assignor becomes insolvent, or requests its creditors for a moratorium, or enters into a general assignment for the benefit of creditors or an arrangement of composition with its creditors, or suffers the appointment of a temporary or permanent receiver, trustees or custodian for all or substantial part of its assets that is not dismissed within thirty (30) days; or (b) Assignor files a voluntary petition for relief under Title 11 of the Bankruptcy Code, or if an Order for Relief under the Bankruptcy Code is entered against it, or if a petition or answer is filed proposing entry of an Order for Relief under the Bankruptcy Code (which petition or answer is not discharged or denied within sixty (60) days after the filing thereof); or (c) Assignor commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in

effect relating to it or any such proceeding is commenced against Assignor which is not dismissed for period of sixty (60) days.

5. The Assignor agrees that at any time and from time to time, upon the written request of the Assignee, the Assignor will promptly and duly execute and deliver any and all such further instruments and documents as the Assignee may reasonably request in obtaining the full benefits of this Assignment and of the rights and powers herein granted.

6. The Assignor hereby represents and warrants that the Assignor has not assigned or pledged, and hereby covenants that it will not assign or pledge, so long as this Assignment shall remain in effect, the whole or any part of the rights hereby assigned to anyone other than the Assignee, its successors or assigns. The Assignor also covenants and agrees that it will not take any action or fail to take any action or institute any proceedings the taking or omission of which might result in the material alteration or impairment of any of the Placement Agreements or this Assignment or any of the rights created by any of the Placement Agreements or this Assignment.

7. Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Vending Agreement or the Escrow Agreement. All other terms shall have the meanings herein specified unless the context otherwise requires. Such definitions shall be equally applicable to the singular and plural forms of the terms defined.

"Assignee" shall have the meaning specified in the first paragraph of this Assignment.

"Assignment" shall mean this Assignment as the same may be modified, supplemented or amended from time to time in accordance with its terms.

"Assignor" shall have the meaning specified in the first paragraph of this Assignment.

8. No material amendment or modification of any of the Placement Agreements and no material consent, waiver or approval with respect thereto shall be valid unless approved in writing by Assignee and Kodak, which approval shall not be unreasonably withheld or delayed. The Assignor shall promptly notify the Assignee and Kodak of, and provide to the Assignee and Kodak copies of, any default notices under any of the Placement Agreements.

9. The Assignee is authorized at the expense of the Assignor to sign and file, at any time and from time to time, without the signature of the Assignor, any and all Uniform Commercial Code financing statements, changes thereto or renewals thereof in connection with this Assignment which the Assignee may reasonably deem to be necessary or advisable in order to perfect or maintain any security interest granted hereby. In the event that the Assignee files any such financing statements, changes or renewals without the

signature of the Assignor, it shall provide the Assignor and Kodak with notice thereof as soon as practicable after such filing.

10. Each and every right, power and remedy herein given to the Assignee shall be cumulative and shall be in addition to every other right, power and remedy of the Assignee now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy, whether herein given or otherwise existing, may be exercised from time to time, in whole or in part, in accordance with the terms of this Assignment and as often and in such order as may be deemed expedient by the Assignee, and the exercise or the beginning of the exercise of any right, power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Assignee in the exercise of any right or power or in the pursuance of any remedy accruing upon any breach or default by the Assignor shall impair any such right, power or remedy or be construed to be a waiver of any such right, power or remedy or to be an acquiescence therein.

11. Any provision of this Assignment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and shall not invalidate or render unenforceable such provisions in any other jurisdiction. In the event that it should transpire that by reason of any law or regulation in force or to become in force, or by reason of a ruling of any court whatsoever, or by any other reason whatsoever, the Assignment herein contained is either wholly or partly defective, the Assignor hereby undertakes to furnish the Assignee with an alternative assignment or alternative security and/or to do all such other acts as, in the opinion of the Assignee, shall be required in order to ensure and give effect to the full intent of this Assignment.

12. Except as otherwise specified herein, all notices, requests, demands or other communications to or upon Kodak and the respective parties hereto shall be deemed to have been duly given or made to Kodak or the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Assignment, effective upon receipt, by first class postage prepaid and addressed to such party or Kodak at its address as set forth in the Vending Agreement, or at such other address as Kodak or any of the parties hereto may hereafter notify the others in writing.

13. None of the terms and conditions of this Assignment may be changed, waived, modified or varied in any manner whatsoever unless in writing duly signed by the Assignor or the Assignee and Kodak

14. The obligations of the Assignor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of the Assignor or (b) any amendment to or modification of, any exercise or nonexercise, or any waiver of, any right, remedy, power or privilege under or in respect of, this Assignment, the Vending Agreement the Escrow Agreement or any of the Placement Agreements, whether or not the Assignor shall have notice or knowledge of any of the foregoing.

15. This Assignment shall be binding upon the Assignor and its successors and assigns and shall inure to the benefit of the Assignee and Kodak, and their successors and assigns, provided that the Assignor may not transfer or assign any or all of its rights or obligations hereunder without the prior written consents of the Assignee and Kodak, which consents shall not be unreasonably withheld. All agreements, statements and representations made by the Assignor herein or in any certificate or other instrument delivered by the Assignor or on its behalf under this Assignment shall be considered to have been relied upon by the Assignee and shall survive the execution and delivery of this Assignment, the Vending Agreement and the Escrow Agreement.

16. In the event of expiration or earlier termination of the Vending Agreement and the end of any Wind Down Period (as defined in the Vending Agreement), Assignee agrees to reassign back to Assignor the Placement Agreements provided Assignor has not allowed one of the Events described in Section 4 occur, or if this Assignment has not been released by Escrow Agent to Assignee pursuant to Section 5.4 of the Escrow Agreement in connection with the occurrence of an Event..

17. This Assignment and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the laws of the State of New York. Any dispute between the parties relating to this Assignment may be brought in any court with jurisdiction over the parties and the subject matter. Without limiting the foregoing, the Assignor and Assignee each irrevocably consent to the jurisdiction of the state courts of New York and the United States District Court for the Eastern District of New York for all matters arising from this Assignment, and for that limited purpose only; provided, however, that each party agrees not to commence any action, suit or proceeding in state court-unless the United States District Court for the Eastern District of New York lacks subject matter jurisdiction with respect to the dispute or otherwise is unable to hear the matter.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be executed and delivered by their duly authorized officers as of the date first above written.

E-VEND.NET CORPORATION,  
as Assignor

MAYTAG CORPORATION,  
as Assignee

By \_\_\_\_\_

By \_\_\_\_\_

Signature

Signature

Name \_\_\_\_\_

Name \_\_\_\_\_

(Type or Print)

(Type or Print)

Title \_\_\_\_\_

Title \_\_\_\_\_

Date

Date



Exhibit B  
to the e-Vend Escrow Agreement

ASSIGNMENT OF EQUIPMENT AND  
RELATED CONTRACTS AND LEASES

THIS ASSIGNMENT OF EQUIPMENT AND RELATED CONTRACTS AND LEASES (this "Assignment"), dated as of \_\_\_\_\_, 2000, between e-Vend.net Corporation (the "Assignor") and Maytag Corporation (the "Assignee"),

WITNESSETH

WHEREAS, the Assignor and the Assignee, together with Dixie-Narco, Inc. and the Eastman Kodak Company ("Kodak"), are parties to a Vending, Placement, Supply and Distribution Agreement (the "Vending Agreement") and an Escrow Agreement (the "Escrow Agreement"), each of even date herewith, whereby the parties have agreed to assign, in escrow, all of Assignor's rights, title and interest in and to all equipment necessary for the performance of Assignor's obligations under the Vending Agreement, including without limitation, the Vending Systems and related network hardware (collectively and individually the "Equipment"), together with all contracts, leases or other agreements pertaining to the Equipment (the "Equipment Contracts") for the sole purpose of securing the performance of Assignor's obligations under the Vending Agreement.

NOW, THEREFORE, to induce Assignee and Kodak to enter into the Vending - Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Assignor hereby assigns, transfers and sets over unto the Assignee, absolutely and not as a collateral assignment, all the Assignor's rights, title and interests in and to the Equipment and each of the Equipment Contracts, whether now existing or hereafter acquired or entered into, except to the extent reserved below, including, without limitation, in such assignment (a) any and all rights of the Assignor to compel performance of the terms of the Equipment Contracts, (b) all rights, benefits and claims under all warranty and indemnity provisions pertaining to the Equipment contained in the Equipment Contracts, (c) the benefit of all insurance payments pertaining to the Equipment provided for in the Equipment Contracts and (d) the right to ANY OTHER MONEYS due and to become due: to the Assignor pertaining to the Equipment under the Equipment Contracts. Notwithstanding the foregoing, so long as none of the Events (as defined in Section 4 below) shall have occurred, and upon the occurrence of an Event, for so long as Escrow Agent has not released this Assignment to Assignee pursuant to Section 5.5 of the Escrow Agreement, the Assignee irrevocably authorizes the Assignor, without affecting the terms of this Assignment, (i) to exercise in its own name and solely enjoy all benefits of all rights and powers pertaining to the Equipment and under such Equipment Contracts, including the right to all moneys due or to become due with respect thereto, and (ii) to enforce any

warranty or indemnity pertaining to the Equipment under such Equipment Contracts and to retain any recovery or benefit resulting from the enforcement of any such warranty or indemnity.

2. It is expressly agreed that anything herein to the contrary notwithstanding, the Assignor shall remain liable for the Equipment and under the Equipment Contracts to perform all of its obligations thereunder and the Assignee shall have no obligation or liability for the Equipment or under the Equipment Contracts by reason of, or arising out of, this Assignment nor shall the Assignee be required or obligated in any manner to perform or fulfill any obligations of the Assignor for the Equipment or under or pursuant to any of the Equipment Contracts, or to make any payment or to make any inquiry, as to the nature or sufficiency of any payment received by it, or to present or file any claim or to take any other action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled hereunder at any time or times; provided, however, that should Assignee demand release of this Assignment from Escrow Agent pursuant to Section 5.5 of the Escrow Agreement, and should Escrow Agent thereafter release this Assignment to Assignee, Assignee shall assume and become liable for all obligations of Assignor under the Equipment Contracts, including all financing or leasing obligations of Assignor relating to the same, and shall indemnify and hold Assignor harmless against the same..

3. The Assignor agrees that so long as this Assignment is in effect, it will not, without the prior written consents of the Assignee and Kodak, which consents shall not be unreasonably withheld or delayed, (a) dispose of any Equipment unless replaced by Equipment which is at least comparable in quality, or (b) amend, modify or permit to be amended or modified in any material respect any of the Equipment Contracts or waive or permit to be waived any material provisions of any of the Equipment Contracts, or exercise any right to terminate or cancel any of the Equipment Contracts or consent or agree to, or suffer or permit, the termination thereof whether or not on account of any default therein specified.

4. The Assignor hereby irrevocably appoints the Assignee, its successors and assigns, the Assignor's true and lawful attorney-in-fact with full power (in the name of the Assignor or otherwise) at any time after an Event (as hereinafter defined) has occurred, to do any act or assert any right pertaining to the Equipment or under any or all of the Equipment Contracts which Assignor, itself, could do or assert. Without limiting the generality of the preceding sentence, upon the occurrence of an Event, Assignor invocable authorizes Assignee to take possession of the Equipment and/or to ask, require, demand and receive any and all moneys and claims for moneys due and to become due which pertain to or arise out of the Equipment or any of the Equipment Contracts to the extent that the same have been assigned by this Assignment, to endorse any checks or other instruments or orders in connection with the Equipment or the Equipment Contracts, to file any claims or take any action or institute (or, if previously commenced, assume control of) any proceedings and to obtain any recovery in connection with the Equipment or the Equipment Contracts as deemed necessary by the Assignee. An "Event" shall occur when one of the following events occurs, including the passage of any applicable grace period:

(a) Assignor becomes insolvent, or requests its creditors for a moratorium, or enters into a general assignment for the benefit of creditors or an agreement of composition with its creditors, or suffers the appointment of a temporary or permanent receiver, trustees or custodian for all or substantial part of its assets that is not dismissed within thirty (30) days; or (b) Assignor files a voluntary petition for relief under Title 11 of the Bankruptcy Code, or if an Order for Relief under the Bankruptcy Code is entered against it, or if a petition or answer is filed proposing entry of an Order for Relief under the Bankruptcy Code (which petition or answer is not discharged or denied within sixty (60) days after the filing thereof); or (c) Assignor commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to it or any such proceeding is commenced against Assignor which is not dismissed for period of sixty (60) days.

5. The Assignor agrees that at any time and from time to time, upon the written request of the Assignee, the Assignor will promptly and duly execute and deliver any and all such further instruments and documents as the Assignee may reasonably request in obtaining the full benefits of this Assignment and of the rights and powers herein granted.

6. The Assignor hereby represents and warrants that the Assignor has not assigned or pledged, and hereby covenants that, except for pledges or grants of security interests to purchase money equipment lessors or purchase money lenders, it will not assign or pledge, so long as this Assignment shall remain in effect, the whole or any part of the Equipment rights hereby assigned to anyone other than the Assignee, its successors or assigns. Assignee hereby consents to pledges or grants of security interests Assignor may make to purchase money equipment lessors or purchase money lenders with respect to the Equipment, and Assignee agrees to subordinate its rights under this Assignment to the rights or security interests of any Equipment lessor or purchase money lender, provided the lessor or lender, as applicable, grants Maytag the right, at its option, to assume the equipment lease or loan upon the release of the Equipment Assignment to Maytag by Escrow Agent pursuant to Section 5.5 of the Escrow Agreement, with Maytag being thereafter liable for all payments then owed or subsequently coming due under the lease or the loan. The Assignor also covenants and agrees that it will not take any action or fail to take any action or institute any proceedings the taking or omission of which might result in the material alteration or impairment of any of the Equipment or the Equipment Contracts or this Assignment or any of the rights created by any of the Equipment Contracts or tills Assignment

7. Capitalized terms used herein and not defined shall have the meaning assigned to such terms in the Vending Agreement or the Escrow Agreement. All other terms shall have the meanings herein specified unless the context otherwise requires. Such definitions shall be equally applicable to the singular and plural forms of the terms defined.

"Assignee" shall have the meaning specified in the first paragraph of this Assignment

"Assignment" shall mean thus Assignment as the same may be modified, supplemented or amended from time to time in accordance with its terms.

"Assignor" shall have the meaning specified in the first paragraph of this Assignment.

8. No material amendment or modification of any of the Equipment Contracts and no material consent, waiver or approval with respect thereto shall be valid unless approved in writing by the Assignee and Kodak, which approval shall not be unreasonably withheld or delayed. The Assignor shall promptly notify the Assignee and Kodak of, and provide to the Assignee and Kodak copies of, any default notices under any of the Equipment Contracts.

9. The Assignee is authorized at the expense of the Assignor to sign and file, at any time and from time to time, without the signature of the Assignor, any and all Uniform Commercial Code financing statements, changes thereto or renewals thereof in connection with this Assignment which the Assignee may reasonably deem to be necessary or advisable in order to perfect or maintain any security interest granted hereby. In the event that the Assignee files any such financing statements, changes or renewals without the signature of the Assignor, it shall provide the Assignor and Kodak with notice thereof as soon as practicable after such filing.

10. Each and every right, power and remedy herein given to the Assignee shall be cumulative and shall be in addition to every other right, power and remedy of the Assignee now or hereafter existing at law, in equity or by statute, and each and every right power and remedy, whether herein given or otherwise existing, may be exercised from time to time, in whole or in part, in accordance with the terms of this Assignment and as often and in such order as may be deemed expedient by the Assignee, and the exercise or the beginning of the exercise of any right, power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Assignee in the exercise of any right or power or in the pursuance of any remedy accruing upon any breach or default by the Assignor shall impair any such right, power or remedy or be construed to be a waiver of any such right, power or remedy or to be an acquiescence therein.

11 Any provision of this Assignment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and shall not invalidate or render unenforceable such provisions in any other jurisdiction. In the event that it should transpire that by reason of any law or regulation in force or to become in force, or by reason of a ruling of any court whatsoever, or by any other reason whatsoever, the assignment herein contained is either wholly or partly defective, the Assignor hereby undertakes to furnish the Assignee with an alternative assignment or alternative security and/or to do all such other acts as, in the opinion of the Assignee, shall be required in order to ensure and give effect to the full intent of this Assignment

12. Except as otherwise specified herein, all notices, requests, demands or other communications to or upon Kodak and the respective parties hereto shall be deemed to have been duly given or made to Kodak or the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Assignment, effective upon receipt, by first class postage prepaid and addressed to such party or Kodak at its address as set forth in the Vending Agreement, or at such other address as Kodak or any of the parties hereto may hereafter notify the others in writing.

13. None of the terms and conditions of this Assignment may be changed, waived, modified or varied in any manner whatsoever unless in writing duly signed by the Assignor, the Assignee and Kodak.

14. The obligations of the Assignor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of the Assignor or (b) any amendment to or modification of, any exercise or nonexercise, or any waiver of, any right, remedy, power or privilege under or in respect of, this Assignment, the Vending Agreement, the Escrow Agreement or any of the Equipment Contracts, whether or not the Assignor shall have notice or knowledge of any of the foregoing.

15. This Assignment shall be binding upon the Assignor and its successors and assigns and shall inure to the benefit of the Assignee and Kodak, and their successors and assigns, provided that the Assignor may not transfer or assign any or all of its rights or obligations hereunder without the prior written consents of the Assignee and Kodak, which consents shall not be unreasonably withheld. All agreements, statements and representations made by the Assignor herein or in any certificate or other instrument delivered by the Assignor or on its behalf under this Assignment shall be considered to have been relied upon by the Assignee and shall survive the execution and delivery of this Assignment, the Vending Agreement and the Escrow Agreement.

16. In the event of expiration or earlier termination of the Vending Agreement and the end of any Wind Down Period (as defined in the Vending Agreement), Assignee agrees to reassign back to Assignor the Equipment and the Equipment Contracts provided Assignor has not allowed one of the Events described in Section 4 occur, or if this Assignment has not been released by Escrow Agent to Assignee pursuant to Section 5.5 of the Escrow Agreement in connection with the occurrence of an Event.

17. This Assignment and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the laws of the State of New York. Any dispute between the parties relating to this Assignment may be brought in any court with jurisdiction over the parties and the subject matter. Without limiting the foregoing, the Assignor and Assignee each irrevocably consent to the jurisdiction of the state courts of New York, the state courts of Delaware and the United States District Court for the Eastern District of New York for all matters arising from this Assignment, and for that limited purpose only; provided, however, that each party agrees not to commence any

action, suit or proceeding in state court unless the United States District Court for the Eastern District of New York lacks subject matter jurisdiction with respect to the dispute or otherwise is unable to hear the matter.

[SIGNATURES CONTINUE ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be executed and delivered by their duly authorized officers as of the date first above written.

E-VEND.NET CORPORATION,  
as Assignor

MAYTAG CORPORATION,  
as Assignee

By \_\_\_\_\_

By \_\_\_\_\_

Signature

Signature

Name \_\_\_\_\_

Name \_\_\_\_\_

(Type or Print)

(Type or Print)

Title \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_

Schedule G

e-Vend Packaging Specifications for Vending Kodak Merchandise  
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The Kodak product should be packaged into a cylindrical container having a diameter of not less than 2.6" and not more than 3.0". The container should be not less than 4.9" and not more than 7.2" in height. The walls of the container should be parallel to each other with no variation in the diameter along the height of the container. The walls of the container should be smooth on all sides so that the container can spin freely without obstruction when it is placed next to containers of the same style or another smooth surface. The container material should be as rigid as possible and must resist punctures and crushing during normal handling and the typical vending cycle. The ends of the container should be as smooth and as uniform as possible with no opening mechanisms or other items which protrude above the surface of container end. The container should be able to be opened by the end user without any special tools or equipment and should pose no safety hazard in doing so. The container should have a label or some other indication of the specific product which is packaged into the container on one of the container ends and it should be plainly apparent what product is packaged in the container when looking at this container end. The label or markings on the outer walls of the container should display any pertinent or required consumer information for the purchase of the product contained within.

Kodak Vending Placement Supply and Distribution agr FINAL





FIRST AMENDMENT TO  
VENDING PLACEMENT, SUPPLY AND DISTRIBUTION AGREEMENT

THIS AMENDMENT (this "Amendment") is made as of the \_\_\_\_ day of December, 2000 by and between Eastman Kodak Company, a New Jersey corporation ("Kodak"), Maytag Corporation, a Delaware corporation ("Maytag"), Dixie-Narco, Inc., a Delaware corporation and wholly-owned subsidiary of Maytag Holdings, Inc., which is a wholly-owned subsidiary of Maytag ("Dixie") and e-Vend.net Corporation, a Delaware corporation ("e-Vend") (collectively, individually and respectively defined as "Parties" and "Party"). This Amendment amends the VENDING PLACEMENT, SUPPLY AND DISTRIBUTION AGREEMENT between the Parties of even date herewith (the "Agreement").

RECITALS

WHEREAS, the Parties have entered into the Agreement for the distribution and sale of Kodak Merchandise solely from Vending Systems installed in Target Locations throughout the continental United States; and -

WHEREAS, the Parties now desire to amend certain provisions of the Agreement to accurately reflect their agreement.

NOW, THEREFORE, to induce the execution and delivery of the Agreement by all Parties, and for other good and valuable consideration, the receipt, sufficiency and incontestability of which hereby are acknowledged, the Parties agree as follows:

(1) All capitalized terms not otherwise defined herein shall that the meanings ascribed to them in the Agreement.

(2) The following new Section 14.7 is hereby added to the Agreement:

14.7 Notwithstanding anything in this Agreement, at any time during the term of this Agreement, during or after any Wind-Down Period or upon the expiration or termination of this Agreement, the Parties agree that all Kodak Marks and other Kodak identification shall be removed from any Vending System which is deactivated and/or retired from the Vending Program within fourteen (14) calendar days from the date of such de-activation and/or retirement. Upon the termination or expiration of this Agreement, or if a Wind Down Period occurs, then the latter of (i) the termination or expiration of this Agreement or (ii) after any Wind-Down Period, the Parties agree that all Kodak Marks and other Kodak identification shall be removed from all Vending Systems and that none of the Parties will operate, service or sell to any third parties any Vending Systems bearing Kodak Marks or other Kodak identification without the express written permission of Kodak. In addition, Dixie, Maytag and/or e-Vend shall not thereafter use any Kodak Marks or other Kodak identification in connection with the sale or distribution of any goods or merchandise from any such de-activated and/or retired Vending System. This Section 14.7 shall survive the expiration or termination of this Agreement. Upon the termination or expiration of this Agreement, or if a Wind Down Period occurs, then the latter of (i) the termination or expiration of this Agreement or (ii) after any Wind-Down Period, Maytag, Dixie and e-Vend each agree to certify in writing that all Kodak Marks and other Kodak identification have been removed from all Vending Systems and that they otherwise have complied with the requirements of this Section 14.7.

(3) This Amendment shall be governed in all respects by the laws of the State of New York as such laws are applied to agreements between New York residents entered into and performed entirely in New York. Without limiting the foregoing, each Party irrevocably consents to the jurisdiction of the state courts of New York and the United States District Court for the Eastern District of New York with respect to all matters arising from this Agreement, for that limited purpose only, and each Party waives any objections to venue in such courts and agrees that process may be served in the manner provided herein for giving of notices or otherwise as allowed by the applicable court; provided, however, that each Party agrees not to commence any action, suit or proceeding in state court unless the United States District Court for the Eastern District of New York lacks subject matter jurisdiction with respect to the dispute or otherwise is unable to hear the matter.

4) Except as noted above, the terms and conditions of the Agreement remain in full force and effect.

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

EASTMAN KODAK COMPANY

MAYTAG CORPORATION

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Signature

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Signature

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Name

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Name

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Title

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Title

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Date

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Date

E-VEND.NET CORPORATION

DIXIE-NARCO, INC.

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Signature

/s/ Douglas C. Huffer  
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Signature

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Name

Douglas C. Huffer  
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Name

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Title

VP, Sales & Marketing  
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Title

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Date

December 18, 2000  
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Date

[LETTERHEAD OF NIXON PEABODY LLP]

July 5, 2001

VIA FEDERAL EXPRESS  
-----

Daniel J. Kearney  
Vice President & General Counsel  
e-Vend.net Corporation  
500 N. Walnut St., Suite 100  
Kennett Square, PA 19348

RE: Second Amendment to Vending Agreement

Dear Dan:

Enclosed is a fully executed original of the "Second Amendment to Vending Placement, Supply and Distribution Agreement" between Eastman Kodak Company and e-Vend.net. Dixie-Narco, Inc. and Maytag Corporation for your files.

It was a pleasure working with you. I wish for many successes to e-Vend and Kodak in this project.

Yours very truly,

/s/ Ray A. Johnson

Ray A. Johnson

Enclosure

cc: Heidi Martinez, Esq. (w/o encl.)

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

EASTMAN KODAK COMPANY

MAYTAG CORPORATION

/s/ Bruce Swinsky

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Signature

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Signature

Bruce Swinsky

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Name

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Name

President

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Title

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Title

6/20/01

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Date

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Date

E-VEND.NET CORPORATION

DIXIE-NARCO, INC.

/s/ David H. Goodman

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Signature

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Signature

David H. Goodman

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Name

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Name

President & CEO

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Title

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Title

2/28/01

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Date

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Date

SECOND AMENDMENT TO  
VENDING PLACEMENT, SUPPLY AND DISTRIBUTION AGREEMENT

THIS SECOND AMENDMENT (this "Second Amendment") is made as of the \_\_\_\_\_ day of February, 2001 by and between Eastman Kodak Company, a New Jersey corporation ("Kodak"), Maytag Corporation, a Delaware corporation ("Maytag"), Dixie-Narco, Inc., a Delaware corporation and wholly-owned subsidiary of Maytag Holdings, Inc., which is a wholly-owned subsidiary of Maytag ("Dixie") and e-Vend.net Corporation, a Delaware corporation ("e-Vend") (collectively, individually and respectively defined as "Parties" and "Party").

RECITALS

WHEREAS, the Parties entered into a certain Vending Placement Supply and Distribution Agreement, dated December 1, 2000, for the distribution and sale of Kodak Merchandise solely from Vending Systems installed in Target Locations throughout the continental United States (the "Vending Agreement");

WHEREAS, the Parties entered into a First Amendment to Vending Placement, Supply and Distribution Agreement, dated December 1, 2000, whereby the Parties agreed to the removal provisions of Kodak Marks from the Vending Systems (the "First Amendment") (the First Amendment collectively with the Vending Agreement shall be defined as the "Agreement"); and

WHEREAS, the Parties, at the request of Maytag and e-Vend, now desire to amend certain provisions of the Agreement as they relate to the e-Vend Escrow Agreement attached to the Agreement as Schedule F.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises contained herein, and for other good and valuable consideration, the receipt, sufficiency and incontestability of which hereby are acknowledged, the Parties agree as follows:

(1) All capitalized terms not otherwise defined herein shall that the meanings ascribed to them in the Agreement.

(2) Effective as of the date first written above, the Agreement is hereby amended by deleting the original Schedule F and substituting in lieu thereof the attached Comprehensive Preferred Escrow Agreement between eVend, Maytag and DSI Technology Escrow Services, Inc. ("DSI"), dated March 28, 2001, as the "e-Vend Escrow Agreement."

(3) Maytag and e-Vend agree to timely perform all of their obligations under the e-Vend Escrow Agreement, as amended hereby, including making timely payments to the Escrow Agent.

(4) At all times during the Term of this Agreement, or during any Wind-Down Period as defined this Agreement, Maytag and e-Vend each agree to send to Kodak a copy of any notice or other communication which Maytag or e-Vend may give or receive (including, without limitation, any notice or communication received from DSI) under the e-Vend Escrow Agreement within five (5) business days after each such notice or communication is given or received.

(5) In the event that either Maytag or e-Vend default in their obligation to the Escrow Agent under the e-Vend Escrow Agreement, Kodak, at its option and in its sole discretion, may elect to cure the default, and Maytag and e-Vend each hereby irrevocably authorize the Escrow Agent to accept performance from Kodak in such event. The foregoing sentence imposes no obligation on Kodak under the e-Vend Escrow Agreement, such action shall not cure the default of Maytag or e-Vend, as applicable, under the Agreement or this Second Amendment, all rights of Kodak being reserved.

(6) Except as noted above, the terms and conditions of this Agreement remain in full force and effect.

[SIGNATURES CONTINUE ON NEXT PAGE]

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



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

EASTMAN KODAK COMPANY

MAYTAG CORPORATION

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Signature

/s/ Roger K. Scholten  
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Signature

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Name

Roger K. Scholten  
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Name

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Title

SR. Vice President  
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Title

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Date

3/17/01  
-----  
Date

E-VEND.NET CORPORATION

DIXIE-NARCO, INC.

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Signature

/s/ Thomas A. Briatico  
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Signature

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Name

Thomas A. Briatico  
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Name

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Title

President  
-----  
Title

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Date

3/2/01  
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Date





Original Copy

USAT/RadiSys Confidential

This Development and Manufacturing Agreement (DMA), is made on the date signed (following section 3.19) between RadiSys Corporation and

USA Technologies, Inc.  
200 Plant Avenue  
Wayne, PA., 19087-3520  
USA

RadiSys Corporation (RadiSys) and USA Technologies, Inc, (USAT) agree to act within the following terms stated in this DMA, which will remain in effect until either party terminates the DMA as provided herein,

RECITALS

- A. USAT desires that RadiSys: (1) in the Development Stage, develop the product described in Appendix I (the Product) that USAT plans to sell, and (2) after completion of the Development Stage, manufacture and sell the Product that USAT requires, in the Manufacturing Stage.
- B. Both parties intend the development and manufacture of the Product to be an interactive process. Communication and the free flow of information between the parties will be critical. It is anticipated that frequent and detailed communication will be required from project kick-off through end of life of the product. The required communication shall include technical discussions, design decisions, and status reporting. The expected communication channels include email, telephone, video, fax, and teleconferencing. Unless otherwise specified, no in-person meetings between RadiSys and USAT are required,
- C. In addition, both parties anticipate that specifications and schedules will be amended and updated over time. Thus, the parties intend the DMA to accommodate such changes and agree to make good faith and reasonable efforts to resolve any disputes that may arise.

AGREEMENT

1.0 DEVELOPMENT STAGE

Section I of the DMA is effective from date of execution through the first delivery of a Production Release product.

1.1 Product definition

1.1.1 Specifications. The Product is described in the RadiSys Product Proposal, as Appendix 1. This Appendix defines the base-line specification for

the Product and defines the project scope. Detailed functional and design specification will be developed as the Product is developed. Changes to the Specifications may be made as provided herein.

1.1.2 Product Stages. The following product stages will have the following functionality and levels of verification:

Prototypes: A small number of units (quantity determined in proposal and documented in Appendix table A3-1) will be assembled and tested by RadiSys. Basic functionality would be checked before the first prototype is shipped to a customer, but full functionality would not be verified and very little stress testing would be carried out. Hardware prototypes may contain blue wires and may have functional and mechanical limitations but they would be suitable for software development and initial integration. Prototype units would not be supported once the next revision of the hardware is available and would not be covered by the RadiSys warranty.

Limited Production Product: A Limited Production product would be fully representative of Production Release product, with any exception(s) agreed upon in advance with USAT. Limited Production units would be suitable for system testing, regulatory testing or certification, and for sampling to customers, and would be covered by the standard product warranty, as provided in Section 3.4.

Production Release Product: These units would meet all Specifications and would be covered under the product warranty, as provided in Section 3.4.

## 1.2 Development and Payment Schedule; Purchase Order

1.2.1 Schedules. RadiSys will use commercially reasonable efforts to develop the Product, and USAT agrees to make payments, both in accordance with the development and payment schedules set forth in Appendices 3. Appendix 3 identifies the Pre payment schedules, product pricing, and service pricing relating to this project. Appendix 4 is the high-level project schedule which shows project milestones. In addition, it identifies the parties responsible for performing and approving the completion. Appendices 5 and 6 provide scheduled lists of items required of both RadiSys and USAT for project completion. Changes may be made to Development Schedule as provided herein.

1.2.2 Purchase Order. USAT shall submit an authorized purchase order to RadiSys for any product or service (including NRE) to be delivered by

### 1.3 Communication

RadiSys. Unless USAT uses EDI (Electronic Data Interchange) transactions, the purchase order shall include at least the following elements to be accepted as an authorized purchase order:

- Words stating the document will be considered the purchase order
- USAT ship to address
- USAT bill to address
- Product or service delivery date Unit purchase price of the product or service
- Aggregate fixed dollar amount of the purchase order
- Description of what is being purchased (e.g., part numbers, description of services)
- A statement the purchase order is under the terms of this DMA USAT signature

### 1.3 Communication

1.3.1 Customer Information. RadiSys requires technical input from USAT in order to develop specifications, make technical trade-off decisions, and evaluate prototypes. USAT agrees to provide the information listed in Appendix 6 at the time provided therein. In addition, USAT agrees to provide all other information that RadiSys reasonably requests to perform its obligations under the DMA. The failure of Customer to timely provide such information will automatically extend the deadlines for RadiSys performance in the Development Schedule by the length of Customers delay.

1.3.2 Personnel. RadiSys and USAT agree that each will make reasonably available one or more design engineers to support such discussions and answer technical questions in a timely manner.

1.3.3 Status Updates. During development of the Product, RadiSys and USAT agree to communicate about project status on a weekly basis via telephone conference. Third parties involved in the project (such as a system integrator) may be included in these status discussions as well.

### 1.4 Amendments to Specifications, Development Schedule or Price

1.4.1 General. The parties anticipate that changes may be required to the Specifications or the Development Schedule, and that these or other changes

may cause changes in price. Areas that may cause deviations from initial price estimates include, without limitation, changes in functional specification; environmental specification; regulatory or certification requirements; business terms and conditions; and product testing and validation requirements.

1.4.2 Proposed Changes. Either RadiSys or USAT may propose changes to the Specifications or the Development Schedule, including changes in price. Such a proposed amendment is effective only if both parties agree in writing.

1.4.3 Process. In particular, amendments are to be communicated and approved as follows:

- a. The Program Manager proposing the change notifies the other parties Program Manager.
- b. The RadiSys Program Manager determines whether the requested change impacts schedule, NRE price, functionality or unit price.
  - i. If there are schedule or price impacts, the RadiSys Account Manager provides a written quotation to USAT for the change,
  - ii. USAT approves the formal quotation change in writing.
- c. The RadiSys Program Manager incorporates the change into the project and notifies the USAT Program Manager. A formal amendment to the Specifications and/or Development Schedule is written
- d. RadiSys and USAT sign-off DMA amendment.

## 1.5 Subcontracting Rights

1.5.1 Subcontracting. Subject to the terms of Section 2.10.4, RadiSys retains all manufacturing rights for the Product. RadiSys retains the right to subcontract the production of the Product to meet USAT'S requirements of schedule, quality, unique production and price, with prior notification of USAT.

## 1.6 Termination and Manufacturing Rights

1.6.1 Right to terminate. During the Development Stage, either RadiSys or USAT may terminate the DMA upon thirty (30) days written notice, subject to the terms and conditions in the following sections.

## 2.0 MANUFACTURING STAGE

1.6.2 If USAT terminates the DMA hereunder. USAT will pay all fees and charges owed or accrued as of the effective date of termination and is not entitled to a refund of any payments made or to any offset for fees and charges owed or accrued. USAT is entitled to the physical assets, the ownership and title of which RadiSys intentionally transferred to USAT pursuant to the DMA, such as Prototypes, Limited Production Release units, or other deliverables. In addition, RadiSys shall provide to USAT all then-existing design information. USAT will be charged a fee for this based on the cost of producing and transferring the documentation. Upon termination, USAT and RadiSys shall retain all of their respective intellectual property rights and neither party shall have any further right whatsoever in such intellectual property of the other except as specified in this Agreement.

1.6.3 If RadiSys terminates the DMA hereunder. USAT will pay all fees and charges owed or accrued as of the effective date of termination and is not entitled to a refund of any payments made or to any offset for fees and charges owed or accrued. USAT is entitled to all physical assets, the ownership and title of which RadiSys intentionally transferred to USAT pursuant to the DMA, such as Prototypes, Limited Production Release units, or other deliverables. In addition, RadiSys shall provide to USAT all then-existing design information. USAT will be charged a fee for this based on the cost of producing and transferring the documentation. Upon termination, USAT and RadiSys shall retain all of their respective intellectual property rights and neither party shall have any further right whatsoever in such intellectual property of the other except as specified in this Agreement.

## 2.0 Manufacturing Stage

Section 2 of the DMA is effective only if the Development Stage in Section I of this DMA is completed, by first del] very of Production Release Product.

## 2.1 Design Change

2.1.1 By RadiSys. After a Production Release Product is developed, RadiSys may make engineering or manufacturing process changes to the product via RadiSys Engineering Change Order (ECO) process. RadiSys will give USAT notice and/or approval, through ECO process, of any requested changes. RadiSys generally identifies and approves multiple manufacturing sources for individual components, and strives to use the same components on other products. Selection and usage of multi-sourced components is controlled by the engineering organization. Replacing a component with an equivalent component from another

manufacturer is not considered an engineering or manufacturing change, and is not tracked.

2.1.2 By USAT. After a Production Release Product is developed, USAT may request design changes. Costs for changes requested by USAT will be negotiated and billed as independent engineering projects.

## 2.2 Quantity

RadiSys agrees to sell to USAT and its approved customers, and USAT agrees to purchase from RadiSys, required quantities of the Product(s).

## 2.3 Price

USAT agrees to pay the prices provided in Table A3-2 of Appendix 3 for the Products.

## 2.4 Purchase Orders

USAT shall submit an authorized purchase order to RadiSys for any Product or service to be delivered by RadiSys. Unless USAT uses EDI (Electronic Data Interchange) transactions, the purchase order shall include at least the following elements to be accepted as an authorized purchase order:

- Words stating the document is a purchase order
- USAT ship-to address
- USAT bill-to address
- Requested Product or service delivery date
- Unit purchase price of the product or service
- Aggregate fixed dollar amount of the purchase order
- Description of what is being purchased (e.g., part numbers, description of services)
- A statement the purchase order is subject to the terms of this
- DMA USAT signature

## 2.5 Production Lead-times

RadiSys agrees to make commercially reasonable efforts to ship product according to USAT'S request dates. RadiSys has certain requirements that must be met in order to deliver product within USAT'S request dates. These dependencies include but are not limited to: accurate forecasts, component availability, and production capacity, Any delays caused by vendors of RadiSys will automatically cause corresponding delays in the delivery schedule. RadiSys will notify USAT as soon as practicable of any delivery delays.

2.6 Order Forecasting Requirements

USAT agrees to provide a rolling 12 month forecast of shipment volume requirements and current inventories, at least monthly, in the format agreed to by both Parties. Production lead times without a forecast is dependent on material and labor availability. In this table, the following terms are used: Non-binding forecast - defined as between 60 calendar days and 12 months prior to expected shipment date. Quantity on Hand - current inventory Firm order - with supporting purchase orders, defined as less than 60 calendar days prior to expected shipment date

2.7 Order Reschedule/Cancellation Requirements

2.7.1 Requests. USAT shall provide either written or EDI notification to RadiSys of any order rescheduling or cancellation. RadiSys will make reasonable effort to comply with USAT'S reschedule or cancellation requests, but is otherwise not obligated to accept such requests. C

2.7.2 For Firm Orders, . Within the firm order time frame a reschedule may be done at no charge, but only one time per sales order and delivery dates can be moved no more than 60 days. After one reschedule, there will be 20% charge for rescheduling of orders. RadiSys reserves the rights to deny requests for rescheduling product shipment within the firm order time frame.

2.7.3 Cancellation. If USAT cancels any order, USAT shall pay the following t:l cancellation charges:

Percentage of Purchase Price to be Paid Upon Cancellation	Number of Calendar Before Scheduled Delivery Written Cancellation Notice is Received
70%	0-45
20%	46-60
0%	beyond 60

Upon order cancellation, USAT may also be responsible for unique inventory committed or inventoried to meet lead-time requirements of forecast or firm orders.

2.8 Duration The terms and conditions of Section 2 of the DMA will continue in effect as long as USAT sells the Product, unless terminated as provided inSection 2.10.



## 2.9 Manufacturing and Subcontracting

Subject to the terms of Section 2.10.4, RadiSys shall have all manufacturing rights for the Product inclusive of the MDB Controller under the terms of this Agreement. RadiSys retains the right to subcontract the production of the Product to meet USAT'S requirements of schedule, quality, unique production and price, with prior notification of USAT. RadiSys shall manufacture the Product exclusively for USAT.

## 2.10 End-of-Life

Both Parties understand that the Product contains commercially available components. From time to time these components may be withdrawn or end of life by their respective manufacturers. With the exception of Section 2.1 - 1, Design Changes, RadiSys will use its best effort to notify USAT in the event of a component EOL. Both Parties will work in good faith to provide alternate solutions. Solutions could include design changes, alternate components or component Last Time Buys (LTB's). LTB's will require financial relief of the component cost by USAT.

2.10.1 Effect. In no event shall RadiSys be deemed in breach of the DMA because component EOL issues render continued production impracticable or unprofitable. If no alternative solution in good faith can be worked out, then RadiSys may terminate the DMA upon 180 days written notice.

2.10.2 RadiSys EOL. RadiSys has the right to discontinue manufacturing the product at its discretion, with 180 days notice. In that event, USAT will pay all fees and charges owed or accrued as of the effective date of termination and is not entitled to a refund of any payments made or to any offset for fees and charges owed or accrued. In addition, RadiSys shall provide then-existing design, manufacturing, and test information to USAT. USAT will be charged a fee for this based on the cost of producing and transferring the documentation

2.10.3 Termination. Notwithstanding anything else set forth in this DMA, during the manufacturing stage, either USAT or RadiSys may terminate this by at least thirty days prior written notice to the other.

2.10.4 Manufacturing Rights. In the event of (1) a termination by RadiSys under Section 2.10.3 or an EOL by RadiSys under Section 2.10.2; or (2) a breach by RadiSys of any material term of this Agreement where such breach is not cured within 45 days of receipt of written notice from USAT of such breach; or (3) the filing of a petition in bankruptcy by RadiSys, and provided USAT has paid all fees and charges owed or accrued, RadiSys will grant USAT a non-exclusive, non-transferable, paid-up license under RadiSys' intellectual property rights in the Product to manufacture or have manufactured, the Product solely for sale to USAT's customers.

2.10.5 In the event of termination under Section 2.10.(above), USAT and RadiSys shall retain all of their respective intellectual property rights and neither party shall have any further right whatsoever in such intellectual property of the other except as specified in this Agreement.

3. GENERAL The terms and conditions of Section 3 of the DMA apply to both the Rights Development Stage and the Manufacturing Stage.

### 3.1 Rights In Technology

3.1.1 Joint Intellectual Property, Except with respect to the MDB Controller as provided in this Section, 3.1.1, RadiSys will be the owner of all right, title, and interest in and to all inventions, technology, trade secrets, patents, software, data files, copyrights, and all other intellectual property rights which arise or are developed by RadiSys under this DMA. Except with respect to the MDB Controller as provided in this Section 3.1.1, RadiSys shall be the owner of all tools, drawings, specifications, models, reports, software, data files, knowledge, and all other materials and information related to the DMA. Except as otherwise expressly provided by the DMA, nothing shall be construed to constitute a license of intellectual property rights by RadiSys to USAT or by USAT to RadiSys. Notwithstanding the foregoing, USAT shall own all right title and interest in and to the MDB Controller as defined in Appendix 6, including all intellectual Property rights therein, provided however that RadiSys and USAT shall jointly own all intellectual property rights in and to elements A and C of the MDB Controller as defined in Appendix 6 (the "Joint Intellectual Property"). Should either RadiSys or USAT file any patent, copyright or other intellectual property right application relating to or in connection with the Joint Intellectual Property for the Joint Intellectual Property, the other party shall receive at the time of such filing an assignment of part ownership in the patent, copyright, or other intellectual property right, as the case may be, as shall be required to implement the terms and conditions of this DMA with respect to the Joint Intellectual Property.

3.1.2 Customer. Appendix 6 identifies intellectual property owned by USAT or third parties, all right, title, and interest of which is to be retained by USAT or third parties. During the term of this DMA, USAT grants RadiSys the royalty free right and license to use the intellectual property described in Appendix 6 for the manufacture and sale of the Product to USAT and its approved customers under this DMA.

3.2 Payment Terms Payment terms are net thirty (30) days from the date of invoice. Interest of 1.5% per month (18% per annum) will be charged on delinquent accounts. Invoice pricing and USAT payment will be in US Dollars.

3.3 Title and delivery All shipments by RadiSys are free on board (FOB) point of shipment. Title to hardware products and risk of loss shall pass to USAT upon delivery to USAT's designated carrier. Title to software products remains with RadiSys. It is USAT'S responsibility to insure product in-transit.

3.4 Product Warranty RadiSys warrants that production hardware products ("Hardware") will be free from defects in materials and Workmanship for two (2) years following the date of shipment to the original purchaser, unless a different warranty statement is specified in USAT-specific Extended Warranty agreements signed by RadiSys. This warranty does not apply to Prototype products or software products and components. RadiSys' warranty and disclaimer for its software products and components are addressed in Section 3.7.

RadiSys also warrants that Products which store, process, provide, and receive date data (including leap year calculations) will perform these functions properly in the year 2000 and thereafter, except in the following conditions: 1) RadiSys PC-compatible products booted from ROM BIOS will not automatically update the century portion of the hardware clock at the millennium transition until the system is rebooted; and 2) Multibus products booted from MSA do not require a reboot but will respond with the correct time following a Get Time/Date instruction. This definition is referred to as "Year 2000 Readiness" or "Year 2000 Ready" and includes Leap Year calculations. This warranty does not cover, and this warranty specifically excludes Year 2000 Readiness of the Products when used with other hardware or software products that are not Year 200 Ready.

This warranty does not cover Hardware that have been damaged by accident, disaster, abuse, neglect, misuse, improper handling, or incorrect installation; and does not cover Hardware that have been altered or repaired by anyone other than RadiSys.

THE ABOVE WARRANTY IS IN LIEU OF ANY OTHER WARRANTY, WHETHER EXPRESSED, IMPLIED, OR STATUTORY; INCLUDING BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR ANY PARTICULAR USE OR PURPOSE, OR ANY WARRANTY OTHERWISE ARISING OUT OF ANY PROPOSAL, SPECIFICATION, OR SAMPLE. RadiSys NEITHER ASSUMES NOR AUTHORIZES ANY PERSON OR ORGANIZATION TO ASSUME FOR IT ANY OTHER LIABILITY.

If any Hardware furnished by RadiSys fails to conform to the above warranty, RadiSys' sole and exclusive liability will be, at RadiSys' option, to repair, replace, or credit USAT'S account with an amount equal to the price paid for any such Hardware which fails during the applicable warranty period provided that: (a) USAT promptly notifies RadiSys in writing that such Hardware is defective and furnishes an explanation of the deficiency; (b) such Hardware is returned to RadiSys' service facility at USAT'S risk and expense; and @ RadiSys is satisfied that claimed deficiencies exist and were not caused by accident, misuse, neglect, alteration, repair, improper installation, or improper testing. If Hardware is defective, transportation charges for the return of Hardware to USAT within the United States will be paid by RadiSys. For all other locations, the warranty excludes all costs of shipping, customs clearance, and other related charges. RadiSys will have a reasonable time to make repairs, replace Hardware, or to credit USAT'S account.

### 3.5 Time and Materials Consulting

If USAT requests work to be performed outside the scope of a defined project, RadiSys may, but is not obligated to, perform engineering consulting on a time and-material basis, at then-current rates. A written project plan, schedule, and deliverables document as well as billing requirements (i.e., monthly or based on milestones) shall be prepared to describe the consulting requirements and signed by both parties.

### 3.6 USAT Owned Parts and Tooling/Equipment

3.6.1 Parts. If applicable, component parts owned by USAT, will be consigned to RadiSys. RadiSys will use these components only for USAT'S product, and will report inventory levels of the component to USAT on a quarterly basis. RadiSys will charge USAT a holding fee for the space, inventory management, and risk associated with the components. This will be quoted on a case-by-case basis.

3.6.2 Tooling. If applicable, special tooling/equipment owned by USAT, will be provided to support RadiSys' development and manufacturing efforts on that USAT'S product. USAT must label such tooling as "Property of USAT" and must provide an itemized list of provided tooling to the RadiSys Program Manager. RadiSys will use this tooling only for the purposes of development and manufacture of the Product. RadiSys will not alter or modify this tooling without the written permission of USAT. RadiSys will handle such tooling in a prudent manner, but RadiSys is not responsible for maintenance or repair of the tooling.

3.6.3 Risk of Loss. USAT is responsible for any damage to such parts or tooling/equipment described in 3.6. 1 and 3.6.2 and will carry such insurance as it deems necessary to protect itself for any loss.

### 3.7 Software License Agreements

USAT's access to, use of, and distribution of products containing, RadiSys' software are subject to the terms and conditions of the Software License Agreement set forth in Addendum A.

### 3.8 Limitation of Liability

In no event shall either party have any liability to the other or any third party for consequential, incidental, indirect or special damages of any nature (Including without limitation, lost revenues, lost profits, delay or loss of use) arising out of, resulting from, or in any way related to any products of services sold by RadiSys. Damages arising out of or in connection with the goods or services provided or the non-performance of RadiSys hereunder shall be limited to actual direct damages, not to exceed the amounts received by RadiSys for the goods or services purchased by Limitation, contract, warranty, indemnity, tort (Including negligence) strict liability or otherwise, even if RadiSys has been advised of the possibility of such damages.

### 3.9 Indemnification

3.9.1 By RadiSys. RadiSys will defend or settle any suit or proceeding brought against USAT based upon a claim that any Product furnished hereunder or part thereof, alone and not in combination with any other product, constitutes an infringement of any United States patent or copyright provided that: (1) RadiSys is notified promptly in writing of such claim; (ii) RadiSys controls the defense or settlement of the claim; and (iii) USAT cooperates reasonably, and gives all necessary authority, information and assistance (at RadiSys' expense). RadiSys will pay all damages and costs finally awarded against USAT, but RadiSys will not be responsible for any costs, expenses or compromise incurred or made by USAT without RadiSys' prior written consent. If the use of such Product is permanently enjoined, RadiSys will, in its sole discretion and at its own expense, procure for USAT the right to continue using said Product, replace same with a non-infringing Product, modify it so that it becomes non-infringing or if RadiSys is unable to reasonably do any of the above, RadiSys will credit USAT the sum paid to RadiSys by USAT for the infringing Product less any depreciation and accept its return. The foregoing requirements of this Section 3.9.1 shall not apply with respect to the Joint Intellectual property,

3.9.2 By Customer. RadiSys will not be liable for any costs or damages, and USAT will indemnify, defend and hold RadiSys harmless from any expenses, damages, costs or losses resulting from any suit or proceeding based upon a claim arising, from; (a) RadiSys compliance with USAT'S designs, specifications or instructions; (b) modification of the Product by USAT after delivery by RadiSys; @ the use, marketing, distribution, or sale of any Product or any part thereof furnished hereunder in combination with any other product, including, but not limited to, the use, marketing, distribution, or sale of the Downstream Product; or (d) the direct or contributory infringement of any process patent using any Product furnished hereunder.

### 330 Product support, service and returns

In the event a return of a Product to RadiSys is necessary, whether for warranty or otherwise, USAT shall obtain a returned material authorization (RMA) number from RadiSys Customer Service. USAT shall include documentation as to original purchase order number, serial number and invoice number with all returned product shipments. Any product that is received at RadiSys without identification of the RMA number, original purchase order number, serial number and invoice number will be returned to USAT at USAT'S expense. Cost and

services will have normal payment ten-ns. Such product, returned within the warranty period, is deemed to be a warranty product and will be processed within the warranty cycle.

### 3.11 Confidentiality

Except as otherwise permitted or contemplated by this DMA, each party agrees not to disclose to third parties or use for any purpose other than for proper fulfillment of this DMA any technical or commercial information received from the other party, in whatever form, under or in connection with this DMA without prior written permission of the disclosing party, except information which: was in the possession of the receiving party prior to disclosure hereunder as proven by written records of the receiving party; or

was in the public domain at the time of disclosure or later became part of the public domain without breach of the confidentiality obligations herein contained; or

was disclosed by a third party without breach of any obligation of confidentiality owed to the disclosing party; or

was independently developed, as proven by written records of the receiving party or by personnel of the receiving party having no access to the information. - -

### 3.12 Force Majeure

RadiSys will not be liable for any failure to perform due to unforeseen circumstances or causes beyond RadiSys' reasonable control, including, but not limited to, acts of God, war, riot, embargoes, acts of civil or military authorities, [note words deleted] fire, flood, accident, strikes, inability to secure transportation, facilities, fuel energy, labor or materials. In the event of force majeure, RadiSys' time for delivery or other performance will be extended for a period equal to the duration of the delay caused thereby.

### 3.13 Survival

In addition to those terms hereof that expressly refer to the period following termination of this DMA, the following sections of this DMA survive expiration or termination of the DMA: Product Warranty (Section 3.4), Software License Agreements (Section 3.7), Confidentiality (Section 3.11), Joint Intellectual Property (Section 3.1.1), Limitation of Liability (Section 3.8), and Indemnification (Section 3.9).

### 3.14 Entire Agreement; Prevailing Terms

This DMA, including the Appendices incorporated herein, is the entire agreement between the parties and supersedes all prior or contemporaneous agreements between the parties with respect to the subject matter hereof. In the event of conflict between the standard terms and conditions of RadiSys or USAT (whether in a purchase order or order acknowledgment) and this DMA, the provisions of this DMA shall prevail. This DMA may not be modified or amended except in writing signed by both parties.

### 3.15 No Assignment

Neither party shall assign or transfer the DMA, or any interest therein, without the other party's written consent (which will not be unreasonably withheld).

### 3.16 Severability

If any provision of the DMA becomes unenforceable, then such provision shall be enforceable to the maximum extent permissible, and the remaining provisions of the DMA will remain in full force and effect.

### 3.17 Construction

The DMA is the result of negotiation between sophisticated parties and no provision hereof shall be construed against a party solely because that party was able for drafting the provision in question. respons

### 3.18 No Other Relationship

Nothing herein contained shall be deemed to create an agency or partnership relationship between the parties hereto. Neither party shall be empowered to create obligations of the other party.

### 3.19 Disputes and Resolutions

Good Faith Efforts. It is agreed that USAT and RadiSys will use good faith efforts to resolve any disagreements or disputes within USAT and RadiSys project teams. In the event that a disagreement or dispute cannot be resolved by the project team, it is agreed that the respective companies' executive management will resolve the conflict.



3.19.2 Governing Law. The DMA will be interpreted and governed according to the laws of the State of New York exclusive of choice of law rules.

-----  
(Name) (Date)  
(Title)  
RadiSys Corporation

-----  
(Name) (Date)  
(Title)  
USA Technologies, Inc.

## Addendum A: Software license agreements

Includes a license to RadiSys provided code (computing BIOS, device drivers from RadiSys or 3rd party developers), referred to as the "Software".

Does not include any other 3rd party software. Operating system will be Windows CE. License cost to be a pass through if that is determined to be the best logistical solution.

## Software License

Provided USAT shall have paid RadiSys all NRE charges in full, all Software, including any subsequent updates and any part thereof is furnished to USAT under a non-exclusive, non-transferable, paid-up and irrevocable (except in the event of a breach of the terms of this license) license to the Software in object code format solely for USAT's own internal business use on the Product on which the Software is first installed. Title to and ownership of the Software and any copies thereof in whole or in part and all applicable intellectual property rights therein, including but not limited to patents, copyrights and trade secrets shall remain with RadiSys or its licensors. USAT shall not reverse compile, or reverse assemble the software, in whole or in part.

USAT shall have the right to sublicense Software to its customers in accordance with this Software License. The form of sublicense shall at a minimum provide for the following: be executed in writing; title to Software and all copies shall remain with RadiSys or its Licensors; limit use of the Software on the single Product on which the Software is first installed; prohibit further sublicensing by the end user customer; include a disclaimer as to the implied warranties of merchantability and fitness for a particular purpose; include a disclaimer as to all special, indirect, incidental or consequential damages; and grant RadiSys the right to enforce such sublicense directly against the sublicensee of the Software.

USAT shall not remove or obscure any RadiSys trademark, tradename, copyright or any other proprietary notice of RadiSys affixed to or embedded in the Software. USAT shall not make copies of Software to supply to its customers, but shall only furnish to its customers copies of Software as supplied to USAT by RadiSys. USAT shall not provide any Software to its customers without first obtaining an executed sublicense agreement from that customer. Upon RadiSys' request USAT shall provide RadiSys with copies of each sublicense entered into between

USAT and its customers for Software. USAT agrees to cooperate with RadiSys in any proceedings against any customer for breach or violation of any terms and conditions in an agreement under which such customer has been sublicensed or provided with Software.

In any of the events enumerated in Section 2.10.4, and provided USAT shall have paid RadiSys all NRE charges under the Agreement, RadiSys grants USAT a personal, non-exclusive, non-transferable, paid-up and irrevocable (except in the case of a breach of this license) license to the source code to the Software to use, modify and create derivative works of the Software and to distribute such derivative works in object code format to USAT's customers for use In conjunction with the Product manufactured pursuant to the manufacturing rights granted to USAT by RadiSys in Section 2.10.4. Notwith standing the Above Radisys abligation to supply device code to USAT for third party software shall be sigtech to USA Tech obtaining any necessary prerequisite concents from the third party licenses.

Appendices

Appendix 1: USAT ePORT Next Generation Functional Specification. Separate document developed under LOL

Appendix 2- Not Applicable

## Appendix 3: NRE payment schedule, Product and Service Pricing

Table A3-1 to be completed in detail after proposal is signed.

Table A3-1: NRE Payment Milestones	Expected Date*	NRE Due
113 of NRE invoiced upon Agreement Execution	6/23/00	\$192,000.00
[3] Prototype units delivered to USAT	9/4/00	\$191,500.00
Final Prototype changes submitted by USAT	9/11/00	\$
Production Release	10/31/00	\$191,500.00

Additional prototype units beyond those identified in this table are not included in the NRE payment.

\* Referenced dates should be viewed as target dates, changes in the scope of work, development effort, and/or dependencies upon third parties, normally outside of RadiSys control, could impact these dates.

Table A3-2: Product Pricing Description	Unit price by annual delivery quantity					
	Additional Proto's	Limited Production	1-249	250-4999	5000-9999	10000 up
ePort next generation	\$xxxx	\$ xxxx	\$ xxxx	\$xxxx	\$ xxxx	\$ 665.00*

\* Both Parties agree that for purposes of this Agreement, the \$665.00 unit price should be viewed as a not to exceed unit price, for period of 12 months from the date of execution. RadiSys will use its best effort to reduce this unit price during the development stage and prior to release to manufacturing.

Once developed, production pricing will be reviewed on a quarterly basis with a focus on commodity cost and price performance. It is both Parties intent to continually reduce the price of the e-Port product to allow greater market

acceptance and penetration.

RadiSys represents prices offered will not exceed those offered to any other customer for products substantially similar to the Products sold to USAT hereunder, where such customer is purchasing such products in like quantities and under similar terms and conditions.

TableA3-3 to be completed at milestone C2

Table A3-3: Manufacturing and Service Option Pricing

Description	Price
Out of warranty repair per board	\$TBD after design completion

## Appendix 4: Project Schedule and Milestones

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Table A4-1: Project Schedule  
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Milestone and description	Date	Approval/Method
NRE received by RadiSys	5/25/00	
Purchase Order for Design specification delivered	5/25/00	Written sign-off on specification
Detailed Design and Layout Complete Final schedule and pricing negotiated	8/14/00	
First prototype systems delivered (Q units).	9/4/00	
Final Prototype changes submitted by USAT; Schedule re-synchronization based on changes	9/11/00	
Pilot units delivered	10/31/00	
Production units delivered	TBD	

## Appendix 5.- RadiSys Deliverables to USAT

Table A5-1: Specs and Documentation  
Item

Date

1	5/25/00	Design Specification
2	8/8/00	Schematics for Design Review
3	10/2/00	Design Validation (including EMT) plan, for review and approval
4	10/31/00	Design Validation Results, for review and approval
5	10/31/00	Device Drivers/ Source Code
6	10/31/00	Embedded Code/ Source Code

Table AS-2: Development Deliverables

Item	Date	Item
1	9/4/00	(3) Prototype Units
2	10/31/00	(3) Limited Production Product Units
3	As part of first production	(4) Production Release Product Units



## Appendix 6: Intellectual Property

The following table outlines the ownership of the identified intellectual property

Owner	Description
USAT	EPort application code (a)
RadiSys	StrongARM "core" design
USAT and RadiSys*	MDB Controller**
Microsoft	Operating system - implied license to use agreement)

\*Reference Section 3.1.1 "Joint Intellectual Property

\*\* For Purposes of this Agreement, the term MDB Controller shall mean the combination of :

- a) a microprocessor (or micro-controller) that communicates with a host system via a Serial bus, including software code (source & object), that runs on this microcontroller, and software code (source and object) that are MDB devicednivers that interact with the operating system.
- b) MDB (Multi Drop Bus) interface for serial communications within a vending machine.
- c) A magnetic stripe reader interface A touch-screen controller interface (Analog inputs and Analog outputs)  
An I2C bus  
Digital inputs and Digital outputs (DI/DO)  
Circuits for an LCD display including voltage generation for back light and contrast A Temperature sensor  
A motion sensor interface
- d) A power supply circuit
- e) As yet undefined interface from the DI/DO to motors, solenoids, switches, etc. (in a vending mach ine, or to various office products, including copiers, fax, personal computers, printers, etc.

(a) e-PORT application code is that code that resides on the RadiSys "core" computing platform that performs e-commerce transactions, ad displays, and may include vending machine control.





USBANCORP

Stitch Networks Corporation  
US Bancorp \$1.5 Million Commitment  
Draws/Schedules  
Original Date May 22, 2001

Date	Amount	Comments
6/29/01	\$97,600.00	
7/6/01	\$54,900.00	
8/15/01	\$52,969.53	
8/21/01	\$35,438.74	
	-----	
Sub	\$240,908.27	Scheduled 8/29/01
8/29/01	\$200,000.00	Scheduled 8/29/01 - Used Vendors
9/5/01	\$61,795.01	
9/19/01	\$32,734.53	

USBANCORP.

U.S. Bancorp Leasing & Financial  
8600 West Center Road  
NEOM 8860  
Omaha, NE 68102  
Phone Number. 402 399-2723

May 31, 2001

Mr. James Hayden Stitch Networks Corporation 500 N. Walnut Street, Suite 100  
Kennett Square, PA 19348

DEAR JIM,

Please find below a summary of the loan proposal we had discussed.

You will note that we have dispensed with the per-schedule documentation fees entirely. We hope this WILL offset any inconvenience that was caused In changing the-format from a capital lease to a loan. The substance of the agreement is substantially the same and we trust this will be acceptable and satisfactory to you.

SECURED PARTY: US. Bancorp Leasing & Financial ("USBL&F") or its assigns  
DEBTOR: Stitch Networks Corporation  
SECURITY: DEBTOR will grant "USBL&F" a perfected first security in terest in the following equipment: Dixie-Narco Kodak Film Products Vending Machines  
LOAN AMOUNT: Approximately \$1,500,000  
TERM: 36 months  
PAYMENTS: 36 per schedule  
RATE ADJUSTMENT: Rates quoted herein will float with Treasury Notes until commencement of the Loan. Rates will be adjusted for each change in the yield for Treasury Notes with a coupon of a comparable maturity. Rates will be fixed at commencement for the term of the Loan at a rate of 495 basis points over 3 year Treasury Notes.  
INTERIM INTEREST: In the event USBL&F makes disbursements for Equipment deliveries prior to closing, then DEBTOR shall pay USBL&F interim interest on such disbursed amount from the date of disbursement until closing, computed daily and payable monthly at a rate equal to Prime Rate plus 1/4 %

INSURANCE: DEBTOR, at Its own expense, will provide insurance as detailed in USBL&F's Motor Vehicle and/or Equipment insurance form(s) naming USDL&F as Loss Payee.

EXPENSES: USBL&F contemplates using standardized documentation to the extent applicable- DEBTOR will pay the legal expenses of USBL&F and a \$0.00 documentation fee to cover the administrative expenses of processing this transaction. In the event this transaction necessitates that USBL&F obtain appraisals, or incur other extraordinary expenses, such costs shall also be borne by DEBTOR.

COMMITMENT FEE: A non-refundable commitment fee of \$5,000 Is due and payable with the acceptance of this proposal. In the event the transaction is not executed, Stitch Networks Corporation will forfeit said fee.

MATERIAL CHANGES: This proposal is based on the preliminary equipment list supplied by DEBTOR to USBL&F. In the event that the actual equipment differs in any material respect from the preliminary list or USBL&F's reasonable assumptions with respect thereto, or in the event that there shall be a materially adverse change in DEBTOR's financial condition prior to funding, USBL&F shall have the right and option to terminate its obligations hereunder without thereby incurring any liability to DEBTOR.

PURCHASE CUTOFF: USBL&F's obligation to fund under any commitment which may arise

DATE: if approved, terminates on 12-31-01, with regard to any Equipment not delivered to and payment not authorized by DEBTOR.

PROPOSAL EXPIRATION: If not accepted by DEBTOR, this proposal expires on 5-31-01.

OTHER: Surety Bond to be provided for full contract performance.  
UCC filings necessary and satisfactory to USBL&F.

You may Indicate your acceptance of this proposal by executing this letter and returning it together with the commitment fee.

DEBTOR acknowledges that this letter contains the entire Loan proposal (superseding all previous representations and agreements, either oral or written) and that there are no promises, agreement, or understandings outside of this letter. Debtor further acknowledges that this proposal is not intended and shall not be construed as a commitment by USBL&F and that any commitment is subject to USBL&F's review and written approval.

We appreciate the opportunity to submit this proposal. If you have any questions or require further information, please feel free to contact us.

Respectfully,

U.S Bancorp Leasing & Financial-Omaha

/S/ Douglas W. Otto

- - - - -

Douglas W. Otto

The above terms and conditions are hereby agreed to and accepted this \_\_\_\_ day of May, 2001.

Stitch Networks Corporation

By: David Kearney

- - - - -

Title: V.P

- - - - -



## LEASING &amp; FINANCIAL

## 1.0 PARTIES, COLLATERAL AND OBLIGATION'S

1.1 This Agreement is dated as of MAY 1 ay 22. 2001. FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged Stitch Networks Corporation (hereinafter called "Debtor") with offices at 5t() North Walnut Road Kennett Square. P:\intending to be legally bound, hereby promises to pay to U.S. Bancorp Leasing & Financial, an Oregon corporation having offices at PO Box 2177. 7(6,) S.W. Mohawk Street. Tualatin. OR Q7062 (hereinafter called "Secured Party"), any amounts set forth on any Schedule to Master Agreement hereunder (the "Schedule(s)" and grants a security interest in the property specified in any Schedule hereunder to Secured Party and its successors and assigns Ahercver located, and any and all proceeds thereof, insurance recoveries, and all replacements, additions, accessions, accessories and substitutions thereto or therefor (hereinafter called the "Collateral"). The security interest granted hereby is to secure payment of any and all liabilities or obligations of Debtor to the Secured Party, matured or unmatured direct or indirect, absolute or contingent, heretofore arising, now existing or hereafter arising, and whether under this Agreement or under any other writing between Debtor and Secured Party (all hereinafter called the "obligations" and/or the "liabilities").

1.2 Joint and Several Liability; Payment Terms. In the event there is more than one Debtor, all obligations shall be considered as joint and several obligations of all Debtors regardless of the source of Collateral or the particular Debtor with which the obligation originated- Interest shall be calculated on the basis of a 360-day year. All payments on any Schedule hereunder shall be in arrears and made in lawful money of the United States at the post office address of the Secured Party or at such other place as the Secured Party may designate to Debtor in writing from time to time. In no event shall any Schedule hereunder be enforced in any way which permits Secured Party to collect interest in excess of the maximum lawful rate. Should interest collected exceed such rate, Secured Party shall refund such excess interest to Debtor. In such event, Debtor agrees that Secured Party shall not be subject to any penalties for contracting for or collecting interest in excess of the maximum lawful rate.

1.3 LATE CHARGE If any of the OBLIGATIONS REMAINS OVERDUE FOR MORE THAN TEN (10) days, Debtor hereby agrees to pay on demand, as A LATE CHARGE, AN AMOUNT EQUAL TO THE LESSER OF (I) FIVE PERCENT (5%) OF EACH such overdue amount; or (ii) the maximum percentage of any such overdue amount permitted by applicable law as a late charge. Debtor agrees that the amount of such late charge represents a reasonable estimate of the cost to Secured Party or processing a delinquent payment and that the acceptance of any lat charge shall not constitute a waiver of default with respect to the overdue amount or prevent Secured Party from exercising any other available rights and remedies.

2.0 WARRANTIES AND COVENANTS OF DEBTOR: Debtor hereby represents, warrants and covenants that:

2.1 Business Organization Status and Authority. (i) Debtor is duly organized validly existing and in good standing under the laws of the state of its organization and is qualified to do business in all states and countries in which such qualification is necessary and where the failure to be so qualified would have a material adverse effect on the business of Debtor (ii) Debtor has the lawful power and authority to own its assets and to conduct the business in which it is engaged and to execute and comply with the provisions of this Agreement and any related documents; (iii) the execution and delivery of this Agreement and any related documents have been duly authorized by all necessary action; (iv) no authorization, consent, approval, I license or exemption of, or Filing or registration with, any or all of the owners of Debtor or any governmental entity was, is or will be necessary to the valid execution, delivery, performance or full enforceability of this Agreement and any related documents. Except as specifically disclosed to Secured party Debtor utilizes no trade names in the conduct of its business and/or has not changed its name within the past Five years, Debtor will not change its state of organization %L without providing prior written notice to Secured Party.

2.2 .Merger; Transfer of Assets. Debtor will not consolidated or merge with ith or into any other entity, liquidate or dissolve, distribute, sell, lease, transfer or dispose of all of its properties or assets or ,my substantial portion thereof other than in the ordinary course of its business, unless the Secured Party shall give its prior written consent which shall not be unreasonably ' v withheld and the surv i% ing o. successor entity or the transferee of such assets, as the case may be. shall assume by 3 written instrument which is legal valid and enforceable against suchor successor entity or transferee all of' the obligations of Debtor to Secured Party or any affilated of Secured party

2.3 No Violation of Covenants or Laws. Debtor is not party to an% agreement or subject to any restriction which materially and adversely affects its ability to perform Its obligations under this Agreement and any realted documents. The execution of and compliance with the terms of this A reement and any related documents Lim not and will not (i) violate any provision of law, or ( it) conflict with or result in a breach of any order, injunction, or decree of any court or governmental authority or (he formation documents of Debtor, or (iii) constitute or result in a default under any agreement, bond or indenture by which Debtor is bound or 10 which any of its property is subject, or (iv) result in (he imposition of any lien or encumbrance upon any of Debtor's assets, except for any liens created hereunder or under any related documents.

2.4 Accurate Information. All financial information submitted to the Secured Party in regard to Debtor or any shareholder, officer, director, member, or partner thereof, or any guarantor of any of the obligations thereof, was prepared in accordance with generally accepted accounting principles, consistently applied, and fairly and accurately depicts the financial position and results of operation of Debtor or such other person, as of the respective dates or for the respective periods, to which such information pertains. Debtor had good, valid and marketable title to all the properties and assets reflected as being owned by it on any balance sheets of Debtor Submitted to Secured party as of the dates thereof.

2.5 Judgement Pending legal Action. There are no judgments against Debtor, and there are no actions or proceedings pending or, to the best of Debtor's knowledge, to be brought against or affecting Debtor or its properties in any court or before any governmental entity which, if determined adversely to Debtor, would result in any material adverse change in the business, properties or assets or in the condition, financial or otherwise, of Debtor or would materially and adversely affect the ability of Debtor to satisfy its obligations under this agreement and any related documents.

2.6 No Breach of Other Agreements; Compliance with Applicable Laws. Debtor is not in breach of or in default under any material loan agreement, indenture, bond, note or other evidence of indebtedness, or any other material agreement or any court order, injunction or decree or any lien, statute, rule or regulation. The operations of Debtor substantially comply with all material federal, state, ordinances and governmental rules and regulations applicable to them. Debtor has filed all material Federal, state and material municipal income tax returns which are required to be filed and has paid all taxes as shown on said returns and on all assessments billed to it to the extent that such taxes or assessments have become due. Debtor does not know of any other proposed tax assessment against it or of any basis for one.

2.7 SALE PROHIBITED. Debtor will not sell, dispose of or offer to sell or otherwise transfer the Collateral or any interest therein without the prior written consent of Secured Party.

2.8 LOCATION OF COLLATERAL. THE COLLATERAL WILL BE KEPT AT THE LOCATION(S) shown on the Schedule(s) HEREUNDER AND DEBTOR will promptly notify Secured Party of any change in the location(s) of the Collateral. Debtor will not remove the Collateral from said location(s) without prior written notice to Secured party.

2.9 Collateral not a Fixture. The Collateral is not attached, and Debtor will not permit the Collateral to become attached, to real estate in such a way that it would be considered part of the realty or designated a "fixture." Notwithstanding any presumption of applicable law, and irrespective of any manner of attachment the Collateral shall not be deemed real property but shall retain its character as personal property. However, Debtor will at the option of Secured Party Furnish the latter with waiver(s) in recordable form, signed by all persons having an interest in the real estate, of any interest in the Collateral which is or might be deemed to be prior to Secured Party's interest.

2.10 Perfection of Security Interest. Except for (i) the security interest granted hereby and (ii) any other security interest previously disclosed by Debtor to Secured Party in writing, Debtor is the owner of the Collateral free from any adverse lien, security interest or encumbrance. Debtor will defend the Collateral against all claims and demands of all persons at anytime claiming any interest therein. At the request of Secured Party, Debtor will execute, acknowledge and deliver to Secured Party any document or instrument required by Secured Party to further the purposes of this Agreement. Debtor shall execute or, to the extent allowed bylaw, Debtor hereby authorizes Secured Party to execute and file any financing statement needed to perfect Secured Party's interest in the Collateral, including (without limitation) any Fixture filings and financing statements and any amendments and continuation statements thereto pursuant to the Uniform Commercial Code, in form satisfactory to Secured Party, and will pay the cost of filing the same in all public offices where Filing is deemed by Secured Party to be necessary or desirable. Notwithstanding any statutory provision to the contrary, Debtor hereby waives the right to file a termination statement of any financing statement Filed by Secured Party.

2.11 Insurance. Unless otherwise agreed, Debtor will have and maintain insurance from financially sound carriers at all times with respect to all Collateral against risks of fire (including so-called extended coverage), theft, collision, flood, earthquake, "mysterious disappearance" and such other risks as Secured Party may require, containing such terms, in such form, for such periods and written by such companies as may be reasonably satisfactory to Secured Party; each insurance policy shall name Secured Party as loss payee and shall be payable to Secured Party and Debtor as their interests may appear, all policies of insurance shall provide for ten days" written minimum cancellation notice to Secured Party; Debtor shall Secured Party with certificates or other evidence reasonably satisfactory to Secured Party of compliance with the foregoing insurance provisions.

2.12 Use of the Collateral. Debtor will use the Collateral for business purposes only and operate it by qualified personnel, agents or independent contractors in accordance with applicable manufacturers' manuals. Debtor will keep the Collateral free from any adverse lien or encumbrance and in good working order, condition and repair and will not waste or destroy the Collateral or any part thereof, Debtor will keep the Collateral appropriately protected from the elements, and will Furnish all required parts and servicing (including any-contract service necessary to maintain the benefit of any warranty of the manufacturer); Debtor will not use the Collateral in violation of any statute, ordinance, regulation or order; and Secured Party MAY EXAMINE AND INSPECT THE COLLATERAL AND ANY and all books and records of Debtor during business hours with prior written notice and without unduly interfering with Debtor's operations; such right of inspection shall include the right to copy Debtor's books and records and to converse with Debtor's officers, employees, agents, and independent accountants.

2.13 Taxes and Assessments. Debtor will pay promptly when due all taxes, assessments, levies, imposts, duties and charges, of any kind or nature, imposed upon the Collateral or for its use or operation or upon this Agreement or upon any instruments evidencing the obligations.

2.14 Financial Statements. Debtor shall furnish Secured Party within ninety (90) days after the close of each fiscal year of Debtor, its financial statements (including, without limitation, a balance sheet, a statement of income and surplus account and a statement of changes in financial position) for the immediately preceding fiscal year, setting forth the corresponding figures for the prior fiscal year in comparative form, all in reasonable detail without any qualification or exception deemed material by Secured Party. Such financial statements shall be prepared at, least as a review by Debtor's independent certified accountants and, if prepared as an audit, shall be certified by such accountants. Debtor shall also furnish Secured Party with any other financial information deemed necessary by Secured Party. Each financial statement submitted by Debtor to Secured Party shall be accompanied by a certificate signed by the chief executive officer, the chief operating officer or the chief Financial officer of Debtor, certifying that (i) such financial statement was prepared in accordance with generally accepted accounting principles consistently applied and fairly and accurately presents the Debtor's financial condition and results of operations for the period to which it pertains, and (ii) no event of default has occurred under this Agreement during the period to which such financial statement pertains.

### 3.0 EVENTS OF DEFAULT

3.1 The follow ill, shall he considered ev ents of default (i) failure on the Pan of Debtor to promptly perform in complete accordance , ith its representations, warranties and covenants made ill this Agreement or ill any other at ,reement with Secured party including, bill not limited to, the payment of any liability, with interst %lien due, or default by Debtor Linder the provisions of any other material agreement to which Debtor is party (ii) the death of Debtor if an individual or the dissolution of Debtor if a business organization (iii) a material change in (he present management of Debtor except to Fill vacancies resulting from the death or disability if an individual, (iv)

the filing of any petition or complaint under the Federal Bankruptcy Code or other federal or state acts of similar nature, by or against Debtor which is not dismissed within 60 days or an assignment for the benefit of creditors by Debtor, (v) in application which is not dismissed within 60 days is for or the appointment of a Receiver, Trustee or Conservator, voluntary or involuntary, by or against Debtor or for any substantial assets of Debtor, (vi) insolvency of Debtor under either the Federal Bankruptcy Code or applicable principles of equity (vii) entry of any material judgement issuance of any material garnishment or attachment or filing., of any material lien, claim or government attachment against the Collateral or which, in Secured Party's sole discretion, might materially impair the Collateral. (viii) the determination by Secured Party that a material misrepresentation of fact has been made by Debtor in this Agreement or in any writing supplementary or ancillary hereto, (ix) a reasonable determination in good faith by Secured Party that Debtor has suffered a material adverse change in its financial condition, business or operations from the date of This agreement; (x) bankruptcy, insolvency, termination, death, dissolution or default of any guarantor for Debtor or (ix) any filing by Debtor of a termination statement for any Financing statement filed by Secured party

#### 4.0 REMEDIES

4.1 Upon the happening of any event which is not cured for non-monetary defaults within thirty (30) days and for momentary defaults within ten (10) days and ;k by Secure party or at any time thereafter: (i) all liabilities of Debtor shall, at the option of Secured party become immediately due and payable fill Set ured party shall have and may exercise 311 Of the rights and remedies ,3nted to a Secured party Linder the Uniform Commercial Code; (ill) Secured party shall have the right, immediately, and without notice or other action, to set-off against any of Debtor's liabilities to Secured Party any money owed by Secured party in any capacity to Debtor. whether or not due, and Secured party shall be deemed to have exercised such right of set-offand to have made a charge against any such money immediately upon the occurrence of such default event though actual book entries may be made at some time subsequent thereto; (iv) Secured Party may proceed with or without judicial process to take possession of all or any part of the Collateral; Debtor agrees that upon receipt of notice of Secured party's intention to take possession of all or any pan of said Collateral, Debtor will do everything necessary to make same available to Secured Party (including, without limitation, assembling the Collateral and making it available to Secured Party at a place designated by Secured Party which is reasonably convenient to Debtor and Secured Party); and so long as Secured Party acts in a commercially reasonable manner, Debtor agrees to assign, transfer and deliver at any time the whole or any portion of the Collateral or any rights or interest therein in accordance with the Uniform Commercial Code and without limiting the scope of Secured Party's rights thereunder, (v) Secured Party may sell the Collateral at public or private sale or in any other Commercially reasonable manner and, at the option of Secured Party, in bulk or in parcels and with or without having the Collateral at the sale or other disposition, and Debtor agrees that in case of sale or other disposition of the Collateral, or any portion thereof, Secured Party shall apply all proceeds first to all costs and expenses of dispositions, including attorneys' fees, and then to Debtor's obligations to Secured Party; (vi) Secured Party may elect to retain the Collateral or any part thereof in satisfaction of all sums due from Debtor upon notice to Debtor and any other party as may be required by the Uniform Commercial Code- All remedies provided in this

paragraph shall be cumulative. Secured Party may exercise any one or more of such remedies in addition to any and all other remedies Secured Party may have under any applicable law or in equity.

4.2 Expenses; Disposition. Upon default, all amounts due and to become due hereunder shall, without notice, bear interest at the lesser of (i) fifteen percent (15%) per annum or (ii) the maximum rate per annum which Secured Party is permitted by law to charge from the date such amounts are due until paid. Debtor shall pay all reasonable expenses of realizing upon the Collateral hereunder upon default and collecting all liabilities of Debtor to Secured Party, which reasonable expenses shall include attorneys' fees, whether or not litigation is commenced and whether incurred at trial, on appeal, or in any other proceeding. Any notification of a sale or other disposition of Collateral or of other action by Secured Party required to be given by Secured Party, will be sufficient if given personally, mailed, or delivered by facsimile machine or overnight carrier not less than five (5) days prior to the day on which such sale or other disposition will be made or action taken, and such notification shall be deemed reasonable notice.

## 5.0 MISCELLANEOUS

5.1 No Implied Waivers; Entire Agreement. The waiver by Secured Party of any default hereunder or of any provisions hereof shall not discharge any party hereto from liability hereunder and such waiver shall be limited to the particular event of default and shall not operate as a waiver of any subsequent default. This Agreement and any Schedule hereunder are non-cancelable. No modification of this Agreement or waiver of any right of Secured Party hereunder shall be valid unless in writing and signed by an authorized officer of Secured Party. No failure on the part of Secured Party to exercise, or delay in exercising, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right or remedy. The provisions of this Agreement and the rights and remedies granted to Secured Party herein shall be in addition to, and not in limitation of those of any other agreement with Secured Party or any other evidence of any liability held by Secured Party. This Agreement and any Schedule hereunder (a "Transaction") embody the entire agreement between the parties and supersede all prior agreements and understandings relating to the same subject matter, except in any case where the Secured Party takes an assignment from a vendor of its security interest in the same Collateral, in which case the terms of the Transaction shall be incorporated into the assigned agreement and shall prevail over any inconsistent terms therein but shall not be construed to create a new contract. If any of the documents executed in conjunction with this Agreement are delivered to Secured Party by facsimile transmission, such documents (and signatures thereon) shall be treated as, and have the same force and effect as, originals.

5.2 Choice of law waiver of jury this agreement and the rights and liabilities of the parties shall be governed by applicable federal law and the laws of the state of Oregon secured party and debtor each irrevocably waive all rights to trial by jury in any litigation arising from or related to this agreement.

5.3 Protection of the Collateral. At its option, Secured Party may discharge taxes, liens or other encumbrances at any time levied or placed on the Collateral, may pay for insurance on the Collateral and may pay for the maintenance and preservation of the Collateral. Debtor agrees to reimburse Secured Party on demand for any payment made or any expense incurred by Secured Party pursuant to the foregoing authorization. Any payments made by Secured Party shall be immediately due and payable by Debtor and shall bear interest at the rate of fifteen percent (15%) per annum. Until default, Debtor may retain possession of the Collateral and use it in any lawful manner not inconsistent with the provisions of this Agreement and any other agreement between Debtor and Secured Party, and not inconsistent with any policy of insurance thereon.

5.4 Binding Agreement; Time of the Essence. This Agreement shall take effect as a sealed instrument and shall be binding upon and shall inure to the benefit of the parties hereto, their respective heirs, executors, administrators, successors, and assigns. Time is of the essence with respect to the performance of Debtors obligations under this Agreement and any other agreement between Debtor and Secured Party.

5.5 Enforceability. Any term, clause or provision of this Agreement or of any evidence of indebtedness from Debtor to Secured Party which is unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining terms or clauses of such provision or the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such term, clause or provision in any other jurisdiction.

5.6 Notices. Any notices or demands required to be given herein shall be given to (i) parties in writing by facsimile, or by overnight courier United States mail (first class, express, certified or otherwise) (ii) the addresses set forth in Article I of this Agreement or to such other addresses as the parties may hereafter substitute by written notice given in the manner prescribed in this paragraph.

5.7 Additional Security. If there shall be any other collateral for any of the obligations, or for the obligations of any guarantor thereof, Secured Party may proceed against and/or enforce any or all of the Collateral and such collateral in whatever order it may, in its sole discretion, deem appropriate. Any amount(s) received by Secured Party from whatever source and applied by it to any of the obligations shall be applied in such order of application as Secured

Party shall from time to time, in its sole discretion, elect.

#### 6.0 ASSIGNMENT

6.1 SECURED PARTY MAY SELL OR ASSIGN ANY AND ALL RIGHT, TITLE AND INTEREST IT HAS IN THE COLLATERAL AND/OR ARISING UNDER THIS AGREEMENT. DEBTOR SHALL, UPON THE DIRECTION OF SECURED PARTY: 1) EXECUTE ALL DOCUMENTS NECESSARY TO EFFECTUATE SUCH ASSIGNMENT AND, 2) PAY DIRECTLY AND PROMPTLY TO SECURED PARTY'S, ASSIGNED WITHOUT ABATEMENT, DEDUCTION OR SET-OFF, ALL AMOUNTS WHICH HAVE BECOME DUE UNDER THE ASSIGNED AGREEMENT SECURED PARTY ASSIGNEE SHALL HAVE ANY AND ALL RIGHTS. IMMUNITIES AND DISCRETION OF SECURE PARTY HEREUNDER AND SHALL WILL ENTITLED IN EXERCISE ANY REMEDIES OF SECURED PARTY HEREUNDER ALL REFERENCES HEREIN TO SECURED PARTY SHALL INCLUDE SECURED PARTY'S ASSIGNEE (EXCEPT THAT SAID ASSIGNEE SHALL NOT BE CHARGEABLE WITH ANY OBLIGATION OR LIABILITIES HEREUNDER OR IN RESPECT HEREOF). DEBTOR WILL NOT ASSERT AGAINST SECURED PARTY'S ASSIGNEE ANY DEFENSE. COUNTERCLAIM OR SET-OFF WHICH DEBTOR MAY HAVE AGAINST SECURED PARTY.

6.2 DEBTOR SHALL NOT ASSIGN OR IN ANY WAY DISPOSE OF ALL OR ANY OF ITS RIGHTS OR OBLIGATIONS UNDER THIS AGREEMENT OR ENTER INTO ANY AGREEMENT REGARDING ALL OR ANY PART OF THE COLLATERAL WITHOUT THE PRIOR WRITTEN CONSENT OF SECURED PARTY WHICH SHALL NOT BE UNREASONABLY WITHHELD. IN CONNECTION WITH THE GRANTING OF SUCH CONSENT AND THE PREPARATION OF NECESSARY DOCUMENTATION, A FEE SHALL BE ASSESSED EQUAL TO ONE PERCENT (1%) OF THE TOTAL REMAINING BALANCE THEN DUE HEREUNDER. IN THE EVENT THAT SECURED PARTY HAS CONSENTED TO ANY LEASE OF THE COLLATERAL, DEBTOR HEREBY ASSIGNS AND GRANTS A SECURITY INTEREST TO SECURED PARTY, TO SECURE ALL OBLIGATIONS TO SECURED PARTY, ANY AND ALL RIGHTS UNDER ANY LEASE(S), AND DEBTOR SHALL DELIVER TO SECURED PARTY THE ORIGINAL OF SUCH LEASE(S).

7.0 POWER OF ATTORNEY

7.1 Secured PARTY is hereby appointed Debtors attorney-in-fact to sign Debtor's name and to make non-material amendments (including completing 2nd conforming ,he description of the Collateral) on any document in connection with this Agreement (including any financing statement :Ind 10 Obtain Idju',,, settle and cancel any insurance required by this Agreement and to endorse any drafts in connection %, ith such insurance.

8.0 NOTICE

8.1 Under Oregon law, most a-reements, promises and commitments made by Secured party after October 3, 1989. concerning loans and other credit extensions which are not for personal. family or household purposes or secured sol by the Debtor's residence must be in Writing express consideration and be signed by Secured Party to be enforceable.

In Witness Whereof. the parties hereto have caused this Agreement to be duly executed the 1St day of JUNE 2001

US Bancorp Leasing & Financial

(SECURETY PARTY)

BY:

- -----  
An Authorized Officer There of

Stitch Networks Corporation

(DEBTOR)

By:/S/ David Goodman

- -----  
David Goodman  
President

7.0 POWER OF ATTORNEY

7.1 Secured Party is hereby appointed Debtor's attorney-in-fact to sign Debtor's name and to make non-material amendments (including completing and conforming the description of the Collateral) on any document in connection with this Agreement (including any financing statement) and to obtain, adjust, settle, and cancel any insurance required by this Agreement and to endorse any drafts in connection with such insurance.

8.0 NOTICE

8.1 Under Oregon law, most agreements promises and commitments made by Secured Party after October 3, 1989, concerning loans and OTHER CREDIT EXTENSIONS which are not for personal family or household purposes or secured solely by the Debtor's residence must be in Writing, express consideration and be signed by Secured Party to be enforceable.

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed the 15th day of June 2001

US Bancorp Leasing & Financial  
(SECURETY PARTY)

BY:

-----  
An Authorized Officer There of

Stitch Networks Corporation  
(DEBTOR)

By:/S/ David Goodman

-----  
David Goodman  
President



## LEASING &amp; FINANCIAL

THIS Interim FUNDING ADDENDUM AND RENTAL ADDENDUM (this "Addendum") dated May 1991 and supplements Master Agreement (the "Agreement"), dated May 22, 2001 between U.S. Bancorp Leasing & Financial ("Secured Party") and Stitch Networks Corporation ("Debtor") and the terms of the Agreement are hereby incorporated into this Addendum as though fully set forth herein. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement- The Agreement is hereby amended and supplemented as follows:

1. Loan of Collateral. Subject to the terms hereof, Secured Party may, from time to time, fund certain amounts necessary for the purchase, for the purpose of financing for Debtor, the following collateral, on which Debtor agrees to complete a Master Agreement and ancillary documents from Secured Party:

Film Product Dispensing Vending Machines

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

(the "Collateral"), BEGINNING, WITH RESPECT TO EACH ITEM of Collateral, on the DATE SECURED PARTY MAKES THE FIRST payment WITH respect to that item of Collateral and continuing until such time as the Collateral is made subject to a Schedule to the Master Agreement. Notwithstanding the preceding sentence, Secured Party shall have no obligation to finance any item of Collateral for Debtor if, in Secured Party's sole discretion: (i) the item, type or cost of Collateral is not acceptable to Secured Party, (ii) there has been a material adverse change in the financial or operating condition of Debtor, (iii) there has occurred, and remains uncured, an event that constitutes or could constitute a default under the Agreement; or (iv) if Debtor has not executed and delivered to Secured Party a Schedule making any item of Collateral subject to the Agreement and a Equipment Acceptance and Authorization to Pay with respect to that Collateral on or before August 15, 2001 (which date may be changed in Secured Party's sole discretion) (any or all of the foregoing shall be called "Secured Party's Conditions")

1 Financing by Secured Party. As items of Collateral are delivered to Debtor (or if any payments are required to be made prior to delivery of items of Collateral, at such time of payment), Debtor shall present to Secured Party for payment the invoices from the vendor of the Collateral (the "Vendor") accompanied by an Interim Authorization to Pay in substantially the form of Exhibit A attached hereto, duly executed by Debtor, authorizing Secured Party to pay for the Purchase of the Collateral, subject to this Addendum. If no event that constitutes (or would, with the giving of notice, the passage of time or both, constitute) a default or event of default under the Agreement then exists, Secured Party shall pay for [the purchase of the item of Collateral from the Vendor for the invoice price (together with any other costs Secured Party has agreed or becomes obligated, to pay in connection with the acquisition of the Collateral, the "Acquisition Cost") and Debtor shall immediately become obligated to pay interim payments to Secured Party as provided herein- Debtor's obligation to pay interim payments shall begin when Secured Party makes the first payment to the Vendor, even if that payment is a down payment, progress payment or other partial payment rather than payment in full.

3. Interim Payments. Interim payments of the items of collateral as they are financed by Secured Party to paragraph 2 above, shall be computed by Secured Party and paid by Debtor monthly in arrears at a daily rate determined for day by multiplying the Acquisition Cost by the rate: announced by US Bank National Association Minneapolis MINNESOTA is its reference rate for that day plus 0.25%) per Annum and dividing the result by 360, and shall be paid to Secured Party within ten days after Debtor receives an invoice from Secured Party. Debtor's obligation to pay interim payments shall continue until the earlier of (1) the date on which each of Debtor and Secured Party have executed and delivered to the other a schedule making the Collateral subject to the Agreement and Debtor shall execute and deliver to Secured Party a Equipment Acceptance and Authorization to Pay with respect to that Collateral, or (2) the date on which Debtor pays the purchase price for the Collateral to Secured Party pursuant to Paragraph 4 hereof,

4. Failure to Deliver Acceptance Certificate. If any of Secured Party's Conditions occurs or if Debtor otherwise terminates this Addendum, Debtor shall immediately reimburse Secured Party for that Collateral for a purchase price equal to the Acquisition Cost plus such other amounts which may be due to Secured Party from Debtor pursuant to any other provision hereof plus a premium of 10% on the total purchase price of such price. Upon receipt of such amounts in immediately available funds with respect to any item of Collateral, Debtor's obligation to pay payments with respect to that Collateral shall be terminated.

5. Stipulated Loss Value. For purposes of determining Debtor's compliance with certain of the Loan provisions incorporated by reference, the stipulated loss value of the Collateral shall be the Acquisition Cost thereof.

6, Miscellaneous . Except as expressly modified and supplemented hereby, all terms and provisions of the Agreement shall remain in full force and effect. This Addendum is not binding or effect with respect to the Agreement or the Collateral

I/We until executed on behalf of Secured Party and Debtor by an authorized representative of Secured Party and Debtor.

IN WITNESS WHEREOF, the parties hereto have caused this Interim Funding Addendum to be executed as of the day and year first written above.

Stitch Networks Corporation                      US Bancorp Leasing & Financial

(DEBTOR)

By:/S/ David Goodman

BY:

-----  
David Goodman  
President

-----  
An Authorized Officer There of

ADDRESS FOR ALL NOTICES:  
PO BOX 2177 S.W - Networks Street  
Tualatin OR

5. Stipulated Loss Value. FOR PURPOSES of determining Debtor's compliance with certain of the Loan provisions incorporated by reference, the stipulated loss value of the Collateral shall be the Acquisition Cost thereof.

6. Miscellaneous Except as expressly modified and supplemented hereby, all terms and provisions of the Agreement shall remain in full force and effect. This Addendum is not binding or effective with respect to the Agreement or the Collateral until executed on behalf of Secured Party and Debtor by an authorized representative of Secured Party and Debtor.

IN WITNESS WHEREOF, the parties hereto have caused this Interim Funding Addendum to be executed as of the day and

Stitch Networks Corporation                      US Bancorp Leasing & Financial  
(DEBTOR)

By: /S/ David Goodman                      BY: \_\_\_\_\_  
-----  
David Goodman                                      An Authorized Officer There of  
President

ADDRESS FOR ALL NOTICES:  
PO BOX 2177 S.W - Networks Street  
Tualatin OR

EXHIBIT"A"

INTERIM AUTHORIZATION TO PAY

Re: In interim Funding and Rental Addendum dated May 22, 2001 ("Addendum") between U.S. Bancorp Leasing & Financial ("Secured Party") and Stitch Networks Corporation ("Debtor").

Stitch Networks Corporation hereby authorizes U.S. Bancorp Leasing & Financial to pay a total of \$\_\_\_\_\_ to Seller(s) under the Invoice(s) to pay for property described in the Invoice No.(s) listed below and attached hereto, which shall thereafter be "Collateral" as defined in the Addendum.

Interim Payments (as defined in the Addendum) will accrue until the final installation and acceptance of the Collateral and the execution of a Schedule to Master Agreement between the undersigned and U.S. Bancorp Financial covering such Collateral.

Vendor(s)/Seller(s)	Invoice No.(s)	Invoice Date(s)	Invoice(s) Amount
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Dated as of:

(DEBTOR) Stitch Networks Corporation	SECURED PARTY US Bancorp Leasing & Financial
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By: /S/ David Goodman ----- David Goodman President	BY: ----- An Authorized Officer There of
--	--

Address for All notices:  
PO BOX 2177 S.W - Networks Street  
Tualatin OR

EXHIBIT"A"

INTERIM AUTHORIZATION TO PAY

Re: In interim Funding and Rental Addendum dated May 22, 2001 ("Addendum") between U.S. Bancorp Leasing & Financial ("Secured Party") and Stitch Networks Corporation ("Debtor").

Stitch Networks Corporation hereby authorizes U.S. Bancorp Leasing & Financial to pay a total of \$\_\_\_\_\_ to Seller(s) under the Invoice(s) to pay for property described in the Invoice No.(s) listed below and attached hereto, which shall thereafter be "Collateral" as defined in the Addendum.

Interim Payments (as defined in the Addendum) will accrue until the final installation and acceptance of the Collateral and the execution of a Schedule to Master Agreement between the undersigned and U.S. Bancorp Financial covering such Collateral.

Vendor(s)/Seller(s) Invoice No.(s) Invoice Date(s) Invoice(s) Amount

Dated as of:

-----

(DEBTOR) SECURED PARTY  
Stitch Networks Corporation US Bancorp Leasing & Financial

By: /S/ David Goodman BY:  
-----  
David Goodman An Authorized Officer There of  
President

Address for All notices:  
PO BOX 2177 S.W - Mohawk Street  
Tualatin OR

USBANCORP

INSURANCE AUTHORIZATION  
AND VERIFICATION

LEASING & FINANCIAL

Date: May 22, 2001

To: Stitch Network Corporation (the Customer)      Schedule Number:  
From: U S. Bancorp Leasing & Financial(Creditor)  
PO BOX 2177 S.W - Mohawk Street  
Tualatin OR

TO THE CUSTOMER: PLEASE EXECUTE BELOW and return this to Creditor with your document package. Creditor will fax this document to your insurance agent for verification.

In connection with one or more financing arrangements, Creditor requires that its insurable interest in the financed property (the "Property") be described as "Creditor and its successors and assigns shall be covered as Additional Insured and Loss Payee with regard to all equipment financed or leased by Policy Holder through or from Creditor." The required coverage must include, but is not limited to, fire, extended coverage, vandalism, theft and general liability, If such coverage is not provided within 30 days, we have the right to purchase such insurance at your expense. Should you have any questions, please contact our Insurance Department at (503) 797-0277.

CUSTOMER AUTHORIZES THE AGENT NAMED below: 1) to COMPLETE AND RETURN THIS LETTER AS INDICATED; AND 2) to endorse the policy and subsequent renewals to reflect the required coverage.

Agent: Insurance and Financial Services Ltd	Stitch Network Corporation
Address: 664 Yroklyn Road, P.O. Box 906 Hockessin. DE 19707-0907	By:/S/ David Goodman
Fax: (302) 239-5722	David Goodman
E-Mail	Vice President & CFO

TO THE AGENT: In lieu of providing a certificate, please e-recute this letter in the space below and promptly faxed it to Creditor at (503) 797-0287.

Agent hereby verifies that the above requirements have been met in regard to the Property listed below.

Print Name Of Agency:

By

Print Name

Property Description:

Film Product Dispensing Vending Machines

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING. INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

INSURANCE VALUE \$1,500,000.00

LOAN  
DATA SUMMARY SHEET

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Lessor/ Lessee Information  
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Date Created: 5/29/2001 Doc Specialist: Lia Chow Market Rep: Douglas Otto

Lessor: U.S. Bancorp Leasing & Financial  
7659 S.W. Mohawk Street 2177  
Tualatin OR 97062

Lessee Name: Stitch Network Corporation

Lessee DBA

Lessee Address: 500 North Walnut Road  
Kenneth PA 1934S

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Contract Information:  
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Master Agrmt # & Schedule- - Master Agreement Date: May 22, 2001  
Amount Financed: \$ 1,500,000.00 Schedule Date: May 22, 2001  
Master Agreement Date: May 22, 2001 Contract Term:  
Trac Amount: 0 Mid Term Opt Date:  
Mid Term Opt. Amount: \$0.00 End Of Term Opt. Amt:  
Sales Tax Financed: \$0.00 Total Property Cost: \$1,500,000.00

FIXED INTEREST Rate:

Finance Charges: \$0.00

Late Charge Rate: Five(5) Contract Type:

Advanced I Arrears Advance

1st Payment Amount: \$0.00 1st paymentment Terms: Sixty (60)

2nd Payment Amount: 2nd Payment Terms:

3rd Payment Amount: 3rd Payment Terms:

4th Payment Amount: 4th Payment Terms:

Additional Collateral:

First Payment Date / D/A June 01, 2001

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Due At Signing  
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Security Deposit:	\$0.00	Advance Rentals:	\$0.00
# of Advance Rentals:	\$0.00	Doc Fees:	\$0.00
Filing/Stamp Fees:	\$0.00	Sales tax:	\$0.00
Other Fees:	\$0.00	Due At Signing:	\$0.00

-----  
Signers Guarantors:/Partnership/ etc  
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Personal Guarantor 1 Personal Guarantor 2

Personal Guarantor 3 Personal Guarantor 4

Corp Guarantor 1 Corp Guarantor 2:

Primary Signer: David Goodman Alternate Signer:

Primary Title: PRESIDENT & CEO Alternate Title:

Partnership: 1 st Partner:

2 nd Partner: Subleases:

Corporate Pledger: Individual Pledger:

Landlord: Mortgage:

Insurance

Insurance Company: Insurance & Financial Services Ltd Agent Name:

Address: 664 Yorklyn Road P.O Box Hockessin DE 19707-0970

Phone: (302) 239-2355

Fax: (302)-239-5722

Equipment

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Description: Film Products Dispensing Vending Machines,  
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Serial #: Cost \$1,500,000.00  
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Vendor Name: Stitch Networks Corporation  
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Amount Due Vendor:  
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I/WE HEREBY CERTIFY TO U.S. Bancorp ,Leasing, & Financial (the "Creditor") that:  
a) I/we am/are the person(s) authorized to certify on behalf of Stitch Networks Corporation, a business entity (the "Company") organized and maintaining good standing under the laws of the State of Delaware; b) the following,, is a true and correct copy of certain Resolutions duly adopted or voted by the Board of Directors, Members or Managers, as appropriate, of the Company; c) I/we have placed a copy of such Resolutions in the official records of the Company, d) such Resolutions have not been rescinded, amended, or otherwise altered or repealed; and e) such Resolutions are now in full force and effect and are in full compliance with the formation documents of the Company, as such may have been amended. The Company has resolved the Following:

1) That the Company from time to time leases personal property and/or borrows money or otherwise obtains credit from Creditor and that the entire amount of leasing, borrowing or credit under this resolution at any one time, whether direct or indirect, absolute or contingent, shall be unlimited;

2) That any one of the officers, agents, members, or managers designated BELOW IS HEREBY authorized to borrow money and to obtain credit and other financial accommodations (including the leasing of personal property) for the Company; and to execute and deliver on behalf of the Company any and all documentation required In connection therewith in such form and containing such terms and conditions as the person(S) executing such documents shall approve as being advisable and proper and in the best interests of the Company; and that the execution thereof by such person(S) shall be conclusive evidence of such approval; and, as security for the Company's obligations to Creditor to pledge, assign, transfer, mortgage, grant a security interest in, hypothecate, or otherwise encumber any and all property of the Company, whether tangible or intangible; and to execute and deliver all instruments of assignment and transfer;

3) That any officer, member, manager, agent or employee of the Company is hereby further authorized to take any and all such other actions as may be necessary to carry out the intent and purposes of these Resolutions, and that any and all actions taken by such person(s) to carry out such intent and purposes prior to the adoption of these Resolutions are hereby ratified and confirmed by, and adopted as the action of, the managers of the Company- and

4 That these Resolutions shall constitute a continuing authority to the designated person or persons to act on behalf of the Company, and the powers and authority granted herein shall continue until revoked by the Company and formal written notice of such revocation shall have been given to Creditor. These Resolutions do not supersede similar prior resolutions given to Creditor.

I/WE HEREBY FURTHER CERTIFY that pursuant to the formation documents and any other appropriate DOCUMENTS of the Company as may be necessary, the following named person(s) have been properly designated and appointed to the position(s)/office(s) indicated below, that such person(s) Continue to hold such position(s)/Office(s) at the TIME Of' execution of the documentation for the transaction(s) with Creditor, and that the signature(s) of such person(s) show % ire genuine.

OFFICE	NAME	SIGNATURE
PRESIDENT & CEO	DAVID GOODMAN	/S/ DAVID GOODMAN

I/WE HEREBY FURTHER CERTIFY that, pursuant to the formation document of the Company, and any other appropriate documents of the Company as may be necessary, I/we have the power and authority to execute this Certificate on behalf of the Company, and that I/we have so executed this Certificate on the 1st day of 2001. A copy of this Certificate, which is duly signed and which is received by facsimile transmission ("fax"), shall be deemed to be of the same force and effect as the original

By:/S/ David J. Kearney  
David kearney  
Secretary

(must be certified by another officer or director other than the above authorized signer)

4/00

ADDRESS FOR ALL NOTICES:  
PO Box 2177. 7659 S. W Mahawk Street  
Tualatin, OR 97062

I/WE HEREBY CERTIFY to U.S. Bancorp Leasing Financial (the "Creditor") that: a) I/we am/are the person(s) authorized to certify on behalf of Stitch Networks Corporation, a business entity (the "Company") organized and maintaining its standing under the laws of the State of Delaware; b) the following is a true and correct copy of certain Resolutions duly adopted or voted by the Board of Directors, Members or Managers, as appropriate, of the Company; c) I/We have placed a copy of such Resolutions in the official records of the Company; d) such Resolutions have not been rescinded, amended, or otherwise altered or repealed and e) such Resolutions are now in full force and effect and are in full compliance with the formation documents of the Company, as such may have been amended. The Company has resolved the following

1) That the Company from time to time leases personal property and/or borrows money or otherwise obtains credit from Creditor and that the entire amount of leasing, borrowing or credit under this resolution at any one time, whether direct or indirect, absolute or contingent, shall be unlimited;

2) That any one of the officers, agents, members, or managers designated below is hereby authorized to borrow money and to obtain credit and other financial accommodations (including the leasing of personal property) for the Company; and to execute and deliver on behalf of the Company any and all documentation required in connection therewith in such form and containing such terms and conditions as the persons) executing such documents shall approve as being advisable and proper and in the best interests of the Company; and that the execution thereof by such person(s) shall be conclusive evidence of such approval; and, as security for the Company's obligations to Creditor to pledge, assign, transfer, mortgage, grant a security interest in, hypothecate, or otherwise encumber any and all property of the Company, whether tangible or intangible; and to execute and deliver all instruments of assignment and transfer;

3) That any officer, member, manager, agent or employee of the Company is hereby further authorized to take any and all such other actions as may be necessary to carry out the intent and purposes of these Resolutions, and that any and all actions taken by such person(s) to carry out such intent and purposes prior to the adoption of these Resolutions are hereby ratified and confirmed by, and adopted as the action of, the managers of the Company and

4) That these Resolutions shall constitute a continuing authority to the designated person or persons to act on behalf of the Company, and the powers and authority granted herein shall continue until revoked by the Company and formal written notice of such revocation shall have been given to Creditor. These Resolutions do not supersede similar prior resolutions given to Creditor.

I/We HEREBY FURTHER CERTIFY that pursuant to the formation documents; and any other appropriate documents of the Company as may be necessary, the following named person(s) have been properly designated and appointed to the position(s)/office(s) indicated below that such person(s) continue to hold such position(s)/office(s) at the time of execution of the documents in connection with the transaction with the Creditor and that the signature(s) of such person(s) shown below are genuine

OFFICE	NAME	SIGNATURE
PRESIDENT & CEO	DAVID GOODMAN	/S/ DAVID GOODMAN

I/WE HEREBY FURTHER CERTIFY THAT, PURSUANT to the formation documents of the Company and any other appropriate documents of the Company as may be necessary, I/we have the power and authority to execute this Certificate on behalf of the Company, and that I/we have so executed this Certificate on the 1st day of June 2001. A copy of this Certificate, which is duly signed and which is received by facsimile transmission ("fax"), shall be deemed to be of the same force and effect as the original

By: David Kearney  
-----  
SECRETARY (PRINT NAME)  
SECRETARY

(Must be certified by another officer or director other than the above authorized signer)

ADDRESS FOR ALL NOTICES:  
PO Box 2177, 7659 S. W Mahawk Street  
Tualatin, OR 97062

GREAT AMERICAN INSURANCE COMPANY

Bond Number: 5618559

KNOW ALL MEN BY THESE PRESENTS, that we, Stitch Networks Corporation, 500 N. Walnut Street, Kennett Square, PA 19348 (hereinafter called "Principal"), as Principal and Great American Insurance Company, 580 Walnut Street, Cincinnati, OH 45202, organized under the laws of the State of Ohio (hereinafter called "Surety"), as Surety, are held and firmly bound unto U.S. Bancorp Leasing & Financial, 7659 S.W. Mohawk Street, Tualatin, OR 97062 (hereinafter called "Obligee"), as Obligee, in the full and just sum of One Million FIVE Hundred Thousand \$SI,500,000.00) Dollars for the payment whereof Principal and Surety bind themselves, their heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents:

WHEREAS, the Principal has by written agreement executed on June 1 2001, entered into a contract With the Obligee a Master Agreement for Vending Equipment.

NOW, THEREFORE, the condition of this obligation is such that, if the Principal shall promptly and faithfully perform said Contract, then this obligation shall be null and void; otherwise to remain in full force and effect.

PROVIDED, HOWEVER, this bond is executed by the Surety and accepted by the Obligee subject to the following conditions:

1. The penal sum of this bond will reduce to reflect the payments made throughout the term of the contract.
2. Under no circumstance shall the aggregate liability of the Surety exceed the penal sum above stated.
3. The Surety may cancel its liability by furnishing sixty (60) day written notification by registered or certified mail to the Obligee of its intention to cancel the bond.
4. Should the Surety furnish cancellation to the Obligee, the Principal shall file replacement security fourteen (14) days prior to the effective date of the cancellation. Failure to do so shall constitute loss to the Obligee recoverable under this bond.
5. No assignment of this bond shall be effective without the written consent of the Surety, however, Surety agrees to not withhold consent unreasonably.
6. No action, suit or proceeding shall be had or maintained against the Surety on this bond unless tile same be brought or instituted within sixty (60) days after the ten-nation or release of this bond.
7. Surety acknowledges and agrees that the obligation of Surety to pay any payment hereunder is unconditional and not subject to any offset, dispute, counterclaim or defense of any kind or nature.
8. This bond shall be effective for 39 (thirty-nine) months from the date of execution.

Signed and Sealed this 4th day of June, 2001.

STITCH NETWORKS, CORPORATION

By: \_\_\_\_\_  
David H Goodman, President

GREAT AMERICAN INSURANCE COMPANY

\_\_\_\_\_  
(surely)

By: \_\_\_\_\_  
William H Hutto Attorney-In-Fact

ACKNOWLEDGMENT OF PRINCIPAL (Individual)

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_, before me personally come(s) \_\_\_\_\_ to me known and known to me to be the person(s) who (is) (are) described in and who executed the foregoing instrument and acknowledges to me that he executed the same.

-----  
NOTARY PUBLIC

ACKNOWLEDGMENT OF PRINCIPAL (Partnership)

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_, before me personally comes(s) \_\_\_\_\_ a member of the co-partnership of \_\_\_\_\_ to me known and known to me to be the person who is described in and who executed the foregoing instrument, and acknowledges to me that he executed the same as and for the act and deed of the said co-partnership.

-----  
NOTARY PUBLIC .

ACKNOWLEDGMENT OF PRINCIPAL (Corporation)

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

On this 5th day of June in the year 2001, before me personally come(s) David H Goodman, to me known, who, being by me duly sworn, deposes and says that he resides in the City of Delaware that he is the of the President of Stitch Networks Corporation the corporation described in and which executed this foregoing 'instrument; that he knows the seal of the said corporation that the seal affixed to the said instrument in such corporate seal, that it was so affixed by the order of the Boa d of directors of said corporation and that lie signed his name thereto by like order.

ACKNOWLEDGMENT OF SURETY

STATE OF NEW YORK  
COUNTY OF NEW YORK

Notarial Seal  
Julia D. Melendez, Notary Public  
New Garden TWP., CHESTER County  
Mv Commission Expires July 5. 2004

On this 4th day of June in the year 2001 , before me personally come(s) WILLIAM H. HUTTO, Attorney(s)-in Fact of Great American Insurance Company with whom I am personally acquainted, and who, being by me duly sworn, says that lie reside(s) in OLD GREENWICH CT. that lie Is (are) the Attoiney(s)-in-Fact of Great American Company the Company described in and which executed the within instrument; that lie know(s) the corporate seal of such Company; and that the seal affixed to the within instrument is such corporate seal and that it was affixed by order of the Board of Directors of said Company, arid that lie signed said instrument as Attorney(s)-in-Fact of said Company by like order.

-----  
NOTARY PUBLIC

SPENCER TI. ZETTLER  
NOTARY PUBLIC, STATE 0 NEW YORK  
NO. 0IZE5082314  
QUALIFIED IN NASSAU COUNTY  
COMMISSIONS EXPIRES JULY 21, 2001

GREAT AMERICAN INSURANCE COMPANY  
580 WALNUT STREET \* CINCINNATI, OHIO 45202513-369-5000 \* FAX 513-723-2740

the number of persons authorized by  
this power of attorney is not more than No. 0 16964

TWO POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That the GREAT AMERICAN INSURANCE COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Ohio, does hereby nominate, constitute and appoint the person or persons named below its true and lawful attorney-in-fact, for it and in its name, place and stead to execute in behalf of the said Company, as surety, any and all bonds, undertakings and contracts of suretyship, of other written obligations in the nature thereof, provided that the liability of the said Company on any such bond, undertaking or contract of suretyship executed under this authority shall not exceed the limit stated below.

Name	Address	Limit of Power
WILLIAM H. HUTTO	ALL OF	ALL
SPENCER H. Zettler	NEW YORK, NEW YORK	\$10,000,000

This Power of Attorney revokes all previous powers issued in behalf of the attorney(s)-in-fact named above.

IN WITNESS WHEREOF the GREATAMERICAN INSURANCE COMPANY has caused these presents to be signed and attested by its appropriate officers and its corporate seal hereunto affixed this 27th day of April 2000

Attest GREAT AMERICAN INSURANCE COMPANY

STATE OF OHIO, COUNTY OF HAMILTON - ss:

On this 27th day of April, 2000 before me personally appeared DOUGLAS R. BOWEN, to me known, being duly sworn, deposes and says that he resided in Cincinnati, Ohio, that he is the Vice President of the Bond Division of Great American Insurance Company, the Company described in and which executed the above instrument; that he knows th Seal; that it was so affixed authority of his office under the By-Laws of said Company, and that he signed his name thereto by like authority.

This Power of Attorney is granted by authority of the following resolutions adopted by the Board of Directors of Great American Insurance Company by unanimous written consent dated March 1, 1993.

RESOLVED: That the Division President, the Several Division Vice Presidents and Assistant Vice Presidents, or any one of them, be and hereby is authorized, from time to time, to appoint . one or more Attorneys-In -Fact to execute on behalf of the Company, as surety, any and all bonds, undertakings and contracts of suretyship, or other written obligations in the nature thereof, to prescribe their respective duties and the respective limits of their authority, and to revoke any such appointment at any time.

RESOLVED FURTHER: That the Company seal and the signature of any of THE AFORESAID OFFICERS AND any Secretary or Assistant Secretary of the Company may be affixed by facsimile to any power of attorney or certificate of either given for the execution of any bond, undertaking, contract or suretyship or other written obligation in the nature thereof, such signature and seal when so used being hereby adopted by the Company as the original signature of such officer and the original seal of the Company, to be valid and binding upon the Company &4 ith the same force and effect as though manually affixed.

CERTIFICATION

1, RONALD C. HAYES, Assistant Secretary of Great American Insurance Company, do hereby certify that the foregoing Power of Attorney and the Resolutions of the Board of Directors of March 1, 1993 have not been revoked and are now in full force and effect.

Signed and sealed this 4th day of June 2001.

GREAT AMERICAN INSURANCE COMPANY

STATEMENT OF DECEMBER 31, 1999

Admitted A		Liabilities Capital AND SURPLUS	
Bonds.....	\$ 1,614,881,059	unpaid loan .....	2,126,099.587
stock .....	\$ 76,694.671	received for underwriting expenses .....	61,606,257
Mortgage loan on real estate\$	65,039,007	reserve for uncertain premiums .....	512,935,997
Real estate not of Comcumbrances	57,217,080	Federal and foreign income taxes . . . . .	
Cash on hand and on deposit	(10,095,334)	Other liabilities . . . . .	174,778,425
Short term investments	92,890,300	total liabilities.....	2,585,864.007
Agents and premium balance	151,558,562	Capital Stock . . . . .	\$ 15,440,600
Other admitted asset .....	306,272,003	Paid in	823,716,395
		Special surplus funds	98,598,600
		Unassigned funds . . . . .	230,837,747
		Policyholders Surplus .....	1,168,593,342
Total .....	\$ 3,754,457,344	Total . . . . .	\$ 3,714,417-348

Securities have been valued on the basis prescribed by the National Association of Insurance Commissionaire

STATE OF OHIO

SS:

COUNTY OF HAMILTON

Robert F. Amory Senior Vi" president and Treasurer, and Kearn Holley Herall Senior Vice President and Secretary duly sworn and for himaself DEPENDS and ")s &u they are the above described OFFICERS of THE GREAT AMERICAN Insurance Company of Cincinnati Ohio ' that said COMPANY ix a Corporation duly organized existing and engaged in business w a Surety by virtue of the laws of the State of Ohio and has duly complied with all the resuirements of the laws of Laid state APPLICABLE to &aid Company and ix duly qualified to &a " Surety under such laws that said C-mpuy has also complied with and is duly qualified in Act " Surety UNDER Public "w 97-258 acted September 13. 1982 (96 SEAL 1047 w amended S I U.S.C 9304-9308); that to the best of their knowledge and belief the above document is a full true and correct statement of the asset and Liabilities of the Company as of December 31, 1999.

Subscribed and Sworn to before

this 23th 4.y in March 2000

-----  
Treasurer

-----  
Secretary

-----  
JUDITH A. MORGAN SEAL  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAR. 10. 2004

GREAT  
AMERICAN.  
INSURANCE COMPANIES

CHANGE RIDER

To be attached to and form a part of Bond No. 5618559 dated June 4, 2001, in the amount of one million Five Hundred Thousand and 00/100 (\$1,500,000.00) Dollars executed by Stitch Networks Corporation as Principal, and GREAT AMERICAN INSURANCE COMPANY, as Surety, and in favor of U.S. Bancorp Leasing & Financial as Obligee.

It is agreed that the following, changes be made in the attached bond:

"The termination date of the Surety Bond will be the earlier of full payment of the loan or January 31, 2005, whichever occurs first."

Effective: June 4, 2001

Provided., however, that the attached bond as changed by this Rider shall be subject to all its agreements, conditions and limitations, and that the liability of the Surety under the attached bond and under the attached bond as changed by this Rider shall not be cumulative.

ACCEPTED  
Stitch Networks Corporation  
-----  
(Principal)

U.S Bancorp Leasing & Financial  
GREAT AMERICAN INSURANCE COMPANY  
-----  
(obligee)

By: \_\_\_\_\_  
title  
By: \_\_\_\_\_  
William H. Hutto Attorney-in-Fact

GREAT AMERICAN INSURANCE COMPANY

580 WALNUT STREET \* CINCINNATI, OHIO 45202 \* 513-369-5000 \* FAX 513-723-2740

number of persons authorized by  
this power of attorney is not more than No. 0 16964

TWP POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That the GREAT AMERICAN INSURANCE COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Ohio, does hereby nominate, constitute and appoint the person or persons named below its true and lawful attorney-in-fact, for it and in its name, place and stead to execute in behalf of the said Company, as surety, any and all bonds, undertakings and contracts of suretyship, or other written obligations in the nature thereof; provided that the liability of the said Company on any such bond, undertaking or contract of suretyship executed under this authority shall not exceed the limit stated below.

Name	Address	Limit of Power
WILLIAM H. HUTTO	BOTH OF	BOTH
SPENCER H. ZETTLER	NEW YORK, NEW YORK	\$10,000,000

This Power of Attorney revokes all previous powers issued in behalf of the attorney-in-fact named above.

IN WITNESS WHEREOF the GREAT AMERICAN INSURANCE COMPANY has caused these presents to be signed and attested by ITS APPROPRIATE OFFICERS and its corporate seal hereunto affixed this 27th day of April 2000

Attest GREAT AMERICAN INSURANCE COMPANY

STATE OF OHIO, COUNTY OF HAMILTON - SS:

On this 27th day of April, 2000 before me personally appeared DOUGLAS R. BOWEN, to me known, being duly sworn, deposes and says that he resided in Cincinnati, Ohio, that he is the Vice President of the Bond Division of Great American Insurance Company, the Company described in and which executed the above instrument; that he knows the seal; that it was so affixed authority of his office under the By-Laws of said Company, and that he signed his name thereto by like authority.

This Power of Attorney is granted by authority of the following resolutions adopted by the Board of Directors of Great American Insurance Company by unanimous written consent dated March 1, 1993.

RESOLVED: That the Division President, the several Division Vice Presidents and Assistant Vice Presidents, or any one of them, be and hereby is authorized, from time to time, to appoint one or more Attorneys-In-Fact to execute on behalf of the Company as surety, any and all bonds, undertakings and contracts of suretyship, or other written obligations in the nature thereof. to prescribe their respective duties and the respective limits of their authority; and to revoke any such appointment at any time.

RESOLVED FURTHER: That the Company seal and THE signature of an of the aforesaid officers and any Secretary or Assistant Secretary of the Company by may be affixed by facsimile to any power of attorney, or certificate of either given for the execution of any bond, undertaking, contract or Surety ship or other written obligation in the nature thereof, such signature and seal when so used being hereby by adopted by the Company as the original signature of such officer and the original seal of the Company to be valid and binding upon the Company with the same force and effect as though manually affixed.

CERTIFICATION

I, RONALD C. HAYES, Assistant Secretary of Great American Insurance Company, do hereby certify that the foregoing Power of Attorney and the Resolutions of the Board of Directors of March 1, 1993 have not been revoked and are now in full force and effect.

Signed and sealed this 4th day of June 2001.



Great American

GENERAL INDEMNITY AGREEMENT

THIS AGREEMENT is made by Stitch Networks Corporation of 500 N. Walnut Street, Suite 100, Kennett Square, PA 19348 (hereinafter jointly and severally called Undersigned) and GREAT AMERICAN INSURANCE COMPANY, its Affiliates (including but not limited to American National Fire Insurance Company, American Alliance Insurance Company and Agricultural Insurance Company) 580 Walnut St., Cincinnati, Ohio 45202 (hereinafter called Surety).

WHEREAS, the Undersigned may desire or be required to give or procure surety bonds, undertakings or instruments of guarantee, and to renew, continue or substitute the same, hereinafter called Bonds, for itself or any present or future wholly or partially owned subsidiary or any subsidiary of a subsidiary of the Undersigned; or joint ventures or partnerships in combination with each other, now in existence or which may hereafter be created or acquired; or for any other entity upon written request of the Undersigned, whether in its own name or as co-adventurer with others; and/or the Undersigned has a substantial, material and beneficial interest in the obtaining of the Bond(s) or in the Surety's refraining from canceling said Bond(s); and

WHEREAS, at the request of the Undersigned and upon the express understanding that this Agreement should be given, the Surety has or will execute or procure to be executed, and may from time to time hereafter execute or procure to be executed said Bonds on behalf of the Undersigned and/or any other related business entity.

NOW, THEREFORE, in consideration of the premises the Undersigned, for itself, its successors and assigns, jointly and severally, hereby covenant and agree with the Surety, its successors and assigns, as follows:

1. That all the terms, provisions, conditions and agreements herein contained shall be JOINTLY AND SEVERALLY BINDING and obligatory upon the Undersigned with respect to any such Bond or Bonds heretofore or hereafter executed by the Surety for the Undersigned or its nominee, which Bond or Bonds shall be deemed to have been executed by the Surety at the request, in each instance, of the Undersigned.
2. To pay or cause to be paid to the Surety upon the execution of each such Bond a premium and to pay or cause to be paid in advance all subsequent premiums until all liability under each such Bond shall have terminated and until the Surety shall have received satisfactory evidence of such termination.
3. That the Undersigned will perform all the obligations of any such Bond or Bonds and will at all times exonerate, indemnify and keep indemnified the Surety from and against any and all liability, loss, costs, damages, expenses, counsel and attorney's fees, claims, demands, suits, judgments, orders and adjudications that the Surety shall or may for any cause at any time sustain, incur or become subject to by reason of executing any such Bond or Bonds, or by reason of obtaining or seeking to obtain a release therefrom or in enforcing any of the agreements herein contained.
4. That the Surety is hereby authorized, but not required, to make or consent to any change of any kind whatsoever in any such Bond or Bonds whether given in connection with a contract or other-wise, without notice to or consent by the Undersigned.
5. That in the event of claim or suit against the Surety on any such Bond or Bonds the Undersigned shall immediately place the Surety in current funds sufficient to indemnify the Surety up to the full amount claimed or for which suit is brought.
6. That in any action brought against the Undersigned alone, the outcome of which might affect the liability of the Surety or in any action in which both the Undersigned and Surety are parties, notwithstanding the fact that the Undersigned may have engaged counsel to represent him/her them or it (as the case may be) and the Surety, or either of them, the Surety shall have the right to retain its own counsel if in its sole opinion the protection of its interests require it to do so, and the costs, expenses, counsel and attorneys' fees incurred or sustained thereby shall be a liability of the Undersigned hereunder.
7. That the Surety shall have the right to pay, adjust, settle or compromise any liability, loss, costs, expenses, counsel and attorneys' fees, claims, demands, suits, judgments, orders and adjudications upon or under any such Bond or Bonds and in such event an itemized statement thereof, sworn to by an officer or officers of the Surety, or the voucher or vouchers or other evidence of such payment, adjustment, settlement, or compromise, shall be conclusive evidence of the fact and extent of the liability of the Undersigned hereunder, provided such payment, adjustment, settlement, or compromise shall have been made by the Surety in good faith, believing itself liable therefor, whether liable or not
8. That this Agreement shall, in all its terms and agreements be for the benefit of and protect any surety or sureties joining with the Surety in executing any such Bond or Bonds, or executing at the request of the Surety and such Bond or Bonds, as well as any surety or sureties assuming reinsurance thereupon.
9. The Undersigned will, on request of Surety, procure the discharge of Surety from any Bond(s) and all liability by reason thereof. If such discharge is

unattainable, the Undersigned will, if requested by Surety, either deposit collateral with Surety, acceptable to Surety, sufficient to cover all exposure under such Bond(s), OR MAKE PROVISION ACCEPTABLE TO SURETY FOR THE FUNDING OF THE bonded obligation(s)

10. That separate suits may be brought hereunder as causes of action accrue, and the bringing of suit or recovery of judgment upon any cause of action shall not bar the bringing of other suits upon other causes of action whether theretofore or thereafter arising
11. That the failure of the Surety to insist upon strict compliance with any of the terms hereof shall not be considered to be a waiver of any such terms, nor shall it harm the rights (if tile Surety to insist upon strict compliance herewith at any nine thereafter whether in connection with the same or any other Bond or Bonds executed in reliance hereon
12. That lite taking by tile Surety from the Undersigned of 3 specific indemnity agreement or agreements in connection with a Bond or Bonds executed for any Undersigned shall in no way affect the operation of this General Indemnity Agreement as to Bonds theretofore or thereafter executed.
13. That if any provision of this Agreement shall be contrary to the laws of any State in which the same shall be sought to be enforced, the illegality or unenforceability of any such provision shall not affect the other terms, covenants and conditions hereof, and the same shall be binding upon the Undersigned with the same force and effect as though the illegal or unenforceable provision were not contained herein.
14. Surety shall have the right to decline to execute any Bond(s).
15. In making application for surety, it's understood that an investigative consumer report may be prepared whereby pertinent information concerning your character, reputation, personal characteristics and mode of living may be obtained, Information as to the nature and scope of this report may be obtained upon written request.

By executing this agreement you are bound to Surety with respect to all Bonds executed, provided or procured or to be executed, provided or procured by Surety in behalf of any of the Undersigned.

Signed, sealed and dated this 30)4 day of May 2001

Attest or Witness

- -----  
- -----  
- -----  
- -----  
- -----  
- -----  
- -----

Stitch Networks Corporation  
-----

By: -----

DAVID H. Goodman President  
-----

-----  
-----  
-----  
-----

(CORPORATE ACKNOWLEDGMENT)

STATE OF Pennsylvania

COUNTY Of Chester

On this 30 day of May in the year 2001 before me personally comes David H. Goodman to me known, who, being duly sworn, depose(s) and say(s) that he/she resides in the City of Mohawk DE that he/she is President of Stitch Networks Corporation the corporation described herein and which executed the foregoing instrument ; that he/she knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by the order of the Board of Directors of said corporation, and that he/she signed his/her name(s) thereto by corporate

My commission expire July 5, 2004

-----  
Notary Public

Notarial Seal

Julia D. Melendez, Notary Public  
New Garden TWP., CHESTER County  
My Commission Expires July 5, 2004  
SS:

(INDIVIDUAL ACKNOWLEDGMENT)

STATE OF Pennsylvania

COUNTY Of Chester

On \_\_\_\_\_, before me \_\_\_\_\_  
(Date) (Name, Title of Officer - E.G. "Jane Doe, Notary")  
personally appeared \_\_\_\_\_ personally known to me or proved to  
(Name of Signer)  
me before me, on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal. \_\_\_\_\_  
(Signature of Notary)

STATE OF Pennsylvania

COUNTY Of Chester

On this 30 day of MAY in the year 2001 before me personally comes Daniel J Kearney , to me who, being duly sworn depose(s) and say(s) that he/she resides in the City of Glen MILLS, , that he/she is Secretary of the corporation described herein and which executed the foregoing instrument ; that he/she knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by the order of the Board of Directors of said corporation, and that he/she signed his/her name(s) thereto by like order.

-----  
Notary Public

-----  
My commission expires July 5, 2004

Notarial Seal

Julia D. Melendez, Notary Public  
New Garden TWP., CHESTER County  
My Commission Expires July 5, 2004  
SS:

(INDIVIDUAL ACKNOWLEDGMENT)

STATE OF  
COUNTY OF

SS:

On \_\_\_\_\_, before me \_\_\_\_\_

(Date) (Name, Title of Officer - E.G. "Jane Doe, Notary)

personally appeared \_\_\_\_\_ personally known to me or proved to

(Name of Signer)

me before me, on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal. \_\_\_\_\_.

(Signature of Notary)

(CORPORATE ACKNOWLEDGMENT)

STATE OF

COUNTY OF

On this \_\_\_\_\_ day of \_\_\_\_\_ in the year 20\_\_\_\_ before me personally comes \_\_\_\_\_ to me known, who, being duty sworn, depose(s) and say(s) that he/she resides in the City of \_\_\_\_\_, that he/she is \_\_\_\_\_ of the corporation described herein and which executed the foregoing instrument ; that he/she knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by the order of the Board of Directors of said corporation, and that he/she signed his/her name(s) thereto by like order.

-----  
Notary Public

-----  
My commission expires

(INDIVIDUAL ACKNOWLEDGMENT)

STATE OF  
COUNTY OF

SS:

On \_\_\_\_\_, before me \_\_\_\_\_

(Date) (Name, Title of Officer - E.G. "Jane Doe, Notary)

personally appeared \_\_\_\_\_ personally known to me or proved to

(Name of Signer)

me before me, on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal. \_\_\_\_\_.

(Signature of Notary)

Stitch Networks Corporation  
500 NORTH WALNUT ROAD  
Kennett Square, PA 19348

\$200,000.00 Effective Date \_\_\_\_\_ Schedule Number-001-00157,69-001

1. THIS SCHEDULE is made between Stitch Networks Corporation as Debtor, and U.S Bancorp Leasing & Financial, (which, together with its successors and assigns, shall be called the "Secured Party") Pursuant to the Master Loan Agreement dated as of May 22, 2001 between Debtor and Secured Party (the "Loan Agreement"), the terms of WHICH Including the definitions) are incorporated herein The. terms of the Loan Agreement and THIS Schedule together "I constitute a seperate instrument Capitalized terms used but not defined herein are used with the respective meaning specified in the Loan Agreement. If any terms hereof are inconsistent with the terms of the Loan Agreement, the terms hereof shall prevail.

2. For value received, Debtor hereby promises to pay to the order of Secured Party the PRINCIPAL amount of Two Hundred Thousand and no/ 00 Dollars (\$200,000.00) with interest on any outstanding principal balance at the rate9s) specified herein from the Effective Date hereof UNTIL this Schedule shall have been paid in full in accordance with the following payment schedule: Thirty Six (36) installments in the- amount of \$6,359.73 each including the entire amount of interest accrued on this khedulc at the dine of payment of each installment. The first payment shall be due July 30, 2001 and a like payment shall be due on the same day of each succeeding month thereafter until the entire principal and Interest have been paid- At the time of the f--l installment hereon, 211 unpaid principal and interest shall be due and owing. As a result, such final installement maybe substantially more or substantially less than the installments specified-ficrcin.

3. Debtor promises to pay interest on the principal balance OUTSTANDING AT a rate of 8-99 percent per annum.

4. Each of Debtor. if more than one, and all other parties who at any time may be liable hereon in any capacity, hereby jointly and severally waive diligence, demand presentment, presentment for payment, protest, notice of protest and notice of dishonor of this Schedule, and authorize the Secured Party, without notice, to grant extentions in the time of payment of and reductions in the rate of interest on any moneys owing on this Schedule

5, The following property is hereby made Collateral for all purposes under the Loan Agreement

Film Product Dispensing Vending Machines  
See attached Exhibit A attached hereto and made a part hereof

TOGETHER WITH ALL REPLACEMENTS, PARTS REPAIRS, ADDITIONS, ACCESSIONS AND Accessories INCORPORATED Therein OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

6. The Collateral hereunder shall be based at the following location(s)

See attached Exhibit A attached hereto and made a part hereof

IN WITNESS WHEREOF, Debtor has executed this Schedule this day of 2001.

U.S. Bancorp Leasing & Financial

Stitch Network Corporation

By:

BY:

An Authorized Officer

Daniel Kearney  
Vice President General Counsel

ADDRESS FOR ALL. NOTICES;  
FO Box 2177.7659 S.W. Mohawk Street  
Tualatin OR 97067

Leasing &amp; Financial

I/We HEREBY CERTIFY to U.S Bancorp Leasing & Financial (the "Creditor") that: a) I/We am/are the person(s) authorized to certify on behalf of Stitch Networks Corporation, a business entity (the "Company") organized and maintaining good standing under the laws of the State of Delaware; b) the following is a true and correct copy of certain Resolutions duly adopted or voted by the Board of Directors, Members or Managers, as appropriate, of the Company; c) I/we have placed a copy of such Resolutions in the official records of the Company, d) such Resolutions have not been rescinded, amended, or otherwise altered or repealed-, and e) such Resolutions are now in full force and effect and are in full compliance with the formation documents of the Company, as such may have been amended. The Company has resolved the following:

1) That the Company from time to time leases personal property and/or borrows money or otherwise obtains credit from Creditor and that the entire amount of leasing, borrowing or credit under this resolution at any one time, whether direct or indirect absolute or contingents shall be unlimited,

2) That any one of the officers, agents, members, or managers designated below is hereby authorized to borrow money and to obtain credit and other financial accommodations (including the leasing of personal property) for the Company, and to execute and deliver on behalf of the Company any and all documentation required in connection therewith in such form and containing such terms and conditions as the person(s) executing such documents shall approve as being advisable and proper and in the best interests of the Company; and that the execution thereof by such person(s) shall be conclusive evidence of such approval; and as security for the Company's obligations to Creditor to pledge, assign, transfer, mortgage, grant a security interest in, hypothecate, or otherwise encumber any and all property of the Company, whether tangible or intangible-, and to execute and deliver all instruments of assignment and transfer;

3) That any officer, member, manager, agent or employee of the Company is hereby further authorized to take any and all such other actions as may be necessary to carry out the intent and purposes of these Resolutions, and that any and all actions taken by such person(s) to carry out such intent and purposes prior to the adoption of these Resolutions are hereby ratified and confirmed by, and adopted as the action of, the managers of the Company; and

4) That these, Resolutions shall constitute a continuing authority to the designated person or persons to act on behalf of the Company, and the powers and authority granted herein shall continue until revoked by the Company and formal written notice of such revocation shall have been given to Creditor. These Resolutions do not supersede similar prior resolutions given to Creditor.

I/WE HEREBY FURTHER CERTIFY that pursuant to the formation documents and any other appropriate documents of the Company as may be necessary, the following named person(s) have been properly designated and appointed to the position(s)/office(s) indicated below, that such person(s) continue to hold such position(s)/office(s) at the time of execution of the documentation for the transaction(s) with Creditor, and that the signature(s) of such person(s) shown below are genuine.

OFFICE	NAME	SIGNATURE
--------	------	-----------

Vice President & General Counsel	Daniel J. Kearney	/s/ Daniel J. Kearney
----------------------------------	-------------------	-----------------------

I/WE HEREBY FURTHER CERTIFY THAT, PURSUANT TO THE FORMATION DOCUMENTS OF THE Company, and any other appropriate documents of the Company as may be necessary, I/we have the power authority to execute this Certificate on behalf of Company, and that I/we have so executed this Certificate on the 27th day of June 2001. A copy of this Certificate, which is duly signed and which is received by facsimile transmission ("fax"), shall be deemed to be of the same force and effect as the original

By:

Philip Calamia  
Chief Financial Officer

(Must be certified by another officer  
or director other than the above  
authorized signer)

ADDRESS FOR ALL NOTICES:  
PO Box 2177, 7659 S.W. Mohawk street  
Tualatin, OR97062

Stitch Networks Corporation  
500 North Walnut Road  
Kennett Square, PA 19348

\$200,000.00      Effective Date \_\_\_\_\_      Schedule Number -001-0015769-001

1. THIS SCHEDULE is made between Stitch Networks Corporation as Debtor, and U.S. Bancorp Leasing & Financial, (which, together with its successors and assigns, shall be called the "Secured Party") pursuant to the Master Loan Agreement dated as 1 of May 22, 2001 between Debtor and Secured Party (the "Loan Agreement"), the terms of which (including the definitions) are incorporated herein- the terms of the loan agreement and fl-& SCHEDULE TOGETHER shall constitute a separate instrument. Capitalized terms used but not defined herein are used with the respective meanings specified in the Loan Agreement. If any terms hereof are inconsistent with the terms of the Loan Agreement, the ten-ns hereof shall prevail.

2. For value received, Debtor hereby promises to pay to the order of Secured Party the principal amount of Two Hundred Thousand and no/1 00 Dollars (\$200,000.00) with interest on any outstanding principal balance at the rate(s) specified herein from the Effective Date hereof until this Schedule shall have been paid 'in full in accordance with the following payment schedule: Thirty Six (36) installments in the amount of \$6,359.73 each -including the entire amount of interest accrued on this Schedule at the time c of payment of each installment. The first payment shall be due July 30, 2001 and a like payment shall be due on the same day of each succeeding month thereafter until the entire principal and interest have been paid. At the time of the final installment hereon, all unpaid principal and interest shall be due and owing. As a result, such final installment may be substantially more or substantially less than the installments specified-herein.

3. Debtor promises to pay interest on the principal balance outstanding at a rate of 8.99 percent per annum.

4. Each of Debtor, if more than one, and all other parties who at any me may be liable hereon in any capacity, hereby Jointly and severally waive diligence, demand, presentment presentment for payment, protest, notice of protest and notice of dishonor of this Schedule, and authorize the secured Party, without notice, to grant extensions in the time of payment of and reductions in the rate of interest on any moneys owing on this Schedule.

5. The following property is hereby made Collateral for all purposes under the Loan Agreement:

Film Product Dispensing Vending Machines  
See attached Exhibit A attached hereto and made a part hereof

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

6. The Collateral hereunder shall be based at the following location(s):

See attached Exhibit A attached hereto and made a part hereof

IN WITNESS WHEREOF, Debtor has executed this Schedule this day of 2001.

U.S. Bancorp Leasing & Financial

Stitch Network Corporation

By:

BY:

An Authorized Officer

Daniel Kearney  
Vice President General Counsel

ADDRESS FOR ALL. NOTICES;  
FO Box 2177.7659 S.W. Mohawk Street  
Tualatin OR 97067



USBANCORP  
LEASING & FINANCIAL

EQUIPMENT ACCEPTANCE AND  
AUTHORIZATION TO PAY PROCEEDS  
AND LOAN AMENDMENT

Schedule Number -00 1-00 15769-001

To: U.S. Bancorp Leasing & Financial  
Re: Schedule to Master Loan Agreement dated as of  
Leasing, & Financial, as Secured Party, and Stitch Networks  
Corporation, as Debtor.

(the "Agreement") between U.S. Bancorp

YOU ARE HEREBY AUTHORIZED TO DISBURSE THE PROCEEDS of the loan evidenced by the Agreement as follows for the purchase of the personal property specified (the "Collateral"):

\$200,000-00 Stitch Networks Corporation

Film PRODUCT DISPENSING VENDING MACHINES  
SEE ATTACHED EXHIBIT A ATTACHED HERETO and made a part hereof

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

TOTAL AMOUNT TO BE DISBURSED \$200,000.00

YOU ARE HEREBY FURTHER AUTHORIZED to insert in the Agreement the date of disbursement of funds under this Authorization as the Effective Date of the Agreement

WE HEREBY CERTIFY AND ACKNOWLEDGE FOR THE BENEFIT OF SECURED PARTY THAT: a) the Collateral has been delivered to us-, b) any necessary installation of the Collateral has been fully and satisfactorily performed; c) after full inspection thereof, we have accepted the Collateral for all purposes as of the date hereof, d) upon the disbursement of the proceeds of the loan as set forth above, the Secured Party WILL have FULLY and satisfactorily satisfied all its obligations under the Agreement; e) any and all conditions to the effectiveness of the Agreement or to our obligations under the Agreement have been satisfied- f) we have no defenses, set-offs or counterclaims to any such obligations; and, g-) the Agreement is in full force and effect

WE HEREBY REPRESENT AND WARRANT FOR THE BENEFIT OF SECURED PARTY THAT: a) any right we may have now or 'in the future to reject the Collateral or to revoke our acceptance thereof has tern-u-natcd as of the date hereof-, b) we hereby waive any such right; c) the date of this Authorization is the earliest date upon which the certifications, acknowledgments, representations and warranties made herein could be correctly and properly made. We hereby acknowledge that the Secured Party is relying on this Authorization as a condition to disbursing the proceeds of the loan as set forth above.

IN WITNESS WHEREOF, we have executed this Certificate as of 27th day June

Upon satisfactory installation and Stitch Networks Corporation  
Delivery please  
sign, date and return to:

U.S. Bancorp Leasing & Financial BY:/S/ Daniel kearney  
PO Box 2177 Daniel Kearney  
7659 S.W. Mohawk Street Vice President & General Counsel  
Tualatin, OR 97062  
4/00

## EXHIBIT A

KODAK 600E FIELD MACHINES

Count	Location	City	State	Serial Number
1	Wonderland Pier - Ticket Booth Outside	Ocean City	NJ	1374-6459AW
2	Jeepers - Rockville	Rockville	MD	1376-6459AW
3	FL Splendid C i a Garden	Kissimmee	FL	1377-6459AW
4	Malibu Castle. Redwood	Redwood City	CA	1378-6459AW
5	Fun Spot Action Park - Outdoors	Orlando	FL	1380-6459AW
6	Palace Park - Arcade Redemption Counter	Irvine	CA	1381-6459AW
7	Morey's Piers - Hunts	Wildwood	NJ	1382-6459AW
8	Eastman Kodak 7 3RD FLOOR LOBBY	Atlanta	GA	1385-6459AW
9	Fiyers Skate Zone - Snack Zone	Voorhees	NJ	1386-6459AW
10	Boomers - Outside Back Door	Boca Raton	FL	1387-6439AW
11	Codorus State Park - Pool Area	Hanover	PA	1388-6459AW
12	Oglebay's Good Zoo - White Tiger Exhibit	Wheeling	WV	1390-6459AW
13	Dallas S one - Indoors	Dallas	TX	1395-6459AW
14	Memphis Queen Line Company - Dock	MEMPHIS	TN	1396-6459AW
15	The Falls Restaurant .	Mt. Laurel	NJ	1397-6459AW
16	Palm Court Room - OED	Memphis	TN	1404-6459AW
17	Hershey Park - Entertainment Stage	Hershey	PA	1405-6459AW
18	Jeepersl - Greenbelt	Greenbelt	MD	1406-6459AW
19	Big Kahuna's - Ticket Counter Go Karts	Destin	FL	1407-6459AW
20	Big Kahuna's Top of Water Slide	Destin	FL	1408-6459AW
21	Penn's Landing - Walnut Plaza	Philadelphia-	PA	1409-6459AW
22	Oglebays Good Zoo - Schenk Lake	Wheeling	WV	1410-6459AW
23	Harbor Cruises - Ticket Booth	Boston	MA	1411-6459AW
24	Family Fun CTR - Inside Arcade	San Diego	CA	1412-6459AW
25	Six Flags St- Louis - SS Dry Goods	St Louis	MO	1416-6459AW
26	Deno's Wonder Wheels - Sea Serpent	Coney Isl nd	NY	1422-6459AW
27	Yankee Stadium	Bronx	NY	1739-6424CV
28	Flyers Skate Zone - Snack Zone	Atlantic City	NJ	4059-6469BW
29	Penn's Landing - Visitors Center	Philadelphia	PA	4060-6469BW
30	Six Flags St. Louis - Hurricane Harbor	St. Louis	MO	4061-6469BW
31	Morey's Pier - Mariner's	Wildwood	NJ	4062-6469BW
32	NJ State Aquariu m - Gift Shop	Camden	NJ	4063-64696W
33	Hershey Park - Chaos	Hershey	PA	4065-&469BW
34	Speedzone LA- Outdoors	City of Industry	CA	4066-6469BW
35	Museum of Science & industry	Tampa	FL	4068-6469BW
36	Deno's Wonder Wheels - Ticket Booth	Coney island	NY	4070-6469BW
37	Sun Valley Beach - Swimming Pool	Powder Springs	GA	4071-6469BW
38	Dallas Speedzone, - Outdoors	Dallas	TX	4072-W9BW
39	Zoo Atlanta	Atlanta	GA	4073-6469BW
40	Jeepersl	Glen Burnie	MD	4074-6469BW
41	Marple's Sports Arena	Broomall	PA	4075-64698W
42	Clementon Amusement Park - Entrance	Clementon	NJ	4079-6469BW

43	Flyers Skate Zone - Outside Gameroom	Pennsauken	NJ	4086:64-69BW
44	Morey's Piers -Wild Wheels	Wildwood	NJ	4081--6469BW
45	Boomers - Outside to Amusement Rides	Dania Beach	FL	4082-6469BW
46	Family Fun Factory - Game Floor	St Augustine	FL	4083-6469ffiff
47	Malibu Grand Prix	Redwood City	CA	4084-&469BW
48	NJ State Aquarium - Outside Entrance	Camden	NJ	40&5--6469BW
49	Wonderland Pier - Inside Carousel	Ocean City	NJ	4089-66,469BW
50	Splash Zone Interactive Water Park	Wildwood	NJ	4090-6469BW
51	Jeepers! - Westview Mall	Baltimore	MD-	4091-6469BW
52	Sports N Games Funplex	East Hanover	NJ	4092-6469BW
53	Celebration Station - Party Room	Houston	TX	4093-6469BW
5-4	Buffalo ffal, Zoo - Gorilla Habitat	Buffalo	NY	4094-6469BW

Exhibit A

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KODAK 600E FIELD MACHINES

Count	Location	CITY	State	Serial Number
55	Boomers - P Room	Dania Beach	FL	4097-6469BW
56	Boomers - Front Lobby	Boca Raton	FL	4099--6469BW
57	Speedzone LA- Indoor's	City of Industry	CA	4100-6469BW
58	Jeepersl - McLean Blvd.	Baltimore	MD	4102-6469BW
59	Malibu Grand Prix - Gwinnett	Norcross	GA	4104-45469BW
60	Santa Cruz Beach Boardwalk	Santa Cruz	CA	4105-64698W
61	Harbor Cruises - Gate 4	B-oston	AAA	4106-6469BW
62	FL Splendid China - Temple of light	Kissimmee	FL	4108-6469BW
63	Philadelphia Airport - Escalator	Philadelphia	PA	6459-1375BW
64	Philadelphia Airport -.13aggage Claim C	Philadelphia	PA	6459-1392BW
65	Killington - Snow Shed	Killington	VT	6459-1398BW
66	Steamboat	Steamboat Springs	CO	6459-1413BW
67	Mt. Snow	West Dover	VT	6459-1419BW
68	PH L Zoo - Carnivore Testing BAG PHONE	Philadelphia	PA	6469-4083BW
69	enter	Tukwila	WA	6469-4096BW
70	Penn's Landing	Philadelphia	PA	64--6-9-4098BW
71	Lackland AFB	San Antonio	TX	6469-4101BW-
72	PHL Zoo - Carnel/Elephant	Philadelphia	PA	6469-4108BW
73	PHL Zoo - Children's Zoo,	Philadelphia	PA	8307-3142AW
74	PHL Zoo - North Gate	Philadelphia	PA	
75	PHL Zoo - South Gate	Philadelphia-	PA	

Stitch Networks Corporation

By: /S/ Daniel J Kearney

-----  
 Daniel J Kearney  
 Vice President & General Counsel

LOAN AMENDMENT, IF APPLICABLE (May Be DISCARDED If No Amendment Is Necessary)

Ms Amendment pertains to Schedule Number -00 1-0015769-001 for the Schedule to Master Loan Agreement, dated as of June 25 2001, between Bancorp Leasing & Financial as Secured Party and Stitch Networks Corporation as Debtor (the "Agreement"):

TO THE EXTENT THAT THE INFORMATION SET FORTH IN THE AGREEMENT REQUIRES MODIFICATION, SUBJECT TO THE APPROVAL OF SECURED PARTY, THE AGREEMENT IS HEREBY AMENDED AS FOLLOWS

The monthly installment is \$ \_\_\_\_\_

The total amount financed is \$ \_\_\_\_\_

The model/serial number of the Collateral is \_\_\_\_\_

The first monthly 'installment is due on \_\_\_\_\_

Other. \_\_\_\_\_

All provisions of the Agreement other than those which are inconsistent with the provisions of this Amendment are hereby ratified and confirmed. If no information has been Inserted above- the (terms of the Agreement shall remain unchanged.

IN WITNESS WHEREOF, we have executed this Amendment as of the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_.

[EXECUTION OF THIS PACE IS ONLY REQUIRED IF AMENDMENT INFORMATION HAS BEEN INSERTED ABOVE)

If execution is required, please sign, date and return this page along with Page One of this Certificate to:  
U.S. Bancorp Leasing & Financial  
PO Box 2177  
7659 S-W. Mohawk Street  
Tualatin, OR 97062

Stitch Networks Corporation

By:  
Daniel Kearney  
Vice President & General Counsel

AMENDMENTS TO THE AGREEMENT AS SET FORTH ABOVE ARE ACKNOWLEDGED AND APPROVED BY SECURED PARTY.

U.S. Bancorp Leasing & Financial

By: \_\_\_\_\_

An Authorized Officer Thereof  
4/00

USBANCORP  
Leasing & Financial

INSURANCE AUTHORIZATION  
AND VERIFICATION

Date: " June 25, 2001

Schedule Number:-001-00t5769-001

To: Stitch Networks Corporation (the "Customer")  
From: U.S. Bancorp Leasing& Financial ("Creditor")  
PO Box 2177, 7659 S.W. Mohawk Street  
Tualatin, OR 97062

TO THE CUSTOMER: Please execute below and return this to Creditor with your document package e- Creditor will fax this document to your insurance agent for verification.

In connection with one or more financing arrangements, Creditor requires that its insurable interest in the financed property (the "Property") be described as "Creditor 2nd its successors and assigns shall be covered as Additional Insured and Loss Payee with regard to all equipment financed or leased by Policy Holder through or from Creditor." The required coverage must include, but is not limited to. fire. extended coverage, vandalism, theft and genera) liability. If such coverage is not provided within 15 days, we have the right to purchase such insurance at your expense. Should you have any questions, Please contact our Insurance Department at (503) 797-027T

CUSTOMER AUTHORIZES THE AGENT NAMED below: 1) to complete and return this letter as indicated; and 2) to endorse the policy and subsequent renewals to reflect the required coverage

Agent:	Insurance & Financial Services, Ltd.	Stitch Networks Corporation
Address:	664 Yorklyn Road, P.O. Box 070 Hockessin, DE 19707-0970	
Phone:	(302)-239-2355	By: Daniel Kearney
Fax:	(302)-239-5722	Vice President & General Counsel
E-Mail		

TO THE AGENT: In lieu of providing a Certificate, Please execute this letter in the space below and promptly fax it i& Creditor at (503) 797-0287.

Agent hereby verifies that the above requirements have been met in regard to the Property listed below.

Print Name  
Of Agency:  
-----

By:  
-----

Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

Property Description:  
Film Product Dispensing Vending Machines  
See attached Exhibit A attached hereto and made part hereof

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL OF THE FOREGOING, INCLUDING, 'WITHOUT LIMITATION INSURANCE RECOVERIES

Insurable Value: \$200,000.00  
5/01

USBANCORP

FIRST PAYMENT INVOICE

Leasing & Financial

PLEASE RETURN THIS PORTION WITH YOUR PAYMENT

SCHEDULE NUMBER -001-0015769-001 DUE DATE July 30, 2001

CREATE DATE June 25, 2001 AMOUNT DUE \$6,359.73

Stitch Networks Corporation  
500 North Walnut Road  
Kennett Square, PA 19348  
Attention: Daniel Kearney  
Customer Phone Number: (888) 427-8743

U.S. Bancorp Leasing & Financial  
7659 S.W. Mohawk street  
Tualatin, OR 97062

>>>>>> PLEASE ]RETAIN THIS PORTION' FOR YOUR RECORDS <<<<<<<<

U.S. Bancorp Leasing & Financial  
7659 S.w. Mohawk Street  
Tualatin, OR 97062

ACCOUNT: -001-0015769-001  
AMOUNT DUE: \$6,359.73  
DUE DATE: July 30, 2001

CREATE DATE: June 25, 2001

INVOICE SUMMARY

QUESTIONS? PLEASE CALL 800-253-3469

CURRENT CHARGES [(PAYMENT ONE( ))]	\$6,359.73
TOTAL CURRENT CHARGES	\$6,359.73

TOTAL AMOUNT DUE THIS INVOICE MUST  
MUST BE PAID WITHIN TEN (10) DAYS OF DUE DATE TO AVOID LATE CHARGES

EXHIBIT "A"

INTERIM -AUTHOMATTON TO PAY

Re. Interim Funding and Rental Addendum dated May 22,2001 ("Addendum!") between U-S Bancorp Leasing, & Financial ("Secured Party") and Stitch Networks Corporation ('Debtor")

Stitch Networks Corporation, hereby authorizes U.S. Bancorp Leasing & Financial to pay a TOTAL of \$54,900.00 to Seller(s) under the Invoices(s) to pay for property described in the Invoice No.(s) listed below and attached hercto, which shall thereafter be "Collateral" as defined in the Addendum.

Interim Payments (as defined in the Addendum) will accrue until the final installation and acceptance of the Collateral and the execution of a Schedule to Master Loan Agreem ent between the undersigned and US- Bancorp Leasing &- Financial covering such Collateral.

Vendor(s)/Seller(s)	Invoice No.(S)	Invoice Date(s)	Invoice(s) Amount
Dixie-Narco	572621	06.06.01	54,900.00

Dated as of:

-----

DEBTOR	SECURED PARTY
Stitch Networks Corporation	U.S. Bancorp Leasing & Financial

By:	BY:
Daniel Kearney	An. Authorized officer
Vice President & General Counsel	
5/00	

ADDRESS FOR ALL NOTICES:  
PO BOX 2177, 7659 S.W.Mohawk Street.  
Tualatin OR 97002



Exhibit "A"

INTERIM AUTHORIZATION TO PAY

Re: Interim Funding and Rental Addendum dated May 22, 2001 (Addendum) between U.S. Bancorp Leasing & Financial ("Secured Party") and Stitch Networks Corporation ("Debtor").

Stitch Networks Corporation, hereby authorizes U.S. Bancorp LEASING & FINANCIAL to pay a total of \$97,600.00 to Seller(s) under the Invoices(s) to pay for property described in the Invoice No.(s) listed below and attached hereto which shall thereafter be "Collateral" as defined in the Addendum

Interim Payments (as defined in the Addendum) will accrue until the final installation and acceptance of the Collateral and the execution of a Schedule to Master Loan Agreement between the undersigned and U.S- Bancorp Leasing & Financial covering such Collateral.

Vendor(s)/Scller(s)	Invoice No.(s)	Invoice Date(s)	Invoice(s) Amount
Dixie-Narco	571523	05.31.01	97,600.00

Dated as of: -----

DEBTOR	SECURED PARTY
Stitch Networks Corporation	U.S. Bancorp Leasing & Financial

By:	BY:
Daniel Kearney	An. Authorized officer
Vice President & General Counsel	
5/00	

ADDRESS FOR ALL NOTICES:  
PO BOX 2177, 7659 S.W. Mohawk Street.  
Tualatin OR 97002



EXHIBIT "A"

INTERIM AUTHORIZATION TO PAY

Re: Interim Funding and Rental Addendum dated May 22, 2001 ( "Addendum ") between U.S- Bancorp Leasing & Financial ("Secured Party") and Stitch Networks Corporation ("Debtor").

Stitch Networks Corporation, hereby authorizes U.S. Bancorp Leasing & Financial to pay a total of \$35,438.74 to Seller(s) under The Invoices(s) to pay for property described -in the Invoice No.(s) listed below and attached hereto, which shall there-after be "Collateral" as defined in the Addendum

Interim Payments (as defined in the Addendum) will accrue until the final installation and acceptance of the Collateral and the execution of a Schedule to Master Loan Agreement between the undersigned and U.S. Bancorp Leasing & Financial covering such Collateral.

Vendor(s)/Seller(s)	Invoice No.(s)	Invoice Date(s)	Invoice(s) Amount
Dixie Narco	576333	06.25.01	10,200.00
Dixie Narco	577307	06.29.01	7,361.01
Dixie Narco	577562	07.02.01	3,400.00
Dixie Narco	578216	07-09.01	3,573.39
Dixie Narco	578612	07.10.01	3,672.00
Dixie Narco	578613	07.10.01	3,658.95
Dixie Narco	578615	07.10.01	3,573.39

Dated as of:

-----

DEBTOR  
Stitch Networks Corporation

SECURED PARTY  
U.S. Bancorp Leasing & Financial

By:  
Daniel Kearney  
Vice President & General Counsel  
5/00

BY:  
An. Authorized officer

ADDRESS FOR ALL NOTICES:  
PO BOX 2177, 7659 S.W.Mohawk Street.  
Tualatin OR 97002



INTERIM AUTHORIZATION TO PAY

Re- Interim Funding and Rental Addendum dated May 22,2001 ("Addendum") between U.S Bancorp Leasing & Financial ("Secured Party and Stitch Networks Corporation ('Debtor").

Stitch Networks Corporation hereby authorizes 'U.S. Bancorp Leasing & Financial to pay a total of \$61,795.01 to Seller(s) Under the invoices(s) to pay for Property described in the Invoice No.(s) listed below and attached hereto which shall thereafter be 'Collateral" defined in the Addendum.

Interim Payments (as defined in THE Addendum) will accrue until the final installation and acceptance of the Collateral and execution of a Schedule to Master Loan Agreement between the undersigned and U.S, Bancorp Leasing & financial covering such Collateral

Vendor(s)/Seller(s)	Invoice No.(s)	Invoice Datc(s)	Invoice(s) Amount
Dixie Narco	577564	07.02.01	\$7,140.00
Dixie Narco	577822	07.05.01	\$3,604.00
Dixie Narw	577823	07.05.01	\$11,016.00
Dixie Narco	579040	07.12.01	\$7,242.00
Dixie Narco	579221	07.13.01	\$7,361.01
Dixie Narco	579452	07.16.01	\$11,016.00
Dixie NARCO	679453	07.16.01	\$14,416.00

Dated as of:

-----

DEBTOR  
Stitch Networks Corporation

SECURED PARTY  
U.S. Bancorp Leasing & Financial

By:

Daniel Kearney  
Vice President & General Counsel  
5/00

BY:  
An. Authorized officer

ADDRESS FOR ALL NOTICES:  
PO BOX 2177, 7659 S.W.Mohawk Street.  
Tualatin OR 97002



## LEASING FINANCIAL

Stitch Networks Corporation  
500 North Walnut Road  
Kennett Square, PA 19348

\$240,908.27                      Effective Date 08-29-01      Schedule Number 001-0015769-002

1. THIS SCHEDULE is made between Stitch Networks Corporation as Debtor, and US Bancorp Leasing & Financial, (which, together with its successors and assigns, shall be called the "Secured Party") pursuant to the Master Loan Agreement dated as of May 22, 2001 between Debtor and Secured Party (the "Loan Agreement" the terms of which (including the definitions are incorporated herein. The terms of the Loan Agreement and this Schedule together shall constitute a separate instrument. Capitalized terms used but not defined herein are used with the respective meanings specified in the Loan Agreement. If any terms hereof inconsistent with the terms of the Loan Agreement, the terms hereof shall prevail.

2. For value received, Debtor hereby promises to pay to Elie order of Secured Party the principal amount of Two Hundred Forty Thousand Nine Hundred Eight dollars and 27/100 Dollars (\$240,908,27) WITH INTEREST on any outstanding principal balance at the rate(s) specified here-in from the Effective Date hereof until this Schedule shall have been paid in full in accordance with the following payment schedule. Thirty Six (36) installments in the amount of \$7,631.65 such including the entire amount of interest accrued on this Schedule at the time of payment of each installment. The first payment Shall be due September 29, 2001 and a Like payment shall be due on the same day of each succeeding month thereafter until the entire principal and interest have been paid, At the time of the final installment hereon all unpaid principal and interest shall be due and owing. As a result such final installment may be substantially more or substantially less than the installments specified herein.

3. Debtor promises to pay interest on the principal balance outstanding at a rate of 8.74 percent per annum

4. Payment In the event that a Forward Rate Lock Agreement, (an 'Agreement'), is not executed on the day of delivery and acceptance date (the "Adjustment Date"), the interest rate set forth herein and the installments due hereunder recalculated based upon increases in the Thirty Six (36) month U. S. Bancorp Funds Transfer Pricing Rate/Cost of Funds. Shall be (rate) from the date hereof until the Adjustment Date. If, on the Adjustment Date, the rate is greater than 4.25% then such interest rate and installments shall be increased accordingly to reflect the actual rate. Thereafter, the interest rate and installments shall remain fixed during the Term hereof. In no event shall the interest rate or the installments be decreased.

5. Each of Debtor, if more than one, and all other parties who at any time may be liable hereon in any capacity, here by jointly and severally .waive diligence, demand presentment, presentment for payment, protest, notice of protest and notice of dishonor of this Schedule, and authorize the Secured Party, without notice, to grant extensions in the time of payment of and reductions in the rate of interest on any moneys owing on this Schedule.

6. The following property is hereby made Collateral for all purposes under the Loan Agreement:

Film Product Dispensing Vending Machines  
See attached Exhibit A attached hereto and made a part hereof

TOGETHER WITH ALL REPLACEMENTS PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

7. The Collateral hereunder shall be based at the following location(s).

See attached Exhibit A attached hereto and made a part hereof

IN WITNESS WHEREOF, Debtor has executed this Schedule this 28th day of August, 2001.

Stitch Networks Corporation

U.S. Bancorp Leasing & Financial

By:

BY:

Daniel Kearney  
Vice President & General Counsel  
5/00

An. Authorized officer

ADDRESS FOR ALL NOTICES:  
PO BOX 2177, 7659 S.W. Mohawk Street.  
Tualatin OR 97002



## LEASING &amp; FINANCIAL

STITCH NETWORKS CORPORATION  
500 NORTH WALNUT ROAD  
KENNETT Square, PA 19348

\$240,908.27 Effective Date \_\_\_\_\_ Schedule Number 001-00 15769-002

1. THIS SCHEDULE is made between Stitch Networks Corporation as Debtor, and U.S. Bancorp Leasing & Financial, (which, together with its successors and assigns, shall be called the "Secured Party") pursuant to the Master Loan Agreement dated as of May 22, 2001 between Debtor and Secured Party (the "Loan Agreement"), the terms of which (including the definitions) are incorporated herein. The terms of the Loan Agreement and this Schedule together shall constitute a separate instrument. Capitalized used but not defined herein are used with the respective meanings specified in the Loan Agreement. If any terms hereof are inconsistent with the terms of the Loan Agreement, the terms hereof shall prevail.

2. For value received, Debtor hereby promises to pay to the order of Secured Party the principal amount of Two Hundred Forty Thousand Nine Hundred Eight dollars and 27/100 Dollars (\$240,908.27) with interest on any outstanding principal balance at the rate(s) specified herein from the Effective Date hereof until this Schedule shall have been paid in full in accordance with the following payment schedule: Thirty Six (36) installments in the amount of \$7,631.65 each including the entire amount of interest accrued on this Schedule at the time of payment of each installment. The first payment shall be due September 29, 2001 and a like payment shall be due on the same day of each succeeding month thereafter until the entire principal and interest have been paid. At the time of the final installment hereon, all unpaid principal and interest shall be due and owing. As a result, such final installment may be substantially more or substantially less than the installments specified herein.

3. Debtor promises to pay interest on the principal balance outstanding at a rate of 8.74 percent per annum.

4. PAYMENT ADJUSTMENT. In the event that a Forward Rate Lock Agreement, (an "Agreement"), is not executed on the day of delivery and acceptance date (the "Adjustment Date"), the interest rate set forth herein and the installments due hereunder shall be recalculated based upon increases in the Thirty Six (36)-month U. S. Bancorp Funds Transfer Pricing Rate/Cost of Funds (rate) from the date hereof until the Adjustment Date. If, on the Adjustment Date, the rate is greater than 4.25%, then such interest rate and installments shall be increased accordingly to reflect the actual rate. Thereafter, the interest rate and installments shall remain fixed during the Term hereof. In no event shall the interest rate or the installments be decreased

5. Each of Debtor, if more than one, and all other parties who at any time may be liable hereon in any capacity, hereby jointly and severally waive diligence, demand, presentment, presentment for payment, protest, notice of protest and notice of dishonor of this Schedule, and authorize the Secured Party, without notice, to grant extensions in the time of payment of and reductions in the rate of interest on any moneys owing on this Schedule.

6. The following property is hereby made collateral for all purposes under the Loan Agreement:

Film Product Dispensing Vending Machines  
See attached Exhibit A attached hereto and made a part hereof

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED HERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING WITHOUT LIMITATION INSURANCE RECOVERIES.

7. The Collateral hereunder shall be based at the following location(s):

See attached Exhibit A attached hereto and made a part hereof,

IN WITNESS WHEREOF, Debtor has executed this Schedule this 28th day of August, 2001.

U.S. Bancorp Leasing & Financial

Stitch Networks Corporation

By:

Daniel Kearney  
Vice President & General Counsel  
5/00

BY:  
An. Authorized officer

ADDRESS FOR ALL NOTICES:  
PO BOX 2177, 7659 S.W. Mohawk Street.  
Tualatin OR 97002



Stitch Networks Corporation  
 Vending Machine Serial Numbers  
 US Bancorp Financing  
 29-Aug-01

Invoice Batch	Serial Number	Location	City	State
1	0951-6701 BZ	Jersey Gardens Mail - Door E	Elizabeth	NJ
1	0952-6701 BZ	Station Square - Info Center	Pittsburgh	PA
1	0953-6701	Stitch Factory	Newark	DE
1	0955-6701 BZ	Lackawanna County Stadium - Main Concourse	Scranton	PA
1	0957-6701	Stitch Factory	Newark	DE
1	0958-6701 BZ	Full Blast - Entrance	Battle Creek	MI
1	0959-670113Z	Tennessee Aquarium - Ticket Center	Chattanooga	TN
1	0960-6701 BZ	Jersey Gardens Mail - VKids Play Area	Elizabeth	NJ
1	0961-6701 BZ	Hickory Dickory Dock - Indoors	Hickory	NC
1	0962-6701	STITCH FACTORY	Newark	DE
1	0963-6701 BZ	Coney Island - Grove	Cincinnati	OH
1	0966-6701	Stitch Factory , , -	Newark	DE
1	0968-6701 BZ	Station Square - Boat Ramp	Pittsburgh	PA
1	0969-6701 BZ	MCCS - Exchange	Jacksonville	NC
1	0972-6701 8Z	Notre Dame Vending	Notre Dame	IN
1	0975-6701	Stitch Factory	Newark	DE
1	0976-6701 BZ	Family Kingdom Amusement - Arcade	Myrtle Beach	SC
1	0978-6701 BZ	Six Flags America - Gotham City	Mitchellville	MD
1	0979-6701 BZ	Camp Lejeune, Gottchalk Marina	Camp Leiuene	NC
1	0980-6701	Stitch Factory	Newark	DE
1	0981-6701	Stitch Factory	Newark	DE
1	0984-6701	Stitch Factory	Newark	DE
1	0986-6701	Stitch Factory	Newark	DE
1	0987-6701 BZ	See Rock City - Corner Stone	Lookout Mountain	GA
1	0989-6701 BZ	Presque Isle State Park - Perry Monument	Erie	PA
1	0991-6701 BZ	Enchanted Castle - Party Area	Lombard	IL
1	0993-6701	Stitch Factory	Newark	DE
1	0994-6701	Stitch Factory	Newark	DE
1	0995-6701BZ	CJ Barrymore's - Near Phone Booth	Clinton Township	MI
1	0996-6701	Stitch Factory	Newark	DE
1	0997-6701BZ	See Rock City - Battle for Chattanooga	Lookout Mountain	GA
1	0999-6701 BZ	Kiddieland Amusement Park	Melrose Park	IL
2	0954-6701 BZ	Blackbeards - Front Entrance	Fresno	CA
2	0956-6701 BZ	Jersey Gardens Mail - Center Court	Elizabeth	NJ
2	0964-6701	Stitch Factory	Newark	DE
2	0965-6701 BZ	WES - Andrews AFB	Andrews AFB	MD
2	0967-6701	Stitch Factory	Newark	DE
2	0970-6701 BZ	Six Flags Marine Workd - New Ride Area V2	Vallejo	CA
2	0971-6701	Stitch Factory	Newark	DE

2	0973-6701 BZ	Six Flags Marine World - Looney Tunes Sea Park	Vallejo	CA
2	0974-6701	Stitch Factory	Newark	DE
2	0977-6701	Stitch Factory	Newark	DE
2	0982-6701	Stitch Factory	Newark	DE
2	0983-6701	Stitch Factory	Newark	DE
2	0985-6701 8Z	Pier 43 1/2 - Inside Ferry	San Francisco	CA
2	0988-6701	Stitch Factory	Newark	DE
2	0990-6701	Stitch Factory	Newark	DE
2	0992-6701 BZ	Penn's Landing - Festival Pier	Philadelphia	PA
2	0998-6701 BZ	Six Flags America - Looney Tunes	Mitchellville	MD
2	1000-6701 BZ	Waterworld USA - Birthday Party Area	Concord	CA

Invoice Batch	Serial Number	Location	City	State
3	0002-6720BZ	'Cape Cod Arcade	Hyannis	MA
3	0007-6720BZ	Seneca Park Zoo Society, Main Bldg.	Rochester	NY
3	0008-6720BZ	Pharoah's Lost Kingdom - Beach Hut	Redlands	CA
3	001 1-6720BZ	MCCS - Camp Pendleton Delmar Beach	Camp Pendleton	CA
3	0027-6720BZ	Pharoah's Lost Kingdom - Cafe	Redlands	CA
3	0033-672DBZ	Ex Bowl - Lobby	Indianapolis	IN
3	0035-6720BZ	Woodland Bowl - Lobby	Indianapolis	IN
3	0046-6720BZ	Pro Football Hall of Fame	Canton	OH
3	0050-6720BZ	MCCS - Camp Pendleton Parade Deck	Camp Pendleton	CA
3	0052-6720BZ	Knoxville Zoological Gardens	Knoxville	TN
3	0063-6720BZ	Rainbow Play Systems	Tigard	OR
4	0013-6720BZ	Worlds of Fun - Locker Rooms	Kansas City	MO
4	001 5-6720BZ	Worlds of Fun - Porch	Kansas City	MO
4	0024-6720BZ	Museum of Science & Industry - jellyball	Chicago	IL
4	0030-6720RZ	Worlds of Fun - Village	Kansas ON	MO
4	0034-6720BZ	Racine Zoo - Main Building	Racine	WI
4	0037-6720BZ	DePaul Health Center - Labor & Delivery Unit	Bridgeton	MO
4	0041-6720BZ	Underwater Adventure - Mall Level	Bloomington	MN
4	0053-6720BZ	Museum of Science & Industry - Knuckle	Chicago	IL
4	0060-6720BZ	Rainbow Play Systems - Kirkland	Kirkland	WA
4	0075-6720BZ	Granada Bowl, Main Concourse	Livermore	CA

Stitch Networks Corporation

/S/ Daniel Kearney

Daniel Kearney  
Vice President & General counsel

USBANCORP  
LEASING & FINANCIAL

INSURANCE AUTHORIZATION  
AND VERIFICATION

Date: August 24, 2001  
Schedule Number-001-0015769-002

To: Stitch Networks Corporation (the "Customer")

From: U.S. Bancorp Leasing & Financial ("Creditor")  
PO Box 2177, 7659 S.W. Mohawk Street  
Tualatin, OR 97062

TO THE CUSTOMER: Please executive below and return this to Creditor with your document package. Creditor will fax this document to your insurance agent for verification.

In connection with 'one or more financing arrangements, Creditor requires that its insurable interest in the financed property (the "Property-") be described as "Creditor and its successors and assigns shall be covered as Additional Insured and Loss Payee with regard to all equipment financed or leased by Policy Holder through or from Creditor." The required coverage must include, but is not limited to, fire, extended coverage, vandalism, theft and general liability. If such coverage is not provided within 15 days, we have the right to purchase such insurance at your expense. Should you have any questions, please contact our Insurance Department at (503) 797-0277.

CUSTOMER AUTHORIZES THE AGENT NAMED BELOW: 1) to complete and return this letter as indicated; and 2) to endorse the policy and subsequent renewals to reflect the required coverage.

Agent: Insurance & Financial Services, Ltd.	Stitch Networks Corporation
Address: 664 Yorklyn Road, P.O. Box 970	
Hockessin, DE 19707-0970	By: /S/ Daniel Kearney
Phone: (302)-239-2355	Daniel Kearney
Fax: (302)-239-5722	Vice President & General Counsel
E-Mail _____	

TO THE AGENT: In lieu of providing a certificate, please e-recite this letter in the space below and promptly fax it to Creditor at (503) 797-0287.

Agent hereby verifies that the above requirements have been met in regard to the Property listed below.

Print Name  
Of Agency  
-----

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

Property Description:

Film Product DISPENSING VENDING MACHINES  
See attached Exhibit A attached hereto and made a part hereof

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL. PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

Insurable Value: \$240,908.27  
5/01

LOAN AMENDMENT, IF APPLICABLE (MAY BE DISCARDED IF NO AMENDMENT IS Necessary)

This Amendment pertains to Schedule Number 00 1-00 15769-002 for the Schedule to Master Loan Agreement dated as of August 24, 2001, between U.S. Bancorp Leasing & Financial as Secured Party and Stitch Networks Corporation as Debtor (the "Agreement"):

TO THE EXTENT THAT THE INFORMATION SET FORTH IN THE AGREEMENT REQUIRES MODIFICATION, SUBJECT TO THE APPROVAL OF SECURED PARTY, THE AGREEMENT IS HEREBY AMENDED AS FOLLOWS:

The monthly installment is \$ \_\_\_\_\_

The total amount financed is \$ \_\_\_\_\_

The model/serial number of the Collateral is \_\_\_\_\_

The first monthly installment is due on \_\_\_\_\_

Other: \_\_\_\_\_

All provisions of the Agreement other than those, which are inconsistent with the provisions of this Amendment are hereby ratified and confirmed. If no information has been inserted above, the terms of the Agreement shall remain unchanged.

IN WITNESS WHEREOF, we have executed this Amendment as of the \_\_\_ day of \_\_\_\_\_ 2001.

(EXECUTION OF THIS PAGE IS ONLY REQUIRED IF AMENDMENT INFORMATION HAS BEEN INSERTED ABOVE)

If execution is required, please sign, date and return this page along with Page One of this Certificate to:

Stitch Networks Corporation

U.S. Bancorp Leasing & Financial  
PO Box 2177

By: /S/ Daniel Kearney

7659 S.W. Mohawk Street  
Tualatin, OR 97062

-----  
Daniel Kearney  
Vice President & General Counsel

AMENDMENTS TO THE AGREEMENT AS SET FORTH ABOVE ARE ACKNOWLEDGED AND APPROVED BY SECURED PARTY.

U.S. Bancorp Leasing & Financial

By: \_\_\_\_\_

An Authorized Officer Thereof



USBANCORP

FIRST PAYMENT INVOICE

Leasing & Financial

PLEASE RETURN THIS PORTION WITH YOUR PAYMENT

SCHEDULE NUMBER -001-0015769-002 DUE DATE September 30, 2001

CREATE DATE August 24, 2001 AMOUNT DUE \$7,631.65

Stitch Networks Corporation 500 North Walnut Road Kennett Square, PA 19348 Attention: Daniel Kearney Customer Phone Number: (888) 427-8743	U.S. Bancorp Leasing & Financial 7659 S.W. Mohawk street Tualatin, OR 97062
--	---

>>>>>> PLEASE ]RETAIN THIS PORTION' FOR YOUR RECORDS <<<<<<<

U.S. Bancorp Leasing & Financial 7659 S.w. Mohawk Street Tualatin, OR 97062	ACCOUNT: -001-0015769-002 AMOUNT DUE: \$7,631.65 DUE DATE: September 30, 2001
---	---

CREATE DATE:August 24, 2001

INVOICE SUMMARY

QUESTIONS? PLEASE CALL 800-253-3469

-----	
CURRENT CHARGES [(PAYMENT ONE(])]	\$7,631.00
-----	
-----	
-----	
-----	
TOTAL CURRENT CHARGES	\$7,631.00
-----	

TOTAL AMOUNT DUE THIS INVOICE MUST  
MUST BE PAID WITHIN TEN (10) DAYS OF DUE DATE TO AVOID LATE CHARGES

Stitch Networks  
Virtual connections for the real world

500 North Walnut Road  
Kennett Square, PA 19348  
t 888-427-8743  
f 610.925-5484  
www.stitchnetworks.com

8/28/01

Ms. Laura Van Martin  
Lease Associate  
US Bancorp Leasing & Financial  
918 17" Street  
3" Floor  
Denver, CO 80202

Re: Schedule #1 Documents

Dear Laura:

Attached please find the original documents you sent executed by Stitch Networks. We would like to receive back a copy of the documents once executed by US Bancorp.

Separately, we await documents for execution and coordination instructions for the 9/5 funding we have requested. Thanks for your assistance.

Sincerely,

/S/ Christopher M, Keane  
-----  
Christopher M. Keane  
Controller

Stitch Networks Services: [www.e-Vend.net](http://www.e-Vend.net) [www.E-suds.net](http://www.E-suds.net)

US BANCORP  
LEASING & FINANCIAL

918 17th Street, 3rd Floor  
CNBBG320  
Denver, CO 80202  
303 585-4300  
303 585-4233 Fax

August 24, 2001

Mr. CHRIS KEANE  
Stitch Networks Corp.  
500 N Walnut Road  
Kennett Square PA 19348

Dear Mr. Keane:

Enclosed for execution is the Schedule to Loan Agreement with related documents. Please have them signed and dated as indicated.

An insurance form is also included. This form requires an authorized signature.

Please return all signed documents to us as soon as possible the enclosed return envelope.

If you have any questions, please call me at (303) 585-4323 or Doug Otto at (402) 399-2723.

On behalf of U.S. Bancorp Leasing & Financial, we appreciate the opportunity to be of service.

Sincerely,

/S/ Laura Van Marter

-----  
Laura Van Marter  
Lease Associate

Enclosures

## EQUIPMENT FINANCE

## STITCH NETWORKS CORPORATION

500 NORTH WALNUT ROAD  
KENNETT Square, PA 19348

\$94,529.54      Effective Date \_\_\_\_\_ Schedule Number-001-0015769-003

1.1. THIS SCHEDULE is made between STITCH NETWORKS CORPORATION as Debtor, and BANCORP EQUIPMENT FINANCE, INC., FORMERLY KNOWN AS U.S. BANCORP LEASING & FINANCIAL, (which, together with its successors and assigns, shall be called the "Secured Party") pursuant to the Master Loan Agreement dated as of May 22, 2001 between Debtor and Secured Party (the "Loan Agreement"), the terms of which (including the definitions) are incorporated herein. The terms of the Loan Agreement and this Schedule together shall constitute a separate instrument. Capitalized terms used but not defined herein are used with the respective meanings specified in the Loan Agreement. If any terms hereof are inconsistent with the terms of the Loan Agreement, the terms hereof shall prevail.

1.2. For value received, Debtor hereby promises to pay to the order of Secured Party the principal amount of Ninety Four Thousand Five Hundred Twenty Nine Dollars and 54/100 Dollars \$94,529.54 with interest on any outstanding principal balance at the rate(s) specified herein from the Effective Date hereof until this Schedule shall have been paid in full in accordance with the following payment schedule: Thirty Six (36) installments in the amount of \$2,959.63 each including the entire amount of interest accrued on this Schedule at the time of payment of each installment. The first payment shall be due October 28, 2001 and a like payment shall be due on the same day of each succeeding month thereafter until the entire principal and interest have been paid. At the time of the final installment hereon, all unpaid principal and interest shall be due and owing. As a result, such final installment may be substantially more or substantially less than, the installments specified herein.

1.3. Debtor promises to pay interest on the principal balance outstanding at a rate of 7.94 percent per annum.

1.4. PAYMENT ADJUSTMENT. In the event that a Forward Rate Lock Agreement, (an 'Agreement'), has not been executed, on the date of commencement (the "Adjustment Date"), the interest rate set forth herein and the installments due hereunder shall be recalculated based upon increases in the 3-Year U. S. Bancorp's Funds Transfer Pricing Rate/Cost of Funds (the "Rate") from the date hereof until the Adjustment Date. If, on the Adjustment Date, the Rate is greater than 3.69%, then such interest rate and installments shall be increased accordingly to reflect the actual rate. Thereafter, the interest rate and installments shall remain fixed during the Term hereof. In no event shall the interest rate or the installments be decreased.

1.5. Each of Debtor, if more than one, and all other parties who at any time may be liable Hereon in any capacity, hereby jointly and severally waive diligence, demand, presentment, presentment for payment, protest, notice of protest and notice of dishonor of this Schedule, and authorize the Secured Party, without notice, to grant extensions in the time of payment of and reductions in the rate of interest on any moneys owing on this Schedule.

1.6. The following property is hereby made Collateral for all purposes under the Loan Agreement:

Various items of Film Product Dispensing Vending Machines

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

1.7. The Collateral hereunder shall be based at the following location(s):

See attached Exhibit A attached hereto and made a part hereof

IN WITNESS WHEREOF, Debtor has executed this Schedule this 25th day of September  
, 2001.

U.S. Bancorp Equipment Finance, Inc.,  
formerly known as U.S. Bancorp  
Leasing & Financial

Stitch Networks Corporation

By:  
-----  
An Authorized Officer Thereof

By: /S/ Daniel Kearney  
-----  
Daniel Kearney  
Vice President General Counsel

ADDRESS FOR ALL NOTICES:  
PO Box 2177, 7659 S.W. Mohawk Street  
Tualatin, OR 97062

EXHIBIT A

AAFES - Maxwell AFB - Gunter Bldg. 1017.	Maxwell AFB	AL	0048-6720BZ
AAFES - Cape Canaveral Ticket Center	Patrick AFB	FL	0072-6720BZ
AAFES - Fort Jackson Hilton Field	Jackson	SC	0049-6720BZ
AAFES - Fort Jackson Main PX	Jackson	SC	0061-6720BZ
AAFES - Fort Sill - Bldg. 3260	Fort Sill	OK	0026-6720BZ
AAFES - Ft. Eustis, Visitor Center	Ft. Eustis	VA	0070-6720BZ
AAFES - Maxwell AFB - Officer Training	Maxwell AFB	AL	0023-6720BZ
ASU Convocation Center - Front Lobby	State University	AR	0042-6720BZ
Baylor Medical Center - Garland	Garland	TX	0051-6720BZ
BIRMINGHAM Civil Rights Inst.. - Gift Shop	Birmingham	AL	0016-6720BZ
Cypress Lanes - Lobby	Winter Haven	FL	0028-6720BZ
Don Carter All Star Lanes	Davie	FL	0058-6720BZ
Don Carter University - Front Entrance	Davie	FL	0065-6720BZ
Orlando Premium Outlets - Bass Store	Orlando	FL	0043-6720BZ
Orlando Premium Outlets - Food Court	Orlando	FL	0017-6720BZ
Orlando Premium Outlets - Nike Store	Orlando	FL	0045-6720BZ
Six Flags New England - Sky Coaster	Agawam	MA	0069-6720BZ
Six Flags New England - Water Park	Agawam	MA	0032-6720BZ
Sports Plus Cincinnati - Birthday Partytown	Cincinnati	OH	0064-6720BZ
Sports Plus Cincinnati - Ice Rink Food Court	Cincinnati	OH	0029-6720BZ
Super Bowl - Front Entrance	Canton	mi	0056-6720BZ
Traders Village - Marketplace	Grand Prairie	TX	0047-6720BZ
Vanderbilt University - Stadium	Nashville	TN	0054-6720BZ
MCCS - Kaneohe Bay-GC	Kaneohe Bay	HI	0022-6720BZ
MCCS-Kaneohe Bay-TLF	Kaneohe Bay	HI	0038-6720BZ
MCCS-Kaneohe Bay-Bldg. 1698	Kaneohe Bay	HI	0062-6720BZ

Stitch Networks Corporation

/S/ Daniel Kearney

Daniel Kearney  
Vice President & General Counsel

US BANCORP.  
EQUIPMENT FINANCE

EQUIPMENT ACCEPTANCE AND  
AUTHORIZATION TO PAY PROCEEDS  
AND LOAN AMENDMENT

Schedule Number -00 1-00 15769-003

To: U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial

Re: Schedule to Master Loan Agreement dated as of \_\_\_\_\_ (the "Agreement") between U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial, as Secured Party, and Stitch Networks Corporation, as Debtor.

YOU ARE HEREBY AUTHORIZED to disburse the proceeds of the loan evidenced by the Agreement as follows for the purchase of the personal property specified (the "Collateral"):

Various items of Film Product Dispensing Vending Machines

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

TOTAL AMOUNT TO BE DISBURSED

YOU ARE HEREBY FURTHER AUTHORIZED to insert in the Agreement the date of disbursement of funds under this Authorization as the Effective Date of the Agreement.

WE HEREBY CERTIFY AND ACKNOWLEDGE FOR THE BENEFIT OF SECURED PARTY THAT: a) the Collateral has been delivered to us; b) any necessary installation of the Collateral has been fully and satisfactorily performed; c) after full inspection thereof, we have accepted the Collateral for all purposes as of the date hereof, d) upon the disbursement of the proceeds of the loan as set forth above, the Secured Party will have fully and satisfactorily satisfied all its obligations under the Agreement; e) any and all conditions to the effectiveness of the Agreement or to our obligations under the Agreement have been satisfied; f) we have no defenses, Set offs or counterclaims to any such obligations; and, g) the Agreement is in full force and effect.

WE HEREBY REPRESENT AND WARRANT FOR THE BENEFIT OF SECURED PARTY THAT: a) any right we may have now or in the future to reject the Collateral or to revoke our acceptance thereof has ten-ninated as of the date hereof, b) we hereby waive any such right; c) the date of this Authorization is the earliest date upon which the certifications, acknowledgments, representations and warranties made herein could be correctly and properly made. We hereby acknowledge that the Secured Party is relying on this Authorization as a condition to disbursing the proceeds of the loan as set forth above.

IN WITNESS WHEREOF, we have executed this Certificate as of the 25th day of September, 2001.

Upon satisfactory installation and  
Delivery please sign, date and return to:

U.S. Bancorp Equipment Finance, Inc.,  
formerly known as U.S. Bancorp Leasing &  
Financial  
PO Box 2177  
7659 S.W. Mohawk Street  
Tualatin, OR 97062

Stitch Networks Corporation  
/S/ Daniel Kearney  
-----  
Daniel Kearney  
Vice President'& General counsel

4/00

US BANCORP

EQUIPMENT FINANCE

September 25, 2001

Mr. Chris Keane  
Stitch Networks  
500 North Walnut Road  
Kennett Square, PA 19348

Dear Mr. Keane:

Enclosed for execution is the Schedule to Loan Agreement with related documents.  
Please have them signed and dated as indicated.

PLEASE RETURN ALL SIGNED DOCUMENTS TO US BY SEPTEMBER 26, 2001.

Our address is:  
U.S. Bancorp Equipment Finance - CNBB0320  
91817 th St., 3d Floor  
Denver, CO 80202

Our FED-EX account number is 1029-3990-5.

If you have any questions, please call me at (303) 585-4323 or Doug Otto at  
(402) 399-2723.

On behalf of US BANCORP Equipment Finance, we appreciate the opportunity to be  
of service.

Sincerely,

Laura Van Marter  
Lease Associate



LOAN AMENDMENT, IF APPLICABLE (MAY BE DISCARDED IF NO AMENDMENT IS NECESSARY)

This Amendment pertains to Schedule Number -001-0015769-003 for the Schedule to Master Loan Agreement, dated as of September 21, 2001, between U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial as Secured Party and Stitch Networks Corporation as Debtor (the "Agreement"):

TO THE EXTENT THAT THE INFORMATION SET FORTH IN THE AGREEMENT REQUIRES MODIFICATION, SUBJECT TO THE APPROVAL OF SECURED PARTY, THE AGREEMENT IS HEREBY AMENDED AS FOLLOWS:

The monthly installment is \$ \_\_\_\_\_

The total amount financed is \$ \_\_\_\_\_

The model/serial number of the Collateral is \_\_\_\_\_

The first monthly installment is due on \_\_\_\_\_

Other: \_\_\_\_\_

All provisions of the Agreement other than those which are inconsistent with the provisions of this Amendment are hereby ratified and confirmed. If no information has been inserted above, the terms of the Agreement shall remain unchanged.

IN WITNESS WHEREOF, we have executed this Amendment as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

[EXECUTION OF THIS PAGE IS ONLY REQUIRED IF AMENDMENT INFORMATION HAS BEEN INSERTED ABOVE]

If execution is required, please sign, date and return this page along with Page One of this Certificate to:  
'U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial  
PO Box 2177  
7659 S.W. Mohawk Street  
Tualatin, OR 97062

Stitch Networks Corporation

By: \_\_\_\_\_  
Daniel Kearney  
Vice President & General Counsel

AMENDMENTS TO THE AGREEMENT AS SET FORTH ABOVE ARE ACKNOWLEDGED AND APPROVED BY SECURED PARTY.

U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial

By: \_\_\_\_\_  
An Authorized Officer Thereof

AMORTIZATION SCHEDULE -US BANCORP NEW SCHEDULE #2

			TOTAL
AMOUNT	94,529.54	0.00	94,529.54
Annual Rate - Effective (Effective)	7.940%	0.00%	
Monthly Rate	0.0066167	0.0000000	
Period (Months)	36	36	
Commence	9/28101		
First Payrment	9128101		
Monthly Payment	(\$2,959.60)		(2,959.60)
Payment Per Bank (Stated Rate 7.94%)	\$2,959.63		
Excess Mnthly Pmt	\$0.03		

Period	Beg Ball	Principal	End BAL	Interest
1	94,529.54	(\$2,334.16)	92,195.38	625.47
2	92,195.38	(\$2,349.60)	69,845.78	610.03
3	89,845.78	(\$2,365.15)	87,480.63	594.48
4	87,480.63	(\$2,360.80)	85,099.83	578.83
5	85,099.83	(\$2,396.55)	82,703.27	563.08
6	82,703.27	(\$2,412.41)	80,290.86	547.22
7	80,290.86	(\$2,428.37)	77,862.49	531.26
8	77,862.49	(\$2,444.44)	75,418.05	515.19
9	75,418.05	(\$2,460.61)	72,957.44	499.02
10	72,957.44	(\$2,476.89)	70,480.54	482.74
11	70,480.54	(\$2,493.28)	67,987.26	466.35
12	67,987.26	(\$2,509.78)	65,477.48	449.85
13	65,477.48	(\$2,526.39)	62,951.09	433.24
14	62,951.09	(\$2,543.10)	60,407.99	416.53
15	60,407.99	(\$2,559.93)	57,848.06	399.70
16	57,848.06	(\$2,576.87)	55,271.19	382.76
17	55,271.19	(\$2,593.92)	52,677.27	365.71
18	52,677.27	(\$2,611.08)	50,066.19	348.55
19	50,066.19	(\$2,628.36)	47,437.83	331.27
20	47,437.83	(\$2,645.75)	44,792.08	313.88
21	44,792.08	(\$2,663.26)	42,128.82	296.37
22	42,128.82	(\$2,680.88)	39,447.94	278.75
23	39,447.94	(\$2,698.62)	36,749.33	261.01
24	36,749.33	(\$2,716.47)	34,032.86	243.16
25	34,032.86	(\$2,734.45)	31,298.41	225.18
26	31,298.41	(\$2,752.54)	28,545.87	207.09
27	28,545.87	(\$2,770.75)	25,775.12	188.88
28	25,775.12	(\$2,789.08)	22,986.04	170.55
29	22,986.04	(\$2,807.54)	20,178.50	152.09
30	20,178.50	(\$2,826.12)	17,352.38	133.51
31	17,352.38	(\$2,844.82)	14,507.57	114.81
32	14,507.57	(\$2,863.64)	11,643.93	95.99
33	11,643.93	(\$2,882.59)	8,761.34	77.04
34	8,761.34	(\$2,901.66)	5,859.68	57.97
35	5,859.68	(\$2,920.86)	2,938.82	38.77
36	2,938.82	(\$2,940.18)	(1.36)	19.45

Loan Amortization

9/25/01 USBancorp - New - Sched 2

Stitch Networks Corporation  
 US Bancorp \$1.5 Million Commitment  
 Draws/Schedules  
 Original Date May 22, 2001

Date	Amount	Comments
6/29/01	\$97,600.00	
7/6/01	\$54,900.00	
8/15/01	\$52,969.53	
8/2161	\$35,438.74	
		Scheduled 8/29/01- \$240,908.27
8/29/01	\$200,000.00	Scheduled 8/29/01 - Used Vendors
9/5/01	\$61,795.01	
9/19/01	\$32,734.53	
Scheduled 9/28/01	\$94,529.54	

9/25/01 USBancDraws.xls

USBANCORN.

SCHEDULE TO MASTER LOAN  
AGREEMENT

EQUIPMENT FINANCE

Stitch Networks Corporation  
500 North Walnut Road  
Kennett Square, PA 19348

\$170,884.78      Effective Date 12/20/01      Schedule Number -001-0015769-004

1. THIS SCHEDULE is made between Stitch Networks Corporation as Debtor, and U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial, (which, together with its successors and assigns, shall be called the "Secured Party") pursuant to the Master Loan Agreement dated as of May 22, 2001 between Debtor and Secured Party (the "Loan Agreement") the ten-ns of which (including the definitions) are incorporated herein. The terms of the Loan Agreement and this Schedule together shall constitute a separate instrument. Capitalized terms used but not defined herein are used with the respective meanings specified in the Loan Agreement. If any terms hereof are inconsistent with the terms of the Loan Agreement, the terms here of shall prevail.

2. For value received, Debtor hereby promises to pay to the order of Secured Party the principal amount of One Hundred Seventy Thousand Eight Hundred Eighty Four Dollars and 78/100 Dollars (\$ 170,884.78) with interest on any outstanding principal balance at the rate(s) specified herein from the Effective Date hereof until this Schedule shall have been paid in full in accordance with the following payment schedule: Thirty Six (36) installments in the amount of \$5,327.07 each including the entire amount of interest accrued on this Schedule at the time of payment of each installment. The first payment shall be due January 20, 2001 and a like payment shall be due on the same day of each succeeding month thereafter until the entire principal and interest have been paid. At the time of the final installment hereon, all unpaid principal and interest shall be due and owing. As a result, such final installment may be substantially more or substantially less than the installments specified herein. In addition, Debtor shall pay a pro rata interim payment in the amount of \$68.17 beginning on the date of funding and continuing until the Effective Date hereof. The interim payment shall be due and payable on the Effective Date.

3. Debtor promises to pay interest on the principal balance outstanding at a rate of 7.65 percent per annum.

4. PAYMENT ADJUSTMENT. In the event that a Forward Rate Lock Agreement has not been executed, on the date of funding (the 'Adjustment Date') the interest rate set forth herein and the installments due hereunder shall be recalculated based upon a change in the spot rate for 36-month U. S. Bancorp's Funds Transfer Pricing Rate/Cost of Funds (the "Spot Rate") from December 13, 2001 until the Adjustment Date. If, on the Adjustment Date, the Spot Rate is greater than 3.42%, then such interest rate and installments shall be adjusted accordingly to reflect the actual rate. Thereafter, the interest rate and installments shall remain fixed during the Term hereof. In no event shall the interest rate or the installments be decreased.

5. Each of Debtor, if more than one, and all other parties who at anytime maybe liable hereon in any capacity, hereby jointly and severally waive diligence, demand, presentment, presentment for payment, protest, notice of protest and notice of dishonor of this Schedule, and authorize the Secured Party, without notice, to grant extensions in the time of payment of and reductions in the rate of interest on any moneys owing on this Schedule.

6. The following properly is hereby made Collateral for all purposes under the Loan Agreement:

Various items of Film Product Dispensing Vending Machines,

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

1.7. The Collateral hereunder shall be based at the following location(s):

See attached Exhibit A attached hereto and made a part hereof

IN WITNESS WHEREOF, Debtor has executed this Schedule this 25th day of September  
, 2001.

U.S. Bancorp Equipment Finance, Inc.,  
formerly known as U.S. Bancorp  
Leasing & Financial

Stitch Networks Corporation

By: \_\_\_\_\_  
An Authorized Officer Thereof

By: /S/ Daniel Kearney  
\_\_\_\_\_  
Daniel Kearney  
Vice President General Counsel

ADDRESS FOR ALL NOTICES:  
PO Box 2177, 7659 S.W. Mohawk Street  
Tualatin, OR 97062

US BANCORP  
EQUIPMENT FINANCE

EQUIPMENT ACCEPTANCE AND  
AUTHORIZATION TO PAY PROCEEDS  
AND LOAN AMENDMENT

Schedule Number -00 1-00 15769-004

To: U.S. BANCORP EQUIPMENT FINANCE, INC., FORMERLY KNOWN AS U.S. BANCORP LEASING & FINANCIAL

Re: Schedule to Master Loan Agreement dated as of 12/20/01 (the "Agreement") between U.S. BANCORP EQUIPMENT FINANCE, INC., FORMERLY KNOWN AS U.S. BANCORP LEASING & FINANCIAL, as Secured Party, and STITCH NETWORKS CORPORATION, as Debtor.

YOU ARE HEREBY AUTHORIZED TO DISBURSE THE proceeds of the loan evidenced by the Agreement as follows for the purchase of the personal property specified (the "Collateral"):

\$65,603.09	DIXIE-NARCO, INC.
\$105,281.69	ROLL FROM INTERIM

VARIOUS ITEMS OF FILM PRODUCT DISPENSING VENDING MACHINES,

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

TOTAL AMOUNT TO BE DISBURSED \$170,884.78

YOU ARE HEREBY FURTHER AUTHORIZED TO insert in the Agreement the date of disbursement of funds under this Authorization as the Effective Date of the Agreement.

WE HEREBY CERTIFY AND ACKNOWLEDGE FOR THE BENEFIT OF SECURED PARTY THAT: a) THE COLLATERAL has been delivered to us; b) any necessary installation of the Collateral has been fully and satisfactorily performed; c) after full inspection thereof, we have accepted the Collateral for all purposes as of the date hereof-, d) upon the disbursement of the proceeds of the loan as set forth above, the Secured Party will have fully and satisfactorily satisfied all its obligations under the Agreement; e) any and all conditions to the effectiveness of the Agreement or to our obligations under the Agreement have been satisfied; f) we have no defenses, set-offs or counterclaims to any such obligations; and, g) the Agreement is in full force and effect.

WE HEREBY REPRESENT AND WARRANT FOR THE BENEFIT OF SECURED PARTY THAT: a) any right we may have now or in the future to reject the Collateral or to revoke our acceptance thereof has terminated as of the date hereof, b) we hereby waive any such right; c) the date of this Authorization is the earliest date upon which the certifications, acknowledgments, representations and warranties made herein could be correctly and properly made. We hereby acknowledge that the Secured Party is relying on this Authorization as a condition to disbursing the proceeds of the loan as set forth above.

IN WITNESS WHEREOF, we have executed this Certificate as of the 18th day of December, 2001.

Upon satisfactory installation and Delivery please sign, date and return to:

U.S. Bancorp Equipment Finance, Inc.,  
formerly known as U.S. Bancorp Leasing &  
Financial  
PO Box 2177  
7659 S.W. Mohawk Street  
Tualatin, OR 97062

Stitch Networks Corporation  
/S/ Daniel Kearney  
-----  
Daniel Kearney  
Vice President' & General counsel

LOAN AMENDMENT, IF APPLICABLE (May Be DISCARDED If No Amendment Is Necessary)

This Amendment pertains to Schedule Number -001-0015769-004 for the Schedule to Master Loan Agreement, dated as of December 17, 2001, between U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial as Secured Party and Stitch Networks Corporation as Debtor (the Agreement

TO THE EXTENT THAT THE INFORMATION SET FORTH IN THE AGREEMENT REQUIRES MODIFICATION, SUBJECT TO THE APPROVAL OF SECURED PARTY, THE AGREEMENT IS HEREBY AMENDED AS FOLLOWS:

The monthly installment is \$ \_\_\_\_\_

The total amount financed is \$ \_\_\_\_\_

The model/serial number of the Collateral is \_\_\_\_\_

The first monthly installment is due on \_\_\_\_\_

Other: \_\_\_\_\_

All provisions of the Agreement other than those which are inconsistent with the provisions of this Amendment are hereby ratified and confirmed. If no information has been inserted above, the terms of the Agreement shall remain unchanged.

IN WITNESS WHEREOF, we have executed this Amendment as of the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

[EXECUTION OF THIS PAGE IS ONLY REQUIRED IF AMENDMENT INFORMATION HAS BEEN INSERTED ABOVE]

If execution is required, please sign, date and return this page along with Page One of this Certificate to:  
U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial  
PO Box 2177  
7659 S.W. Mohawk Street  
Tualatin, OR 97062

Stitch Networks Corporation  
  
By:  
Daniel Kearney  
Vice President & General Counsel

AMENDMENTS TO THE AGREEMENT AS SET FORTH ABOVE ARE ACKNOWLEDGED AND APPROVED BY SECURED PARTY.

U.S. Bancorp Equipment Finance, Inc.,  
formerly known as U.S. Bancorp Leasing & Financial

By:  
-----  
All Authorized Officer Thereof

## EQUIPMENT FINANCE

Schedule Number -001-0015769-004

Reference is made to that certain Master Lease Agreement, or Master Loan Agreement dated May 22, 2001, and Schedule dated December 17, 2001 (the "Agreements") wherein U.S. BANCORP EQUIPMENT FINANCE, INC., FORMERLY KNOWN AS U.S. BANCORP LEASING & FINANCIAL is the Lessor/Secured Party and Stitch Networks Corporation is the Lessee/Debtor.

The "Property" and/or "Collateral" (as defined and used in the above Agreements and any and all related documents) shall be located at the following addresses:

Location	City	State	Serial Number
Africa Trail/Safari Snacks - Phoenix Zoo	Phoenix	AZ	6749/0577
Airport Ice Arena - Front Lobby	Moon Twp.	PA	0597-6749
Alliant Energy Center	Madison	MI	6749/0574
Blast Off! LLC - Lobby	Idaho Falls	ID	6749/0572
Brandon Crossroads Bowl	Tampa	FL	6749/0595
Celebrity Theatre - Upstairs Entrance	Phoenix	AZ	0003-6720BZ
Chicago Children's Museum - Coat Check Room	Chicago	IL	0591-6749CZ
DeKalb Medical Center - Labor and Delivery	Deratur	GA	0019-6720BZ
Echo Bowl - Birthday Room	Glendale	WI	0010-6720BZ
Funway Arcade	Batavia	IL	6749/0599
Harmony Farm - Phoenix Zoo	Phoenix	AZ	6749/0576
Hearnes Center Arena Concourse	Columbia	MO	6749/0580
Homewood Suites - Lobby	Orlando	FL	0036-6720BZ
Illusionz, LLC - Caf6	Issaquah	WA	6749/0573
Jeepers - Lansing, IL	Lansing	IL	0678-6750DZ
Jeepers - Mesa, AZ	Mesa	AZ	0669-6750DZ
Jeepers - Roseville	Roseville	MI	0657-6750DZ
Jeepers! Great Lake Crossing	Ashburn Hills	MI	6749/0587
Jeepers! Norridge	Norridge	IL	6749/0578
Jungle Queen Village	Ft. Lauderdale	FL	0039-6720BZ
Jungleland Zoo - Rainforest Show	Kissimmee	FL	0066-6720BZ
Kart 2 Kart	Sterling Heights	MI	6749/0588
Kellogg's Cereal City USA	Battle Creek	MI	6749/0593
Kids at Work Room - Discovery Museum & Planetarium	Bridgeport	CT	0585-6749CZ
Lackland AFB	San Antonio	TX	0067-6720BZ
Lake Crystal Area Recreational Center	Lake Crystal	MN	0670-6750BZ
Lancaster City Park - Lobby	Lancaster	CA	0586-6749BZ
Lancaster City Park - Soccer Center	Lancaster	CA	0590-6749CZ
Little River Zoo - Gift Shop	Norman	OK	0001-6720BZ
Lombardi Motel	Green Bay	WI	0012-6720BZ
Mercy Maternity Center - Waiting Room	Mecklenburg	NC	0582-6749
Merlado At Lilo - Phoenix Zoo	Phoenix	AZ	6749/0583
Miller Park Zoo - Carousel	Bloomington	IL	0600-6749CZ
Northrock Lanes - Game Room	Wichita	KS	0579-6749





Location	City	State	Serial Number
Pima Air & Space Museum - Gift Shop	Tucson	AZ	0074-6720BZ
Pima Air & Space Museum - Presidential Circle	Tucson	AZ	0018-6720BZ
Radisson Bahia Mar - Jungle Queen Box Office	Ft. Lauderdale	FL	0031-6720BZ
Savannah Int'l Trade and Convention Center	Savannah	GA	0040-6720BZ
Shelter Pointe Hotel - Marina Walkway	San Diego	CA	0004-6720BZ
Southern Mississippi Basketball Arena	Hattiesburg	MS	0005-6720BZ
Sunset Lanes	St. Louis	MO	6749/0575
Tangers Outlet	Kittery	ME	0592-6749BZ
Tangers Outlet - Dalton, GA	Dalton	GA	674910596
Tangers Outlets - Bass Store	Ft. Myers	FL	0006-6720BZ
The Point at Cal Expo	Sacramento	CA	6749/0594
University of Utah - Ray Olpin Union	Salt Lake City	UT	0057-6720BZ
Woman's Hospital Labor & Delivery - Waiting Room	Baton Rouge	LA	6749/0598

U.S. Bancorp Equipment Finance, Inc.,  
 formerly known as US Bancorp  
 Leasing & Financial  
 [Lessor/Secured Party]

U.S. Stitch Networks Corporation  
 [Lessee/Debtor]

By: \_\_\_\_\_  
 An authorized officer thereof  
 4/00

By: \_\_\_\_\_  
 Daniel Kearney  
 Vice President & General Counsel

Date: December 17, 2001  
Schedule Number-001-0015769-004

To: Stitch Networks Corporation (the "Customer")  
500 North Walnut Road, Kennett Square, PA 19348

From: U.S. Bancorp Leasing & Financial ("Creditor")  
PO Box 2177, 7659 S.W. Mohawk Street  
Tualatin, OR 97062

TO THE CUSTOMER: Please execute below and return this to Creditor with your document package. Creditor will fax this document to your insurance agent for verification.

In connection with one or more financing arrangements, Creditor requires that its insurable interest in the financed property (the "Property") be described as "Creditor and its successors and assigns shall be covered as Additional Insured and Loss Payee with regard to all equipment financed or leased by Policy Holder through or from Creditor." The required coverage must include, but is not limited to, fire, extended coverage, vandalism, theft and general liability. If such coverage is not provided within 15 days, we have the right to purchase such insurance at your expense. Should you have any questions, please contact our Insurance Department at (503) 797-0277.

Customer authorizes the Agent named below: 1) TO COMPLETE AND RETURN THIS LETTER AS INDICATED; AND 2) TO ENDORSE THE policy and subsequent renewals to reflect the required coverage.

Agent: Insurance & Financial Services, Ltd. Stitch Networks Corporation  
Address: 664 Yorklyn Road, P.O. Box 970  
Hockessin, DE 19707-0970  
Phone: (302)-239-2355  
Fax: (302)-239-5722  
E-Mail  
By: \_\_\_\_\_  
DANIEL Kearney  
Vice President & General counsel

TO THE AGENT: In lieu of providing a certificate, please execute this letter in the space below and promptly fax it to Creditor at (503) 797-0287.

Agent hereby verifies that the above requirements have been met in regard to the Property listed below.

Print Name Of Agency:  
By: \_\_\_\_\_  
By: \_\_\_\_\_

Print Name \_\_\_\_\_ Date: \_\_\_\_\_

Property Description:  
Various items of Film Product Dispensing Vending Machines, TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

Insurable Value: \$170,884.78  
5/01

USBANCORP

Equipment Finance

PO Box2177, 7659 S.W. Mohawk Street  
Tualatin, OR 97062

January 2, 2002

Daniel Kearney  
Stitch Networks Corporation  
500 North Walnut Road  
Kennett Square, PA 19348

RE Stitch Networks Corporation  
- -001-0015769-004

Dear Daniel Kearney

A RECENT REVIEW of our files indicates that there needs to be a correction to the Schedule to Master Loan Agreement associated with the above referenced schedule. Such document(s)is/are hereby deemed to be amended in the following way:

The first payment as shown in paragraph two (2) should read "January 20, 2002"

Unless we hear otherwise from you within 15 days of the date of this letter, this change becomes effective immediately.

All other terms of the document(s) remain in full force and effect.

If you have any questions, please call me at (800) 253-3468 Ext. 464.

Very truly yours,

Gloria Brogan  
Documentation Specialist  
5/00

## EQUIPMENT FINANCE

Schedule Number -00 1-00 15769-007

Reference is made to that certain Master Lease Agreement, or Master Loan Agreement dated May 22, 2001, and Schedule dated March 26, 2002 (the "Agreements") wherein U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial is the Lessor/Secured Party and Stitch Networks Corporation is the Lessee/Debtor.

The "Property" and/or "Collateral" (as defined and used in the above Agreements and any and all related documents) includes the following:

Film Product Dispensing Vending Machines; See EXHIBIT "A" ATTACHED hereto AND MADE A PART HEREOF;

LOCATION	CITY	State	Type	Serial Number
Moreys Piers - Moreys - 26 St. Pier	Wildwood	NJ	600E	1382-6459AW
Tangers Outlet - Lancaster, PA	Lancaster	PA	600E	1391-6459AW
S.J. Karting Center - Dining Room	Indianapolis	IN	600E	1414-6459AW
Whooper's World of Fun - Vending Area	Jeffersonville	IN	600E	1420-6459AW
Moreys Pier - Mariner's	Wildwood	NJ	600E	4062-6469BW
Morey's Piers - Wild Wheels	Wildwood	NJ	600E	4081-6469BW
Splash Zone Interactive Water Park	Wildwood	NJ	600E	4090-6469BW
PHL Zoo - Rare Animal House	Philadelphi	PA	600E	4086-6469BW
Fuddruckers	Parsippany	NJ	501E	0044-6720BZ
Sleep Inn - Scottsdale	Scottsdale	AZ	501E	0068-6720BZ
Museum of Life and Science - Main Museum Bldg	Durham	NC	501E	0689-6750BZ
Celebration Station - Tampa	Tampa	FL	501E	0694-6750
Quality Inn and Suites	San Antonio	TX	501E	6750-0662BZ
USA Children and Womens Hospital	Mobile	AL	501E	6750-0663BZ
Econolodge at Lackland	San Antonio	TX	501E	6750-0666BZ
Sci-Trek	Atlanta	GA	501E	6750-0674BZ
Museum of Life and Science - Butterfly House	Durham	NC	501E	6750-0686BZ
Junction Lanes	Newnan	GA	501E	6750-0699BZ
Jeepers - Southfield, MI	Southfield	MI	501E	6750-0668
Stitch Warehouse	Newark	DE	501E	6754-0181
Stitch Warehouse	Newark	DE	501E	6754-0191
Stitch Warehouse	Newark	DE	501E	6754-0192
Stitch Warehouse	Newark	DE	501E	6754-0193
Stitch Warehouse	Newark	DE	501E	6754-0197
Stitch Warehouse	Newark	DE	501E	6754-0198
Stitch Warehouse	Newark	DE	501E	6754-0200
Stitch Warehouse	Newark	DE	501E	6754-0201

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION INSURANCE RECOVERIES.

U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Corporation Bancorp Leasing & Financial  
[Lessor/Secured Party]

Stitch Networks  
(Lessee/Debtor)  
By:

By:

Daniel Kearney

-----  
An authorized officer thereof

Vice President & General Counsel

GREAT AMERICA  
INSURANCE COMPANIES

CHANGE RIDER

To be attached to and form a part of Bond No. 5618559 dated JUNE 4 2001 , in the amount of one million Five Hundred Thousand and 00/100 (\$1,500,000.00) Dollars executed by Stitch Networks, Inc. as Principal, and GREAT AMERICAN INSURANCE COMPANY, as Surety, and in favor of u. S. Bankcorp Leasing and Financing as Obligee.

It is agreed that the following changes be made in the attached bond:

"The termination of the Surety Bond will be the earlier of full payment of the loan or April 30, 2005, whichever occurs first."

Effective: January 15, 2001

Provided, however, that the attached bond as changed by this Rider shall be subject to all its agreements, conditions and limitations, and that the liability of the Surety under the attached bond and under the attached bond as changed by this Rider shall not be cumulative.

ACCEPTED: David J Kearney  
-----  
By: Daniel J Kearney V.P  
-----  
Title

U.S. Bankcorp Leasing and Financing  
-----  
(Obligee) GREAT AMERICAN INSURANCE COMPANY  
-----

By: -----  
Title William H. Hutto Attorney-in-Fact

Equipment Finance

Stitch Networks Corporation  
500 North Walnut Road  
Kennett Square, PA 19348

S102,024.83 Effective Date January 18 , 2002 Schedule Number-001-0015769-005

1. THIS SCHEDULE. IS made between STITCH NETWORKS CORPORATION AS Debtor, and U.S. BANCORP EQUIPMENT FINANCE, INC., FORMERLY KNOWN as U.S. Bancorp Leasing & Financial, (which, together with its successors and assigns, shall be called the "Secured Party") pursuant to the Master Loan Agreement dated as of May 22, 2001 between Debtor and Secured Party (the "Loan Agreement"), the terms of which (including the definitions) are incorporated herein. The terms of the Loan Agreement and this Schedule together shall constitute a separate instrument. Capitalized terms used but not defined herein are used with the respective meanings specified in the Loan Agreement. If any terms hereof are inconsistent with the terms of the Loan Agreement, the terms hereof shall prevail.

2. For value received, Debtor hereby promises to pay to the order of Secured Party the principal amount of One Hundred Two Thousand Twenty Four dollars and 83/100 Dollars (\$ 102,024.83) with interest on any outstanding principal balance at the rate(s) specified herein from the Effective Date hereof until this Schedule shall have been paid in full in accordance with the following payment schedule: Thirty Five (35) installments in the amount of 53,239.43 each including the entire amount of interest accrued on this Schedule at the time of payment of each installment. The first payment shall be due February 28, 2002 and a like payment shall be due on the same day of each succeeding month thereafter until the entire principal and interest have been paid. At the time of the final installment hereon, all unpaid principal and interest shall be due and owing. As a result, such final installment may be substantially more or substantially less than the installments specified herein. In addition, Debtor shall pay a pro rata interim payment in the amount of \$ 107.98 beginning on the date of funding and continuing until the Effective Date hereof. The interim payment shall be due and payable on the Effective Date.

3. Debtor promises to pay interest on the principal balance outstanding at a rate of 7.18 percent per annum.

4. PAYMENT ADJUSTMENT. In the event that a Forward Rate Lock Agreement has not been executed, on the date of funding (the 'Adjustment Date') the interest rate set forth herein and the installments due hereunder shall be recalculated based upon a change in the spot rate for 36-month U. S. Bancorp's Funds Transfer Pricing Rate/Cost of Funds (the "Spot Rate") from January 7, 2002 until the Adjustment Date. If, on the Adjustment Date, the Spot Rate is greater than 3.58%, then such interest rate and installments shall be adjusted accordingly to reflect the actual rate. Thereafter, the interest rate and installments shall remain fixed during the Term hereof. In no event shall the interest rate or the installments be decreased.

5. Each of Debtor, if more than one, and all other parties who at any time may be liable hereon in any capacity, hereby jointly and severally waive diligence, demand, presentment, presentment for payment, protest, notice of protest and notice of dishonor of this Schedule, and authorize the Secured Party, without notice, to grant extensions in the time of payment of and reductions in the rate of interest on any money owing on 011, Schedule

6. The following property is hereby made Collateral for all purposes under the loan Agreement

Various Film Product Dispensing Vending Machines as further described in Collateral FILE;

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.



7. The Collateral hereunder shall be based at the following location(s):

See Exhibit "A" attached hereto and made a part hereof

IN WITNESS WHEREOF, Debtor has executed this Schedule this 18th day of January 2002.

U.S. Bancorp Equipment Finance, Inc., formerly known as Stitch Networks Corporation U.S. Bancorp Leasing & Financial

By:	By:
-----	-----
An Authorized Officer Thereof	Daniel Kearney Vice President & General Counsel

ADDRESS FOR ALL NOTICES:  
 PO Box 2177, 7659 S.W. Mohawk Street  
 Tualatin, OR 97062

Reference is made to that certain Master Lease Agreement, or Master Loan Agreement dated May 22, 2001, and Schedule dated January 17, 2002 (the "Agreements") wherein U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial is the Lessor/Secured Party and Stitch Networks Corporation is the Lessee/Debtor.

The Equipment Location (as defined and used in the above Agreements and any and all related documents) includes the following:

1	Acadiana Lanes	Lafayette	LA	501 E	0659-6750DZ
2	Charlotte Coliseum	Charlotte	NC	501 E	0696-6750DZ
3	Charlotte Convention Center	Charlotte	NC	501 E	0691-6750DZ
4	Clematis Street News Stand	West Palm Beach	FL	501 E	0681-6750DZ
5	Comfort Inn, N/w	San Antonio	TX	501 E	0676-6750DZ
6	Facto Stores of America	Draper	UT	501 E	0671-6750BZ
7	Facto Stores of America	Mesa	AZ	501 E	0693-6750DZ
8	Grove Bowling Center	San Diego, CA	CA	501 E	0661-6750DZ
9	Jeepers - Glenside Heights	Glenside Heights	IL	501 E	0697-6750DZ
10	Jeepers!	Nyack	NY	501 E	0656-6750DZ
11	Jeepers!	Phoenix	AZ	501 E	6750-0667
12	Jeepers!	Livonia	MI	501 E	0687-6750BZ
13	Joker's Family Fun & Games	Portland	ME	501E	0684-6750DZ
14	Joker's Famil Fun & Games	Portsmouth	NH	501 E	0698-6750DZ
15	Kodak Mobile Picture Planet	Mobile Truck	NY	501 E	0188-6754DZ
16	Laser Storm	Pittsburgh	PA	501 E	0682-6750DZ
17	Massachusetts Information Center	Swansea	MA	501 E	0658-6750
18	Mesker Park Zoo - Front Gate	Evansville, IN	IN	501 E	0680-6750DZ
19	Mesker Park Zoo - Kley Bldg.	Evansville	IN	501 E	0664-6750DZ
20	Mulligan Famil Fun Center	Murrieta	CA	501 E	0688-6750DZ
21	N. Georgia Premium Outlets	Dawsonville	GA	501 E	6750-0672DZ
22	Santa Cruz Boardwalk Arcade	Santa Cruz	CA	501 E	0660-6750DZ
23	Skateland - pla daze	Omaha, NE	NE	501 E	0695-6750DZ
24	Sport Center	Las Vegas	NV	501 E	6750-0675
25	Tanger Outlet - Common Area	Gonzales	LA	501 E	0683-6750BZ
26	Tan ers Outlets - Van Heusen	Ft. Myers	FL	501 E	6749-0589CZ
27	The Jungle, Fun & Adventure	Glendale, AZ	AZ	501E	0673-6750DZ
28	Waiale Premium Outlets	Waipahu	HI	501 E	0700-6750DZ

U.S. Bancorp Equipment Finance, Inc.,  
formerly known as U.S.  
Bancorp Leasing & Financial  
[Lessor/Secured Party]

Stitch network Corporation  
Lessee/debtor

By:

By: /S/ Daniel Kearney

An authorized officer thereof  
4/00

Daniel Kearney  
Vice President & General Counsel







-----  
Equipment FINANCEStitch Networks Corporation  
500 North Walnut Road  
Kennett Square, PA 19348

5121,958.71                      Effective Date                      Schedule Number -001-0015769-006

1. THIS SCHEDULE is made between Stitch Networks Corporation as Debtor, and U.S. BANCORP EQUIPMENT FINANCE, INC., FORMERLY KNOWN as U.S. BANCORP LEASING & FINANCIAL, (which, together with its successors and assigns, shall be called the "Secured Party") pursuant to the Master Loan Agreement dated as of May 22, 2001 between Debtor and Secured Party (the "Loan Agreement"), the terms of which (including the definitions) are incorporated herein. The terms of the Loan Agreement and this Schedule together shall constitute a separate instrument. Capitalized terms used but not defined herein are used with the respective meanings specified in the Loan Agreement. If any terms hereof are inconsistent with the terms of the Loan Agreement, the terms hereof shall prevail.

2. For value received, Debtor hereby promises to pay to the order of Secured Party the principal amount of One Hundred Twenty One Thousand Nine Hundred Fifty Eight Dollars and 71/100 Dollars (5121,958.71) with interest on any outstanding principal balance at the rate(s) specified herein from the Effective Date hereof until this Schedule shall have been paid in full in accordance with the following payment schedule: Thirty Four (34) installments in the amount of 53,974.93 each including the entire amount of interest accrued on this Schedule at the time of payment of each installment. The first payment shall be due March 31, 2002 and a like payment shall be due on the same day of each succeeding month thereafter until the entire principal and interest have been paid. At the time of the final installment hereon, all unpaid principal and interest shall be due and owing. As a result, such final installment may be substantially more or substantially less than the installments specified herein. In addition, Debtor shall pay a pro rata interim payment in the amount of \$132.50 beginning on the date of funding and continuing until the Effective Date hereof. The interim payment shall be due and payable on the Effective Date.

3. Debtor promises to pay interest on the principal balance outstanding at a rate of 7.18 percent per annum.

4. PAYMENT ADJUSTMENT. In the event that a Forward Rate Lock Agreement has not been executed, on the date of funding (the 'Adjustment Date') the interest rate set forth herein and the installments due hereunder shall be recalculated based upon a change in the spot rate for 36-month U. S. Bancorp's Funds Transfer Pricing Rate/Cost of Funds (the "Spot Rate") from February 15, 2002 until the Adjustment Date. If, on the Adjustment Date, the Spot Rate is greater than 3.46%, then such interest rate and installments shall be adjusted accordingly to reflect the actual rate. Thereafter, the interest rate and installments shall remain fixed during the Term hereof. In no event shall the interest rate or the installments be decreased.

5. Each of Debtor, if more than one, and all other parties who at any time may be liable hereon in any capacity, hereby jointly and severally waive diligence, demand, presentment, presentment for payment, protest, notice of protest and notice of dishonor of this Schedule, and authorize the Secured Party, without notice, to grant extensions in the time of payment of and reductions in the rate of interest on any moneys owing on this Schedule.

The following property is hereby made Collateral for all purposes under the Loan Agreement:

Film Product Dispensing Vending Machines; See Exhibit "A" attached hereto and made a part hereof;

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

7. The Collateral hereunder shall be based at the following location(s):

See Attached Exhibit "A"

IN WITNESS WHEREOF, Debtor has executed this Schedule this 20th day of February, 2002.

U.S. Bancorp Equipment Finance, Inc., formerly known as Stitch networks Corporation U.S. Bancorp Leasing & Financial

By: \_\_\_\_\_ By: \_\_\_\_\_  
An Authorized Officer Thereof Vice President eneraounsel

1/01

ADDRESS FOR ALL NOTICES:  
PO Box 2177, 7659 S.W. Mohawk Street  
Tualatin, OR 97062





LOAN AMENDMENT, IF APPLICABLE (May Be DISCARDED If No Amendment Is Necessary)

This Amendment pertains to Schedule Number -001-0015769-006 for the Schedule to Master Loan Agreement, dated as of February 15, 2002, between U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial as Secured Party and Stitch Networks Corporation as Debtor (the "Agreement"):

TO THE EXTENT THAT THE INFORMATION SET FORTH IN THE AGREEMENT REQUIRES MODIFICATION, SUBJECT TO THE APPROVAL OF SECURED PARTY, THE AGREEMENT IS HEREBY AMENDED AS FOLLOWS:

The monthly installment is \$ \_\_\_\_\_

The total amount financed is \$ \_\_\_\_\_

The model/serial number of the Collateral is \_\_\_\_\_.

The first monthly installment is due on \_\_\_\_\_.

Other: \_\_\_\_\_

All provisions of the Agreement other than those which are inconsistent with the provisions of this Amendment are hereby ratified and confirmed. If no information has been inserted above, the terms of the Agreement shall remain unchanged.

IN WITNESS WHEREOF, we have executed this Amendment as of the \_\_\_\_\_ day of , 20\_\_\_\_.

[EXECUTION OF THIS PAGE IS ONLY REQUIRED IF AMENDMENT INFORMATION HAS BEEN INSERTED ABOVE]

If execution is required, please sign, date and return this page along with Page One of this Certificate to: Stitch Networks Corporation

U.S. Bancorp Equipment Finance, Inc.,  
formerly known as U.S.  
Bancorp Leasing & Financial  
PO Box 2177  
7659 S.W. Mohawk Street  
Tualatin, OR 97062 By:  
Daniel Kearnev  
Vice President & General Counsel

AMENDMENTS TO THE AGREEMENT AS SET FORTH ABOVE ARE ACKNOWLEDGED AND APPROVED BY SECURED PARTY.

U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial

By: \_\_\_\_\_  
An Authorized Officer Thereof

-----  
Equipment Finance

Schedule Number -001-0015769-006

Reference is made to that certain Master Lease Agreement, or Master Loan Agreement dated May 22, 2001, and Schedule dated February 15 2002 (the "Agreements") wherein U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial is the Lessor/Secured Party and Stitch Networks Corporation is the Lessee/Debtor.

The "Property" and/or "Collateral" (as defined and used in the above Agreements and any and all related documents) includes the following:

Film Product Dispensing Vending Machines;

Serial Number -----	Site Location -----	City -----	State -----
0441-B	Rex Plex	Elizabeth	NJ
0446-8	Park Central	Appleton	WI
0447-B	Celebration Station	Tulsa	OK
0449-B	Putt-Putt Golf	Arlington	TX
0967-6701	Putt-Putt Golf	Hurst	TX
1392-6459	Miami Seaquarium-Flipper Lagoon	Miami	FL
1418-6459	Miami Seaquarium-Killer Whale Stadium	Miami	FL
4095-6469	Miami Seaquarium-Remote Boats	Miami	FL
3326-6529	Clarion Bay View	San Diego	CA
4076-6469	Penn's Landing	Philadelphia	PA
4103-6469	Times Square Visitors Center	New York	NY
1400-6459	Playscape USA	Mt. Kisco	NY
4067-6469	Nickel-A-Play - Colorado Springs	Colorado Springs	CO
4069-6469	Nickel-A-Play - Thornton	Thornton	CO
4078-6469	Nickel-A-Play - Aurora (Parker Road)	Aurora	CO
4087-6469	Georgetown Factory Stores	Georgetown	KY
4077-6469	Jeepers - Norfolk	Norfolk	VA
4096-6469	Jeepers - Olathe	Olathe	KS

Film Product Dispensing Vending Machines, Model 501C

Serial Number	Location	City	State
0685-6750DZ	A - Boomers - Outside to Amusement Rides	Dania Beach	FL
0020-6720BZ	A - Jeepers - Concord Mills	Concord	NC
0014-6720BZ	A - Miami Ice Arena	Miami	FL
0665-6750DZ	A - Playmobile Fun Park	Palm Beach Gardens	FL
0185-6754	Olympics - Athlete's Village - Dining Hall - #6	Salt Lake City	UT
0184-6754	Olympics - Athlete's Village - I-Zone Game Ctr - #5	Salt Lake City	UT
0183-6754	Olympics - Athlete's Village - Residential Game Ctr - #4	Salt Lake City	UT
0186-6754	Olympics - Coca-Cola Tent - Bobsled - #7	Salt Lake City	UT
0187-6754	Olympics - Coca-Cola Tent - Curling - #8	Salt Lake City	UT
0190-6754	Olympics - Coca-Cola Tent - SLC - #9	Salt Lake City	UT
0180-6754	Olympics - Deer Valle - #2	Park City	UT
Previously Submitted	Olympics - Kodak Mobile Picture Planet (#1) - #14	Salt Lake City	UT
0199-6754	Olympics - Kodak Mobile Picture Planet (#2) - #17	Salt Lake City	UT
0203-6754	Olympics - Park City Mtn Resort - Marriott Hotel - #16	Park City	UT
0202-6754	Olympics - Park City Mtn Resort - Ski Lift - #15	Park City	UT
0195-6754	Olympics - Salomon Miner's Hospital (#1) - #10	Park City	UT
0196-6754	Olympics - Salomon Miner's Hospital (#2) - #11	Park City	UT
0179-6754	Olympics - Salt Lake Ice Center - #1	Salt Lake Cit	UT
0196-6754	Olympics - The Lodge at Soldier Hollow - #13	Midwa	UT
0199-6754	Olympics - USA House at Olympic Live Center - #12	Salt Lake City	UT
0182-6754	Olympics - Utah Olympic Park - #3	Park City	UT

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF TN I FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

U.S. Bancorp Equipment Finance, Inc.,  
 formerly known as  
 Corporation Bancorp Leasing & Financial  
 [Lessor/Secured Party]

U.S. Stitch Networks

[Lessee/Debtor]

By:  
 An authorized officer thereof  
 4/00

By: /S/ Daniel Kearney  
 Daniel Kearney  
 Vice President & General Counsel

USBANCORP

INSURANCE AUTHORIZATION  
AND VERIFICATION

EQUIPMENT FINANCE

Date: February 15, 2002  
Schedule Number: -001-0015769-006  
To: Stitch Networks Corporation (the "Customer")  
500 North Walnut Road, Kennett Square, PA 19348

From: U.S. Bancorp Equipment Finance, Inc., formerly  
known as U.S. Bancorp Leasing & Financial  
("Creditor")  
PO Box 2177, 7659 S.W. Mohawk Street  
Tualatin, OR 97062

TO THE CUSTOMER: Please execute below and return this to Creditor with your document package Creditor will fax this document to your insurance agent for verification.

In connection with one or more financing arrangements, Creditor requires that its insurable interest in the financed property (the "Property") be described as "Creditor and its successors and assigns shall be covered as Additional Insured and Loss Payee with regard to all equipment financed or leased by Policy Holder through or from Creditor." The required coverage must include, but is not limited to, fire, extended coverage, vandalism, theft and general liability. If such coverage is not provided within 15 days, we have the right to purchase such insurance at your expense. Should you have any questions, please contact our Insurance Department at (503) 797-0277.

Customer authorizes the Agent named below: 1) to complete and return this letter as indicated; and 2) to endorse the policy and subsequent renewals to reflect the required coverage.

Agent:	Insurance & Financial Services, Ltd.	Stitch Networks Corporation
Address:	664 Yorklyn Road, P.O. Box 970 Hockessin, DE 19707-0970	By: /S/ Daniel Kearney ----- Daniel Kearney Vice President & General Counsel
Phone:	(302)-239-2355	
Fax:	(302)-239-5722	
E-Mail	_____	

TO THE AGENT: In lieu of providing a certificate, please execute this letter in the space below and promptly fax it to Creditor at (503) 797-0287.

Agent hereby verifies that the above requirements have been met in regard to the Property listed below.

Print Name Of Agency:

By: \_\_\_\_\_

By: \_\_\_\_\_

Print Name \_\_\_\_\_ Date \_\_\_\_\_

Property Description:

Film Product Dispensing Vending Machines; Sec Exhibit "A" attached hereto and made a part hereof; TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

Insurable Value: 5121,955.71  
5/0 1

-----  
Equipment FinanceStitch Networks Corporation  
500 North Walnut Road  
Kennett Square, PA 19348

\$88,303.19      Effective Date \_\_\_\_\_ Schedule Number -001-0015769-007

1. THIS SCHEDULE is made between STITCH NETWORKS CORPORATION as Debtor, and U.S. BANCORP EQUIPMENT FINANCE, INC., formerly known as U.S. Bancorp Leasing & Financial, (which, together with its successors and assigns, shall be called the "Secured Party") pursuant to the Master Loan Agreement dated as of May 22, 2001 between Debtor and Secured Party (the "Loan Agreement"), the terms of which (including the definitions) are incorporated herein. The terms of the Loan Agreement and this Schedule together shall constitute a separate instrument. Capitalized terms used but not defined herein are used with the respective meanings specified in the Loan Agreement. If any terms hereof are inconsistent with the terms of the Loan Agreement, the terms hereof shall prevail.

2. For value received, Debtor hereby promises to pay to the order of Secured Party the principal amount of Eighty Eight Thousand Three Hundred Three and 19/100 Dollars (\$88,303.19) with interest on any outstanding principal balance at the rate(s) specified herein from the Effective Date hereof until this Schedule shall have been paid in full in accordance with the following payment schedule: Thirty Two (32) installments in the amount of 53,059.66 each including the entire amount of interest accrued on this Schedule at the time of payment of each installment. The first payment shall be due April 29, 2002 and a like payment shall be due on the same day of each succeeding month thereafter until the entire principal and interest have been paid. At the time of the final installment hereon, all unpaid principal and interest shall be due and owing. As a result, such final installment may be substantially more or substantially less than the installments specified herein. In addition, Debtor shall pay a pro rata interim payment in the amount of \$101.99 beginning on the date of Equipment Acceptance and continuing until the Effective Date hereof. The interim payment shall be due and payable on the Effective Date.

3. Debtor promises to pay interest on the principal balance outstanding at a rate of 7.66 percent per annum.

4. PAYMENT ADJUSTMENT. In the event that a Forward Rate Lock Agreement has not been executed, on the date of funding (the 'Adjustment Date') the interest rate set forth herein and the installments due hereunder shall be recalculated based upon a change in the spot rate for 32-month U. S. Bancorp's Funds Transfer Pricing Rate/Cost of Funds (the "Spot Rate") from March 26, 2002 until the Adjustment Date. If, on the Adjustment Date, the Spot Rate is greater than 4.08%, then such interest rate and installments shall be adjusted accordingly to reflect the actual rate. Thereafter, the interest rate and installments shall remain fixed during the term hereof. In no event shall the interest rate or the installments be decreased.

5. Each of Debtor, if more than one, and all other parties who at any time may be liable hereon in any capacity, hereby jointly and severally waive diligence, demand, presentment, presentment for payment, protest, notice of protest and notice of dishonor of this Schedule, and authorize the Secured Party, without notice, to grant extensions in the time of payment of and reductions in the rate of interest on any moneys owing on this Schedule.

6. The following property is hereby made Collateral for all purposes under the Loan Agreement:

Film Product Dispensing Vending Machines; See Exhibit "A" attached hereto and made a part hereof;

TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

7. The Collateral hereunder shall be based at the following location(s):

See Exhibit "A" attached Hereto and made a part hereof

IN WITNESS WHEREOF, Debtor has executed this Schedule this 27 th day of March ,2002.

U.S. BANCORP EQUIPMENT FINANCE, INC., FORMERLY KNOWN AS Stitch Networks Corporation U.S. Bancorp Leasing & Financial

By: _____	By: /S/ Daniel Kearney
An Authorized Officer Thereof	_____
	Daniel Kearney
	Vice President & General Counsel

1 /01

ADDRESS FOR ALL NOTICES:  
 PO Box 2177, 7659 S.W. Mohawk Street  
 Tualatin, OR 97062

EQUIPMENT ACCEPTANCE AND  
AUTHORIZATION TO PAY PROCEEDS  
AND LOAN AMENDMENT

Schedule Number -001-001 5769-007

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Equipment FinanceTo: U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing  
& FinancialRe: Schedule to Master Loan Agreement dated as of \_\_\_\_\_ (the  
"Agreement") between U.S. Bancorp Equipment Finance, Inc., formerly known as  
U.S. Bancorp Leasing & Financial, as Secured Party, and Stitch Networks  
Corporation, as Debtor.YOU ARE HEREBY AUTHORIZED to disburse the proceeds of the loan evidenced by the  
Agreement as follows for the purchase of the personal property specified (the  
"Collateral"):

\$67,303.19	Dixie Narco
\$21,000.00	Stitch Networks Corporation

Film PRODUCT DISPENSING VENDING MACHINES; See Exhibit "A" attached hereto and  
made a part hereof;TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND  
ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL  
PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

TOTAL AMOUNT TO BE DISBURSED \$67,303.19

YOU ARE HEREBY FURTHER AUTHORIZED to insert in the Agreement the date of  
disbursement of funds under this Authorization as the Effective Date of the  
Agreement.WE HEREBY CERTIFY AND ACKNOWLEDGE FOR THE BENEFIT OF SECURED PARTY THAT: a) the  
Collateral has been delivered to us; b) any necessary installation of the  
Collateral has been fully and satisfactorily performed; c) after full inspection  
thereof, we have accepted the Collateral for all purposes as of the date hereof;  
d) upon the disbursement of the proceeds of the loan as set forth above, the  
Secured Party will have fully and satisfactorily satisfied all its obligations  
under the Agreement; e) any and all conditions to the effectiveness of the  
Agreement or to our obligations under the Agreement have been satisfied; f) we  
have no defenses, set-offs or counterclaims to any such obligations; and, g) the  
Agreement is in full force and effect.WE HEREBY REPRESENT AND WARRANT FOR THE BENEFIT OF SECURED PARTY THAT: a) any  
right we may have now or in the future to reject the Collateral or to revoke our  
acceptance thereof has terminated as of the date hereof, b) we hereby waive any  
such right; c) the date of this Authorization is the earliest date upon which  
the certifications, acknowledgments, representations and warranties made herein  
could be correctly and properly made. We hereby acknowledge that the Secured  
Party is relying on this Authorization as a condition to disbursing the proceeds  
of the loan as set forth above.IN WITNESS WHEREOF, we have executed this Certificate as of the 27th day of  
March 2002.Upon Upon satisfactory installation and  
Delivery please sign, date and return to:

U.S. Bancorp Equipment Finance, Inc., formerly known as LES. Bancorp Leasing & Financial PO Box 2177 7659 S.W. Mohawk Street Tualatin, OR 97062 4100	Stitch Networks Corporation  By: Daniel Kearney Vice President & General Counsel
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LOAN AMENDMENT, IF APPLICABLE (May Be DISCARDED If No Amendment Is Necessary)

This Amendment pertains to Schedule Number -001-001 5769-007 for the Schedule to Master Loan Agreement, dated as of March 26, 2002, between U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial as Secured Party and Stitch Networks Corporation as Debtor (the "Agreement"):

TO THE EXTENT THAT THE INFORMATION SET FORTH IN THE AGREEMENT REQUIRES MODIFICATION, SUBJECT TO THE APPROVAL OF SECURED PARTY, THE AGREEMENT IS HEREBY AMENDED AS FOLLOWS:

The monthly installment is \$ \_\_\_\_\_  
The total amount financed is \$ \_\_\_\_\_  
The model/serial number of the Collateral is \_\_\_\_\_  
The first monthly installment is due on \_\_\_\_\_  
Other \_\_\_\_\_

All provisions of the Agreement other than those which are inconsistent with the provisions of this Amendment are hereby ratified and confirmed. If no information has been inserted above, the terms of the Agreement shall remain unchanged.

IN WITNESS WHEREOF, we have executed this Amendment as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

[EXECUTION OF THIS PAGE IS ONLY REQUIRED IF AMENDMENT INFORMATION HAS BEEN INSERTED ABOVE]

Upon Upon satisfactory installation and Delivery please sign, date and return to:

U.S. Bancorp Equipment Finance, Inc.,      Stitch Networks Corporation  
formerly known as LES. Bancorp  
Leasing & Financial  
PO Box 2177  
7659 S.W. Mohawk Street  
Tualatin, OR 97062  
4100  
By: /S/ Daniel Kearney  
-----  
Daniel Kearney  
Vice President & General Counsel

AMENDMENTS TO THE AGREEMENT AS SET FORTH ABOVE ARE ACKNOWLEDGED AND APPROVED BY SECURED PARTY.

U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial  
By: \_\_\_\_\_  
An Authorized Officer Thereof



-----  
EQUIPMENT FINANCE

Date: March 26, 2002  
Schedule Number: -001-0015769-007  
To: Stitch Networks Corporation (the "Customer")  
500 North Walnut Road  
Kennett Square, PA 19348

From: U.S. Bancorp Equipment Finance, Inc., formerly known  
as U.S. Bancorp Leasing & Financial ("Creditor")  
PO Box 2177, 7659 S. W. Mohawk Street  
Tualatin, OR 97062

TO THE CUSTOMER: Please execute below and return this to Creditor with your document package. Creditor will fax this document to your insurance agent for verification.

In connection with one or more financing arrangements, Creditor requires that its insurable interest in the financed property (the "Property's be described as "Creditor and its successors and assigns shall be covered as Additional Insured and Loss Payee with regard to all equipment financed or leased by Policy Holder through or from Creditor." The required coverage must include, but is not limited to, fire, extended coverage, vandalism, theft and general liability. If such coverage is not provided within 15 days, we have the right to purchase such insurance at your expense. Should you have any questions, please contact our Insurance Department at (503) 797-0277.

Customer authorizes the Agent named below: 1) to complete and return this letter as indicated; and 2) to endorse the policy and subsequent renewals to reflect the required coverage.

Agency: Insurance & Financial Services, Ltd.      Stitch Networks Corporation  
Agent: John David  
-----  
Address: 664 Yorklyn Road, P.O Box 970      By:/S/ Daniel Kearney  
-----  
Hockessin, DE 19707-0970      Daniel Kearney  
Phone: (302)-239-2355      Vice President & General Counsel  
Fax: (302)-239-5722  
E-Mail \_\_\_\_\_

TO THE AGENT: In lieu of providing a certificate, please execute this letter in the space below and promptly fax it to Creditor at (503) 797-0287.

Agent hereby verifies that the above requirements have been met in regard to the Property listed below.

Print Name Of Agency:

By: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

Property Description:

Film Product Dispensing Vending Machines; See Exhibit "A" attached hereto and made a part hereof; TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANN' AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES.

Insurable Value: S88,303.19

USBANCORP.

FIRST PAYMENT INVOICE

-----  
Equipment Finance

PLEASE RETURN THIS PORTION WITH YOUR

SCHEDULE NUMBER: -001-0015769-007

DUE DATE: April 29, 2

CREATE DATE: March 26, 2002

AMOUNT DUE: \$3,454.66

Stitch Networks Corporation  
500 North Walnut Road  
Kennett Square, PA 19348  
Attention: Daniel Kearney  
Customer Phone Number: (888) 427-8743

U.S. Bancorp Equipment Finance, Inc.,  
formerly known as U.S. Bancorp Leasing & Financial  
7659 S.W. Mohawk Street Tualatin, OR 97062

>>>>>>>PLEASE RETAIN THIS PORTION FOR YOUR RECORDS<<<<<<<<

U.S. Bancorp Equipment Finance, Inc., formerly known as U.S. Bancorp Leasing & Financial 7659 S.W. Mohawk Street Tualatin, OR 97062

QUESTIONS? PLEASE CALL 800-253-3468

INVOICE SUMMARY

ACCOUNT:	-001-0015769-007
AMOUNT DUE:	\$3,454.66
DUE DATE:	April 29, 2002
CREATE DATE:	March 26, 2002

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CURRENT CHARGES PAYMENT ONE I	\$3,059.66
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Pro-Rated Rental Due Based on \$101.99 per day from date of funding thru effective date based on disbursement of \$88,303.19	To Be Determined
-----	
DOCUMENTATION FEE	5395.00
-----	
TOTAL CURRENT CHARGES	53,454.66
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TOTAL AMOUNT DUE THIS INVOICE MUST  
MUST BE PAID WITHIN TEN (10) DAYS OF DUE DATE TO AVOID LATE CHARGES



CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption Experts and to the use of our report dated September 27, 2002, with respect to the consolidated financial statements of USA Technologies, Inc., and our report dated June 28, 2002, except for paragraph 3 of Note 11, as to which the date is July 26, 2002, with respect to the financial statements of Stitch Networks Corporation in Amendment No. 1 to the Registration Statement (Form SB-2 No. 333-101032) and related Prospectus of USA Technologies, Inc. for the registration of 166,916,439 shares of its common stock.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania  
April 17, 2003

