
FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of report (Date of earliest event reported): January 16, 2004

USA TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Pennsylvania ----- (State or other jurisdiction of incorporation or organization)	000-50054 ----- (Commission File Number)	23-2679963 ----- (I.R.S. Employer Identification No.)
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100 Deerfield Lane, Suite 140
Malvern, Pennsylvania 19355
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: 610-989-0340

Item 5. Other Events.

The Strategic Alliance Agreement dated October 8, 2003 by and between USA Technologies, Inc. and Conopco, Inc. dba Unilever Home & Personal Care North America ("Unilever") is attached hereto as Exhibit 10.1. As set forth therein, Unilever has agreed to pay to USA a fee based upon the number of actual injections of Unilever Products in the USA e-Suds system during the term of the agreement. In addition, Unilever has agreed to make payments to USA to be used to market and promote the project. The actual amount of these payments is dependent upon the number of washing machine installations and average number of injections per washing machine during the term of the agreement as compared to the forecasted installations and injections, all in accordance with the formula set forth in the agreement. The summary description of the agreement described above does not purport to be complete and is qualified in its entirety by reference to Strategic Alliance Agreement filed as an Exhibit hereto.

Item 9. Regulation FD Disclosure.

On January 16, 2004, USA Technologies, Inc. held its annual meeting of shareholders. The full text of the speech of George R. Jensen, Jr., Chief Executive Officer and Chairman, presented at the meeting is attached as Exhibit 99.1 to this Current Report on Form 8-K.

Statements in Exhibit 99.1 that are not strictly historical are "forward looking" statements within the meaning of the safe harbor provisions of the federal securities laws. Investors are cautioned that such statements are only predictions, and speak only as of January 16, 2004, the date of the presentation. USA Technologies does not assume any obligation to update such information in the future. USA Technologies' actual results in the future may differ materially from those projected in the forward looking statements due to risks and uncertainties that exist in USA Technologies' operations and business environment including but not limited to: the ability to achieve positive cash flow, including the ability to keep expenses at current levels; the ability to maintain or increase revenues in the future; the ability to install our products or sell our products in the future, including the e-Suds machines, Sony kiosks, or the willingness of ZiLOG customers to use our network; the risk of commercialization of USA's Technologies' products, including completion of the e-Port software on the ZiLOG chip; and whether our patents are valuable and present licensing opportunities.

SIGNATURES

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

USA TECHNOLOGIES, INC.

By: /s/ George R. Jensen, Jr.

George R. Jensen, Jr.
Chief Executive Officer

Dated: January 22, 2004

EXHIBIT INDEX

Exhibit No. -----	Description -----
10.1	Strategic Alliance Agreement dated October 8, 2003 by and between USA Technologies, Inc. and Conopco, Inc. dba Unilever Home & Personal Care North America
99.1	Speech of George R. Jensen, Jr. at January 16, 2004 Annual Shareholder's Meeting

Strategic Alliance Agreement

This Strategic Alliance Agreement is made this 8th day of October 2003, by and between USA Technologies, Inc., a Pennsylvania corporation ("USA"), and Conopco, Inc. dba Unilever Home & Personal Care North America, a New York corporation ("Unilever").

Background

USA is a provider of an unattended laundry injection system known as e-Suds, all as more fully described in Exhibit "A" hereto ("USA e-Suds System"). Unilever is a provider of laundry detergent and conditioners, all as described in Exhibit "B" ("Unilever Products"). As more fully set forth herein, the parties have entered into a strategic alliance pursuant to which Unilever shall act as a supplier of Unilever Products to USA for use in the USA e-Suds System at the point of consumption in colleges and universities across the United States.

Agreement

NOW THEREFORE, intending to be legally bound hereby, the parties hereto agree as follows:

1. Sale of Unilever Products. During the term of this Agreement, USA agrees to purchase from Unilever and Unilever agrees to sell to USA the Unilever Products for dispensing through the USA e-Suds Systems to be located in colleges and universities across the United States. USA agrees to pay Unilever \$35.36 per 5 gal. box (168 3.8oz. Doses) of laundry detergent and \$138.40 per 5 gal. Box (640 1oz. Doses) of conditioner. USA will monitor usage of Unilever Products at the various locations and order Unilever Products as necessary. Each purchase of Unilever Product shall be governed by Unilever's standard terms of sale. USA shall be entitled to a 2% early payment discount calculated on the gross invoice for payments received within 19 days for checks and within 29 days for electronic funds transfers. Unilever agrees (at its cost) to deliver the Unilever Products directly to the laundry operators as reasonably instructed by USA; provided, however, each such operator shall have no more than one location.

Any damaged or unusable Unilever Products received by a laundry operator for use with a USA e-Suds System will be returned to Unilever and credited to USA in accordance with Unilever's Unsaleable Merchandise Policy attached hereto as Exhibit "C".

USA agrees that the fee per box of laundry detergent and conditioner may be increased by Unilever in the event of a price increase to Unilever by its suppliers. The pricing will be reviewed each semester and any increase shall be conditioned upon Unilever's production of documentation to USA that reasonably substantiates the increase in costs to Unilever.

2. Unilever Payments.

A. Investment Payments. Subject to the provisions of this Section 2, Unilever shall pay to USA a fee based upon the number of injections of Unilever Products in the USA e-Suds Systems during the term hereof as set forth below (the "Investment Payments").

Semester	Cost Per Injection	Number of Forecasted Installations*
Spring 2004	\$.1443	-0-
Fall 2004	\$.1443	2,000
Spring 2005	\$ 0.07	4,950
Fall 2005	\$ 0.07	10,000
Spring 2006	\$ 0.05	24,000
Fall 2006	\$ 0.05	50,000
Spring 2007	\$0.045	67,500
Fall 2007	\$0.045	100,000
Spring 2008	\$ 0.04	152,500
Fall 2008	\$ 0.04	250,000

*To be installed by February 1st and September 1st of each semester.

The "Spring" semester means the four months of February through May and the "Fall" semester means the eight months of June through January. For purposes of the above, the cost per each injection does not change based on the product dispensed. The cost per injection applies separately to detergent as well as conditioner. For example, if a student injects detergent and conditioner for one load of wash, it is counted as two (2) injections.

B. Pre-Investment Payments. In order to facilitate the acceptance of the USA e-Suds Systems into the marketplace, Unilever agrees to make a nonrefundable payment to USA as described below ("Pre-Investment Payment"). USA shall distribute the Pre-Investment Payments to the various operators to optimize the performance of the e-Suds business. USA distributions of Pre-Investment Payments may also include but are not limited to operator subsidies, trade events, trade advertising, and/or other pertinent market development fees. Distributions of Pre-Investment payments will be limited to operators who agree to allow branding of their machines with the Unilever "all" logo. Branding will be with a sign that includes the "all" logo and the slogan "You can have it all" that is on the order of 3 inches by 10 inches. These signs will be provided at Unilever's expense but installed by the operators in a manner as approved by Unilever. The Pre-Investment Payment for the injection fees shall be paid in advance of each semester as set forth below:

Semester -----	Pre-Investment Payment -----	Payment Date -----
Fall 2003	\$ 200,000.00	12/15/2003
Spring 2004	-	-
Fall 2004	\$ 72,037.00	11/15/2004
Spring 2005	\$ 145,530.00	03/15/2005
Fall 2005	\$ 249,480.00	11/15/2005
Spring 2006	\$ 519,750.00	03/15/2006
Fall 2006	\$ 631,496.25	11/15/2006
Spring 2007	\$ 935,550.00	03/15/2007
Fall 2007	\$1,268,190.00	11/15/2007
Spring 2008	\$2,079,000.00	03/15/2008

Beginning with Fall 2004 semester, the Pre-Investment Payments shall be decreased (but not increased) by multiplying the relevant Pre-Investment Payment by the following formula (the "Fulfillment Index"):

[# of installed washing machines on the first day of the month in which the calculation is made times the average # of injections per machine for the prior semester]

[# of machines forecasted for the current semester times 693]

USA shall calculate and deliver to Unilever a detailed calculation of the Fulfillment Index and Pre-Investment Payment, as adjusted, by each February 15th and September 15th during the term of this Agreement.

C. Sales in Excess of Pre-Investment Payment. The Pre-Investment Payment shall be credited towards the Investment Payment based on the actual injections made during the applicable semester(s) at the rates set forth in Section A, above. When the Pre-Investment Payment is entirely offset, USA will invoice Unilever for the amount of the Investment Payment due as a result of such excess. USA will provide such invoice on a quarterly basis with payment due by Unilever within thirty (30) days of receipt of the invoice.

3. USA Duties. During the term of this Agreement, USA, working with existing operators, will provide, place, network and manage new USA e-Suds Systems in colleges and universities located in the United States. The e-Suds services made available by USA will include:

- o Processing non-cash transactions
- o Selling detergent and conditioner (consumables) at the point of consumption
- o Monitoring of consumable volume to ensure efficient supply chain management
- o Monitoring of machine status to ensure machines are operating at top performance
- o Usage reporting to include consumables usage on a college and university basis by product SKU
- o Online availability of machines
- o E-mail notification to student machine users when wash and dry cycles are complete
- o Prioritizing, managing and reporting of the machine installation schedule
- o Calculating the formula described in Section 2.B and the amount of Investment Payment due each semester pursuant to Section 2.C
- o Managing initial investment fund transactions and continuing operations with USA e-Suds systems operators
- o All gang controllers included in the system will be branded with a sign that includes the all logo and the slogan "You can have it all" that is a maximum size of 2.5 inches by 6.75 inches. These signs will be provided at Unilever's expense but installed by USA and/or the operators.
- o All e-mail alerts for the system will be branded with a message that includes the all logo and the slogan "You can have it all". Unilever will provide these messages to USA.
- o Using its best efforts to obtain access for Unilever to laundry operators facilities and systems for additional branding opportunities, at Unilever's expense, including, but not limited to, laundry machines, websites, keycards, banners, and liquid box packaging
- o Insuring that the correct dosage of detergent is injected into the machine as directed from time to time by Unilever

4. Unilever Duties. During the term of this Agreement, Unilever shall perform the following:

A. Supply the Unilever Products to USA from time to time as described in Section 1 hereof;

B. Deliver to USA the Pre-Investment Payments as set forth in Section 2 hereof;

C. Deliver to USA the Investment Payments as set forth in Section 2 hereof; and

D. Provide the required engineering personnel and expertise to design and implement the cabinet and pumping lines into the washing machines to be used by the USA e-Suds Systems covered by this Agreement.

5. Technical Collaboration. Following the date hereof, and upon the request of USA, USA and Unilever shall work together to integrate their respective equipment and systems so that a seamless USA e-Suds System can be provided to the marketplace. USA and Unilever shall have regular meetings to discuss development plans.

6. Competition.

A. During the term hereof, Unilever shall solely and exclusively utilize the USA e-Suds System in the college and university market in the United States for the automated delivery of Unilever Products to unattended laundry machines, and shall not, directly or indirectly, in any manner whatsoever, promote, utilize or recommend any other brand or type of service or products which are similar to the USA e-Suds System in such market.

B. During the term hereof, USA shall solely and exclusively utilize Unilever Product for the USA e-Suds System in the college and university market in the United States for the automated delivery of laundry detergents and conditioners to unattended laundry machines, and shall not, directly or indirectly, in any manner whatsoever, promote, utilize or recommend any other brand or type of product which are similar to Unilever Products in such market.

7. Trademarks.

A. During the course of its performance of this Agreement, USA shall be entitled to use the trademarks of Unilever only as specifically provided in this Agreement or as otherwise approved in writing by Unilever in advance. USA acknowledges that Unilever is the exclusive owner of such names and marks. USA further acknowledges that USA has no other license or similar right with respect to such marks and names, and covenants that it will neither claim nor assert any such right by reason of this Agreement or otherwise.

B. During the course of its performance of this Agreement, Unilever shall be entitled to use the trademarks of USA only as specifically provided in this Agreement or as otherwise approved in writing by USA in advance. Unilever acknowledges that USA is the exclusive owner of such names and marks. Unilever further acknowledges that Unilever has no other license or similar right with respect to such marks and names, and covenants that it will neither claim nor assert any such right by reason of this Agreement or otherwise.

8. Confidentiality.

A. 1. Except as expressly permitted by this Agreement, Unilever shall not, directly or indirectly, at any time from and after the date hereof, make any use of, exploit, disclose, or divulge to any other person, firm or corporation, any trade or business secret, information, documents, know-how, data, software, samples, specifications, formulae, technical descriptions, method or means, or any other confidential information concerning the business or policies of USA, or the USA e-Suds System, that Unilever learned as a result of, in connection with, through its association with, or through its affiliation with USA, whether or not pursuant to this Agreement.

2. Except as expressly permitted by this Agreement, USA shall not, directly or indirectly, at any time from and after the date hereof, make any use of, exploit, disclose, or divulge to any other person, firm or corporation, any trade or business secret, information, documents, know-how, data, samples, specifications, formulae, manufacturing processes, technical descriptions, method or means, or any other confidential information concerning the business or policies of Unilever, or the Unilever Products, that USA learned as a result of, in connection with, through its association with, or through its affiliation with Unilever, whether or not pursuant to this Agreement.

3. The restrictions set forth in subsections 1 and 2 above shall not apply to the extent that such confidential information either:(i) was known to the recipient prior to the disclosure thereof by the disclosing party as shown by written records; or (ii) is, or hereafter becomes, other than through the fault of the recipient, generally available to the public; or (iii) is disclosed to the recipient by a third party in under no obligation to keep such information confidential; or (iv) is developed by the recipient independently of any disclosures made hereunder, as evidenced by the recipient's written records.

B. Except relating to the design and implementation of cabinet and pumping lines into washing machines to be used by the USA e-Suds Systems and as otherwise expressly agreed to between USA and Unilever, all documents, data, know-how, designs, inventions, names, method or means, materials, software programs, hardware, configurations, information, or any other materials or data of any kind furnished to Unilever by USA, or developed by Unilever on behalf of USA or at USA's direction or for USA's use, or otherwise devised, developed, created, or invented in connection with Unilever's affiliation with USA, jointly or otherwise, and which relate to the USA e-Suds System or USA's network technology, are and shall remain the sole and exclusive property of USA, and Unilever shall have no right or interest whatsoever thereto, including but not limited to any copyright or patent interest whatsoever. Unilever shall if requested, execute any legal instruments deemed necessary by USA to carry out the foregoing. Except as otherwise expressly agreed to between USA and Unilever all documents, data, know-how, designs, inventions, names, method or means, materials, software programs, hardware, configurations, information, or any other materials or data of any kind furnished to Unilever by USA, or developed by Unilever on behalf of USA or at USA's direction or for USA's use, or otherwise devised, developed, created, or invented in connection with Unilever's affiliation with USA, jointly or otherwise, and relating to the design and implementation of cabinet and pumping lines into washing machines to be used by the USA e-Suds Systems, are and shall remain the sole and exclusive property of Unilever, and USA shall have no right or interest whatsoever thereto, including but not limited to any copyright or patent interest whatsoever. USA shall if requested, execute any legal instruments deemed necessary by Unilever to carry out the foregoing. Notwithstanding anything else set forth herein, in no event shall USA have any right, title or interest in or to any formulations or product material relating to the Unilever Products.

C. Upon the termination or expiration of this Agreement, or at such earlier time as either party may request, each party shall return to the other party such confidential information within its possession or control.

D. Each party agrees that it will make available the other party's confidential information to persons within its organization only on a "need to know" basis and that all persons to whom such confidential information is made available will be made aware of the strictly confidential nature of such confidential information and the restrictions placed hereunder on the use thereof.

9. Proprietary Software.

A. Unilever acknowledges and agrees that the computer programs, computer software, electronic images, computer codes, computer configurations, and sounds ("Software") contained in or utilized by the USA e-Suds System are proprietary and confidential to USA and protected under United States copyright law. USA shall retain all right, title and interest in and to the Software and the USA e-Suds System. Unilever shall not copy, modify, adopt, translate, merge, reverse engineer, decompile, or disassemble, the Software or the USA e-Suds System, or create any derivative works based on the Software or the USA e-Suds System.

B. Unilever shall retain all right, title and interest in and to the Unilever Products. USA shall not copy, modify, adopt, translate, merge, reverse engineer, decompile, or disassemble, the Unilever Products, or create any derivative works based on the Unilever Products.

10. Expenses. Unless otherwise specifically agreed to by the parties, any and all expenses, costs, obligations, or liabilities whatsoever incurred by the parties in connection with the performance of this Agreement shall be borne solely and exclusively by the party incurring such expense, cost, obligation or liability.

11. Term.

A. This Agreement shall commence on the date hereof and terminate upon the expiration of the 2008 Fall semester. Notwithstanding anything else set forth herein, if and whenever any party hereto shall default in the performance of any of the provisions of this Agreement, and the default shall continue unremedied for a period of sixty-days after receipt of written notice by the party in default, then upon the expiration of said sixty-day period, the party giving said notice may, at its option, terminate this Agreement by written notice of termination to the defaulting party. In addition, Unilever may terminate this Agreement immediately if the Fulfillment Index is equal to or less than 0.90 for two consecutive semesters. Any failure to terminate hereunder shall not constitute a condonation or waiver of subsequent defaults. In the event of any such termination, other than any payment otherwise due hereunder which is attributable to the period prior to such date of termination, and except as provided otherwise hereunder, this Agreement shall be null and void and of no further effect. The termination of this Agreement shall not limit, modify or affect any cause of action that may otherwise exist for any breach of this Agreement by either party hereto.

B. Rights of First Refusal. If at any time within five years following the expiration of this Agreement pursuant to subsection A. above, USA shall desire to have any person or entity other than Unilever (the "Third Party"), supply products similar to the Unilever Products for use in the USA e-Suds System in colleges and universities across the United States, then USA shall give prompt written notice (referred to in this Section as the "Notice") of that desire to Unilever, together with a copy of a bona fide binding written proposal. Unilever shall have the right, but not the obligation, within thirty (30) days after receipt of the Notice, to elect to be the supplier of Unilever Products to the USA e-Suds System upon the terms and at the prices set forth in the proposal. In the event Unilever desires to exercise its right of first refusal, Unilever must provide written notice of that election to USA within said thirty (30) day period after the receipt of the Notice. Non-delivery of written notice by Unilever within the thirty (30) day period shall be conclusive of the fact that Unilever chooses not to exercise its rights hereunder; provided, however, such failure to exercise such right shall not extinguish Unilever's right of first refusal for subsequent periods during the five year period following the expiration of this Agreement. In the event Unilever fails to exercise its option, then USA may proceed with the proposal only pursuant to the price and upon all of the terms and conditions thereof. This subsection B shall not be applicable if this Agreement is terminated pursuant to subsection A due to a breach by Unilever hereby.

C. Notwithstanding anything else set forth herein, all of the terms and conditions of Sections 7, 8, 9 11.B, 13 and 17 hereof shall survive the expiration or termination of this Agreement.

12. Relationship of Parties. USA, on the one hand, and Unilever, on the other, acknowledge and agree that each of them are independent contractors hereunder, and that nothing contained in this Agreement shall deem to have made them partners, joint venturers, or otherwise. In this regard, except as specifically provided otherwise herein, neither of their respective officers, employees, or agents shall be employees, officers, or agents of the other, and neither party shall have the power or the authority to obligate or bind the other.

13. Indemnification.

A. USA agrees to reimburse, indemnify and hold Unilever (as well as its employees and agents) harmless from and against all losses, claims, attorney's fees, liabilities, costs, damages, judgements, settlements, and/or expenses which Unilever (or its employees or agents) sustains or incurs as a result of the breach of this Agreement by USA, and/or from the negligent or willful acts or omissions of USA in the performance of this Agreement, and/or arising from or in connection with the use by a location of USA's e-Suds System. USA's obligations under this Section shall survive the termination of this Agreement.

B. Unilever agrees to reimburse, indemnify and hold USA (as well as its employees and agents) harmless from and against all losses, claims, attorney's fees, liabilities, costs, damages, judgements, settlements, and/or expenses which USA (or its employees or agents) sustains or incurs as a result of the breach of this Agreement by Unilever, and/or from the negligent or willful acts or omissions of Unilever in the performance of this Agreement, and/or arising from or in connection with the use by a location of Unilever Products. Unilever's obligations under this Section shall survive the termination of this Agreement.

14. Good Faith, Inspection Rights.

A. USA and Unilever shall cooperate with each other in good faith to attempt to resolve any business issues which may arise in the future from time to time. In this regard, the parties shall take any appropriate actions and execute and deliver any appropriate documents which may be necessary or appropriate to carry out the transactions contemplated by this Agreement.

B. From time to time during the term of this Agreement, Unilever or its designee, upon prior written notice to USA and during regular business hours at USA's offices, may inspect and make copies of all records maintained by or under the control of USA relating to USA's books, records and systems in order to audit USA's compliance with this Agreement, including the prices charged to Unilever hereunder; provided, however, such inspections shall not take place more than once every ninety (90) days.

15. Notices. Any notices or consents required or permitted by this Agreement shall be in writing and shall be deemed delivered if delivered in person or national overnight courier or sent by certified mail, postage prepaid, return receipt requested, as follows, unless such address is changed by written notice hereunder:

If to USA:

USA Technologies, Inc.
100 Deerfield Lane, Suite 140
Malvern, Pennsylvania 19355
Attn. President

If to Unilever:

Unilever Home & Personal Care North America
33 Benedict Place
Greenwich, Connecticut 06385
Attn. President

With a copy to:

Conopco, Inc.
390 Park Avenue
New York, New York 10022
Attn. General Counsel

16. Applicable Law. The substantive laws of the Commonwealth of Delaware (without regard to its conflicts of laws rules) shall govern the construction of this Agreement and the rights and remedies of the parties hereto. The headings of the Sections of this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation. If any provision of this Agreement is held to be invalid, the same shall not affect the remaining provisions of this Agreement which shall continue in full force and effect.

17. Arbitration. All disputes, controversies, or misunderstandings whatsoever arising out of or in connection with this Agreement, shall be settled and resolved by binding arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The arbitration shall be convened in the City of Wilmington, Delaware and shall be conducted by a single arbitrator. The costs and expenses of the arbitration, as well as the arbitrator's compensation shall be paid by the parties as shall be determined by the arbitrator. The parties intend that this Section shall survive the termination of this Agreement. The decision and award of the arbitrator shall be final and binding upon the parties and judgment may be entered on the award in any court of competent jurisdiction.

18. Binding Effect. This Agreement shall inure to the benefit of, and shall be binding upon, the respective permitted successors and assigns of the parties hereto; provided, however, that neither USA nor Unilever shall assign this Agreement in whole or in part without the prior written consent of the other. This Agreement constitutes the entire agreement between the parties hereto, and may only be amended or modified by a writing signed on behalf of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement on the day and year first above written.

USA TECHNOLOGIES, INC.

CONOPCO, INC.
dba Unilever Home & Personal Care
North America

By: /s/ Stephen Herbert

Name: Stephen Herbert
Title: President

By: /s/ Bob Shipley

Name: Bob Shipley
Title: General Manager, Laundry
and Homecare

CHAIRMAN'S REMARKS

The following remarks contain forward looking statements and the Company's actual results may differ materially from those projected in the remarks. Additional information concerning factors that could cause the actual results to materially differ from those in the forward-looking statements can be found in the Company's Report on Form 10-KSB for the fiscal year ended June 30, 2003, and in the Company's registration Statement on Form SB-2 (File No. 333-101032) filed December 19, 2003 with the Securities and Exchange Commission, including the Risk Factors section thereof.

Good morning ladies and gentlemen.

Thank you for coming to our annual Shareholders Meeting.

I'm delighted to see you all.

Over the next couple of hours it will be the pleasure of my team and I to bring you up to date on the company's performance and outlook

We'll cover every aspect of the business

- -- our finances
- -- our accomplishments
- -- new products
- -- new customers
- -- and, what you can expect from USA Technologies moving forward

Let me begin by saying that we have turned the corner

- -- sales momentum is accelerating
- -- revenues are growing at record rates
- -- and, our products are winning prestigious awards

We have entered the growth stage of our business

- -- our balance sheet has never been better
- -- the company is sound
- -- the future has never looked better

And I have never been more confident that sales will continue to grow, and faster than ever before.

The past two quarters saw remarkable growth

And December was our best month -- ever.

It's with a lot of pride that I report sales revenues for the month of December 2003, were in excess of \$1 million

- -- our first million dollar month!

And we finished the quarter ending December 31 with \$1.8 million in revenues

That's another record

- -- it's also 230 percent growth over the same quarter the previous year

Not only was December our first million dollar month, but it puts us within reach of going cash flow positive

\$1.4 million a month makes us cash flow positive

- -- this is the moment we've all been waiting for
- -- it's so close

Because of all the business we have in the pipeline, we're forecasting revenues of between \$8-10 million by June 30, the end of the 2004 fiscal year.

Think about it

- -- we did \$2.8 million last fiscal year

- -- we expect to do \$8 -10 million this fiscal year
- -- that's a 300 percent increase

Some of the business in the pipeline is with Fortune 500 companies which are giants in the retail, entertainment, theme parks, and the automotive industry

Not only do we expect to be an \$8 -10 million business this fiscal year, but we expect to grow to between \$25-30 million the following year

The acquisition of Bayview Technologies Group

- -- makers of our new energy management solutions
- -- has played a significant role

Most of the recent revenue growth occurred in three key areas of our business

- -- big orders for our VendingMisers and CoolerMisers
- -- a sudden surge in sales of our e-Port terminals
- -- and, growth in our Business Express Business Center offerings

We estimate we sold nearly 6,000 of our various terminal products in December alone

As a result, USA Technologies is entering 2004 with record sales and with its strongest balance sheet in history

- -- we have positive shareholder equity of \$17.5 million
- -- and, we have 50 patents with hundreds of patent claims to protect the opportunity

Just 1 year ago, our shareholder equity was \$900,000 and monthly sales were \$250,000

- -- what a remarkable turnaround - \$17.5 million in shareholder equity and a million in sales in one month.

Let's quickly recap some of our key accomplishments over the past six months, or so:

- -- We announced restructuring of our go-to-market strategy, assigning new leadership to strengthen focus on our core markets
- -- We expanded our Business Express product line to include customized offerings to meet every budget and need
- -- We announced the co-marketing agreement with Vending Management Services Limited, subsidiary of Coca-Cola Amatil
- -- Swank Audio Visuals selected us as its exclusive provider of automated business center services to compliment its audio visual service to hotels in more than 45 major cities nationwide
- -- Austin Energy, of Austin, Texas, began to deploy the VendingMiser on 4,400 of the city's soft drink machines
- -- e-Port was chosen as the solution of choice to equip vending machines dispensing Playtex brand Banana Boat sunscreen products
- -- Albertson's, one of the world's largest food and drug retailers, announced it was installing our Intelligent Vending and energy management solutions at 1,100 of the company's supermarkets and drugstores
- -- Clark County School District, Las Vegas, reported it would install VendingMisers on nearly 3,000 soft drink machines in schools across the County, becoming the first school district to initiate an energy policy district wide

- -- We announced a strategic agreement with Kinko's one of the world's biggest document development and copying businesses, linking Kinko's offices with our Business Express centers in hotels across the Nation
- -- Business Express won the two top awards at the International Hotel, Motel and Restaurant Show held in New York. We won best product, and best new technology
- -- Unilever announced it had entered into a five year, multi-million dollar strategic alliance with us, targeting the 7-million student laundry market

All these developments, and more have contributed towards our growing success and generated news headlines

The USA Technologies' pipeline has never been richer with product, services, solutions ... and business opportunity.

Our business partners and customers are some of the most powerful and influential names in the IT, networking, vending, point-of-sale, wireless, multimedia, entertainment, amusement parts, automotive and laundry industries

How many companies with just 42 employees can point to global giants like IBM, Sony, Coke, Dr Pepper, Unilever, Kinko's, Disney, Mars Electronics, Marriott Hotels, Sprint and ZiLOG ... and say: "They are our partners or customers."

We recently commercialized e-Suds and now have Unilever as a strategic partner

- -- the first Unilever/eSuds operations are being installed in colleges starting this coming Spring Break
- -- And more will be rolled out during the Summer

Unilever is investing \$2 million in the project, and this is a company that doesn't invest that kind of money without doing its research

They see the e-Suds alliance as a major new initiative, taking their brand into an entirely new market

And the e-Suds technology will incorporate the new ZiLOG web-enabled chip with our software.

Which brings me to our partnership with ZiLOG

- -- an alliance to put our e-Port software on their new web-enabled computer chip

The chip with our software is nearing completion -- it will be ready this coming Spring

ZiLOG has more than 4,000 customers and sells 150 million chips a year

We're already planning a worldwide marketing campaign with ZiLOG senior executives

- -- we'll be visiting some of ZiLOG's key customers to promote our new solution
- -- and, naturally, we're excited

This, after all, is a solution that will help us break into the multi-billion dollar point-of-sale marketplace -- it's an industry ZiLOG dominates

As I've said previously, the ZiLOG connection is vitally important to our growth over the next three to four years

Allow me to explain ...

ZiLOG is forecasting in the first year alone, they will sell more than one million web-enabled chips which have our e-Port software and they expect one-third of these customers will connect to our network

Now let's take a closer look at what a million connections translates into for our company...

We typically charge \$120 a year in service fees and expect to net \$60 per year per connection.

With our other revenue streams covering the cost of running the Company and then some, a million connections could add up to \$60 million in after tax profits

That would translate into approximately 15 cents in earnings per share on a fully diluted basis.

The Standard & Poors PE ratio today is 27, and with the same PE ratio we would have a \$4 stock price.

This is the potential promise of a million connections and the importance of the ZiLOG partnership, and it starts this Spring

One million connections over the next three to four years

- -- that's our vision for building tremendous shareholder value.

This spring we will also be launching our new Generation 5 e-Port

Now consider this

- -- our expected cost for the G5 e-Port is under \$100 versus \$300 for our G-4
- -- and we intend to sell it for just under \$200,
- -- that's less than a typical bill acceptor or coin collector which sells for \$200

This will make the e-Port highly desirable and competitive

The G5 is cheaper for the customer

- - - and it delivers us a much better profit opportunity

How many of you remember our first e-Port prototype

- - - it cost \$1,500

- - - we've come a long way

In our price sensitive marketplace, we knew we had to get the price down -- and we did

The ZiLOG initiative will dramatically reduce the cost of manufacturing and installing our e-Port technology into vending machines...

...all the way down to below \$100 a unit for our basic bread and butter e-Port.

Then we add another \$120 a year service fee on each sale, making it even more profitable.

Just consider what we have accomplished in last year's very challenging time.

We were still able to complete the commercialization of our products, achieve record sales, and vastly improve our balance sheet.

Now we're taking our products to the next level, bringing the cost down to where everyone will be able to afford them... and, will want to buy them.

We're also working with Sony, to develop their PictureStation solution

It's our entrance into the lucrative kiosk market

- - - these are very high end kiosks

- - - where customers take their digital film for development

- - - they inject the memory card

- - - swipe a credit or debit card

- - - and out come the prints ... simple as that

We already have five operating successfully in the marketplace

We expect Sony to roll out more than 10,000 kiosks over the next two years.

Just this week we announced a partnership with Motient, owner and operator of the nation's largest two-way wireless data network

Together, we're bringing wireless data connectivity and cashless vending to the entertainment, travel and hospitality industries across America

We've already launched the solution successfully into multiple vending markets, including the prestigious Disney Orlando theme park

We're ambitious and aggressive

- - with Motient alone we expect to bring 10,000 vending machines on line inside the next 12 months

The Motient-activated e-Ports have already attracted the attention of some very prestigious and influential customers

They see low cost wireless connectivity and the e-Port as the way to bring innovation to their vending accounts, providing greater convenience and ease of use for everybody -- the end-user consumer -- and the vending operator

Finally, there's telematics...a gigantic opportunity in the automotive industry Telematics is a name for internet wireless devices that provide a variety of features in automobiles and trucks...

- - Global positioning;
- - Security against theft;
- - The ability to receive content;
- - Alert motorists of impending service requirements, or mechanical failure; and
- - Help in the case of accidents

In the next few years, almost half of all cars on the road will be equipped with telematics,

- - and we have two vital telematics patents for the industry
- - patents, that will be valuable to us for licensing revenue.

We closed an exciting calendar year, with numerous successes, and we enter the New Year with our best balance sheet ever.. and sales are accelerating.

How did we get here?

- - we raised \$15 million in equity
- - we extended for three years \$4 million in convertible notes at 20 cents that were due last December
- - we extended for three years another \$4 million in notes at 20 cents due December 2004
- - we acquired Bayview Technologies, an extremely well timed acquisition
- - we took our patents issued from 22 to 50 patents issued and have another 35 pending

And now we're reaping the benefits

- - a record \$1 million in sales last month
- - two consecutive record quarters
- - approaching cash flow positive

We have a sound business model, generating revenue from a variety of areas

- -- from sale of hardware
- -- service fees that we take out of the electronic flow of funds for our services
- -- we generate revenues from each transaction made
- -- and from licensing, an entirely new revenue stream

We are not dependent on any one industry, any one product, or any one customer

We have great balance with exciting products.

And we have a global market to sell our products and services to - it's an open ended market opportunity

The global opportunity is especially true for our EnergyMiser solutions

Vending machines typically cost a location owner \$400 per year per machine in electricity costs.

Our EnergyMiser solutions can reduce that cost by almost half

They are tried and proven solutions, with nearly 100,000 already in the marketplace

Energy in Europe is about 50 percent higher than in the States

- -- we intend to break into the European marketplace
- -- and be a big player

The future has never looked brighter for all our products

Just last month the major media reported that in 2003 more transactions were made with credit/debit cards, than with cash, and CBS Market Watch indicated that credit card vending over the next few years will become commonplace.

We've never been better prepared

- -- Never been better positioned

I said at the beginning of my remarks that we have turned the corner... that we are entering the growth phase of our business

The success we've all been waiting for is within reach

We are on the brink of becoming a world class company... a time when USA Technologies becomes a household name

The economy is turning, and beginning to grow

And research shows that the markets we are targeting are ready to take off

2004 is going to be our year

I hope you feel the same.

Thank you.