

As filed with the Securities and Exchange Commission on November 5, 2002.

Registration No. 333-

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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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Philadelphia, PA 19103-7015
(215) 665-9300

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 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

Title of each class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit(35)	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
400,000 shares(8)		\$.16	\$ 64,000	\$ 5.88
6,105,000 shares (9)		\$.16	\$ 976,800	\$ 89.86
11,631,253 shares (10)		\$.40	\$4,652,501	\$ 428.03
29,988,062 shares (11)		\$.20	\$5,997,612	\$ 551.78
20,720,051 shares (12)		\$.16	\$3,472,922	\$ 319.51
1,009,445 shares (13)		\$.16	\$ 161,511	\$ 14.86
2,534,714 shares (14)		\$.16	\$ 405,554	\$ 37.31
3,560,000 shares (15)		\$2.88	\$10,252,800	\$ 2,809.27
1,200,000 shares (16)		\$2.25	\$ 2,700,000	\$ 712.80
895,000 shares (17)		\$1.31	\$ 1,172,450	\$ 293.11
7,395,440 shares (18)		\$.69	\$ 5,102,854	\$ 1,275.71
4,069,184 shares (19)		\$.69	\$ 2,807,736	\$ 701.93
318,000 shares (20)		\$2.88	\$ 915,840	\$ 228.96
449,000 shares (21)		\$5.00	\$ 2,245,000	\$ 561.25
463,800 shares (22)		\$5.00	\$ 2,319,000	\$ 579.75

33,400 shares (23)	\$4.00	\$ 133,600	\$ 33.40
158,500 shares (24)	\$4.00	\$ 634,000	\$ 158.50
375,000 shares (25)	\$3.90	\$ 1,462,500	\$ 482.62
139,000 shares (26)	\$4.00	\$ 556,000	\$ 161.94
893,600 shares (27)	\$1.72	\$ 1,536,992	\$ 384.25
2,340,450 shares (28)	\$2.88	\$ 6,740,496	\$ 1,685.12
5,751,080 shares (29)	\$.69	\$ 3,968,245	\$ 992.06
467,692 shares (30)	\$.69	\$ 322,707	\$ 80.67
2,472,500 shares (31)	\$2.11	\$ 5,212,440	\$ 1,268.35
8,831,840 shares (32)	\$1.15	\$11,039,800	\$ 2,759.95
1,480,000 shares (33)	\$.16	\$ 236,800	\$ 21.78
690,000 shares (34)	\$.16	\$ 110,400	\$ 10.16
Total 173,326,415 shares		\$90,134,716	\$18,022.74 (36)
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- (1) Represents shares underlying stock options granted to holders of options to purchase shares of Stitch Networks corporation.
- (2) Represents shares exchanged for shares of Stitch Networks Corporation.
- (3) Represents shares issued to employees as severance compensation.
- (4) Represents shares issued to Karl Mynyk in settlement of litigation.
- (5) Represents shares and shares underlying warrants issued to Yodi Rodrig.
- (6) Represents shares and shares underlying warrants issued to Kazi Management VI, Inc.
- (7) Represents shares and shares underlying warrants issued to Alpha Capital.
- (8) Represents shares issued to Ratner & Prestia, P.C.
- (9) Represents shares to be issued to La Jolla Cove Capital under Convertible Debenture and related warrant.
- (10) Represents shares underlying senior notes due December 31, 2004.
- (11) Represents shares underlying senior notes due December 31, 2005 and shares issued to each noteholder as part of the senior note offering.
- (12) Represents shares underlying warrants issued to holders of all senior notes.
- (13) Represents shares and warrants issued to holders of senior notes in lieu of cash interest payment for quarter ended September 30, 2002.
- (14) Represents shares and warrants issuable to holders of senior notes in lieu of cash interest payment for quarter ended December 31, 2002.
- (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 3,560,000 shares of 1999-B restricted common stock. A filing fee of \$2,809.27 was paid in connection with the filing of the previous registration statement.
- (16) 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 1,200,000 shares of 2000-A restricted common stock. A filing fee of \$712.80 was paid in connection with the filing of the previous registration statement.
- (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 895,000 shares of 2000-B restricted common stock. A filing fee of \$293.11 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 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.

(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 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.

(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 318,000 shares of common stock underlying the notes due in 2001. A filing fee of \$228.96 was paid in connection with the filing of the previous registration statement.

(21) 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 449,000 shares of common stock underlying 1995 warrants. A filing fee of \$561.25 was paid in connection with the filing of the previous registration statement.

(22) 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 463,800 shares of common stock underlying 1996 warrants. A filing fee of \$579.75 was paid in connection with the filing of the previous registration statement.

(23) 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 33,400 shares of common stock underlying 1996-B Warrants. A filing fee of \$33.40 was paid in connection with the filing of the previous registration statement.

(24) 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 158,500 shares of common stock underlying 1997 warrants. A filing fee of \$158.50 was paid in connection with the filing of the previous registration statement.

(25) 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 375,000 shares of common stock underlying 1998-A warrants. A filing fee of \$482.62 was paid in connection with the filing of the previous registration statement.

(26) 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.

(27) 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 893,600 shares of common stock underlying 1999-A warrants. A filing fee of \$384.25 was paid in connection with the filing of the previous registration statement.

(28) 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.

(29) 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.

(30) 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.

(31) 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 1,922,500 shares of common stock as well as 550,000 additional shares underlying the management options. A filing fee of \$1248.11 was paid in connection with the filing of the previous registration statement and a new fee of \$20.24 is paid herewith.

(32) This registration statement amends our registration statement on Form SB-2, Commission File No. 333-61662, and pursuant to Rule 429 of the Securities Act of 1933, as amended, carries forward 8,831,840 shares of common stock underlying senior notes due December 31, 2003 as well as the common stock issued to the holders of those notes. A filing fee of \$2,759.95 was paid in connection with the filing of the previous registration statement.

(33) Represents shares issued to employees and consultants in November 2002 for services to be rendered in the future.

(34) Represents shares issued to investors in October 2002 for \$.10 per share.

(35) Pursuant to Rule 457(g), the registration fee has been calculated at the higher of the exercise price of the warrants (or other convertible securities) relating to the above common stock or the average of the bid and asked price within 5 days prior to the date of the initial filing of the registration statement.

(36) A filing fee of \$15,149.40 was paid in connection with the filing of the previous registration statements. The balance of \$2,873.34 has been paid in connection with the filing of this 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.
173,326,415 shares of Common Stock

THE OFFERING

The resale of up to 173,326,415 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. Also, the proceeds of sales of some of the shares will be applied against our debt obligations. 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 November 4, 2002 was \$.15 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 3.

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 November 5, 2002.

No person has been authorized to give any information or to make any representations other than those contained in this prospectus and, if given or made, such information or representation must not be relied upon as having been authorized. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which the prospectus relates or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of USA since the date hereof or that the information contained herein is current as of any time subsequent to its date.

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OUR COMPANY

USA Technologies, Inc., a Pennsylvania corporation (the "Company") was founded in January 1992. Our vision is to be a major player in the 'Digital, Networked Economy' by providing the marketplace with embedded technology and associated network and on-line financial services that will help transform their businesses. The ultimate goal is to position the Company as the preferred method and industry standard for cashless micropayments and automated retailing, including wireless payment processing, and to become a leading point-of-sale, interactive media and network services company.

The Company intends to accomplish this by building on its market position in networked, unattended consumer payment systems through a new e-Business solution called e-Port . To this end, the Company has focused on developing e-Port - its cashless payment system. At a basic level, the e-Port integrates with copiers, vending machines or other host equipment and gathers information about sales and operations of the host equipment and also allows a consumer to use a credit card to make a purchase. There are capabilities for multiple forms of cashless payment processing including "micropayments", control and data management, and auditing capability for vending operators, kiosk operators and others wishing to place equipment or products on a network. With the acquisition of Stitch Networks (see below), the Company has acquired wireless connectivity in addition to the above capabilities. At an enhanced level, the e-Port contains additional capabilities, such as a display screen which could display interactive advertising/media, and could, with some additional development, allow simple e-commerce transactions while the consumer is making routine purchases from the vending machine, whether by using a credit card, smart card or any other payment device such as a cellular phone, at vending machines, convenience stores, gas pumps and other retail points-of-sale. Thus, advertisers could operate virtual electronic storefronts that could provide consumers with promotional offers at actual retail locations.

As part of its strategy to be a broad provider of network and financial services, the Company acquired Stitch Networks in May 2002 as a wholly owned subsidiary. The Company acquired Stitch to strengthen its position as a leading provider of wireless remote monitoring and cashless and mobile commerce solutions. Stitch designs and employs embedded connectivity solutions that enable network servers to monitor and control vending machines and appliances over the internet. Prior to the acquisition, on December 31, 2000, 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.

The Company is also a leading provider and licensor of unattended, credit card activated control systems for the hospitality industry (business centers). USA Technologies has historically generated its revenues from the direct sale of its control systems and the resale of configured office products, plus network service fees, plus the retention of a portion of the monies generated from all credit card transactions conducted through its control systems.

The Company has entered into a corporate agreement with Promus Hotel Corporation (Embassy Suites, Hampton, and Doubletree brands) which establishes itself as a preferred supplier of business center products for those brands. The Company's Business Express has been approved and recommended as a solution for business center needs by Marriott for its hotels.

USA Technologies is the market leader in making self-serve, credit card activated products and services available to consumers everywhere. The Company has achieved this with the sale and installation of its product, Business Express or MBE Business Express, at nearly 400 hotel, library and retail locations nationwide. Business Express and MBE Business Express offer thousands of business travelers and consumers the unprecedented opportunity to conduct e-business/e-commerce 24 hours a day with the swipe of a credit card. The Business Express gives consumers self-serve, public access to the Internet, copy and fax services, and other 'e-Business services'. At the heart of this product line is USA Technologies' networked payment solution TransAct, an automated, credit card consumer payment system which has been utilized with photocopying machines, facsimile machines, computer printers, vending machines and debit and smart card purchase/revalue stations. The Company retains all rights to software and proprietary technology that it licenses to location operators for their exclusive use. As of June 30, 2002, 394 Business Express or MBE Business Express locations are installed. The Company also markets a product line extension to the Business Express, called the Business Express Limited Service Series (LSS). The LSS has copier and fax capabilities plus laptop printing, dataport capabilities and credit card activated phone. The LSS is targeted to the hospitality mid-market, limited service and economy properties. As of June 30, 2002, 99 LSS units are included in the total of 394 Business Express or MBE Business Express locations installed. The Company also sells its TransAct credit card device and payment system as a standalone offering to the world's leading office equipment manufacturers and distributors. The Company established a TransAct Authorized Reseller Program to sign up various independent and national dealers and distributors. As of June 30, 2002, 13 dealers are participating in the program.

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 various 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. Through June 30, 2002 total license and transaction fee revenues received by the Company from these systems, although growing, has not been sufficient to cover operating expenses.

The Company has been designated as an authorized equipment reseller by International Business Machines Corporation and Hewlett-Packard. The Company believes that it benefits from the association of its control systems with the well-known brands of business equipment manufactured by these companies.

We have been granted 15 patents related to our technology, and our wholly owned subsidiary, Stitch Networks, has been granted one. One patent is in the area of networked vending machines and credit card technology - including the use of smart cards. Another is a patented method of batch processing which enables consumers to engage in cashless micropayments. Fifty other domestic and foreign patents are pending.

Currently, the Company has as its core business two key components: cashless control systems (basically, the hardware); and a financial services and auditing network. A third future component is a proposed interactive media and ad serving network.

The FIRST component is our cashless control system, e-Port , or its predecessor technology, TransAct . TransAct , as outlined above, is currently installed in locations throughout North America while e-Port was unveiled in October 2000 at the National Automatic Merchandising Association (NAMA) convention in New Orleans, the world's largest vending trade event.

The e-Port is designed to be a flexible and versatile embedded system device. While initially targeted to the vending industry, our technology may be applied in other industries such as copiers, retail point of sale, mass transit, and wherever pervasive computing, embedded systems and other cashless payment systems are used. e-Port technology is available in three primary configurations. By offering these options, the Company believes that it would provide a complete set of solutions and applications to solve the needs of customers and industries from the smallest to the largest and most demanding.

- - Audit. The audit only e-Port is an embedded device that can be integrated

with existing copiers, vending machines or other 'host' equipment. 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.

- - Audit/Cashless. This version of e-Port can, in addition to gathering

information about the sales and operation in the host equipment (the auditing portion), allow a user to use a credit card or other cashless method to make a purchase (as well as cash). This version will allow a user to make multiple purchases with one credit card transaction. This unit relays both the credit and cash sales information back to a network along with the audit information. The acquisition of Stitch Networks has added multiple forms of wireless connectivity to the above capabilities, including RFID (radio frequency identification) and cell phone.

- - Audit/Cashless/Interactive. In addition to the above benefits of network

control and remote monitoring, increased sales opportunity provided by the credit cards, and wireless connectivity, this interactive capability provides potential for revenue generation through interactive advertising on the LCD screen.

e-Port features multiple connectivity options. These include the ability to send and receive data via land lines, radio waves (like a home cordless phone), wireless modems, and always-on phone connections. The telecom and internet connections offered by Sprint support the hardware developed by the Company. USA Technologies and Sprint have agreed to a partnership allowing its customers access to many connectivity options at superior service levels and pricing.

The Company has contracted with two manufacturers for e-Port . Masterwork Electronics Corporation, a leader in the manufacture of electronics for the vending industry, manufactures the version of e-Port without the LCD color touch screen. The other manufacturer, RadiSys Corporation, is a leader in developing and mass-producing embedded systems, and has produced the e-Port with the LCD screen and internet and advertising capability. The Company entered into a Development and Manufacturing Agreement ("DMA") with RadiSys in June, 2000. RadiSys has significant manufacturing expertise in the embedded chip market and is partially owned by Intel. This e-Port client uses programming developed by IBM simultaneously with IBM's work to enhance the "USALive" server network, all of which became available as an integrated package as of April, 2002, offering internet connectivity and screen capability in addition to the audit and cashless functions.

Our customers' terminals are currently integrated into a network that enables terminal users to easily access basic audit information, conduct unattended credit card transactions, turnkey banking, and micropayments. The Company together with IBM Global Services has developed an enhanced network, which is IP compliant and has wireless capability. The Company anticipates that an additional \$0.5 million may be incurred and expensed for legacy integration and specific vending machine integration in the first half of fiscal 2003.

The SECOND component involves financial services and auditing. This capability provides users with auditing capability as well as turnkey credit card and banking capability.

- - USA utilizes a patented method of batch processing in order to conduct affordable credit card transactions of as little as \$1.00.

- - USA provides users of the e-Port and TransAct with the ability to instantly accept credit cards in an unattended location.

- - USA acts as a 'super merchant' for its customers - thereby helping them to avoid getting certified with credit card processors to do unattended transactions.

- - USA provides all the refunds, payments, and reporting of the credit card transactions.

- - The auditing capability of the network provides customers with detailed information on location or host equipment operation, sales, security, etc.

The THIRD component would involve serving targeted, interactive ads. These ads would be served to a more captive audience than is possible with traditional web based advertising. The targeting of media via the Company's network may be possible because the data base could be constantly updated concerning information about each e-Port : state, city, zip code, make up of users from standpoint of: income, vocation, location of the machine (school, mall, convention center, movie theater, supermarket). The Company has secured a license from DoubleClick for its advertising software for use in this regard.

For the years ended June 30, 2002 and 2001, the Company has expensed approximately \$1,187,000 and \$1,260,000, 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 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 client. 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 pursuant to SFAS 121 during the fourth quarter of 2002. Accordingly, during the fourth quarter, the Company recorded an impairment charge of approximately \$2.7 million to reflect the software development costs at fair value of approximately \$2.3 million.

OUR PRODUCT

The control systems we have developed which are used in a variety of products operate as follows:

- o The consumer swipes a valid credit card through the control system.
- o The control system transmits the request to the credit card processor.
- o The credit card processor verifies that the credit card is valid and authorizes the transaction.
- o The control system activates the equipment for use by the consumer.
- o Once the consumer finishes using the equipment, the control system transmits a record of the transaction to the credit card processor.
- o The credit card processor electronically transfers the proceeds derived from the transaction, less the credit card processor's charge, to us.
- o Finally, we forward money (check or electronic) to each location representing its share of the proceeds.

As of September 30, 2002 we had 1,171 hospitality related control systems installed in the field, which included:

- o 746 Business Express(R) or MBE Business Express(R) control systems;
- o 164 Business Express(R) Limited Service control systems; and
- o 261 TransAct(TM) control systems.

In addition, we have shipped and billed 627 e-Port(TM) control systems of which approximately 175 have been installed at vending locations in the United States. There are also 333 Cash Free 200 Kodak terminals installed.

Our executive offices are located at 200 Plant Avenue, Wayne, Pennsylvania 19087. Our telephone number is (610) 989-0340. Our website is located at <http://www.usatech.com>.

KEY FACTS

Shares being offered for resale to the public:	173,326,415
Total shares of common stock outstanding prior to the offering, as of September 30, 2002:	72,736,205

Total shares of common stock outstanding after the offering and exercise of all options/warrants:	195,974,876 (includes shares issuable subsequent to September 30, 2002)
Price per share to the public	Market price at time of resale
Total proceeds raised by offering	None, however, proceeds may be received from the selling shareholders from the exercise of the warrants and options

ABOUT OUR SELLING SHAREHOLDERS

The selling shareholders are either holders of our common stock or hold options or warrants to buy our common stock. The selling shareholders will either sell our stock in the open market, place our stock through negotiated transactions with other investors, or hold our stock in their own portfolio. This prospectus covers the resale of our stock by the selling shareholders either in the open market or to other investors.

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 and our existence may be dependent on our ability to raise capital (which may not be readily available) and generate sufficient revenue from operations.

We have experienced losses since inception. We expect to continue to incur losses through fiscal 2003 as we expend substantial resources on sales, marketing, and research and development of our products. From our inception through June 30, 2002, we have incurred cumulative losses of \$53.3 million. For our fiscal years ended June 30, 2001 and 2002, we have incurred net losses of \$10,956,244 and \$17,314,807, respectively.

There is currently no basis 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. If we fail to generate increased revenues or fail to sell additional securities you may lose all or a substantial portion of your investment.

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. Subsequent to June 30, 2002 we have sold additional securities pursuant to our 2002-A private placement offering in the amount of \$1,915,424 as well as issuing convertible debenture and warrants to a private placement

investment company for gross proceeds to the Company of \$210,000. However, it is possible that in the future our capital expenditures and operating losses will limit our ability to pay our liabilities in the normal course of business and that we may not be able to continue as a going concern.

2. We depend on our key personnel.

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;
- o 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.

3. The commercial viability of our products has been tested on a limited basis.

While a number of products or services such as gasoline and public telephones are currently provided through unattended, credit card activated terminals, the commercial viability of any of our products has not been established. Although commercial production and installation of our products has commenced on a very limited basis, there can be no assurance that:

- o our products will be successful or become profitable;
- o the demand for our products will be sufficient to enable us to become profitable; or
- o even if our products become commercially viable, they can evolve or be improved to meet the future needs of the market place.

In any such event, investors may lose all or substantially all of their investment in USA.

4. 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 fifteen patents as of October 15, 2002. 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.

5. 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.

6. 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.

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 proposed 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.

7. We do not expect to pay cash dividends in the foreseeable future.

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 September 30, 2002, the unpaid and cumulative dividends on the series A preferred stock equal \$5,572,263. 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 September 30, 2002, \$2,620,354 of unpaid and cumulative dividends on the Series A preferred stock were converted into 282,212 shares of common stock. See "Description of Securities-Series A Convertible Preferred Stock."

8. We may fail to gain market acceptance of our products.

On September 30, 2002, we have an installed base of 1,346 control devices at commercial locations and revenues, although growing, 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 credit card activated control systems at enough locations or sell equipment utilizing our control systems to enough locations to achieve significant revenues or that our operations can be conducted profitably. Alternatively, the locations which would utilize the control systems 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. Even if our current products would prove to be commercially viable, there can be no assurance that they can evolve or be improved to meet the future needs of the market place.

9. The lack of an established trading market may make it difficult to transfer our stock.

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."

10. There are rules governing low-priced stocks that may affect your ability 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:

- o make a suitability determination prior to selling penny stock to the purchaser;
- o receive the purchaser's written consent to the transaction; and
- o 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.

11. We are unable to predict the effect that future sales may have on the market price of our common stock.

We are unable to predict the effect that sales may have on the market price of our common stock prevailing at the time of such sales. See "Description of Securities--Shares Eligible for Future Sale" and "Market for Securities".

Number of Shares Issued and Outstanding
as of September 30, 2002

Transferability

72,736,205 shares of common stock

all are freely transferable
without restriction or further
registration (other than shares
held by affiliates of USA); and

529,282 shares of preferred stock

all are freely transferable
without restriction or further
registration (other than shares
held by affiliates of USA).

As of September 30, 2002, there were:

- * 72,736,205 shares of Common Stock actually issued and outstanding;
- * 529,282 shares issuable upon conversion of the currently issued and outstanding Series A Preferred Stock;
- * 557,253 shares issuable upon conversion of the accrued and unpaid dividends on the Series A Preferred Stock of \$5,572,533;
- * 5,290,485 shares issuable upon exercise of outstanding options (of which 5,170,487 were vested as of such date);
- * 7,332,408 shares issuable upon exercise of outstanding warrants (assuming a share price of \$.40 for purposes of calculating the conversion rate);
- * 6,105,000 shares issuable to La Jolla Cove Investors, Inc. pursuant to conversion of Convertible Debenture and exercise of related conversion warrants;
- * 4,027,200 shares reserved for issuance upon the conversion of the outstanding 12% Convertible Senior Notes due 2003;
- * 11,631,253 shares reserved for issuance upon the conversion of the outstanding 12% Convertible Senior Notes due 2004; and
- * 29,148,063 shares reserved for issuance upon the conversion of the outstanding 12% Convertible Senior Notes due 2005 and related shares.

The common stock, if issued, will be freely tradeable under the Act. See "Description of Securities".

12. We are obligated to make substantial principal and interest payments to the holders of the senior notes.

As of September 30, 2002 we had \$5,034,000 of unsecured senior notes due on December 31, 2003, approximately \$4,652,000 of unsecured senior notes due on December 31, 2004, and \$4,164,000 of unsecured notes due on December 31, 2005. These notes accrue cash interest at the rate of twelve percent (12%) per year. As of September 30, 2002, we are required to make quarterly interest payments totaling approximately \$359,000, or \$1,436,000 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. If all of the senior notes that were outstanding at September 30, 2002 are converted, we will issue 36,478,498 shares. 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 the \$4,652,000 of the senior notes, \$5,034,000 of the senior notes on December 31, 2003, and \$4,164,000 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 senior notes are unsecured and thus, in effect, will rank junior to any senior indebtedness. See "Description of Securities - 12% senior notes." The payment of the senior notes is subordinated to the prior payment in full of all existing and future senior indebtedness. In the event of our liquidation, dissolution, reorganization or similar proceedings, our assets will be available to pay obligations on the senior notes only after all of the senior indebtedness has been paid in full, and there can be no assurance that sufficient assets to pay amounts due on the senior notes will remain.

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 and proceeds from sales of the shares by Ratner & Prestia, P.C., will be applied by them on account of our debt due to them.

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 upon shipment, or if installation services are purchased, upon installation of the equipment of the related equipment. License and transaction fee revenue (including transaction processing revenue) is recognized upon the usage of the Company's credit card activated control systems. Revenue from the sale of products from the Company's vending machines is recognized upon the acceptance by the customer of the products. Monthly fees for the use of vending machines equipped with embedded Internet connectivity technology is recognized upon usage of the equipment.

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 pursuant to SFAS 121 during the fourth quarter. As a result the Company wrote down to fair value \$2,663,000 of software development costs related to the e-Port and the related network. 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.

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, including the e-Port, 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 has a net loss during the years ended June 30, 2002 and 2001 of \$17,314,807 and \$10,956,244, respectively, and anticipates incurring operating losses into fiscal 2003.

RESULTS OF OPERATIONS

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, primarily due to the sales of Kodak disposable cameras and film from Stitch Networks.

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. The primary contributors to this increase were compensation expense, general and administrative expense and depreciation and amortization expense, as detailed below.

Cost of sales increased by \$102,709 from the prior year, primarily reflecting the cost of product relating to Stitch Networks Corporation. General and administrative expenses of \$7,989,651 increased by \$2,361,637 or 42%. This increase was due to increased consultant fees of \$1,125,724, promotion expense of \$1,574,252 and public relations expenses of \$454,812 offset by a decrease in legal expenses of \$992,181, primarily associated with the MBE litigation which was settled in fiscal year 2001.

Compensation expense was \$4,654,662, an increase of \$1,687,886 or 57% from the previous year. The increase was due to an increase in officer stock bonus expense of \$905,624 or 151%. Included in bonus expense was \$1,264,135 of non-cash expense. In addition, compensation expense increased due to an increase in corporate salaries of \$342,921 or 113%. A total of \$475,682 of corporate salaries were non-cash.

Depreciation and amortization expense of \$3,436,217 increased by \$3,226,571, which is directly attributable to the non cash amortization of software development costs. The amortization was primarily due to a \$2,663,000 impairment adjustment taken to write down the capitalized costs to fair value in the 4th quarter of the fiscal year.

Other income and expense increased by \$895,459, primarily as a result of the amortization to interest expense of the beneficial conversion feature of the 2001-D Convertible Senior Note, which is a non-cash expense.

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.

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.

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.

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.

PLAN OF OPERATIONS

As of June 30, 2002, the Company had a total of 1,632 credit card terminals installed in the field as follows: Hospitality related, 923 (consisting of Business Express, MBE Business Express, Business Express Limited Service (LSS), and other); standalone TransAct 229; e-Port 157; and Cash Free 200 (Kodak) 323. Through June 30, 2002 total license and transaction fees earned by the Company from these systems were \$778,906, an increase of \$131,589 or 20% over the prior year.

During the past year the Company has focused on presenting the multiple capabilities of the e-port by developing several product lines of e-Port and by the acquisition of Stitch Networks. The "audit plus cashless" version contains all the functionality for multiple forms of cashless payment processing including credit card processing, control and data management, plus the added ability to audit vending product usage and vending machine status. Through June 30 2002, over 525 units have been sold to distributors, soft drink bottlers and operators. Additional in-house work continues, to enable the e-Port to be compatible with the largest feasible portion of the installed base of 8 million vending machines in the United States, many of which have slightly different connectivity requirements. With the acquisition of Stitch Networks, the Company has acquired a wireless "audit plus cashless" product line and is pursuing and securing customers for that product.

An enhanced version of e-Port offers capability for internet and wireless connectivity, in addition to the capabilities of the audit plus credit version. For this product, the Company is working with RadiSys, a contract manufacturer providing value added design, development, fulfillment and product warranty services.

Concurrent with the above developments to the e-Port product line, IBM is working with the Company to enhance the existing network, which is designed to support transaction processing, advertising and e-commerce on a worldwide basis with enhanced security features. Expenditures have been made to recode our existing system in an Internet friendly programming language and to use a more appropriate operating system.

In June 2001, the Company and IBM signed an Agreement which establishes the basis for a strategic alliance between the two companies. The two companies are combining their respective products and capabilities to target sales to the intelligent vending, retail point of sale, and networked home applications markets. Customers have been identified, and trade shows have been attended.

In the vending industry, the e-Port 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. The initial installations of e-Ports are already complete for a number of bottlers. At a corporate level, the Dr. Pepper/7-Up Company announced in October 2002 at the Dr. Pepper National Bottling meeting that it has selected USA Technologies to make available its cashless payment services in its vending machines throughout the United States. Dr. Pepper will offer our e-Port not only to its own bottlers, but also to Coca-Cola and Pepsi bottlers that distribute Dr. Pepper products. The Dr. Pepper Company has completed its first implementation of e-Port with The Pepsi Cola Bottler of Central Virginia, with numerous vending machines using e-Port, with a Sprint-enabled wireless solution.

Three of the premier national independent vending operators, Compass, ARAMARK and Sodexo, have already installed e-Port in various locations, with plans for additional purchases based on the success of the initial e-Ports. One major vending operator, International Vending Management, has signed a contract with the Company.

In March 2002, the Company signed an agreement with MEI (Mars Electronics), a world leader in the manufacturing and supplier of electronic coin mechanisms and dollar bill acceptors to 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, which would include a comprehensive suite of cashless payment services and vending software management tools. The Company has performed its developmental work, and the combined offering will be introduced at the fall NAMA in October (the primary annual vending trade show) with commercial availability planned for early 2003. By contract, MEI has committed to buy a minimum of 10,000 units of the USA product over the course of 24 month agreement, or pay the Company \$4.00 for each unit less than 10,000. In addition, all MEI payment systems in the field would have the option to connect to the Company's network and produce recurring revenues.

The Stitch Kodak program continues to install machines, with over 350 units installed to date, including high profile locations like Yankee Stadium, Time Square and Six Flags Amusement Parks. New Kodak machines are being installed weekly, which collectively represent recurring revenues to the Company from service fees as well as sales of disposable cameras and film.

The Company continues to work with the top vending machine manufacturers, including Automatic Products, AMS, U-Select-It, Crane Merchandising Systems, FastCorp and Dixie Narco, in order to incorporate our e-Port technology into

vending machines at the factory (OEM); and with authorized resellers, including Betson Enterprises, HA Franz, Brady Distributing and Weymouth Distributing. 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.

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 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. The Company believes that these fees could become the primary driver of profitability for the Company in the intermediate and longer term. The company believes that the cost of e-Port to our customers could decline with this activity.

In the hospitality industry, Business Express continues to be one of the premier solutions for automated business centers. The Company has relationships with two of the most recognized global hotel chains, Marriott and Hilton Hotels. The addition of e-Port 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. Recently, the Company completed development of an e-Port application using hotel room keys, and 40 vending machines are now operating successfully with such technology at the 1,400 room Gaylord Palms Resort Hotel in Florida.

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 December 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. The Company has additionally began working with two of the premier laundry operators, Web Services and the MacGray Company. These two companies have already implemented the e-Port solution, with discussions underway to implement the e-Suds solution.

The Company continues to work with IBM, including a recent installation of its wireless (802.11) e-Port in a prominent hotel vending machine.

In September 2002, the Company signed an Agreement with IBM to host its network at a remote location which is secure and equipped with 24/7 backup protection. The Company believes that the security and professionalism of the hosting arrangement will be a significant factor in assuring customers of the liability of the financial and data management services which the Company is providing.

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.

During fiscal 2003, the Company anticipates expensing additional expenditures of approximately \$0.5 - \$1.0 million for enhancements to its software development on its network.

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 \$4.3 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 November 4, 2002, La Jolla converted \$31,000 of Debentures into 297,011 shares of Common Stock and exercised Warrants at an average price of approximately \$.104 per share to purchase 2,970,110 shares of Common Stock. The investor utilized money previously remitted to the Company which was reflected as a liability in the June 30, 2002 consolidated financial statements.

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, which bears interest at 6.75%, was payable on July 8, 2002 and \$50,000 was payable on demand. Subsequent to June 30, 2002, the Company has made interest only payments to the bank. On July 26, 2002, August 29, 2002 and September 27, 2002 and October 31, 2002, the bank agreed to extend the due date of these notes until September 1, 2002, October 1, 2002, November 1, 2002 and December 1, 2002, respectively. In connection with this extension, the Company paid \$23,000 of fees to the bank.

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.

The Company 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 an accumulated deficit from inception through June 30, 2002 amounting to \$53.3 million. At June 30, 2002 the Company's working capital deficit is \$4,607,486. The Company believes that for the year ending June 30, 2003 there could be a breakeven cash flow from operations; nevertheless, there is no guaranty this will happen and the possibility exists that the Company will require additional debt or equity financing 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 financial statements. The Company believes that the funds available at June 30, 2002 combined with events anticipated to occur including the anticipated revenues to be generated during fiscal year 2002, the potential capital to be raised from the exercise of the Common Stock Purchase Warrants, the funds anticipated to be received in current and perhaps future private placements, and the ability to reduce anticipated expenditures, if required, will allow the Company to continue as a going concern.

At a special meeting of shareholders held on October 28, 2002

the shareholders approved a proposal to increase the authorized shares of Common Stock from 150,000,000 to 200,000,000.

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 sold 2,000,000 shares of restricted Common Stock at \$0.12 per share generating gross proceeds of \$240,000. During October 2002, the Company granted the same investor 2,000,000 warrants to purchase the Company's Common Stock at \$0.10 per shares through November 30, 2002. If all 2,000,000 warrants are exercised, the investor has been granted another warrant to purchase 2,000,000 shares of Common Stock at \$0.10 per share through March 31, 2003.

On October 28, 2002, the shareholders voted to increase the number of authorized shares of the Company's Common Stock to 200,000,000.

In October 2002, the Company sold to an investor 3,571,429 shares at \$.07 per share and issued the following common stock 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 to purchase up to 5,000,000 shares at \$.10 per share, exercisable over a one year period.

In October 2002, the Company sold to an investor 1,500,000 shares at \$.10 per share and granted common stock warrants to purchase up to 750,000 shares at \$.15 per share at any time for a five year period. 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 common stock warrants to purchase up to 750,000 shares at the then closing price per share at any time for a five year period.

In October 2002, the Company issued 501,906 shares of Common stock to holders of Senior Notes in lieu of cash for quarterly interest payments due September 30, 2002. Additionally, the Company issued warrants to purchase up to 501,906 shares of Common Stock at \$.0.20 per shares through December 31, 2004.

In October 2002, the Company granted to the holders of all the 12% senior notes common stock 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 is 10,360,025 and are exercisable at any time prior to November 30, 2002. 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.

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 \$.125 per share.

On October 31, 2002, the Company received an extension to December 1, 2002 of the existing forbearance for repayment of approximately \$225,000 of outstanding debt owed to Wilmington Trust Bank.

In November 2002, the Company issued an aggregate of 690,000 shares to 4 investors at \$.10 per share for an aggregate of \$69,000.

The Company expects to incur a net loss for the quarter ended September 30, 2002 of approximately \$3 million.

BUSINESS

USA Technologies, Inc., a Pennsylvania corporation (the "Company") was founded in January 1992. Our vision is to be a major player in the 'Digital, Networked Economy' by providing the marketplace with embedded technology and associated network and on-line financial services that will help transform their businesses. The ultimate goal is to position the Company as the preferred method and industry standard for cashless micropayments and automated retailing, including wireless payment processing, and to become a leading point-of-sale, interactive media and network services company.

The Company intends to accomplish this by building on its market position in networked, unattended consumer payment systems through a new e-Business solution called e-Port (TM). To this end, the Company has focused on developing e-Port (TM) - its cashless payment system. At a basic level, the e-Port (TM) integrates with copiers, vending machines or other host equipment and gathers information about sales and operations of the host equipment and also allows a consumer to use a credit card to make a purchase. There are capabilities for multiple forms of cashless payment processing including "micropayments", control and data management, and auditing capability for vending operators, kiosk operators and others wishing to place equipment or products on a network. With the acquisition of Stitch Networks (see below), the Company has acquired wireless connectivity in addition to the above capabilities. At an enhanced level, the e-Port (TM) contains additional capabilities, such as a display screen which could display interactive advertising/media, and could, with some additional development, allow simple e-commerce transactions while the consumer is making routine purchases from the vending machine, whether by using a credit card, smart card or any other payment device such as a cellular phone, at vending machines, convenience stores, gas pumps and other retail points-of-sale. Thus, advertisers could operate virtual electronic storefronts that could provide consumers with promotional offers at actual retail locations.

As part of its strategy to be a broad provider of network and financial services, the Company acquired Stitch Networks in May 2002 as a wholly owned

subsidiary. The Company acquired Stitch to strengthen its position as a leading provider of wireless remote monitoring and cashless and mobile commerce solutions. Stitch designs and employs embedded connectivity solutions that enable network servers to monitor and control vending machines and appliances over the internet. Prior to the acquisition, on December 31, 2000, 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. (See Note 3 to the consolidated financial statements included herein).

The Company is also a leading provider and licensor of unattended, credit card activated control systems for the hospitality industry (business centers). USA Technologies has historically generated its revenues from the direct sale of its control systems and the resale of configured office products, plus network service fees, plus the retention of a portion of the monies generated from all credit card transactions conducted through its control systems.

The Company has entered into a corporate agreement with Promus Hotel Corporation (Embassy Suites, Hampton, and Doubletree brands) which establishes itself as a preferred supplier of business center products for those brands. The Company's Business Express has been approved and recommended as a solution for business center needs by Marriott for its hotels.

USA Technologies is the market leader in making self-serve, credit card activated products and services available to consumers everywhere. The Company has achieved this with the sale and installation of its product, Business Express or MBE Business Express, at nearly 400 hotel, library and retail locations nationwide. Business Express and MBE Business Express offer thousands of business travelers and consumers the unprecedented opportunity to conduct e-business/e-commerce 24 hours a day with the swipe of a credit card. The Business Express gives consumers self-serve, public access to the Internet, copy and fax services, and other 'e-Business services'. At the heart of this product line is USA Technologies' networked payment solution TransAct, an automated, credit card consumer payment system which has been utilized with photocopying machines, facsimile machines, computer printers, vending machines and debit and smart card purchase/revalue stations. The Company retains all rights to software and proprietary technology that it licenses to location operators for their exclusive use. As of June 30, 2002, 394 Business Express or MBE Business Express locations are installed. The Company also markets a product line extension to the Business Express, called the Business Express Limited Service Series (LSS). The LSS has copier and fax capabilities plus laptop printing, dataport capabilities and credit card activated phone. The LSS is targeted to the hospitality mid-market, limited service and economy properties. As of June 30, 2002, 99 LSS units are included in the total of 394 Business Express or MBE Business Express locations installed. The Company also sells its TransAct credit card device and payment system as a standalone offering to the world's leading office equipment manufacturers and distributors. The Company established a TransAct Authorized Reseller Program to sign up various independent and national dealers and distributors. As of June 30, 2002, 13 dealers are participating in the program.

As of September 30, 2002, the Company had a total installed base of 1,346 control systems, primarily 746 Business Express control systems, 164 Business Express Limited Service (LSS) control systems, and 261 standalone TransAct control systems located at various hospitality locations throughout the United States and Canada. In addition, there were 175 e-Port (TM) control systems located at vending locations in the United States and 261 Kodak vending machines. Through June 30, 2002 total license and transaction fee revenues received by the Company from these systems, although growing, has not been sufficient to cover operating expenses.

The Company has been designated as an authorized equipment reseller by International Business Machines Corporation and Hewlett-Packard. The Company believes that it benefits from the association of its control systems with the well-known brands of business equipment manufactured by these companies.

We have been granted 15 patents related to our technology, and our wholly owned subsidiary, Stitch Networks, has been granted one. One patent is in the area of networked vending machines and credit card technology - including the use of smart cards. Another is a patented method of batch processing which enables consumers to engage in cashless micropayments.

Currently, the Company has as its core business two key components: cashless control systems (basically, the hardware); and a financial services and auditing network. A third future component is a proposed interactive media and ad serving network.

The first component is our cashless control system, e-Port (TM) , or its predecessor technology, TransAct. TransAct , as outlined above, is currently installed in locations throughout North America while e-Port (TM) was unveiled in October 2000 at the National Automatic Merchandising Association (NAMA) convention in New Orleans, the world's largest vending trade event.

The e-Port (TM) is designed to be a flexible and versatile embedded system device. While initially targeted to the vending industry, our technology may be applied in other industries such as copiers, retail point of sale, mass transit, and wherever pervasive computing, embedded systems and other cashless payment systems are used. e-Port (TM) technology is available in three primary configurations. By offering these options, the Company believes that it would provide a complete set of solutions and applications to solve the needs of customers and industries from the smallest to the largest and most demanding.

- - Audit. The audit only e-Port (TM) is an embedded device that can be integrated with existing copiers, vending machines or other 'host' equipment. 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.

- - Audit/Cashless. This version of e-Port (TM) can, in addition to gathering information about the sales and operation in the host equipment (the auditing portion), allow a user to use a credit card or other cashless method to make a purchase (as well as cash). This version will allow a user to make multiple purchases with one credit card transaction. This unit relays both the credit and cash sales information back to a network along with the audit information. The acquisition of Stitch Networks has added multiple forms of wireless connectivity to the above capabilities, including RFID (radio frequency identification) and cell phone.

- - Audit/Cashless/Interactive. In addition to the above benefits of network control and remote monitoring, increased sales opportunity provided by the credit cards, and wireless connectivity, this interactive capability provides potential for revenue generation through interactive advertising on the LCD screen.

e-Port (TM) features multiple connectivity options. These include the ability to send and receive data via land lines, radio waves (like a home cordless phone), wireless modems, and always-on phone connections. The telecom and internet connections offered by Sprint support the hardware developed by the Company. USA Technologies and Sprint have agreed to a partnership allowing its customers access to many connectivity options at superior service levels and pricing.

The Company has contracted with two manufacturers for e-Port (TM). Masterwork Electronics Corporation, a leader in the manufacture of electronics for the vending industry, manufactures the version of e-Port (TM) without the LCD color touch screen. The other manufacturer, RadiSys Corporation, is a leader in developing and mass-producing embedded systems, and has produced the e-Port (TM) with the LCD screen and internet and advertising capability. The Company entered into a Development and Manufacturing Agreement ("DMA") with RadiSys in June, 2000. RadiSys has significant manufacturing expertise in the embedded chip market and is partially owned by Intel. This e-Port (TM) client uses programming developed by IBM simultaneously with IBM's work to enhance the "USALive" server network, all of which became available as an integrated package as of April, 2002, offering internet connectivity and screen capability in addition to the audit and cashless functions.

Our customers' terminals are currently integrated into a network that enables terminal users to easily access basic audit information, conduct unattended credit card transactions, turnkey banking, and micropayments. The Company together with IBM Global Services has developed an enhanced network, which is IP compliant and has wireless capability. The Company anticipates that an additional \$0.5 million may be incurred and expensed for legacy integration and specific vending machine integration in the first half of fiscal 2003.

The second component involves financial services and auditing. This capability provides users with auditing capability as well as turnkey credit card and banking capability.

- - USA utilizes a patented method of batch processing in order to conduct affordable credit card transactions of as little as \$1.00.

- - USA provides users of the e-Port (TM) and TransAct with the ability to instantly accept credit cards in an unattended location.

- - USA acts as a 'super merchant' for its customers - thereby helping them to avoid getting certified with credit card processors to do unattended transactions.

- - USA provides all the refunds, payments, and reporting of the credit card transactions.

- - The auditing capability of the network provides customers with detailed information on location or host equipment operation, sales, security, etc.

The third component would involve serving targeted, interactive ads. These ads would be served to a more captive audience than is possible with traditional web based advertising. The targeting of media via the Company's network may be possible because the data base could be constantly updated concerning information about each e-Port (TM) : state, city, zip code, make up of users from standpoint of: income, vocation, location of the machine (school, mall, convention center, movie theater, supermarket). The Company has secured a license from DoubleClick for its advertising software for use in this regard.

For the years ended June 30, 2002 and 2001, the Company has expensed approximately \$1,187,000 and \$1,260,000, 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 pursuant to SFAS 121 during the fourth quarter. 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 fair value. See Note 2 to the Consolidated Financial Statements.

INDUSTRY TRENDS

USA Technologies believes it has positioned itself to claim a piece of three important market spaces within the new Internet economy: interactive advertising, electronic commerce and pervasive computing. USA Technologies intends to continue to leverage its proprietary technologies, e-Port (TM) and TransAct payment systems, which put credit card activated goods and services, e-business and e-commerce at 'arms reach' of consumers. The Company will attempt to take advantage of four powerful trends:

1. Growth in credit card/cashless transactions
 - Transaction volume nearly quadrupled from 1990 to 2000, with 27.3 billion credit/debit card transactions in 2001
 - 1.7 billion credit cards in circulation
 - \$2.24 trillion in purchase volume in 2000
 - \$3.17 trillion in total volume* in 2000
 - Preferred method of payment for US consumers

This important trend is driving impressive growth in purchases of credit card devices, as well as the network services that support use of those terminals (e.g., credit card processing). (Source: The Nilson Report) (*Total volume includes purchases of goods and services, cash advances/withdrawals, and commercial funds transfers from business in China.)

2. Growth in cashless micropayments

Visa estimates that in the United States cash transactions below \$10 total nearly \$400 billion annually - an attractive market which is virtually untouched by credit cards. Furthermore research firm Ovum predicts that wireless micropayments - transactions of less than \$10 - will total \$200 billion worldwide by 2005. Within this micropayment market, the largest single component is vending, which is a \$40 billion market.

3. Emergence of pervasive computing/'Internet Everywhere' appliances (Source: IDC) Growth in pervasive computing devices is expected to fuel unprecedented 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.

4. Growth in interactive advertising

Interactive advertising is expected to grow from an annual \$2 billion industry in 1999 to over \$12 Billion by 2003. (Source: Forester and IAB Internet Ad Revenue Report)

5. Growth in electronic commerce.

By the year 2003, it is projected by IDC that 500 million Internet users will be accessing information and conducting commerce over the net (versus 160 million users in 1998). This increased use would amount to two new users per second. As a consequence, consumer e-commerce will hit nearly \$200 billion annually by 2004.

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, but has expanded product distribution into new industries, including transportation and multi-housing.

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. The initial installations of e-Port (TM)s are already complete for a number of bottlers. At a corporate level, the Dr. Pepper/7-Up Company announced in October 2002 at the Dr. Pepper National Bottling meeting that it has selected USA Technologies to make available its cashless payment services in its vending machines throughout the United States. Dr. Pepper will offer our e-Port (TM) not only to its own bottlers, but also to Coca-Cola and Pepsi bottlers that distribute Dr. Pepper products. The Dr. Pepper Company has completed its first implementation of e-Port (TM) with The Pepsi Cola Bottler of Central Virginia, with numerous vending machines using e-Port (TM), with a Sprint-enabled wireless solution.

Three of the premier national independent vending operators, Compass, ARAMARK and Sodexo, have already installed e-Port (TM) in various locations, with plans for additional purchases based on the success of the initial e-Port (TM)s. One major vending operator, International Vending Management, has signed a contract with the Company.

In March 2002, the Company signed an agreement with MEI (Mars Electronics), a world leader in the manufacturing and supplier of electronic coin mechanisms and dollar bill acceptors to 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, which would include a comprehensive suite of cashless payment services and vending software management tools. The Company has performed its developmental work, and the combined offering will be introduced at the fall NAMA in October (the primary annual vending trade show) with commercial availability planned for early 2003. 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. In addition, all MEI payment systems in the field would have the option to connect to the Company's network and produce recurring revenues.

The Stitch Kodak program continues to install machines, with over 350 units installed to date, including high profile locations such as Yankee Stadium, Time Square and Six Flags Amusement Parks. New Kodak machines are being installed weekly, which collectively represent recurring revenues to the Company from service fees as well as sales of disposable cameras and film.

The Company continues to work with the top vending machine manufacturers, including Automatic Products, AMS, U-Select-It, Crane Merchandising Systems,

FastCorp and Dixie Narco, in order to incorporate our e-Port (TM) technology into vending machines at the factory (OEM); and with authorized resellers, including Betson Enterprises, HA Franz, Brady Distributing and Weymouth Distributing. 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. Dixie Narco is a large worldwide manufacturer of vending machines owned by Maytag Corporation. Maytag Corporation owns Maytag Holdings, Inc., who is also a shareholder of the Company (see Part III, Item 12).

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. The Company believes that these fees could become the primary driver of profitability for the Company in the intermediate and longer term. The Company believes that the cost of e-Port (TM) to our customers could decline with this activity.

In the hospitality industry, Business Express continues to be one of the premier solutions for automated business centers. The Company has relationships with two of the most recognized global hotel chains, Marriott and Hilton Hotels. 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. Recently, the Company completed development of an e-Port (TM) application using hotel room keys, and 40 vending machines are now operating successfully with such technology at the 1,400 room Gaylord Palms Resort Hotel in Florida.

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 December 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. The Company has additionally begun working with two of the premier laundry operators, Web Services and the MacGray Company. These two companies have already implemented the e-Port (TM) solution, with discussions underway to implement the e-Suds solution.

The Company continues to work with IBM, including recent installations of its wireless (802.11) e-Port (TM) in prominent hotel vending machines.

PROCUREMENT

The Company's e-Port (TM) has been completed in a mass producible form factor, 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

There are currently other businesses offering or announcing unattended, credit card activated control systems for use in connection with copiers, printers, personal computers, fax machines, Internet and e-mail access, vending, retail point of sale, and debit card purchase/revalue stations. 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 the Company. 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. The Company is aware of businesses that have developed an unattended, credit card activated control system to be used in connection with vending machines. 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. The Company is aware that credit card activated personal computer kiosks have been developed and are in the marketplace.

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 October 15, 2002, fifteen 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";

- o U.S. Patent No. D415,742 entitled "Laptop Dataport Enclosure";
- o U.S. Patent No. D418,878 entitled "Sign Holder";
- o U.S. Patent No. 6,056,194 entitled "System and Method for Networking and Controlling Vending Machines";
- o U.S. Patent No. D428,047 entitled "Electronic Commerce Terminal Enclosure";
- o U.S. Patent No. D428,444 entitled "Electronic Commerce Terminal Enclosure for a Vending Machine";
- o 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";
- o U.S. Patent No. 6,152,365 entitled "Credit and Bank Issued Debit Card Operated System and Method for Controlling a Vending Machine";
- o U.S. Patent No. D437,890 entitled "Electronic Commerce Terminal Enclosure with a Hooked Fastening Edge for a Vending Machine";
- o U.S. Patent No. D441,401 entitled "Electronic Commerce Terminal Enclosure with Brackets"; and
- o U.S. Patent No. 6,321,985 entitled "System and Method for Networking and Controlling Vending Machines."

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 received a notice of allowance in October, 2002 for U.S. Patent entitled: "System for providing remote audit, cashless payment, and interactive transactional capabilities in a vending machine."

Employees

On September 30, 2002, we had 37 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 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.

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.	53	Chief Executive Officer, Chairman of the Board of Directors
Stephen P. Herbert	39	President, Director
Haven Brock Kolls, Jr. Development	36	Vice President - Research and Development
Leland P. Maxwell	55	Senior Vice President, Chief Financial Officer, Treasurer
Michael K. Lawlor	40	Vice President - Marketing and Sales
William W. Sellers (1)(2)	79	Director
William L. Van Alen, Jr. (1)(2)	67	Director
Steven Katz (1)	52	Director
Douglas M. Lurio (2)	45	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 the other employee of the Company named below. Except as set forth below, no individual who was serving as an executive officer of the Company at the end of the fiscal years ended June 30, 2000, June 30, 2001 or June 30, 2002 received salary and bonus in excess of \$100,000 in any such fiscal year.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation	
		Salary	Bonus (1)	Other Annual Compensation	Restricted Stock Awards	Securities Underlying Options
George R. Jensen, Jr., Chief Executive Officer,	2002	\$135,000	\$288,000	\$80,000 (4)	--	--
	2001	\$135,000	\$140,000	--	--	300,000
	2000	\$117,500	\$0	--	\$80,000 (2)	180,000
Stephen P. Herbert, President	2002	\$125,000	\$270,000	\$80,000 (4)	--	--
	2001	\$125,000	\$134,400	--	80,000	--
	2000	\$107,500	\$94,000	--	\$80,000 (2)	45,000
Leland P. Maxwell, Chief Financial Officer, Treasurer	2002	\$110,308	\$151,200	--	--	--
	2001	\$108,000	\$44,240	--	--	50,000
	2000	\$99,000	\$29,000	--	--	15,000
H. Brock Kolls, Senior Vice President, Research & Development	2002	\$125,769	\$180,000	\$50,000 (4)	--	50,000
	2001	\$120,000	\$97,440	--	--	80,000
	2000	\$105,000	\$44,000	--	\$80,000 (2)	30,000
Michael K. Lawlor, Senior Vice President, Sales and Marketing	2002	\$103,846	\$151,200	--	--	--
	2001	\$100,000	\$38,640	--	--	50,000
	2000	\$83,200	\$35,500	\$43,000 (3)	--	20,000
Adele H. Hepburn Director of Investor 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 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 valued at \$1.12, the closing price on the effective day of authorization. For Mr. Lawlor, the bonus also includes a \$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. 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 shares of Common Stock issued to such executive officers if employed by the Company on June 30, 2002. The shares have been valued at \$2.00 per share, the closing bid price on the date of grant.

(3) Represents payment by the Company of relocation expenses.

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

The following table sets forth information regarding stock options granted during the fiscal year 2002 to the Company's executive officers named below:

OPTION GRANTS DURING FISCAL YEAR ENDED JUNE 30, 2002

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
H. Brock Kolls	50,000	01.5%	\$0.40	April 15, 2005

EXECUTIVE EMPLOYMENT AGREEMENTS

The Company has entered into an employment agreement with Mr. Jensen which expires June 30, 2004. The agreement provides for an annual base salary of \$180,000 effective April 15, 2002. Mr. Jensen is entitled to receive such bonus or bonuses as may be awarded to him by the Board of Directors. In determining whether to pay such a bonus, the Board would use its subjective discretion. The Agreement requires Mr. Jensen to devote his full time and attention to the business and affairs of the Company, and obligates him not to engage in any investments or activities which would compete with the Company during the term of the Agreement and for a period of one year thereafter.

The agreement also grants to Mr. Jensen in the event a "USA Transaction" (as defined below) occurs after the date thereof that number of shares of Common Stock as shall when issued to him equal five percent (amended first to eight percent and then reduced in November 2001 to seven percent) of all the then issued and outstanding shares of Common Stock (the "Rights"). Mr. Jensen is not required to pay any additional consideration for such shares. At the time of any USA Transaction, all of the shares of Common Stock underlying the Rights are automatically deemed to be issued and outstanding immediately prior to any USA Transaction, and are entitled to be treated as any other issued and outstanding shares of Common Stock in connection with such USA Transaction.

The term USA Transaction is defined as (i) the acquisition of fifty-one percent or more of the then outstanding voting securities entitled to vote generally in the election of Directors of the Company by any person, entity or group, or (ii) the approval by the shareholders of the Company of a reorganization, merger, consolidation, liquidation, or dissolution of the Company, or the sale, transfer, lease or other disposition of all or substantially all of the assets of the Company.

The Rights are irrevocable and fully vested, have no expiration date, and will not be affected by the termination of Mr. Jensen's employment with the Company for any reason whatsoever. If a USA Transaction shall occur at a time when there not a sufficient number of authorized but unissued shares of Common Stock, then the Company shall as a condition of such USA Transaction promptly take any and all appropriate action to make available a sufficient number of shares of Common Stock. In the alternative, the Company may structure the USA Transactions so that Mr. Jensen would receive the same amount and type of consideration in connection with the USA Transaction as any other holder of Common Stock.

During the year ended June 30, 2002 the Company issued to Mr. Jensen 640,000 shares of fully vested Common Stock as a bonus, and authorized payment of \$80,000 as reimbursement for income taxes payable due to an earlier Company bonus. By an earlier agreement, Mr. Jensen was awarded 40,000 shares of Common Stock of as June 30, 2002.

The Company has entered into an employment agreement with Mr. Herbert which expires on June 30, 2004. The Agreement provides for an annual base salary of \$165,000 per year effective April 15, 2002. Mr. Herbert is entitled to receive such bonus or bonuses as the Board of Directors may award to him. The Agreement requires Mr. Herbert to devote his full time and attention to the business and affairs of the Company and obligates him not to engage in any investments or activities which would compete with the Company during the term of the agreement and for a period of one year thereafter. In the year ended June 30, 2002, the Company issued to Mr. Herbert 600,000 shares of fully vested Common Stock as a bonus, and authorized payment of \$80,000 as reimbursement for income taxes payable due to an earlier Company bonus. By an earlier agreement, Mr. Herbert was awarded 40,000 shares of Common Stock as of June 30, 2002.

Mr. Kolls has entered into an employment agreement with the Company which expires on June 30, 2004. The agreement provides for an annual base salary of \$150,000 per year effective April 15, 2002. Mr. Kolls is also entitled to receive such bonus or bonuses as may be awarded to him by the Board of Directors. The Agreement requires Mr. Kolls to devote his full time and attention to the business and affairs of the Company, and obligates him not to engage in any investments or activities which would compete with the Company during the term of his agreement and for a period of one year thereafter. In the fiscal year ended June 30, 2002, the Company issued to Mr. Kolls 400,000 shares of fully vested Common Stock as a bonus, and authorized payment of \$50,000 as reimbursement for income taxes payable due to an earlier Company bonus. Mr. Kolls was also granted, effective April 15, 2002, fully vested options to purchase up to 50,000 shares of Common Stock at \$ 0.40. By an earlier agreement, Mr. Kolls was awarded 40,000 shares of Common Stock as of June 30, 2002.

Mr. Maxwell has entered into an employment agreement with the Company which expires on June 30, 2003, and is automatically renewed from year to year thereafter unless canceled by Mr. Maxwell or the Company. The agreement provides for an annual base salary of \$120,000 per year effective April 15, 2002. Mr. Maxwell is also entitled to receive such bonus or bonuses as the Board of Directors may award to him. The Agreement requires Mr. Maxwell to devote his full time and attention to the business and affairs of the Company, and obligates him not to engage in any investments or activities which would compete with the Company during the term of the agreement and for a period of one year thereafter. In the fiscal year ended June 30, 2002, the Company issued to Mr. Maxwell 260,000 shares of fully vested Common Stock as a bonus, and an additional 90,000 shares of fully vested Common Stock to replace shares sold by Mr. Maxwell to pay income taxes payable due to an earlier Company bonus.

Mr. Lawlor has entered into an employment agreement with the Company which expires on June 30, 2003, and is automatically renewed from year to year thereafter unless canceled by Mr. Lawlor or the Company. The agreement provides for an annual base salary of \$120,000 per year effective April 15, 2002. Mr. Lawlor is also entitled to receive such bonus or bonuses as the Board of Directors may award to him. The Agreement requires Mr. Lawlor to devote his full time and attention to the business and affairs of the Company, and obligates him not to engage in any investments or activities which would compete with the Company during the term of the agreement and for a period of one year thereafter. In the fiscal year ended June 30, 2002, the Company issued to Mr. Lawlor 260,000 shares of fully vested Common Stock as a bonus, and an additional 90,000 shares of fully vested Common Stock to replace shares sold by Mr. Lawlor to pay income taxes payable due to an earlier Company bonus.

DIRECTOR COMPENSATION AND STOCK OPTIONS

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 July 1993, the Company issued to each of Messrs. Kapourellos, Sellers, and Van Alen fully vested options to purchase 10,000 shares of Common Stock at an exercise price of \$2.50 per share. In March 1998, the expiration date of these options was extended from June 30, 1998 to June 30, 2000 and in April 1998, the exercise price was reduced from \$2.50 to \$1.50.

In March 1995, the Company issued to Mr. Smith fully vested options to purchase 10,000 shares of Common Stock, to Mr. Sellers fully vested options to purchase 5,500 shares of Common Stock, to Mr. Kapourellos fully vested options to purchase 7,000 shares of Common Stock, and to Mr. Van Alen fully vested options to purchase 2,500 shares of Common Stock. The exercise price of these options is \$2.50 per share and they must be exercised on or before February 29, 2000. In April 1998, the exercise price of these options was reduced from \$2.50 to \$1.50.

In March 1998, the Company extended the expiration date of the following options to purchase shares of Common Stock from June 30, 1998 to the close of business on June 30, 2000: Peter G. Kapourellos - 10,000 options; William W. Sellers - 10,000 options; Keith L. Sterling - 10,000 options; and William L. Van Alen, Jr. - 10,000 options.

In April 1998, the Company reduced from \$2.50 to \$1.50 the exercise price of the following options to purchase Common Stock issued to the following Directors of the Company: Peter G. Kapourellos - 17,000 options; William W. Sellers - 15,500 options; William L. Van Alen, Jr. - 12,500 options; and Henry B. duPont Smith - 10,000 options.

During June and July 1999, the Company granted 10,000 options to each of the seven Directors who were not executive officers of the Company. Each option is exercisable at \$2.00 per share at any time for five years following the vesting thereof.

In February 2001, the Board of Directors granted a total of 300,000 options to purchase Common Stock at \$1.00 per share to outside members of the Board. Of these, 120,000 options vested immediately; 90,000 options vested on June 30, 2001; and 90,000 will vest on June 30, 2002. The options may be exercised at any time within five years following the vesting.

In April 2002, the Board of Directors granted a total of 500,000 options to purchase Common Stock at \$.40 per share to outside directors of the Board, 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.

All of the Common Stock underlying the options held by all Directors was registered by the Company under the Act, for resale by the holder thereof. Such registration was at the Company's cost and expense.

The Board of Directors is responsible for awarding stock options. Such awards are made in the subjective discretion of the Board. Other than the repricing of the options by the Company in April 1998, the exercise price of all the above options represents on the date of issuance of such options an amount equal to or in excess of the market value of the Common Stock issuable upon the exercise of the options. In connection with the April 1998 repricing of stock options, the exercise prices of all these fully vested options were below the fair market value on the date of repricing, therefore, the Company recorded a charge to compensation expense during fiscal year 1998.

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.

EXECUTIVE STOCK 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.

In April 2001, the Company issued the following options to purchase an aggregate of 360,000 shares of Common Stock to its executive officers as follows: George R. Jensen, Jr. - 100,000; Stephen P. Herbert - 80,000 options; Haven Brock Kolls - 80,000 options; Leland Maxwell - 50,000 options; and Michael Lawlor - 50,000 options. Each option is exercisable at \$1.00 per share at any time within five years following vesting. The options vest one-third in October 2001, one-third in July 2002 and the balance in April 2003.

In April 2002, the Company issued to Haven Brock Kolls, fully vested options to acquire up to 50,000 shares of Common Stock at \$.40 per share. The options are exercisable at any time until April, 2005.

The Board of Directors is responsible for awarding stock options. Such awards are made in the subjective discretion of the Board. The exercise price of all the above options represents on the date of issuance of such options an amount equal to or in excess of the market value of the Common Stock issuable upon the exercise of the options.

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.

PRINCIPAL SHAREHOLDERS

COMMON STOCK

The following table sets forth, as of September 30, 2002, the beneficial ownership of the Common Stock of each of the Company's directors and executive officers, 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	1,150,666 shares(3)	*
Stephen P. Herbert 536 West Beach Tree Lane Strafford, Pennsylvania 19087	1,031,384 shares(4)	*
Haven Brock Kolls, Jr. 1573 Potter Drive Pottstown, PA 19464	884,184 shares(5)	*
Leland P. Maxwell 401 Dartmouth Road Bryn Mawr, Pennsylvania 19010	323,384 shares(6)	*
Michael K. Lawlor 131 Lisa Drive Paoli, PA 19301	392,750 shares(7)	*
Edwin R. Boynton 104 Leighton Drive Bryn Mawr, Pennsylvania 19010	386,750 shares(8)	*
Steven Katz 20 Rebel Run Drive East Brunswick, New Jersey 08816	160,000 shares(9)	*
Douglas M. Lurio 2005 Market Street, Suite 2340 Philadelphia, Pennsylvania 19103	381,713 shares(10)	*
William W. Sellers 394 East Church Road King of Prussia, Pennsylvania 19406	986,577 shares(11)	*
Ken Boyle 403 West Fourth Street North Newton, Iowa 50208	126,188 shares(14)	*

William L. Van Alen, Jr. Cornerstone Entertainment, Inc. P.O. Box 727 Edgemont, Pennsylvania 19028	367,501 shares(12)	*
La Jolla Cove Investors, Inc. 7817 Herschel Avenue, Suite 200 La Jolla, California 92037	12,488,951 shares(13)	9.1%
David Goodman 31 Springbrook Lane Newark, Delaware 19711	9,616,077 shares	7.0%
Maytag Holdings, Inc. 403 West Fourth Street North Newton, Iowa 50208	8,346,192 shares	6.1%
PA Early Stage 435 Devon Park Drive Bldg. 500 Wayne, PA 19087	4,926,260 shares	3.6%
All Directors and Executive Officers As a Group (11 persons) -----	6,191,097 shares(15)	4.5%
*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 September 30, 2002, are deemed to be beneficially owned for purposes hereof.

(2) On September 30, 2002 there were 72,736,205 shares of Common Stock and 529,282 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 529,282 shares of Common Stock, that all of the options to acquire Common Stock which have been issued and are fully vested as of September 30, 2002 (or within 60-days of September 30, 2002) have been converted into 5,170,487 shares of Common Stock. For purposes of computing such percentages it has also been assumed that all of the remaining Warrants have been exercised for 7,332,408 shares of Common Stock; that all of the Senior Notes have been converted into 36,478,498 shares of Common Stock and the warrants associated with the Senior Notes due 2005 have been exercised for 8,328,018 shares of Common Stock; that all of the Convertible Debentures have been converted and related Warrants have been exercised into 6,105,000 shares of Common Stock; and that all of the accrued and unpaid dividends on the Preferred Stock as of September 30, 2002 have been converted into 557,253 shares of Common Stock. Therefore, for purposes of computing the percentages under this table, there are 137,237,151 shares of Common Stock issued and outstanding.

- (3) Includes 446,666 shares of Common Stock issuable upon the exercise of options, 160,000 shares issuable upon conversion of Senior Notes, and 14,000 shares of Common Stock beneficially owned by his spouse. 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 herein). See "Executive Employment Agreements".
- (4) Includes 263,334 shares of Common Stock issuable to Mr. Herbert upon the exercise of options, and 1,000 shares of Common Stock beneficially owned by his child.
- (5) Includes 273,334 shares of Common Stock issuable to Mr. Kolls upon the exercise of options, 18,000 shares of Common Stock owned by his spouse, and 24,000 shares issuable to his spouse upon conversion of her Senior Note.
- (6) Includes 103,334 shares of Common Stock issuable to Mr. Maxwell upon the exercise of options.
- (7) Includes 83,334 shares of Common Stock issuable to Mr. Lawlor upon exercise of options.
- (8) Includes 5,500 shares of Common Stock issuable upon conversion of the 5,500 shares of Series A Preferred Stock. Includes 160,000 vested shares of Common Stock issuable upon exercise of options, and 16,000 shares issuable upon conversion of his Senior Note. Does not include any shares of Common Stock issuable upon conversion of any accrued and unpaid dividends in the Series A Preferred Stock.
- (9) Includes 160,000 shares of Common Stock issuable upon exercise of options.
- (10) Includes 42,213 shares of Common Stock held jointly with Mr. Lurio's spouse, 160,000 shares of Common Stock issuable upon exercise of options, and 99,000 shares issuable upon conversion of Senior Notes.
- (11) Includes 21,245 shares of Common Stock owned by the Sellers Pension Plan of which Mr. Sellers is a trustee, 4,651 shares of Common Stock owned by Sellers Process Equipment Company of which he is a Director, and 9,929 shares of Common Stock owned by Mr. Seller's wife. Includes 175,500 shares of Common Stock issuable upon exercise of options, 100,000 shares of Common Stock issuable upon exercise of Warrants, and 56,000 shares issuable upon conversion of his Senior Notes.
- (12) Includes 172,500 shares of Common Stock issuable to Mr. Van Alen upon exercise of options.
- (13) Represents shares of Common Stock issued upon conversion of Convertible Debentures and exercise of related Warrants.
- (14) Includes 126,188 shares of Common Stock issuable upon exercise of options.
- (15) Includes all shares of Common Stock described in footnotes (2) through (12) above.

PREFERRED STOCK

The following table sets forth, as of September 30, 2002 the beneficial ownership of the Preferred Stock by the Company's directors and executive officers, 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	5,500	1.0%
All Directors and Executive Officers As a Group (11 persons)	5,500	1.0%

(1) There were 529,282 shares of Preferred Stock issued and outstanding as of September 30, 2002.

CERTAIN TRANSACTIONS

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; Henry duPont Smith - 10,000 options; William Sellers - 15,500 options; Peter Kapourellos - 17,000 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.

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

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.

In February 2001, the Board of Directors granted a total of 300,000 options to purchase Common Stock at \$1.00 per share to outside members of the Board. Of these, 120,000 options vested immediately; 90,000 options vested on June 30, 2001; and 90,000 will vest on June 30, 2002. The options may be exercised at any time within five years following the vesting.

In April 2001, the Company issued the following options to purchase an aggregate of 360,000 shares of Common Stock to its executive officers as follows: George R. Jensen, Jr. - 100,000; Stephen P. Herbert - 80,000 options; Haven Brock Kolls - 80,000 options; Leland Maxwell - 50,000 options; and Michael Lawlor - 50,000 options. Each option is exercisable at \$1.00 per share at any time within five years following vesting. The options vest one-third in October 2001, one-third in July 2002 and the balance in April 2003. The Company also issued the following shares of Common Stock to its executive officers as follows: George R. Jensen, Jr. - 125,000 shares; Stephen P. Herbert - 120,000 shares; Haven Brock Kolls - 87,000 shares; Leland Maxwell - 39,500 shares; and Michael Lawlor - 34,500 shares.

In November 2001 the Company agreed to issue a bonus in January 2002 to its Executive Officers, consisting of 1,080,000 shares of Common Stock, and 1,080,000 options to purchase Common stock at \$.40 per share. In January 2002 the Company issued the 1,080,000 shares. In April 2002 the Company issued 1,080,000 shares of Common Stock to its Executive Officers as a bonus in lieu of the previously granted options, and canceled these options.

In April 2002, the Company: 1) issued to Haven Brock Kolls, fully vested options to acquire up to 50,000 shares of Common Stock at \$.40 per share. The options are exercisable at any time until April, 2005; (2) granted a total of 500,000 options to purchase Common Stock at \$.40 per share to outside directors of the Board, 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; (3) authorized \$80,000 each to George R. Jensen and Stephen P. Herbert and \$50,000 to Haven Brock Kolls as reimbursement for taxes paid as a result of the award of a previous bonus; and (4) authorized 90,000 shares of stock each to Leland P. Maxwell and Michael Lawlor as reimbursement for taxes paid as a result of the award of a previous bonus.

In October 2002, the Company approved the issuance to each of George R. Jensen, Jr., and Stephen P. Herbert of \$100,000 of the senior note offering for future services to be rendered to the Company. Pursuant thereto, each of them received a \$100,000 senior note and 200,000 shares of common stock. In October 2002, the Company approved the issuance of \$100,000 of the senior note offering to Adele Hepburn for services rendered (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 debentures 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 \$40,000 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	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	*
Total	2,475,318		

* less than one percent

- (1) 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.

STITCH MERGER COMMON STOCK

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

* Less than one percent (1%).

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	*
TOTAL	234,600		

* less than one percent (1%)

(1) Former employees of USA

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.

YODI RODRIG COMMON STOCK

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

(1) Consists of 2,000,000 shares of Common Stock and 4,000,000 shares underlying warrants.

KAZI MANAGEMENT COMMON STOCK

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

(1) Consists of 3,571,429 shares of Common Stock and 19,285,716 shares underlying warrants.

ALPHA CAPITAL COMMON STOCK

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

(1) Consists of 3,000,000 shares of Common Stock and 1,500,000 shares underlying warrants.

RATNER & PRESTIA COMMON STOCK

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering	
		Number	Percent
Ratner & Prestia, P.C.(1)	400,000	0	*

* less than one percent

(1) Ratner & Prestia, P.C. represents the Company in intellectual property matters.

LA JOLLA COMMON STOCK

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering	
		Number	Percent
La Jolla Cove Investors, Inc.(1)	6,105,000	6,282,951	3.2%

* less than one percent

(1) Represents shares issuable under Convertible Debenture and related warrants.

1999-B RESTRICTED COMMON STOCK

Selling Shareholder -----	Common Stock Offered Hereby -----	Beneficial Ownership After Offering	
		Number -----	Percent -----
Gunter Beyer(14)	5,000	133,167	*
Deborah L. Witte, c/f Corey Witte	1,000		
Robert G. Padrick & Robert Balic	20,000		
Steven N. Hollaway	10,000		
Donald R. Jones Jr	5,000		
Julie Carlson	15,000		
Gary R. Bourassa	10,000		
Lois H. & David F. Zeyher	10,000		
Daniel Laitner	10,000		
Joseph J. Bolitsky	20,000		
Henry J. Fieldman(1)	30,000	227,567	*
Anthony B. Ullman(1)	20,000	227,567	*
John J. Hay(1)	20,000	227,567	*
Frances Young(2)	150,000	1,570,000	*
Richard S. Schonwald	50,000		
William Robert Johnston	20,000		
G. Ellard Mccarthy & Joan R. Bennett	5,000		
Adele H. Hepburn(3)	80,000	4,540,788	2.3%
Austin B. Hepburn(3)	5,000	4,540,788	2.3%
Shelley & James Leroux	5,000		
George Jensen & Andrew D. Jensen (JTWOS) (4)	50,000	1,853,866	*
George Jensen & Burton Jensen (JTWOS)(4)	50,000	1,853,866	*
George Jensen & Ron Jensen (JTWOS)(4)	50,000	1,853,866	*
George Jensen & Julie E. Johnston (JTWOS)(4)	50,000	1,853,866	*
Clifton B Currin, Trust	5,000		
Earl D & Nancy A. Besch	10,000		
August B Castle, Jr	30,000		
Al Migliaccio, C/F Ashlee Migliaccio, Under UGMA	10,000		
Sheri-Lynn Demaris	50,000		
Marthe Burlingame	4,000		
Douglas Lurio & Margaret Sherry Lurio (JTWOS)(5)	10,000	473,213	*
Brooke Ann Adamson	10,000		
Betty A. Harris	20,000		
Charles C. Kelleher	10,000		
James E. Hamilton	10,000		
Karl C. & Natalie C. Mynyk(13)	60,000	125,000	*
Randall C. Rolfe	1,000		

Noma Ann Roberts	10,000		
Gina & John C. Nostrant	10,000		
Edwin R. Boynton(6)	20,000	419,762	*
Nancy Krook	50,000		
Kathleen J. Mason	50,000		
John R. Green	10,000		
Richard F. Murphy	10,000		
Maureen C. Costello	10,000		
John E. & Sandra J. Krafton	10,000		
Sheila & Thomas Garbellotto	10,000		
Barbara K. Kluver & Ronald D Lawler	1,000		
Jonathan A. Desouza	500		
David S. D'Angelo	10,000		
Karl F. Rugart	10,000		
Barbara J Murray			
& Emerson E Kolesnikoff	10,000		
Susan A Rodeheaver	5,000		
Jackson L Anderson	15,000		
Pamela Ann Townsend	10,000		
Richard G & Laura J Parker	10,000		
Kathy N & Douglas A. Parker	10,000		
Hrubala Associates, a Partnership			
David R Molumphy, Partner	10,000		
Francis J Guzzetta	10,000		
Howard H Wolfe	2,000		
Claudine W Wolfe	2,000		
Leon M Kruger	10,000		
Barbara J Osborne	2,000		
Howard K & Elizabeth L Penn	10,000		
Sarah B & Paul A. Salois	50,000		
Donald W Mackenzie	10,000		
Janet K Catino	10,000		
John A Chistolini	10,000		
Richard D & Mary R.B. Roderick	20,000		
Ann Elizabeth Shaheen	30,000		
George H & June Y Kilmarx	10,000		
Charles F Glomb	10,000		
Nancy E Ranson	1,000		
Frances N Luppino	10,000		
Israel & Nesia Lichtenstein	10,000		
Solomon & Toby Lichtenstein	10,000		
James R Boynton Md Pc Pen Tr	10,000		
Richard Bleaman	2,500		
Trinity Associates	80,000		
Mary Ann Sentner	750		
Leo J Dolan	5,000		
Robert A Kilgore	20,000		
James F Merriman	5,000		
Rachel & Israel Lichtenstein	10,000		
Shirley K Knerr	50,000		
Alexander R Beard	1,000		

F Stanton Moyer	50,000		
John B & Solveig W Stetson IV	10,000		
Patricia H Jacobs	4,000		
Harry Renner IV	10,000		
Arthur L Wheeler	20,000		
James M Holmwood	20,000		
Margaret R Geddis	2,500		
Christine F Hughes	2,500		
Homer N Stewart	1,000		
William F Harrity, Jr	20,000		
Donald J Zelenka	25,000		
Judy B & John R Hargett	2,500		
Cliff G Frisby	2,500		
Derrick J Luppino	10,000		
Elizabeth L. Nelson	10,000		
Louis J & Janet L Shaheen	5,000		
Ralph H Knode	3,000		
Wayne A Anderson	10,000		
Marc A. Cohen	10,000		
Terri G Mills	2,100		
Brook & Harley Miller	5,000		
Linda Moran Evans	5,000		
Joseph Singer	10,000		
Martha L. Demedio	1,000		
Timothy H Pelter	500		
David M. Demedio(7)	3,000	261,349	*
John D Wright	5,000		
Priscilla A. Stitt	10,000		
Eileen B Lang	500		
Lee R & Lisa Roper	10,000		
Nancy M & William T Baycroft	10,000		
Dr. James E. Meeks	12,500		
Gideon Trading Ltd	275,000		
Yeshiva Shearith Hapleta	20,000		
Thomas F & Lisa H Horgan	10,000		
Andrea Havens	5,000		
Charles S Greth & Ronnie M Neff	10,000		
Elizabeth & Steve Illes	100,000	4,131,250	2.1%
Alan Alpert	10,000		
Robert G Giddens	10,000		
Harold N Gray	10,000		
Donald R & Joan F Jones Sr	5,000		
Dr. William P Burks	5,000		

Salvatore Marino	10,000		
Michael Hyman	10,000		
Solomon Ellner	10,000		
Cong. Kolel Mateh Efraim	20,000		
Robert A. Hamilton Fbo IRA(11)	20,000	88,976	*
William W. Sellers(8)	130,000	1,026,356	*
Virginia W Harrity	10,000		
Harriet & Cary Glickstein	10,000		
Robert Gueriera, Jr	10,000		
Scott Schotter	5,000		
Anthony & Joan M Popoff	1,000		
Peter B Pakradooni	10,000		
William Recktenwald	10,000		
L David & Jill H Spealler	10,000		
Barry C Arndt	1,000		
Julia B Holloway	3,000		
William K & Linda S Curtis	30,000		
A. Kenneth & William K Curtis	20,000		
William L. Van Alen, Jr.(9)	10,000	436,002	*
Vincent J Calvarese	10,000		
Joanne C Calvarese	10,000		
John W Ponton, Jr	5,000		
Wayne A. Frye	2,500		
Steve J Niewinski	10,000		
Phillip S Krombolz	20,000		
Leroy M Lewis, Jr	10,000		
Pearl & Edwin J Coggeshall	2,000		
Clark D & Caroline S Stull, Jr	5,000		
Patrick Lopez	15,000		
Barbara D Hauptfuhrer	10,000		
Robert P Hauptfuhrer Family Partnership	5,000		
Leland P. Maxwell(10)	10,000	370,384	*
Paul J Rafferty	10,000		
Marion Douglas & Teddie Earline Belin	20,000		
Jane Hanscom	1,000		
Carolyn Wojcik	5,000		
Castor Group Ltd.	200,000		
Jack M Heald	10,000		
Barbara H. Miller	5,000		
Patricia Jill Smith	73,500		

James Dailey	10,000		
Stephen M. Luce(12)	2,000	116,427	*
Michael Wusinich	5,000		
Julie Herbert, custodian for Lucas H. Herbert	1,000		
Deborah L. Witte, c/f Clare Witte	1,000		
Wanda S. Moffitt	5,000		
George W. Yocum	10,000		
Nisha Mehta Investments Ltd.	60,000		
Deborah & Gene Witte	1,500		
Larry D. Tate	12,500		
Nancy H Hansen	30,000		
Robert B & Mary Lou Jacoby	10,000		
Kenneth J Wallace, Jr	4,000		
Robert F Jones & Deborah L Jones (Jtwros)	30,000		
Judy Ann Ciesielski	10,000		
John P Ayers	20,000		
Jerrold Carl & Susan E Cohen	50,000		
T Sean Brooks Ttee, T Sean Brooks Rev. Trust Dated 7/27/99	20,000		
Worden Family Partnership	10,000		
Geoffrey F Worden	25,000		
Andrew B Hebenstreit	10,000		
Julie E Johnston	50,650		
Gary Papa	10,000		
Daniel P Quinn	20,000		
Jean W Eason	2,000		
Jason Bradley Harris	20,000		
Michael A. Parker	5,000		

Total	3,560,000		
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* Less than one percent (1%).

(1) Messrs. Fieldman, Hay, and Ullman, are members of the law firm of Fieldman, Hay & Ullman, LLP, which represented USA in connection with pending litigation.
(2) Ms. Young is a former employee of USA.
(3) Adele and Austin Hepburn are husband and wife. Adele Hepburn is the Director of Public Relations of USA.
(4) George R. Jensen, Jr., is the Chairman and Chief Executive Officer of USA. Excludes the right granted to him under his employment agreement to receive seven percent of the issued and outstanding common stock upon the occurrence of a USA Transaction (as defined therein). See "Management - Executive Employment Agreements."

- (5) Mr. Lurio is a Director and his law firm, Lurio & Associates, P.C., is general counsel to USA.
 (6) Mr. Boynton is a Director of USA.
 (7) Mr. DeMedio is an employee of USA.
 (8) Mr. Sellers is a Director of USA.
 (9) Mr. Van Alen is a Director of USA.
 (10) Mr. Maxwell is the Chief Financial Officer of USA.
 (11) Mr. Hamilton is an employee of USA.
 (12) Mr. Luce is an employee of USA.
 (13) Mr. Mynnyck is a former employee of USA.
 (14) Consultant to USA.

2000-A RESTRICTED COMMON STOCK			
Selling Shareholder -----	Common Stock Offered Hereby -----	Beneficial Ownership After Offering	
		Number -----	Percent -----
Gary Oakland	100,000		
Voyager Securities Limited	250,000		
George O'Connell	100,000		
John Mastropolo	12,500		
Norman G. Shields	12,500		
Steve & Elizabeth Illes	175,000	4,056,250	2.0%
Ira W. Miller(1)	12,500	256,250	*
Robert Allen Pett	100,000	610,005	*
I.W. Miller Group, Inc.(2)	6,250	262,500	*
John Vasquez	18,750		
Gregg J. Newhuis	150,000	250,000	*
Nicholas Walker(3)	25,000	0	*
Michael J. Bachich	100,000	1,075,000	*
Adam Sherman(4)	25,000	0	*
PNC Brokerage Cust. Stephen P. Herbert IRA(5)	25,000	1,587,054	*
Patricia A. Smith	25,000		
Gerard W. Cooney	25,000		
Lisa F. King	1,000		
Thomas D. & Valerie Stanton Smith	5,000		
James Alan French	12,500		
Thomas McCarty (6)	17,500	0	*
Patricia Jill Smith	1,500		

Total	1,200,000		
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* Less than one percent (1%).

- (1) Mr. Miller is the owner of I.W. Miller Group, Inc. which previously served as our public relations firm.
- (2) I.W. Miller Group, Inc. was our public relations firm.
- (3) Mr. Walker's firm acts as an engineering consultant to USA.
- (4) Mr. Sherman's firm acts as an engineering consultant to USA.
- (5) Mr. Herbert is the President, Chief Operating Officer and a Director of USA.
- (6) Mr. McCarty is a software and technology consultant to USA.

2000-B RESTRICTED COMMON STOCK

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering	
		Number	Percent
AHP Holdings, L.P.	50,000		
Robert A. Pett	50,000	660,000	*
George O'Connell	100,000		
John Bachich	50,000		
Steve & Elizabeth Illes	200,000	4,031,250	2.0%
Michael Bachich	200,000	975,000	
Gregg J. Newhuis	125,000	275,000	*
Peter J. McGuire	50,000		
Shugart Corporation	25,000		
I.W. Miller Group, Inc. (1)	35,000	233,760	*
Julie H. Herbert (2)	10,000	1,602,054	*
Total	895,000		

* less than one percent

- (1) I.W. Miller Group, Inc. was our public relations firm.
- (2) Julie Herbert is the spouse of Stephen Herbert, the President of USA.

2001-B RESTRICTED COMMON STOCK

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering	
		Number	Percent
ALEX CONSULTING(1)	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	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	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	175,000		
WILLIAM F HARRITY JR	63,334		
GEORGE HARRUM(11)	13,334	81,000	*
ROBERT P HAUPTFUHRER			
FAMILY PARTNERSHIP	20,000		
JACK M HEALD	11,667		
ANDREW B HEBENSTREIT	23,334		
ANN HEBENSTREIT	10,000		
ADELE H HEPBURN(1)	333,334	4,292,454	2.2%
JANET J HEWES	15,000		
AHP HOLDINGS, LP	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	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	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	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 RENNEN 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 JTWROS	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 ALEN JR(8)	13,334	432,669	*
VIRTUAL CONCEPTS CORP(9)	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	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	772,409	1.25%
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		
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* 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. McGarrah 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.

2001 - C RESTRICTED COMMON STOCK

Selling Shareholder -----	Common Stock Offered Hereby -----	Beneficial Ownership- After Offering	
		Number -----	Percent -----
ALEX CONSULTING (14)	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	389,762	*
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)	50,000	1,677,700	*
FIN MAP CORPORATION	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	4,513,788	2.3%
AUSTIN HEPBURN (2)	10,000	4,513,788	2.3%
STEPHEN P HERBERT (3)	300,000	1,312,054	*
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	1,583,866	*
THOMAS A KATCHUR	20,000		
KAUFMANN & ASSOCIATES	20,000		
HARRIETTE D KLANN	10,000		
HAVEN BROCK KOLLS (5)	200,000	729,184	*
BRIAN KRUG (10)	1,000	0	*
LOIS A LANDIS	4,000		
MICHAEL LAWLOR (6)	130,000	360,384	*
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	250,384	*
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	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	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	400,000		
VIVIAN STROUD (10)	1,000	194,794	*
CLARK D & CAROLYN S STULL JR JTWROS	4,800		
TECHNOLOGY PARTNERS (HOLDINGS)LLC	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	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)	135,000	240,000	*
WILLIAM W SELLERS TR UA 11/20/00 WILLIAM W SELLERS REV TRUST (9)	100,000	1,056,356	*
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		

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) Technology Partners is the investment banker 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.

2001-D RESTRICTED COMMON STOCK		Beneficial Ownership- After Offering	
Selling Shareholder	Common Stock Offered Hereby(1)	Number	Percent
AHP HOLDINGS	58,334		
Alvanos, Michelle & Costa	7,500		
Anderson, Jackson L	7,500		
Anderson, Wayne a	20,834		
Apple, Charles W	56,250		
Bazuro, Kirsten and Robert(8)	6,250	184,525	*
Barclay, Charles & Nancy	25,000		
Birdsall, Kathlyne K	3,125		
Bjorklund, Alexandra O	37,500		
Blackburn, David C	62,500		
Bolitsky, Joseph J	66,667		
Boyar, Lea	12,500		
Boynton, Edwin R(2)	31,250	408,512	*
Breslin, Billie	25,000		
Brittain Family Trust	16,668		
Burks, William P	15,625		
Calvarese, Vincent J	6,250		
Carl, Jerrold & Susan Cohen	62,500		
Carlson, Julie	165,000		
Castle Jr, August B	39,198		
Charrington III, Arthur M.R.	25,000		
Charrington, Ardis B	25,000		
Chiordi, Michael J	25,000		
Ciesielski, Judy a	25,000		
Clark Jr, Gerald E	17,500		
Clarke, Robert J	22,500		
Clausen, Gordon & Marylou	6,250		
Cohen, Marc A	43,750		
Cong Sharit Hapleta	125,000		
Cornerstone Public Relations Group	2,344		
Craven, Johanna	8,959		

Cross, Jim & Helen Columbo	8,334		
Crothers, William R	3,125		
Crow, Lorraine	2,500		
Currin, Clifton B	24,584		
Curtis, William & Linda	50,000		
D'Angelo, David S	27,084		
Deacon, Benjamin	6,250		
Delta Western Company	93,750		
Demaris, Sheri-lynn	87,500		
DeMedio, David (8)	18,750	245,599	*
Denlinger, Donald & Dianne	30,000		
Diligent Finance Co Ltd(6)	800,000	1,578,000	*
Direnzo, Louis & Rose	6,250		
Dolan, Leo J	20,000		
Dress, Robert & Melanie	18,334		
Effron, Howard	25,000		
Effron, James	8,750		
Elliott, Bently	25,000		
Evanko, Dr. Mark A	2,500		
Fanelli, Anthony	42,500		
Foster, John S	70,834		
Frey, Robert R	9,390		
Fulmer, Samantha Harris	2,500		
Fusaro, Anthony A	50,000		
Galvin, Dorothy	2,500		
Geddis, Margaret R	4,168		
Gibson, Ronald & Bonnie	16,668		
Giddens, Robert G	50,000		
Gillespie, Gale S	12,500		
Glickstein, Harriet & Cary	37,500		
Glockner, Frederick & Joan	2,500		
Golden, Julius	12,500		
Goldstein, William M	25,000		
Greaves, James & Joyce	12,500		
Groff, Larry K & Sheryl L	7,500		
Hamilton, IRA FBO Robert A. (8)	10,500	93,226	*
Hamilton, Robert A. (8)	5,250	93,226	*
Hansen, Nancy Huston	155,000		
Harris Jr, Burt I	400,000		
Harris, Burt I	400,000		
Harris, Kenneth R	3,000		
Harrity Jr, William F	79,168		
Hauptfuhrer Family Partner	25,000		
Heald, Jack M	14,584		
Hebenstreit, Andrew B	91,668		
Hebenstreit, Ann	37,500		
Hebenstreit, Lisa	20,000		
Hebenstreit, Sam	17,500		

Hebenstreit, Timothy B	27,500		
Hebenstreit, Todd	20,000		
Hendron, Maureen E	20,833		
Hepburn, Adele H(3)	272,084	4,349,456	2.2%
Hepburn, Austin B(3)	4,248	4,349,456	2.2%
Hollenshead, Michelle	5,209		
Holt, Alton	130,000		
Hrubala Assoc, a Partnership	10,417		
Hubbert, David W	6,250		
Hudson, Gordon F	12,500		
Hudson, Mark J	20,000		
Hudson, Nicholas	9,000		
Hughes, Christine F	7,293		
Illes, Steve	500,000		
Illes, Steve	187,500		
J.M. Hull Associates Lp	53,125		
Jackson, Nata M	100,000		
Jacoby, Robert & Mary Lou	31,668		
Johnston, William Robert	50,000		
Jones, Charles T	12,500		
Jones, Donald & Joan	10,419		
Katchur, Michael	18,750		
Katchur, Thomas A	137,500		
Katchur, Thomas John	27,000		
Kilmarx, George & June	16,668		
Klann Trust, Harriette D	8,334		
Klann, Harriette D	12,500		
Knerr, Shirley K	22,500		
Kobus, Gregory & Alice	25,000		
Landis, Lois	2,500		
Lewis, Warren D	14,584		
Lippincott Jr, H Mather & Margaret	25,000		
Lockhart-heberton, Cynthia	1,250		
Lopez, Anthony & Barbara	25,000		
Luce, Stephen M (8)	8,334	110,093	*
Maccain, James P	29,168		
Madan, Lewis F	5,000		
Marchand, Aimee	3,125		
Marchand, Mariel	3,125		
Marchand, Robin	14,584		
Martin, C Leonard	50,000		
Mason, Kathleen J	191,668		
Mayer, Charles	10,000		
McCartney, Lily	5,000		
McGonigle, John & Rosemary	2,500		
McGonigle, Mary C	2,500		
McGuire, Peter J	200,000		
Merriman, James F	25,000		
Migliaccio, Al for Ashlee	12,500		
Miller, Eileen & Lawrence	10,000		

Miller, Harley & Brook	11,459		
Millikin, George & Caroline	75,000		
Moffitt Jr, George W	28,125		
Montgomery, Ernest E	25,000		
Montgomery, Robert & Rosemary	16,668		
Moyer, F Stanton	62,500		
Murray, Barbara J	25,000		
Nelson, Elizabeth L	43,750		
Newhuis, Gregg J	37,500		
Newhuis, Jeffrey M	17,500		
Nolan, Patrick	50,000		
Nordin, Paul	8,334		
O'Connell, George	100,000		
Odell, Susan	54,168		
Orlik, Alex (8)	20,313	68,270	*
Pagh, Eric	31,250		
Parker, Michael A	8,334		
Parker, Neil L	6,250		
Parker, Richard & Laura	20,000		
Perry, Douglas	5,209		
Perry, Larry R	5,209		
Perry, Mattie & William	25,000		
Perry, Richard	5,209		
Pirhala, Roy T	16,626		
Potts, Robert H	25,000		
Prescott, Barbara L	3,125		
Proctor, Charles & Maria	1,042		
Rafferty, Paul & Joan	79,168		
Recktenwald, William	50,000		
Reisner, William & Frances	30,000		
Renner IV, Harry	84,375		
Rettew III, John B	20,834		
Richardson, George & Sharon	26,042		
Rogers, Gardiner	7,500		
Roper, Lisa & Lee	37,500		
Roper, Marie G	37,500		
Rugart, Karl F	18,750		
Rupp, John S	16,875		
Scammahorn, Keith & Lynne	25,000		
Schoenhut Jr, William F	16,668		
Scholl Profit Sharing Plan, Db	25,000		
Scholl, Margaret J	25,000		
Schonwald, Richard S	156,250		
Scranton, Mary L	14,584		
Sellers Trust, William W (7)	79,167	1,077,189	*
Shotwell, Raymond K	1,250		
Shupe, Johnnye F	2,500		
Singh, Krishna K	75,000		
Smith, Richard	300,000		
Spealman Ira, Daniel	43,229		
Spealman, Daniel E	97,499		

Steir, Michael & Ellen	18,750		
Stewart, Homer & Nathalie	16,250		
Stitt, Priscilla A	3,750		
Stokes, Edward B	25,000		
Stringfellow, Marcus & Emiko	25,000		
Stull, Clark D	1,750		
Szychoski, George E	250		
Szychoski, Michael W	625		
Szymborski, Constantine T	25,000		
Technology Partners(5)	62,500		
Technology Partners(5)	900,245		
Thompson, Alfred & Susan	1,875		
Thompson, Andrew & Marylynn	1,250		
Torres, Guillermo M	25,000		
Unanue, Curtis & Maria	75,000		
Van Alen Jr, William L(4)	8,335	437,667	*
Wagner, Robert E	34,821		
Weaver, David	5,500		
Weaver, Kevin & Alicia	75,000		
Weaver, Michael L	2,500		
Weaver, Wesley R	12,500		
Wessells III, Henry W	2,084		
Wheeler, Arthur L	1,152,500		
Willard, J Edward	120,834		
Williams Dds Profit Sharing	147,500		
Williams, Margaret S	89,500		
Yoshimoto, Craig	25,000		
Yutzy, John a & Lucinda K	20,000		
Zelenka, Donald J	56,250		
Zweigbaum, Ruth	12,605		
Total	11,631,253		

* 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 are convertible.

(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.

2001-D September Interest Common Stock

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership- After Offering	
		Number	Percent
KATHLYNE K	BIRDSALL	676	
JOSEPH J	BOLITSKY	14400	
EDWIN R	BOYNTON (1)	8354	431,408 *
BRITTAIN FAMILY TRUST		4456	
VINCENT J	CALVARESE	1350	
GARY	CELLA	2720	
MICHAEL J	CHIORDI	7184	
GERALD E	CLARK JR	3780	
MARC A	COHEN	9450	
Cornerstone Public Relations Group, M Darlene Herbert Felt		322	
JOHANNA	CRAVEN	2426	
JIM	CROSS	2134	
WILLIAM R	CROTHERS	780	
LORRAINE	CROW	382	
BENJAMIN	DEACON	956	
DELTA WESTERN COMPANY		25876	
DAVID	DEMEDIO(3)	2250	
DILIGENT FINANCE CO LTD(6)		139094	262,099 *
ROBERT F	DRESS	4288	
HOWARD	EFFRON	4814	
BENTLEY	ELLIOTT	3826	
ANTHONY J	FANELLI	4080	
JOHN S	FOSTER	18198	
HELEN K	FOX	2654	
SAMANTHA HARRIS	FULMER	374	
DOROTHY	GALVIN	652	
FREDERICK F	GLOCKNER	582	
IRA FBO ROBERT A	HAMILTON(3)	1932	105,910 *
ROBERT A	HAMILTON(3)	1134	105,910 *
ANDREW B	HEBENSTREIT	11000	
ADELE H	HEPBURN(2)	15357	4,610,431 2.4%
MICHELLE	HOLLENSHEAD	1126	
GORDON F	HUDSON	2750	
CHARLES T	JONES	3342	
MICHAEL	KATCHUR	4050	
SHIRLEY K	KNERR	4860	
GREGORY S	KOBUS	6900	
WARREN D	LEWIS	3150	
H MATHER	LIPPINCOTT JR	3000	
ANTHONY F	LOPEZ	6684	
JAMES P	MACCAIN	3500	
LEWIS F	MADAN	1154	
KATHLEEN J	MASON	52900	
CHARLES	MAYER	2700	
JOHN P	MCGONIGLE	664	
MARY C	MCGONIGLE	664	
JAMES F	MERRIMAN	5400	
EILEEN	MILLER	2674	
HARLEY	MILLER	3042	
GEORGE W	MOFFITT JR	7764	
ROBERT H	MONTGOMERY	4600	
ELIZABETH L	NELSON	9450	

ROBERT F	NEMETH	1520		
JEFFREY M	NEWHUIS	4806		
PATRICK	NOLAN	10800		
PAUL	NORDIN	2300		
MICHAEL A	PARKER	1800		
NEIL L	PARKER	1350		
ROBERT H	POTTS	3000		
CHARLES W	PROCTOR III	136		
JOHN B	RETTEW III	5750		
GARDINER	ROGERS	2070		
KARL F	RUGART	5176		
WILLIAM F	SCHOENHUT JR	4600		
STEPHEN	SCHWARTZ	2466		
MARY L	SCRANTON	4006		
William W				
Sellers tr ua 11/20/00 William W Sellers Rev Trust(4)		17366	1,138,990	*
RAYMOND K	SHOTWELL	334		
RICHARD	SMITH	52640		
MICHAEL	STEIR	4050		
CLARK D	STULL	210		
GEORGE E	SZYCHOSKI	70		
MICHAEL W	SZYCHOSKI	174		
CONSTANTINE TEOFIL	SZYMBORSKI	6900		
TECHNOLOGY PARTNERS		169582		
ALFRED HUNTER	THOMPSON	518		
ANDREW	THOMPSON	334		
C ANTHONY	WAINWRIGHT	4000		
DAVID L	WEAVER	16164		
MARLENE	WEAVER	16800		
MICHAEL L	WEAVER	676		
WESLEY R	WEAVER	3334		
BERNARD	WIENER	2566		
CRAIG	YOSHIMOTO	5400		
RUTH	ZWEIGBAUM	3412		

TOTAL		780,166	(5)	

* Less than one percent

- (1) Mr. Boynton is a Director of USA
- (2) Mrs. Hepburn is Director of Public Relations of USA.
- (3) Current employee of USA.
- (4) Director of USA
- (5) Includes 390,083 shares and 390,083 shares underlying warrants.
- (6) Current consultant to USA

2002-A RESTRICTED COMMON STOCK

Beneficial Ownership
After Offering

Selling Shareholder	Common Stock Offered	Hereby	Number	Percent
Aanestad, Donald T.	140,000			
Alex Consulting(8)	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.	140,000			
Bray, David G.	14,000			
Brill Securities	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.	350,000			
Castle Jr, August B.	70,000			
Clarke, Robert J.	910,000			
Coffey, Roger D.	70,000			
Cong Shearith Hapleta	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)	700,000		1,678,000	*
Din, Anees T	189,000			
Elliot, Ben	210,000			
Ellner, Solomon	350,000			
Ellshay, LLC	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	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	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	3,855,788	1.9%
Hepburn, Austin B.(1)	70,000	3,855,788	1.9%
Herbert, Stephen B.(7)	350,000	912,054	*
Hewson, Thomas A.	140,000		
Hrubala Associates, a Partnership	70,000		
Hudson, Gordon F.	35,000		
Hudson, Mark J.	17,500		
Hudson, Nicholas C.	17,500		
Hughes, Christine F.	35,000		
Ignite Capital	350,000		
Illes, Steve	175,000		
Internet PR Group	70,000		
Jalmarson, Graig H.	42,000		
Jenkins, Wendy	140,000		
Jensen, Burton(2)	74,328	1,088,544	*
Jensen, David(2)	74,328	1,088,544	*
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		
Knodel, Ralph 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	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	378,213	*
Maloney, Virginia Marshall	7,000		
Mason, Kathleen	140,000		
Max Communications	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		
ONEILL, Brian J.	105,000		
Padrick, Robert	280,000		
Panorama Partners	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	1,156,356	*
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		

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)	350,000	1,878,157	*
Tequesta Capital Corp.	99,995		
Thompson, Alfred & Susan	14,000		
Thoroughgood, William E	17,500		
Torres, Guillermo	70,000		
Trinity Associates	70,000		
Turesky, Stephen S.	35,000		
Turner, James	280,000		
Van Alen Jr, William L.(6)	140,000	306,002	*
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		
Total	29,988,062		

* 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.

2002-A September Interest Common Stock

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering	
		Number	Percent
DONALD T	AANESTAD	1800	
VIJAY	ALIMACHANDANI	2300	
CHARLES F	BELLAVIA	900	
GUNTER J	BEYER(5)	1600	136,567 *
DAVID C	BLACKBURN	1300	
DAVID G	BRAY	708	
DOUGLAS & CAROLYN	BRITTAİN	3866	
GORDON L	BRODINE	2050	
MICHAEL J	BUDINETZ	3000	
JULIE	CARLSON	2367	
ROBERT J	CLARKE	17393	
ROGER D	COFFEY	866	
JOHANNA	CRAVEN	200	
DUDLEY R	CROW	167	
ELLSHAY LLC		3000	
ANTHONY J	FANELLI	800	
HELEN K	FOX	2363	
ROBERT G	GIDDENS	11700	
GORDON F	HUDSON	650	
LEXINGTON VENTURES INC		7600	
ROBERT	LOZOWSKI	173	
DOUGLAS	LURIO(2)	4500	478,713 *
BARRY N	MCCABE	433	
JAMES F	MERRIMAN	6468	
HARLEY	MILLER	368	
JAMES H	MOSIER	600	
ELIZABETH L	NELSON	2033	
ROBERT F	NEMETH	3134	
GREGG J	NEWHUIS	20800	
PANORAMA PARTNERS LP		100	
NEIL L	PARKER	200	
RICHARD	PARKER	1583	
JOSEPH	PELLEGRINO	26667	
JOHN S	RUPP	1392	
WILLIAM F	SCHOENHUT JR	3367	
STEPHEN	SCHWARTZ	7834	
VICKI S	SCIFERS	3900	
RAYMOND K	SHOTWELL	467	
KATHY	SMITLEY	142	
MELVIN G	SNYDER	900	
TERRY W	STANGLEIN	10084	
MICHAEL	STEIR	217	
TEQUESTA CAPITAL CORP		467	
ALFRED HUNTER	THOMPSON	193	
JAMES	TURNER	4933	
WILLIAM L	VAN ALEN JR(3)	2067	443,935 *
DWANE M	WEAVER	867	
MARLENE	WEAVER	55468	
ARTHUR A	WEINER	1294	
ARTHUR & RUTH	WIENER	1881	
KENNETH B	WILSON	517	
C EDWIN	WRIGHT	217	
JOHN D	WRIGHT	350	
RUTH	ZWEIGBAUM	200	
TOTAL		229,279(4)	

* Less than one percent

(1) Current employee of USA

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

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

(4) Represents 115,539 shares and 115,539 shares underlying warrants.

(5) Current consultant to USA.

COMMON STOCK UNDERLYING 2001 SENIOR NOTES

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering	
		Number	Percent
EDWIN R. BOYNTON (1)	20,000	419,762	*
MARGARET L. BROADWELL (2)	4,000	5,000	*
HULL OVERSEAS, LTD.	80,000		
EDWARD J. CARNEY	4,000		
JAMES M. CLENDENIN AND JENNIFER S. CLENDENIN	16,000		
WILLIAM P. DUNHAM	4,000		
HAROLD B. ERDMAN	2,000		
AVERELL H. FISK	20,000		
LINDA GARDNER	4,000		
MARGARET R. GEDDIS	1,000		
SUSAN J. GERRITY	2,000		
MIKLOS GOTTLIEB	4,000		

YESHIVA SHEARITH HAPLETA	4,000
JOHN R. GREEN	8,000
CHARLES S. GRETH AND RONNIE M. NEFF	2,000
ANN HEBENSTREIT REVOCABLE TRUST	4,000
MARC A. HEMBROUGH	4,000
F/B/O ELWOOD HERBERT JR., IRA	2,000
JULIA B. HOLLOWAY	4,000
JAY T. HUFFMAN	2,000
MORRIS KAUFMAN	4,000
ROBERT A. KILGORE	20,000
KATHLEEN COUGHLIN KILGORE	4,000
GEORGE H. KILMARX AND JUNE Y. KILMARX	20,000
ANTHONY Y. K. KIM	20,000
HARRIETTE D. KLANN	4,000
SHIRLEY K. KNERR	4,400
DAVID A. KRA	4,000
LEON M. KRUGER	16,000
LEROY M. LEWIS	8,000
ISRAEL AND NESIA LICHTENSTEIN	4,000
ISRAEL AND RACHEL LICHTENSTEIN	2,000
THE WORDEN FAMILY LIMITED PARTNERSHIP	8,000
GORDON E. MONTGOMERY	4,000
JOHN J. MORGENTHALER	4,000
RONNIE M. NEFF	2,000
ELIZABETH LARRABEE NELSON	6,000
BRIAN G. NELSON	4,000
ROBERT G. PADRICK, TRUSTEE FBO ROBERT G. PADRICK PROFIT SHARING PLAN	4,000
GARY PAPA	8,000
DANIEL P. QUINN	4,000
ROGER RADPOUR	4,000
PAUL J. RAFFERTY AND D. JOAN RAFFERTY	24,000
WILLIAM RECKTENWALD	4,000
THOMAS V. SEDLACEK	4,000
JOSEPH SINGER	4,000

Total	318,000
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* Less than one percent (1%).

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

(2) Ms. Broadwell is a former employee of USA.

1995 COMMON STOCK PURCHASE WARRANTS

Selling Shareholder -----	Common Stock Offered Hereby -----	Beneficial Ownership After Offering	
		Number -----	Percent -----
Vanda G. Adams	1,500		
George M. Ahrens	3,000		
Mr. and Mrs. James Allen, Jr.	3,000		
Eleanor S. Allshouse	3,000		
Mr. and Mrs. Gordon L. Angell	6,000		
Charles W. & Katherine K. Apple Trust	2,400		
Robert S. Appleby	6,000		
Richard M. Appleby	6,000		
John P. Ayers	2,400		
Jody Marjorie Baker	1,500		
Judy Ballard, IRA	1,500		
Alan A. Ballard	3,000		
Judith C. Ballard	3,750		
Mr. and Mrs. Charles M. Barclay	6,000		
Mr. and Mrs. Thomas B. Basile	3,000		
Robert R. Batt, Jr.	600		
William Bauder	3,150		
Dr. C. Gottfried Baumann	3,000		
Peggy Longstreth Bayer	900		
Alexander R. Beard	600		
Robert E. Beck	300		
Wanda K. Benbow, IRA	900		
William E. Benbow, IRA	2,100		
Kathlyne K. Birdsall	3,000		
Alexandra O. Bjorklund Trust	3,000		
Donald F. Blackburn	3,000		
Mr. & Mrs. Louis Bodo	6,000		
Frederick L. Bowden	750		
Edwin R. Boynton	1,500	438,262(3)	*
Dr. James R. Boynton, M.D., P.C., Pension Trust	6,000		
Paul J. Braun	3,000		
Dr. Kent D.W. Bream	1,200		
Carolyn C. Bream	1,200		
Gwen A. Brewster	1,500		
Mr. & Mrs. James H. Burdick	6,000		
Mr. & Mrs. David O. Burdick	3,000		
Mr. & Mrs. James H. Burdick, Jr.	3,000		
Dr. James A. Burke	300		
Natasha A. Canavarro	1,500		
Herman Canavarro	3,000		
Christian B. Canavarro	1,200		
Mr. & Mrs. Peter R. Canavarro	1,500		
Cindy Cannupp	300		
Mr. & Mrs. Henry C. Carlson	600		
Charles Abbott Carter, III	15,000		
Edward E. Chandlee, Jr.	1,050		
Mr. & Mrs. Gordon S. Clausen	750		
Mr. & Mrs. Frederick Cooper	1,800		
Mr. & Mrs. Andrew Cooper	1,500		
Jason Cooper	1,500		
Donald W. Cooper	1,500		
Mr. & Mrs. Mark A. Costanzo	300		
Marina Leigh Costanzo	500		
Sally S. Costanzo	900		

Susan B. Coughlin	4,500		
Richard G. Crecraft	8,400		
David Crockett	900		
Clifton B. Currin	3,900		
John D'Avico	600		
W. Corkran Darlington	1,500		
F. Eugene Dixon, Jr.	3,000		
James M. Dorsey	1,500		
Mr. & Mrs. Gary G. Dougherty	600		
William P. Dunham	300		
Jean W. Eason	600		
Edmund H. Rogers, Jr., Trustee	6,000		
D. Diane Fiers	1,500		
Mr. & Mrs. Harry S. Finerfrock	2,400		
Ruth S. Flagg	1,500		
Mr. & Mrs. Richard Fradkin	3,000		
Robert Ross Frey	600		
Ronald V. Futerman	3,000		
Margaret R. Geddis	750		
Dr. George P. Glauner	1,500		
Harriet Glickstein	4,500		
Robert P. Gombar	450		
Mr. & Mrs. Wempel C. Green	300		
Jacques C. Guequierre	1,500		
Joni Southard Guffey	300		
Ruth E. Hall	300		
Dianna Hall	300		
Thomas E. Hall	750		
Nancy S. Hallett	1,500		
Zelda S. Hansell	300		
Susan J. Hansen	900		
Gisela K. Harmelin	300		
William F. Harrity, Jr.	6,000		
Col. & Mrs. Russell D. Hartz	1,500		
Robert P. Hauptfuhrer			
Family Partnership	6,000		
Jack M. Heald	600		
Mr. & Mrs. Clifford J. Heath	3,000		
Emma K. Heed	22,575		
Austin B. Hepburn	3,000	4,619,338(1)	2.4%
Adele H. Hepburn	3,450	4,619,338(1)	2.4%
A.D. Hodges	3,000		
Michael J. Hodges	3,000		
Julia B. Holloway	3,000		
David W. Hubbert	1,500		
Wilbur E. Hudson	3,000		
Christine F. Hughes	750		
Robert M. Ihrig	1,500		
Janney Montgomery Scott, Inc.			
Cust. FBO R.E. Wagner, IRA	1,500		
John C. Jubin	600		
Hugo Kappler, Jr.	3,000		
Mr. & Mrs. Harold F. Kauffman	1,500		
William G. Kay, III	300		
Caroline W. Kay	300		
Sanford S. Kay	300		
Mr. & Mrs. Ralph Kiper	3,000		

Harriette D. Klann	3,000
Wayne H. Klapp	1,500
Edward M.K. Klapp	4,500
Carlyle Klise	900
Deborah A. Krull	1,500
Frederick K. Langguth	3,000
Mr. & Mrs. Gary E. Lasher	3,000
John N. Lee	3,000
Mr. & Mrs. Michael S. Lehnkering	1,500
Lucia E. Lugton	750
Mr. & Mrs. Albert Malischewski	3,000
Mr. & Mrs. William B. Malischewski	1,500
Alvan Markle	1,500
D. Edward McAllister	3,000
James F. Merriman	3,000
Alfred J. Migliaccio, C/F Ashlee C. Migliaccio, UGMA of Pa	3,000
Harley E. Miller	750
Bernard Millis	3,000
Mr. & Mrs. A. Harry Moffett	600
Wanda S. Moffitt	3,000
Mr. & Mrs. Robert H. Montgomery	900
Gordon E. Montgomery	3,000
Mr. & Mrs. Milton K. Morgan, Jr.	3,000
Mr. & Mrs. Ronald L. Noll	600
David Gregory Nute	300
Kay B. Otterstrom	3,000
Sara Otterstrom	1,500
Lisa Otterstrom	1,500
Victor L. Pack	600
Robert G. Padrick	3,000
Eric Pagh	1,500
Janet P. Patel	3,000
Walter C. Patterson	300
Mary E. Petro	3,000
George M. Pflaumer	6,000
Robert L. Pollack	750
Genevieve Pondo	1,500
John W. Ponton, Jr.	3,000
J. Steve Powell	1,200
Ernest L. Ransome, III	1,500
Myradean A. Ransome	1,500
Stephen D. Reim	3,000
John B. Rettew, III	1,500
Rosalind Robbins	3,000
Mr. & Mrs. Eric J. Robbins	3,000
Dr. Donald Robbins	3,000
Ms. Noma Ann Roberts	1,500
Mr. & Mrs. Gregg F. Robinson	3,000
Dorothy S. Rodgers	3,000
Thelma T. Romig	1,500
Mr. & Mrs. John E. Roshelli	3,000
Patricia E. Rugart	3,000
Dr. Karl F. Rugart	1,500
Cedric C. Scarlett	3,000

Eloise R. Schaper	1,500		
Peter G. Schaper, Jr.	3,000		
Christine M. Schuler	3,000		
Candice Scialabbo	1,500		
Carissa Scialabbo	1,500		
Thomas V. Sedlacek	3,000		
Mr. & Mrs. Thomas A. Selders	1,500		
Mr. & Mrs. Frank R.S. Sellers	1,500		
Nicholas Sellers	900		
Nancy F. Sellers	3,000	1,137,681(2)	*
William W. Sellers	6,675	1,137,681(2)	*
Sellers Pension Plan	6,000	1,137,681(2)	*
Sellers Process Equipment Company	3,000	1,137,681(2)	*
Helen E. Seltzer	750		
Mr. & Mrs. Horace B. Spackman	750		
Carolyn Stallworth	300		
Clarence A. Sterling	3,000		
Edward B. Stokes	3,000		
Mr. & Mrs. Jack D. Stratton	3,000		
Mrs. Ruth M. Strock	1,500		
Sun Bank N.A. as Trustee for Ally, Meuss, Rogers and Lindsay PA, Profit Sharing 401(k) FBO Doyle Rogers	3,000		
Mr. & Mrs. John M. Taylor	600		
Judith Ann Taylor	450		
John M. Taylor	1,050		
Ruth L. Troster	1,500		
Roland G.E. Ullman, Jr.	300		
Varo Technical Services, Inc.- Pension Plan	3,000		
Coleman Seller VI, Custodian for Sabine M.W. Sellers	600		
Mr. & Mrs. Robert M. Whitbread	1,500		
Darry Withers	600		
Patricia P. Zimmerman	600		

Total	449,000		
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- (1) Adele and Austin Hepburn are husband and wife. Adele Hepburn is a Director of Public Relations of USA.
- (2) William W. Sellers is a Director of USA. Mr. Sellers is a trustee of the Sellers Pension Plan and a Director of Sellers Process Equipment Company. Nancy F. Sellers is the spouse of William W. Sellers.
- (3) Mr. Boynton is a Director of USA.

1996 COMMON STOCK PURCHASE WARRANTS

Selling Shareholder -----	Common Stock Offered Hereby -----	Beneficial Ownership After Offering -----	
		Number	Percent -----
Gilbert Abramson	2,000		
Vanda Adams	4,000		
Ann M. Allegrini	1,200		
Eleanor S. Allshouse	2,000		
John and Celia Alvanos	400		
Costa and Michelle Alvanos	400		
J. Stone Bagby	4,000		
Alan and Judith Ballard	8,000		
William Bauder	4,000		
Robert E. Beck	1,200		
Stephen A. Bell	4,000		
John Berukoff	2,000		
Benjamin and Diana Bird	4,000		
Alexandra O. Bjorkland	4,000		
Donald F. Blackburn	4,000		
Clyde and Charlotte Blount	800		
Frederick L. Bowden	1,000		
Edwin R. Boynton	2,000	437,762(3)	*
Edward S. Brockie	4,000		
Kathleen D. Buffum	400		
William P. and Judith Burks	4,000		
Jerrold Carl	4,000		
Jeffrey C. Carlson	400		
D. Zeke Carlson	400		
L.E. Carlson	400		
Henry and Jean Carlson	2,800		
Charles Abbott Carter III	4,000		
Marc A. Cohen	16,000		
William R. Crothers	4,000		
Gary L. Cunha	4,000		
Marie Bradlyn Currin	1,200		
Clifton B. Currin, Trustee	4,000		
Nancy B. Davis	2,000		
Jack and Helen Davis	5,000		

Benjamin Deacon	2,000		
Sheri Lynn DeMaris	8,000		
Jill Smith c/f Ron Jensen	13,600		
Sheri Demaris c/f Burt Jensen	10,000		
Sheri Demaris c/f Andrew David Jensen	10,000		
Desert Investment Grp.-D Crockett	4,000		
William P. Dunham	400		
Jean W. Eason	6,000		
Dr. Mallory Eisenman	400		
John Faust	2,000		
Richard and Isabel Fradkin	4,000		
Harriet and Cary Glickstein	8,000		
E.J. and M.K. Golightly	4,000		
Harold N. Gray	4,000		
Wendel C. & Roma Roy Lynch Green	1,000		
Loring S. Grove	1,000		
Ruth Hall	400		
Thomas F. Hall	8,000		
S. Hansen and K. Heiuschel	4,000		
Armason Harrison	800		
William F. Harrity, Jr.	8,000		
Robert Hauptfuhrer Family Partnership	10,000		
Austin B. Hepburn	8,000	4,609,788(1)	2.4%
Adele H. Hepburn	8,000	4,609,788(1)	2.4%
David W. Hubbert	2,000		
Wilbur E. Hudson	2,000		
Robert M. Ihrig	2,000		
Bernard Millis	4,000		
Fred Karagosian	4,000		
Harold and Lois Kauffman	3,000		
George H. Kilmarx	4,000		
Rocco and Sandra La Penta	9,000		
Fred Langguth	4,000		
Robert E. Leiser	2,000		
Peggy Longstreth Bayer	1,200		
Nicholas S. Ludington	4,000		
Douglas M. Lurio and Margaret Lurio (JTWOS)	4,000	479,213(4)	*
Robert M. Madonna	4,000		
Alberta and J. Grant McCabe	400		
Philip S. Meckley	4,000		
James F. Merriman	4,000		
Richard D. Mierley	4,000		
Richard Moffitt	2,000		
Robert & Rosemary Montgomery	4,000		

Thomas Motl	4,000		
Eunice Carter Nute	2,000		
Harry Ohannesian	8,000		
Janet and Sudhir Patel	4,000		
George M. Pflaumer	8,000		
Bernard Pincus	1,000		
Genevieve Pondo	1,200		
J. Steve and Carol Powell	2,000		
John B. Rettew III	4,000		
Melissa C. Rike	1,200		
Eric J. Robbins	4,000		
Noma Ann Roberts	4,000		
Dorothy S. Rodgers	4,000		
Edmund H. Rogers, Jr. Trust			
UA 06-21-88	12,000		
Gardiner Rogers	800		
Joel M. Rubins	4,000		
Scott W. Ryan	4,000		
Joseph P. Sawka	4,000		
Richard S. Schonwald	2,000		
William W. Sellers	16,000	1,140,356(2)	*
Nancy F. Sellers	4,000(2)	1,140,356(2)	*
Sellers Pension Plan	8,000(2)	1,140,356(2)	*
Helen E. Seltzer	400		
Robert Silverman	2,000		
Clarence E. Sterling	4,000		
Dorothy A. Stone	4,000		
Ben Wallace & J.A. Hatcherson	8,000		
Howard Waxman	4,000		
Peter S. Whitney	4,000		
Peter S. Whitney SEP/IRA	4,000		
Wilmington Trust Company, t/f			
Allison Eleuthera Smith	4,000		
Wilmington Trust Company, t/f			
Isabelle duPont Smith	4,000		
Dr. David W. Wood	4,000		
Joni Carley Yamaguchi	8,000		
Keiji Yamaguchi	4,000		
Thomas J. Zaucha	4,000		
V. Scott Zelov	4,000		
Peter Zelov	4,000		
Patricia and Robert Zimmerman	2,000		

Total	463,800		
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(1) Adele and Austin Hepburn are husband and wife. Adele Hepburn is a Director of Public Relations of USA.

- (2) William W. Sellers is a Director of USA. Mr. Sellers is a trustee of the Sellers Pension Plan and a Director of Sellers Process Equipment Company. Nancy F. Sellers is the spouse of William W. Sellers.
- (3) Mr. Boynton is a Director of USA.
- (4) Mr. Lurio is a Director of USA and his law firm is general counsel to USA. Margaret Lurio is his spouse.

1996 - B COMMON STOCK PURCHASE WARRANTS

Selling Shareholder -----	Common Stock Offered Hereby -----	Beneficial Ownership- After Offering -----	
		Number -----	Percent -----
Ms. Vanda G. Adams	1,000		
Mr. William S. Campbell	2,000		
Mr. Benjamin H. Deacon	2,000		
Sheri-Lynn Demaris	2,000		
Mr. Robert R. Frey	400		
Harold N. Gray	2,000		
Ms. Jane C. Macelree	4,000		
Lily L. McCartney Trust	2,000		
Robert F. McCartney Trust	2,000		
Mr. Eric Pagh	2,000		
Ms. Noma Ann Roberts	2,000		
Dr. Karl F. Rugart	2,000		
Richard S. Schonwald	4,000		
Mr. G. Morraw Smith	2,000		
Mr. & Mrs. Clark D. Stull	4,000		

Total	33,400		
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1997 COMMON STOCK PURCHASE WARRANTS

Selling Shareholder -----	Common Stock Offered Hereby -----	Beneficial Ownership After Offering -----	
		Number -----	Percent -----
Mr. Charles A. Mayer	800		
Ms. Harriette Klann	4,000		
Mr. and Mrs. Richard W. Moffitt	2,000		
Mr. Edwin R. Boynton	4,000	435,762	*
Ernst & Company FBO Fred Karagosian	4,000		
Mr. & Mrs. Daniel P. Mannix V	16,000		
Daniel P. Mannix, as Custodian for Alexandra G. Mannix	4,000		
Ms. Janet J. Hewes	4,000		

Delaware Charter Gty. & Trust		
Co. for Paul M. Russell	4,000	
Ernst & Company FBO Fred Karagosian	2,000	
John DiSante	2,000	
Vot Investments	2,000	
Ernst & Company FBO Arthur Rogovin	2,000	
Robert H. Potts	4,000	
Noma Ann Roberts	4,000	
Clifton B. Currin, Trustee	1,600	
Louis E. Direnzo	4,000	
Austin B. Hepburn	2,000	4,623,788(1) 2.4%
Elinor M. Steinhilber	2,000	
Wilbur E. Hudson	1,000	
Harvey J. Eliason	600	
Susan E. Cohen	4,000	
Gail D. Zimmerman	4,000	
G. Keith Funk, Jr.	1,000	
Susan E. Cohen	2,000	
Henry C. Carlson	800	
William P. Dunham	2,500	
S. W. Ryan & Co. Inc.	3,000	
Vanda G. Adams	1,000	
Warren Palitz	4,000	
Helen E. Seltzer	400	
Sonja Pettingill	400	
Risky Investment Group	4,000	
Ernst & Company FBO		
D. Henry and Diane Tintorer	4,000	
W. F. Harrity	4,000	
Mr. John Berukoff	1,000	
Joan B. Stuart	1,200	
Evalyn Kadish	2,000	
Stephen S. Turesky	2,000	
Gurumantra S. Khalsa	800	
Richard Fradkin	2,000	
Roy T. Pirhala	1,000	
Peggy Longstreth Bayer	800	
Clark D. & Carolyn S. Stull, Jr.	2,000	
Rosalind Robbins	4,000	
Eric Robbins	4,000	
William C. Martindale, Jr.	2,000	
Andrew B. Hebenstreit	4,000	
Father R. S. H. Green	80	

Nancy Hansen	2,000		
Adele H. Hepburn	3,000	4,622,788(1)	2.4%
Patricia Jill Smith			
custodian for Burton Jensen	1,120		
Bullseye Marketing Inc.	20,000		
Nancy Haun	400		

Total	158,500		
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- (1) Adele and Austin Hepburn are husband and wife. Adele Hepburn is a Director of Public Relations of USA.
(2) Mr. Boynton is a Director of USA.

1998-A COMMON STOCK PURCHASE WARRANTS

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering	
		Number	Percent
-----	-----	-----	-----
Adams, Vanda G	5,000		
Allen, R. Kendall	25,000		
Andrejak, Frank R	2,500		
Atkins, Darryl	5,000		
Boynton, Edwin R	5,000	434,762(5)	*
Calvarese, Vincent J	2,500		
Civitella, Peter	1,665		
Civitella, Matthew	1,665		
Civitella, Michael J	1,670		
Cohen, Neils & Betsy D	2,500		
Cohen, Marc A	15,000		
Currin, Trust, Clifton B	2,500		
De Maris, Sheri-Lynn	5,000		
Di Renzo, Louis & Rose	5,000		
Donahue, Jean	2,500	17,717(1)	*
Ernst & Company	25,000		
First Downing Capital Corp.	25,000		
Fox, Louise L	3,500		
Generation Capital Association	15,000		
Glickstein, Harriet	5,000		
Gray, Harold N	5,000		
Harrity Jr., William F	10,000		
Hauptfuhrer, Barbara	7,500		
Heald Family Trust	2,500		
Harvey, Andrea B	2,500		
Hepburn, Adele H	5,000	4,618,288(2)	2.4%
Hepburn, Austin B	2,500	4,618,288(2)	2.4%
Kent, Maude Wood	5,000		
Kilmark, George	5,000		
Leroux, Shelley	5,000		
Ludington, Nicholas S	5,000		
Merriman, James F	2,500		
Moffitt, Richard W	5,000		
Pollack, Robert L	5,000		
Potts, Robert H	5,000		
Powell, J. Steve	1,000		

Proctor III, Charles W	500		
Ransome III, Ernest L	5,000		
Rettew III, John B	5,000		
Roberts, Noma Ann	2,500		
Rosenthal, G.B	80,000		
Rubins, Joel	2,500		
Rugart, Karl F	2,500		
Sedlacek, Thomas V	2,500		
Selders, Thomas & Kristii	2,500		
Sellers, William W	5,000	1,151,356(3)	*
Schonwald, Richard S	5,000		
Smith, Jill	2,500		
Stull, Clark D	2,500		
S. W. Ryan & Co.	10,000		
Van Alen, Judith F	10,000	436,002(4)	*
Wagner, Robert E	2,500		
Wyman Jr., Samuel D	5,000		

Total	375,000		
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* Less than one percent.

- (1) Jean Donahue is the wife of Joseph Donahue, a former Vice President of USA.
- (2) Adele and Austin Hepburn are husband and wife. Adele Hepburn is the Director of Public Relations of USA.
- (3) William W. Sellers is a Director of USA.
- (4) Judith F. Van Alen is the wife of William L. Van Alen, a Director of USA.
- (5) Mr. Boynton is a Director of USA.

1998-B COMMON STOCK PURCHASE WARRANTS

Selling Shareholder -----	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		
Currin, 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, Harriette 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.

1999-A COMMON STOCK PURCHASE WARRANTS

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering	
		Number	Percent
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JOSIAH DAVID ADAMSON	400		
ANNA KATE ADAMSON	400		
MICAH PAUL ADAMSON	400		
BROOKE ANN ADAMSON	400		
PETER JOHN ADAMSON	400		
ROBERT M. AGANS	14,000		
ALAN ALPERT AND NANCY ALPERT	1,000		
WAYNE A. ANDERSON	2,000		
CHARLES W. AND KATHERINE K. APPLE	2,000		
BARRY C. ARNDT	1,000		
JOHN P. AYERS	2,000		
CHARLES M. AND NANCY P. BARCLAY	4,000		
ROBERT E. BECK	400		
MARION D. AND TEDDIE E. BELIN	4,000		
NANCY A. AND EARL D. BESCH	2,000		
ALEXANDRA O. BJORKLUND, TRUSTEE U/A DATED 11-14-88	4,000		
LOUISE D. BODINE	4,000		
JOSEPH BOLITSKY	8,000		
CHARLES L. BOLLING	1,000		
GARY BOURASSA	1,000		
EDWIN R. BOYNTON (11)	10,000	429,762	*
JAMES R. BOYNTON, PENSION PLAN	6,000		
MARGARET L. BROADWELL (8)	2,000	7,000	*
GORDON L. BRODINE	4,000		
CAROLINDA BROOKS	4,000		
WILLIAM P. BURKS, MD	6,000		
SUSAN L. BUTLER	3,000		
SMEDLEY D. BUTLER	4,000		
JOANNE C. AND VINCENT J. CALVARESE	2,000		

WILLIAM A. CAMPBELL	1,000		
HULL OVERSEAS, LTD	40,000		
FIRST DOWNING CAPITAL CORPORATION	10,000		
RALPH A. CARABASI	1,000		
EDWARD J. CARNEY	2,000		
AUGUS F.B. CASTLE JR	4,000		
MICHAEL CHIECO	5,000		
BARBARA L. CHIMICLES	2,000		
JUDY A. CIESIELSKI	4,000		
GORDON S. AND MARY LOU C. CLAUSEN	4,000		
JAMES M. AND JENNIFER S. CLENDENIN	8,000		
DIANE E. CLOUTIER	10,000		
MARC A. COHEN	4,000		
HELEN A. CRECRAFT	2,000		
J. DAVID CUNNINGHAM, M.D	2,000		
CLIFTON B. CURRIN	2,600		
CLIFTON B. CURRIN, TRUST	3,400		
A. KENNETH AND WILLIAM K. CURTIS	4,000		
DAVID S. D'ANGELO	4,000		
BENJAMIN DEACON	1,000		
RICHARD J. DELLARUSSO	2,000		
SHERI-LYNN DEMARIS	14,000		
DAVID M. DEMEDIO (1)	1,000	263,349	*
LOUIS E. AND ROSE M. DI RENZO	1,000		
LEO J. DOLAN	4,000		
MITCHELL DRESSLER	2,000		
WILLIAM P. DUNHAM	2,000		
JUSTIN G. DURYEA	1,500		
HAROLD B. ERDMAN	1,000		
HEALD FAMILY TRUST	4,000		
HENRY J. FIELDMAN (9)	6,000	1,709,700	*
AVERELL H. FISK	10,000		
LINDA GARDNER	2,000		
MARGARET R. GEDDIS	500		
SUSAN J. GERRITY	1,000		
ROBERT G. GIDDENS	10,000		
SEP-IRA OF ROBERT G. GIDDENS	2,000		
HARRIET AND CARY GLICKSTEIN	4,000		
WILLIAM M. GOLDSTEIN	2,000		
GREGORY R. GOMES	10,000		
IKLOS GOTTLIEB AND	4,000		
YESHIVA SHEARITH HAPLETA			
HAROLD N. GRAY	6,000		
JOHN R. GREEN	4,000		
CHARLES S. GRETH AND	1,000		
RONNIE M. NEFF			
ROBERT GUERIERA JR	2,000		
JOHN E. HAMILTON 600			
ROBERT A. HAMILTON (2)	1,400	107,576	*
NANCY H. HANSEN	4,000		
KENNETH R. AND BETTY A. HARRIS	4,000		
R. JOHNSTONE HARRITY	2,000		
WILLIAM F. HARRITY, JR	4,000		
BARBARA D. HAUPTFUHRER	3,000		
ROBERT P. HAUPTFUHRER	2,000		

FAMILY PARTNERSHIP			
JOHN HAY (9)	6,000	1,709,700	*
ANN HEBENSTREIT REVOCABLE TRUST	2,000		
MARC A. HEMBROUGH	2,000		
AUSTIN B. HEPBURN (3)	3,000	4,607,788	2.44%
ADELE H. HEPBURN (3)	15,000	4,607,788	2.4%
JULIE H. HERBERT (10)	2,000	1,610,054	*
JOYCE HODGES	1,000		
JULIA B. HOLLOWAY	2,000		
JAMES M. HOLMWOOD	4,000		
A PARTNERSHIP HRUBALA ASSOCIATES	2,000		
DAVID W. HUBBERT	3,000		
WILBUR E. HUDSON	1,000		
JAY T. HUFFMAN	1,000		
CHRISTINE F. HUGHES	500		
MICHAEL HYMAN	2,000		
F/B/O FRED KARAGOSIAN KEOGH	2,000		
INDEPENDENT TRUST CORP, TRUSTEE			
JANNEY MONTGOMERY SCOTT IRA FOR	2,000		
ROBERT E. WAGNER			
ROBERT B. AND MARY LOU JACOBY	2,000		
WILLIAM ROBERT JOHNSTON	1,000		
GLORIA S.AND FRED S. KARN	200		
MORRIS KAUFMAN	2,000		
MAUDE WOOD AND THOMAS D. KENT JR	2,000		
ROBERT A. KILGORE	10,000		
KATHLEEN COUGHLIN KILGORE	2,000		
GEORGE H. AND JUNE Y. KILMARX	10,000		
ANTHONY KIM	10,000		
HARRIETTE D. KLANN	2,000		
SHIRLEY K. KNERR	2,200		
CHRISTINE C. KOLLS (4)	6,000	949,850	*
DAVID A. KRA	2,000		
PHILLIP S. AND ROCHELLE KROMBOLZ	6,000		
NANCY KROOK	14,000		
LEON M. KRUGER	8,000		
JEFFREY R. LAND	2,000		
PAUL G. LANNI	2,000		
SHERRILL F. LEBOUTILLIER	18,000		
JOHN N. LEE	6,000		
JENNIFER BEIRNES LEENE	2,000		
FBO DENNIS L. GILBERT R-IRA LEGG	2,000		
MASON CUSTODIAN ACCT #397-70859			
AARON LEHMANN	2,000		
SHELLEY AND JAMES LEROUX, III	4,000		
LEROY LEWIS	4,000		
ISRAEL AND NESIA LICHENSTEIN	2,000		
TOBY AND SOLOMON LICHTENSTEIN	1,000		
ISRAEL AND RACHEL LICHTENSTEIN	1,000		
THE WORDEN FAMILY	4,000		
LIMITED PARTNERSHIP			
E.H. ROGERS, JR. FAMILY	4,000		
LIMITED PARTNERSHIP			
BIRTZ REVOCABLE LIVING	4,000		
TRUST (DATED 8-15-94)			
PATRICK LOPEZ	2,000		
DOUGLAS M. AND			

MARGARET SHERRY LURIO (5)	6,000	477,213	*
JAMES P. MacCAIN	2,000		
DONALD W. MACKENZIE	4,000		
ALBERT P. AND MARY E. MALISCHEWSKI	2,000		
SALVATORE MARINO	2,000		
DR. IRWIN MARKOWITZ	10,000		
CHARLES A. MAYER	2,000		
G. ELLARD MCCARTHY AND JOAN R. BENNETT	1,000		
ROBERT F. McCARTNEY	2,000		
JAMES F. MERRIMAN	3,000		
HARLEY AND BROOK MILLER	600		
THOMAS J. MOLUMPHY	1,000		
GORDON E. MONTGOMERY	2,000		
ROBERT H. AND ROSEMARY M. MONTGOMERY	2,000		
MILTON K. AND LOIS T. MORGAN Jr	2,000		
JOHN J. MORGENTHALER	2,000		
MAC G. AND JANDELLE C. MORRIS	1,000		
RICHARD F. MURPHY	4,000		
RONNIE M. NEFF	1,000		
ELIZABETH LARRABEE NELSON	3,000		
JOHN BRADLEY AND CAROL NIX	400		
BRIAN G. NELSON	2,000		
ALEX ORLIK(13)	800	87,783	*
ROBERT G. PADRICK, TRUSTEE FBO ROBERT G. PADRICK PROFIT SHARING PLAN	2,000		
PETER B. PAKRADOONI	2,000		
GARY PAPA	4,000		
RICHARD G. PARKER	2,000		
PANORAMA PARTNERS	10,000		
WILLIAM R. AND MATTIE A. PERRY	7,000		
ROY T. PIRHALA	4,000		
JOHN W. PONTON, JR	2,000		
J STEVE POWELL	600		
MOLUMPHY CAPITAL MGMT PROFIT SHARING	2,000		
DANIEL P. QUINN	2,000		
ROGER RADPOUR	2,000		
PAUL J. AND D. JOAN RAFFERTY	12,000		
ERNEST L. RANSOME III	1,000		
WILLIAM RECKTENWALD	2,000		
HARRY RENNER IV	2,000		
WANDA S. MOFFITT REVOCABLE TRUST	2,000		
NOMA ANN ROBERTS	5,000		
GARDINER ROGERS	800		
DOYLE ROGERS	2,000		
MARIE G. ROPER	1,000		
LEE R. ROPER AND LISA A. ROPER	4,000		
GEORGE PARKE ROUSE, III	2,000		
PETER S. RUBEN	2,000		
KARL F. AND PATRICIA E. RUGART	2,000		
JOHN S. RUPP	3,000		
VALENTINA SAS AND ALEX ORLIK(12)	400		
WILLIAM F. SCHOENHUT, JR	8,000		
RICHARD S. SCHONWALD	21,000		
THOMAS V. SEDLACEK	2,000		
THOMAS A. AND KRISTIN M. SELDERS	1,000		
WILLIAM W. SELLERS (6)	14,000	1,142,356	*
NICHOLAS SELLERS	2,000		
SCOTT SELTZER	1,000		
CELIA E. SHEVLIN	400		

LEONARD H. SICHEL, JR	2,000		
JOSEPH SINGER	2,000		
LESLIE AND ETHEL SINGER	2,000		
ELINOR M. STEINHILBER	2,000		
MICHAEL K. STERN	20,000		
SOLVEIG W. STETSON	2,000		
ERIC W. STETSON	1,000		
JOHN B. STETSON, IV	4,000		
SOLVEIG W. STETSON AND HOMER N. STEWART	2,000		
PRISCILLA STITT	4,000		
EDWARD B. STOKES	4,000		
CLARK D. STULL	4,000		
TERRY L. AND MOLLY B. SWANTON	4,000		
STEPHEN S. TURESKY	1,000		
ANTHONY B. ULLMAN (9)	6,000	1,709,700	*
JOHN H. VESPER, JR	1,000		
SANZONE VINCENT	2,000		
BORJE WAHLSTROM	2,000		
JEAN STEEL WAHLSTROM	2,000		
HENRY W. WESSELLS, III	500		
ARTHUR L. WHEELER	10,000		
DR. J EDWARD WILLARD	10,000		
GEOFFREY F. WORDEN	4,000		
WILLIAM M. WRIGHT	2,000		
JOHN D. WRIGHT	1,000		
SAMUEL D. WYMAN, JR	2,000		
JONI CARLEY YAMAGUCHI	2,000		
KEIJI YAMAGUCHI	2,000		
FRANCES YOUNG (7)	90,000	1,006,000	*
DONALD J. ZELENKA	10,000		
RUTH ZWEIGBAUM	800		

Total	893,600		

* Less than one percent (1%).

- (1) Mr. DeMedio is an employee of USA.
- (2) Mr. Hamilton is an employee of USA.
- (3) Adele and Austin Hepburn are husband and wife. Adele Hepburn is the Director of Public Relations of USA.
- (4) Christine Kolls is the spouse of Haven Brock Kolls, Jr., the Senior Vice President of USA.
- (5) Mr. Lurio is a Director and his law firm, Lurio & Associates, P.C., is general counsel to USA.
- (6) William W. Sellers is a Director of USA.
- (7) Ms. Young is a former employee of the Company.
- (8) Ms. Broadwell is a former employee of USA.
- (9) Messrs. Fieldman, Hay, and Ullman, are members of the law firm of Fieldman, Hay & Ullman, LLP, which represented USA in connection with past litigation.
- (10) Julie Herbert is the spouse of Stephen Herbert, the President of USA.
- (11) Mr. Boynton is a Director of USA.
- (12) Mr. Orlik is an employee of USA

(12) Mr. Orlik is an employee of USA.

1999-B COMMON STOCK PURCHASE WARRANTS

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering~	
		Number	Percent
ADAMSON, BROOKE ANN	3,800		
ALEX CONSULTING, INC. (1)	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	419,762	*
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	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		
DEMEDI0, DAVID (3)	3,000	267,349	*
DEMEDI0, MARTHA	1,000		
DOLAN, LEO	5,000		
EASON, JEAN	2,000		
FIELDMAN, HAY & ULLMAN (4)	225,000	1,502,000	*
FRYE, WAYNE	1,250		
GEDDIS, MARGARET	2,500		
GIDDENS, ROBERT G	10,000		
GIDEON TRADING LTD	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	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	10,000		
HUGHES, CHRISTINE	2,500		
HYMAN, MICHAEL	5,000		
IW MILLER GROUP (7)	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		
KOLESIKOFF, 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	478,213	*
MARINO, SALVATORE	5,000		
MASON, KATHLEEN	50,000		
MAXWELL, LELAND (10)	5,000	392,050	*
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	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	1,026,356	*
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	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		
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* 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.

2001 - B COMMON STOCK PURCHASE WARRANTS

Selling Shareholder -----	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 BRITTAIN	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	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	175,000		
IRA FBO ROBERT A HAMILTON	16,667		
WILLIAM F HARRITY JR	63,334		
ROBERT P HAUPTFUHRER			
FAMILY PARTNERSHIP	20,000		
JACK M HEALD	14,000		
ANDREW B HEBENSTREIT	23,334		
ANN HEBENSTREIT	10,000		
ADELE H HEPBURN(1)	333,334	4,292,454	2.2%
AHP HOLDINGS, LP	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	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	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	432,669	*
ROBERT E WAGNER	27,857		
HENRY W WESSELLS III	1,667		
DELTA WESTERN COMPANY	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		

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.

2001-C COMMON STOCK PURCHASE WARRANTS

Selling Shareholder	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	4,574,788	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	1,106,356	*
WILLIAM W SELLERS REV TRUST (3)			
MARGARET S WILLIAMS	9,000		
ROBERT H WILLIAMS DDS ASSOC PROFIT SHARING PLAN	12,000		
RUTH ZWEIGBAUM	3,000		

TOTAL	467,692		

* 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.

NOTEHOLDER PURCHASE WARRANTS

Selling Shareholder	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	110,001		

ALEX CONSULTING(15)	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	391,012	*
BRAY, DAVID G	3,000		
BRESLIN, BILLIE	15,000		
BRILL SECURITIES	45,000		
BRITTAIN FAMILY TRUST	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	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	326,250		
CORNERSTONE PUBLIC RELATIONS GROUP	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	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)	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	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	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		
HAINES, 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	67,500		
HAUPTFUHRER, BARBARA D	52,500		
HAY, JOHN(4)	45,000	1,592,700	*
HEALD FAMILY TRUST	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	4,110,488	2.1%
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	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	75,000		
ILLES, STEVE	450,000	3,781,250	1.9%
INTERNET PR GROUP	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	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	1,472,200	*
JENSEN, BURTON	15,927		
JENSEN, DAVID	15,927		
JENSEN, GEORGE R & RON RAYMOND(7)	150,000	1,472,200	*
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	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	415,713	*
LURIO, DOUGLAS M & MARGARET SHERRY(9)	45,000	415,713	*
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	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	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	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	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	973,856	*
SELLERS, NICHOLAS	15,000		
SELLERS, WILLIAM W (17)	135,000	973,856	*
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 JTWR0S, 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)	652,647	1,855,510	*
TEQUESTA CAPITAL CORP	21,428		
THOMPSON, ALFRED & SUSAN	4,125		
THOMPSON, ANDREW & MARYLYNN	750		
THOROUGHGOOD, WILLIAM E	3,750		
TORRES, GUILLERMO M	30,000		
TRINITY ASSOCIATES	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

MANAGEMENT OPTIONS

Selling Shareholder ----- Options	Common Stock Offered Hereby -----	Beneficial Ownership After Offering -----	
		Number	Percent
Mr. George R. Jensen, Jr.	480,000	1,457,200(10)	*
Mr. Henry B. duPont Smith	20,000	1,348,720(1)	*
Mr. Stephen P. Herbert	290,000	655,850(2)	*
Mr. Haven Brock Kolls, Jr.	300,000	980,856(3)	*
Mr. William W. Sellers	175,500	773,575(4)	1.25%
Mr. Peter G. Kapourellos	177,000	8,013(5)	*
Mr. William L. Van Alen, Jr.	172,500	95,000(6)	*
Mr. Steven Katz	160,000	35,000(13)	*
Mr. Douglas M. Lurio	160,000	253,713(11)	*
Mr. Edwin R. Boynton	110,000	329,762(12)	*
Ms. Adele Hepburn	277,000	4,343,788	2.2%
Mr. Austin Hepburn	5,000	4,343,788	2.2%
Mr. Robert Leiser	2,000		
Mr. Doug Annette	2,500		
Mr. and Mrs. Alan A. Ballard	1,500		
Ms. Helen Estes Seltzer	1,200		
Ms. Peg Longstreth Bayer	940		
Mr. Clifton B. Currin	962.50		
Mr. Rick Crecraft	2,235		
Mr. Edward M. Taylor	950		
Mr. Joseph Etris, Jr.	825		
Ms. Emma K. Heed	815		
Ms. Mary Farrow Evans	512.50		

Mr. Jack D. Davis	342.50			
Ms. Joy L. Punchur	272.50			
Mr. Robert Cryan	250			
Mr. Lawrence R. Malcolm	225			
Ms. Elizabeth E. Logan	200			
Mr. and Mrs. Ralph Cochran	175			
Mr. Clark Stull	127.50			
Ms. Anna Lincoln	60			
Ms. Ruth E. Hall	55			
Ms. Rosemary Marshall	40			
Ms. Nancy Victor	20			
Mr. Daniel A. Padden	17.50			
Mr. Jeffrey M. McGarry	25			
Ms. Susan H. Cortese	250			
Mrs. Robert Leiser	2,000			
Mr. Michael Lawlor	100,000	407,050 (8)	*	
Mr. Leland P. Maxwell	120,000	277,050 (9)	*	
Mr. Cecil Ledesma	9,500	141,500 (14)	*	
Ms. Amy Thigpen	7,000	84,550 (14)	*	
Ms. Vivian Stroud	6,000	9,628 (14)	*	
Mr. Dave DeMedio	6,000	189,794 (14)	*	
Mr. James Tierney	1,000	258,349 (15)	*	
Larry Gershman	150,000	0 (16)	*	
Frances Young	100,000	1,725,000 (17)	*	
George O'Connell	100,000			

Total	2,472,500			
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*Less than one percent (1%)

- (1) Mr. Smith is a former Director of USA.
- (2) Mr. Herbert currently serves as President and as a Director of USA.
- (3) Mr. Kolls currently serves as Vice President - Research and Development.
- (4) Mr. Sellers currently serves as a Director of USA.
- (5) Mr. Kapourellos is a former Director of USA.
- (6) Mr. Van Alen currently serves as a Director of USA.
- (7) Adele and Austin Hepburn are husband and wife. Adele Hepburn serves as Director of Public Relations of USA.
- (8) Mr. Lawlor is the Vice President-Marketing and Sales of USA.
- (9) Mr. Maxwell is the Senior Vice President, Chief Financial Officer and Treasurer of USA.
- (10) Mr. Jensen is the Chief Executive Officer and Chairman of USA. Does not

reflect the right granted to him under his employment agreement to receive seven percent of the issued and outstanding common stock upon the occurrence of a USA Transaction (as defined therein). See "Management - Executive Employment Agreements."

- (11) Mr. Lurio is a Director and his law firm, Lurio & Associates, P.C., is general counsel to USA.
- (12) Mr. Boynton is a Director of USA.
- (13) Mr. Katz is a Director of USA.
- (14) Employee of USA.
- (15) Former employee of USA.
- (16) Currently serves as our financial and marketing consultant.
- (17) Former employee of USA.

2004 and 2005 SENIOR NOTE INTEREST DECEMBER COMMON STOCK

Selling Shareholder -----	Common Stock(1) Offered Hereby -----	Beneficial Ownership After Offering	
		Number	Percent
		-----	-----
2004 NOTEHOLDER			

AHP HOLDINGS	7000		
ALVANOS, MICHELLE & COSTA	900		
ANDERSON, JACKSON L	900		
ANDERSON, WAYNE A	2500		
APPLE, CHARLES W	6750		
BARCLAY, CHARLES & NANCY	3000		
BAZURO, KIRSTEN & ROBERT(9)	750	190,025	*
BIRDSALL, KATHLYNE K	376		
BJORKLUND, ALEXANDRA O	4500		
BLACKBURN, DAVID C	7500		
BOLITSKY, JOSEPH J	8000		
BOYAR, LEA	1500		
BOYNTON, EDWIN R(10)	3750	436,012	*
BRESLIN, BILLIE	3000		
BRITTAIN FAMILY TRUST	2000		
BURKS, WILLIAM P	1876		
CALVARESE, VINCENT J	750		
CARL, JERROLD & COHEN, SUSAN	7500		
CARLSON, JULIE	19800		
CASTLE JE, AUGUST B	4704		
CHARRINGTON III, ARTHUR M.R.	3000		
CHARRINGTON, ARDIS B	3000		
CHIORDI, MICHAEL J	3000		
CIESIELSKI, JUDY A	3000		
CLARK JR, GERALD E	2100		
CLARKE, ROBERT J	2700		
CLAUSEN, GORDON & MARYLOU	750		

COHEN, MARC	5250		
CORNERSTONE PUBLIC RELATIONS GROUP	282		
CRAVEN, JOHANNA	1076		
CROSS, JIM	1000		
CROTHERS, WILLIAM R	376		
CROW, LORRAINE	300		
CURRIN, CLIFTON B	2950		
CURTIS, WILLIAM & LINDA	6000		
D'ANGELO, DAVID S	3250		
DB SCHOLL PROFIT SHARING PLAN	3000		
DEACON, BENJAMIN	750		
DELTA WESTERN COMPANY	11250		
DEMARIS, SHERI-LYNN	10500		
DEMEDIO, DAVID(9)	2250	262,099	*
DENLINGER, DONALD & DIANNE	3600		
DILIGENT FINANCE CO LTD (8)	96000	2,282,000	1.2%
DIRENZO, LOUIS & ROSE	750		
DOLAN, LEO J	2400		
DRESS, ROBERT & MELANIE	2200		
EFFRON, HOWARD	3000		
EFFRON, JAMES	1050		
ELLIOTT, BENTLY	3000		
EVANKO, DR. MARK A	300		
FANELLI, ANTHONY J	5100		
FLINT, PRISCILLA TAYLOR	76		
FOSTER, JOHN S	8500		
FREY, ROBERT	1126		
FULMER, SAMANTHA HARRIS	300		
FUSARO, ANTHONY A	6000		
GALLAGHER, ROSE & ANTHONY J	150		
GALVIN, DOROTHY	300		
GEDDIS, MARGARET R	500		
GIBSON, RONALD & BONNIE	2000		
GIDDENS, ROBERT	6000		
GILLESPIE, GALE	1500		
GLICKSTEIN, HARRIET & CARY	4500		
GLOCKNER, FREDERICK & JOAN	300		
GOLDEN, JULIUS	1500		
GOLDSTEIN, WILLIAM M	3000		
GREAVES, JAMES & JOYCE	1500		
GROFF, LARRY K & SHERYL L	900		
HAMILTON, IRA FBO ROBERT A (9)	1260	107,086	*
HAMILTON, ROBERT A (9)	630	107,086	*
HANSEN, NANCY HUSTON	18600		

HARRIS JR, BURT I	96000		
HARRIS, KENNETH R	360		
HARRITY JR, WILLIAM F	9500		
HAUPTFUHRER FAMILY PARTNER	3000		
HEALD, JACK M	1750		
HEBENSTREIT, ANDREW B	11000		
HEBENSTREIT, ANN	4500		
HEBENSTREIT, LISA	2400		
HEBENSTREIT, SAM	2100		
HEBENSTREIT, TIMOTHY B	3300		
HEBENSTREIT, TODD	2400		
HENDRON, MAUREEN E	2500		
HEPBURN, ADELE H (2)	31524	4,593,754	2.4%
HEPBURN, AUSTIN B (2)	510	4,593,754	2.4%
HOLLENSHEAD, MICHELLE	626		
HOLT, ALTON R	15600		
HRUBALA ASSOC, A PARTNERSHIP	1250		
HUBBERT, DAVID W	750		
HUDSON, GORDON F	1500		
HUDSON, MARK J	2400		
HUDSON, NICHOLAS	1080		
HUGHES, CHRISTINE F	876		
ILLES, STEVE	82500	4,148,750	2.1%
J.M. HULL ASSOCIATES LP	6376		
JACKSON, NATA M	12000		
JACOBY, ROBERT & MARY LOU	3800		
JOHNSTON, WILLIAM ROBERT	6000		
JONES, CHARLES T	1500		
JONES, DONALD & JOAN	1250		
KATCHUR, MICHAEL	2250		
KATCHUR, THOMAS A	16500		
KATCHUR, THOMAS JOHN	3240		
KAUR, SARB JIT	150		
KILMARX, GEORGE & JUNE	2000		
KLANN TRUST, HARRIETTE D	1000		
KLANN, HARRIETTE D	1500		
KNERR, SHIRLEY K	2700		
KOBUS, GREGORY & ALICE	3000		
LANDIS, LOIS	300		
LEWIS, WARREN D	1750		
LIPPINCOTT JR, H MATHER & MARGARET	3000		
LOCKHART-HEBERTON, CYNTHIA	150		
LOPEZ, ANTHONY & BARBARA	3000		
LUCE, STEPHEN M	1000	117,427	*
MACCAIN, JAMES P	3500		
MADAN, LEWIS F	600		
MARCHAND, AIMEE	376		
MARCHAND, MARIEL	376		
MARCHAND, ROBIN	1750		

MARTIN, C LEONARD	6000		
MASON, KATHLEEN	23000		
MAYER, CHARLES	1200		
MCCARTNEY, LILY	600		
MCGONIGLE, JOHN & ROSEMARY	300		
MCGONIGLE, MARY C	300		
MCGUIRE, PETER	24000		
MERRIMAN, JAMES F	3000		
MIGLIACCIO, AL FOR ASHLEE	1500		
MILLER, EILEEN & LAWRENCE	1200		
MILLER, HARLEY & BROOK	1376		
MILLIKIN, GEORGE & CAROLINE	9000		
MOFFITT JR, GEORGE W	3376		
MONTGOMERY, ERNEST E	3000		
MONTGOMERY, ROBERT & ROSEMARY	2000		
MORRISON, FRANCES WHEELER	1500		
MOYER, F STANTON	7500		
MURRAY, BARBARA J	3000		
NELSON, ELIZABETH L	5250		
NEWHUIS, GREGG J	4500		
NEWHUIS, JEFFREY	2100		
NOLAN, PATRICK	6000		
NORDIN, PAUL	1000		
O'CONNELL, GEORGE	12000		
ODELL, SUSAN	6500		
ORLIK, ALEX (9)	2438	86,145	*
PAGH, ERIC	3750		
PARKER, MICHAEL A	1000		
PARKER, NEIL L	750		
PARKER, RICHARD & LAURA	2400		
PERRY, DOUGLAS A	626		
PERRY, LARRY R	626		
PERRY, MATTIE & WILLIAM	3000		
PERRY, RICHARD	626		
PIRHALA, ROY T	1996		
POTTS, ROBERT H	3000		
PRESCOTT, BARBARA L	376		
PROCTOR, CHARLES & MARIA	126		
RAAB, SAMUEL	15000		
RAFFERTY, PAUL & JOAN	9500		
RECKTENWALD, WILLIAM	6000		
REISNER, WILLIAM & FRANCES	3600		
RENNER IV, HARRY	10126		
RETTEW III, JOHN B	2500		
RICHARDSON, GEORGE B	3126		
ROGERS, GARDINER	900		
ROPER, LISA & LEE	4500		
ROPER, MARIE G	4500		
RUGART, KARL F	2250		
RUPP, JOHN S	2026		
SCAMMAHORN, KEITH & LYNNE	3000		
SCHOENHUT JR, WILLIAM F	2000		
SCHOLL, MARGARET J	3000		

SCHONWALD, RICHARD S	18750	2,074,125	1.1%
SCRANTON, MARY L	1750		
SELLERS TRUST, WILLIAM W	9500		
SHOTWELL, RAYMOND	150		
SHUPE, JOHNNYE F	300		
SINGH, KRISHNA K	9000		
SINGH, SARB JIT	76		
SMITH, RICHARD	36000		
SPEALMAN IRA, DANIEL	5188		
SPEALMAN, DANIEL E	11700		
STEIR, MICHAEL & ELLEN	2250		
STEWART, HOMER & NATHALIE	1950		
STITT, PRISCILLA A	450		
STOKES, EDWARD B	3000		
STRINGFELLOW, MARCUS & EMIKO	3000		
STULL, CLARK D	210		
SZYCHOSKI, GEORGE E	30		
SZYCHOSKI, MICHAEL W	76		
SZYMBORSKI, CONSTANTINE T	3000		
TAYLOR, DIANA STELLING	76		
TAYLOR, EDWARD M	150		
TAYLOR, JOHN M	150		
TAYLOR, JUDITH ANN	76		
TAYLOR, MARGO E	76		
TAYLOR, TUCKER CHASE	150		
TECHNOLOGY PARTNERS(8)	115530	2,392,627	1.3%
THOMPSON, ALFRED & SUSAN	226		
THOMPSON, ANDREW & MARYLYNN	150		
TORRES, GUILLERMO M	3000		
UNANUE, CURTIS A& MARIA	9000		
VAN ALEN JR, WILLIAM L(7)	1000	445,002	*
WAGNER, ROBERT E	4178		
WAIBEL, CAROLYN	3000		
WAIBEL, R SCOTT	3000		
WEAVER, DAVID	660		
WEAVER, KEVIN & ALICIA	9000		
WEAVER, MICHAEL L	300		
WEAVER, WES	1500		
WESSELLS III, HENRY W	250		
WHEELER JR, ARTHUR L	3000		
WHEELER JR, FREDERICK C	3000		
WHEELER, ALINA R	3000		
WHEELER, ANTONIA C	3000		
WHEELER, ARTHUR L	150000		
PATTON, CHRISTINE W	3000		
WHEELER, EDWARD F	3000		
WHEELER, LESLIE P	3000		
WHEELER, SUSAN W	3000		
WILLARD, J EDWARD	14500		
WILLIAMS DDS PROFIT SHARING	17700		
WILLIAMS, MARGARET S	10740		
YOSHIMOTO, CRAIG	3000		
YUTZY, JOHN A & LUCINDA K	2400		
ZELENKA, DONALD J	6750		
ZWEIGBAUM, RUTH	1512		
TOTAL SHARES	1,395,774		

2005 NOTEHOLDER

AANESTAD, DONALD T	6,000		
ALEX CONSULTING 98)	10,000	3,011,000	1.5%
ALIMACHANDANI, VIJAY	6,000		
ALVAREZ, DELIA P	1,500		
ANDERSON, WAYNE A	1,500		
APPLE, CHARLES W	3,000		
APPLE, SUSAN SCHRAMM	2,000		
BACHICH, JOHN	10,000		
BELLAVIA, CHARLES F	3,000		
BEYER, GUNTER J (8)	3,000	135,167	*
BLACKBURN, DAVID C	4,500		
BLACKBURN, DONALD F	9,000		
BOLITSKY, JOSEPH	2,000		
BRAY, DAVID G	600		
BRILL SECURITIES	9,000		
BRITTAİN, DOUGLAS & CAROLYN	4,000		
BRODINE, GORDON L	4,000		
BUDINETZ, MICHAEL J	2,850		
BURKS, WILLIAM P	3,000		
CAPE MACKINNON INC	11,000		
CARLSON, JULIE	3,000		
CASTLE JR, AUGUST B	3,000		
CLARKE, ROBERT J	26,000		
COFFEY, ROGER D	3,000		
CONG SHEARITH HAPLETA	11,000		
CRAVEN, JOHANNA	380		

CROW, DUDLEY R	3,000		
CURRIN, CLIFTON B	4,000		
CURTIS, WILLIAM K	7,500		
D'ANGELO, DAVID	8,000		
DEMARIS, SHERI LYNN	5,400		
DEACON JR., BENJAMIN H	1,000		
DIN, ANEES T	5,400		
ELLIOTT, BEN	6,000		
ELLNER, SOLOMON	10,000		
ELLSHAY LLC	6,000		
FANELLI, ANTHONY J	3,000		
FINN STAFF	4,000		
FIRESTONE, JEFFREY	11,870		
FORIGO, DANIELE	7,150		
FOX, HELEN K	3,000		
FUSARO, ANTHONY A	3,000		
GEDDIS, MARGARET R	500		
GFG CONSULTING	12,000		
GIDDENS, ROBERT G	13,500		
GIVEN, CHARLOTTE(8)	4,000	308,000	*
GLICKSTEIN, HARRIET & CARY	2,000		
GLICKSMAN, RACHEL	9,600		
GOLDSTEIN, WILLIAM M	3,000		
GREGORY, ALAN V	3,000		
HAINY, BOB	10,000		
HALDEMAN, EDWARD	6,000		
HALDEMAN, PAULINE E	6,000		
HALL, ROBERT & VIRGINIA	1,390		
HARRIS, KEN	200		
HARRITY JR, WILLIAM	3,000		
HAUPTFUHRER FAMILY PARTNERSHIP	6,000		
HAUPTFUHRER, BARBARA D	3,000		
HEALD, CYNTHIA & JACK	3,000		
HEBENSTREIT, ANDREW	15,000		
HENDRON, MAUREEN	3,000		
HEPBURN, ADELE(2)	120,000	4,502,788	2.4%

HEPBURN, AUSTIN B (2)	3,000	4,502,788	2.4%
HERBERT, JULIE (3)	12,670	1,613,380	*
HERBERT, STEPHEN P (3)	12,670	1,613,380	*
HEWSON, THOMAS A	6,000		
HRUBALA ASSOCIATES, A PARTNERSHIP	3,000		
HUDSON, GORDON F	1,500		
HUDSON, MARK J	750		
HUDSON, NICHOLAS C	750		
HUGHES, CHRISTINE F	1,000		
IGNITE CAPITAL	10,000		
ILLES, STEVE	5,000	4,226,250	2.2%
INTERNET PR GROUP	2,000		
JALMARSON, CRAIG H	1,200		
JENKINS, WENDY(9)	4,000	168,000	*
JENSEN, BURTON (11)	2,614		
JENSEN, DAVID (11)	2,614		
JENSEN, GEORGE (9)	15,000	1,913,400	*
JENSEN, JULIE (9)	8,800	1,913,400	*
JONES, ROBERT	6,000		
JONES SR, DONALD & JOAN	400		
KATCHUR, THOMAS A	21,000		
KATCHUR, THOMAS JOHN	3,000		
KEFFER, JOHN & RAELENE	3,000		
KNERR, SHIRLEY K	2,000		
KNODE, RALPH H	4,000		
KONSMO, OYSTEIN	2,500		
LAW, JEANNINE P	3,000		
LEBOUTILLIER, SHERRILL F	2,000		
LEE, STEVEN	750		
LEHMANN, AARON	8,100		
LEROUX, SHELLEY	3,000		
LEWIS, WARREN D	3,000		
LEXINGTON VENTURES INC	18,000		
LIPPINCOTT JR, H MATHER	1,500		

LIZZUL, PAUL & DAWN-MARIE	3,000		
LOCKHARDT, LORETTA	1,720		
LOZOWSKI, ROBERT	600		
LUPPINO, FRANCIS	3,000		
LURIO, DOUGLAS(5)	4,500	478,713	*
MALONEY, VIRGINIA MARSHALL	200		
MASON, KATHLEEN	6,000		
MAX COMMUNICATIIONS	18,000		
MCCABE, BARRY N	3,000		
MCCORMICK, JOHN F	6,840		
MCGARRAH, ROBERT G	6,000		
MCGUIRE, PETER J (8)	6,000	452,000	*
MERRIMAN, JAMES	9,000		
MILLER, HARLEY & BROOK	1,050		
MOFFITT JR, GEORGE W	3,000		
MONTGOMERY, ROBERT & ROSEMARY	3,000		
MOSIER, JAMES	6,000		
NASH, GARY	400		
NEFF, RONNIE	3,000		
NELSON, ELIZABETH L	6,000		
NEMETH, ROBERT F	6,000		
NEWHUIS, GREGG J	37,000		
NEWHUIS, JEFFREY	1,900		
NOLAN, PATRICK	780		
OAKLAND, GARY	3,250		
OCONNELL, GEORGE	15,000		
O'NEILL, J BRIAN	3,000		
PADRICK, ROBERT	8,000		
PADRICK, TRUSTEE, ROBERT G. PADRICK P/S/P AND TRUST, ROBERT G.	4,000		
PADRICK, TRUSTEE FBO KELLIE NICOLE PADRICK, ROBERT G.	2,000		
PANORAMA PARTNERS	900		
PARKER, NEIL L	750		
PARKER, RICHARD & LAURA	7,500		
PELLEGRINO, JOSEPH	60,000		
PENJUKE, WILLIAM & CAROL	2,000		
PETT, ROBERT	20,000		
PIRHALA, ROY T	6,260		
POTTS, ROBERT H.	2,000		
RANSOME III, ERNEST L	3,000		
RECKTENWALD, WILLIAM	6,000		
REICHL, THOMAS C	900		
REISNER, GREG A	3,000		
REISNER, WILLIAM & FRANCES	3,000		
RENNER IV, HARRY	3,000		
RETTEW III, JOHN B	1,000		

RICHARDSON, GEORGE B	3,130		
ROBERTS, NOMA ANN	1,500		
ROPER, LEE & LISA	3,000		
ROSENTHAL, GERRY	4,000		
RUBEN, PETER	20,000		
RUGART, KARL F	1,500		
RUPP, JOHN S	3,000		
SCHOENHUT III, WILLIAM F	3,000		
SCHOENHUT JR, WILLIAM F	9,000		
SCHONWALD, RICHARD	21,000		
SCHWARTZ, STEPHEN	7,500		
SCIFERS, VICKI S	3,000		
SELLERS, WILLIAM (10)	8,000	1,480,356	*
SHOTWELL, RAYMOND K	1,500		
SHUTE, HARRY D	1,500		
SINGER, JOSEPH	300		
SMITLEY, KATHY	1,500		
SNYDER, MELVIN G	3,000		
STANGLEIN, TERRY W	10,800		
STEIR, MICHAEL & ELLEN	1,500		
STERN, SHAI L (6)	7,500	208,750	*
STEVEN, GERTRUDE	5,000		
STEWART, HOMER & NATHALIE	660		
SVEDAS, WILLIAM	300		
TAUBER, BARBARA ANN	280		
TECHNOLOGY PARTNERS (8)	10,000	2,498,157	*
TEQUESTA CAPITAL CORP	4,290		
THOMPSON, ALFRED & SUSAN	600		
THOROUGHGOOD, WILLIAM E	560		
TORRES, GUILLERMO	3,000		
TRINITY ASSOCIATES	2,000		
TURESKY, STEPHEN S	1,500		
TURNER, JAMES	12,000		
VAN ALEN JR, WILLIAM L(7)	6,000	440,002	*
VODANTIS, JOHN S & HOPE J	1,000		
WAGNER, ROBERT E	2,000		
WEAVER, DAVID	900		
WEAVER, DWANE M	3,000		
WEAVER, MARLENE	30,000		
WEAVER, WESLEY R	2,770		
WIENER, ARTHUR	1,392		
WIENER, ARTHUR & RUTH	2,720		

WEINER, BERNARD	1,500
WILSON, KENNETH B	1,500
WOLFE, CLAUDINE W	900
WRIGHT, C EDWIN & JANET LYN	1,500
WRIGHT, JOHN D	1,500
ZELENKA, DONALD J	6,000
ZIRBES, JOSEPH	1,000
ZWEIGBAUM, RUTH	630

TOTAL 1,138,940

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* Less than one percent.

- (1) The amount listed for each selling shareholder reflects shares of common stock to be issued if the entire amount of interest payments on 2004 and 2005 Senior Notes for the quarter ended 12/31/02 is elected to be taken in shares and warrants.
- (2) Adele and Austin Hepburn are husband and wife. Mrs. Hepburn is the Director of Public Relations of USA.
- (3) Stephen and Julie and husband and wife. Mr. Herbert is President, Director and Chief Operating Officer of USA.
- (4) George and Julie Jensen are husband and wife. Mr. Jensen is Chairman of the Board and Chief Executive Officer of USA.
- (5) Mr. Lurio is a Director of USA and he is the President of Lurio & Associates, P.C., general counsel to the firm.
- (6) Mr. Stern is a consultant.
- (7) Mr. Van Alen is a Director of USA.
- (8) Consultant to USA.
- (9) Employee of USA
- (10) Director of USA
- (11) Child of Mr. Jensen.

2003 SENIOR NOTES COMMON STOCK

Selling Shareholder -----	Common Stock Offered Hereby (1) -----	Beneficial Ownership After Offering -----	
		Number -----	Percent -----
ANNA KATE ADAMSON	2,720		
BROOKE ANN ADAMSON	2,720		
JOSIAH DAVID ADAMSON	2,720		
MICAH PAUL ADAMSON	2,720		
PETER JOHN ADAMSON	2,720		
ROBERT M. AGANS	95,200		
AHP HOLDINGS L.P.	68,000		
ALAN ALPERT	10,200		
WAYNE A. ANDERSON	27,200		
CHARLES W. APPLE			
AND KATHARINE K. APPLE	27,200		
THOMAS APPLE	13,600		
BARRY C. ARNDT	6,800		
TRINITY ASSOCIATES	136,000		
JOHN P. AYERS	13,600		
JOHN BACHICH	68,000		
MICHAEL J. BACHICH	272,000	253,000	*
CHARLES M. BARCLAY			
AND NANCY P. BARCLAY	54,400		
ROBERT E. BECK	2,720		
MARION DOUGLAS BELIN AND			
TEDDIE EARLINE BELIN, JTWROS	40,800		
NANCY A. BESCH AND EARL D. BESCH	13,600		

BENJAMIN LEE BIRD	13,600		
RICHARD L. AND MARY J. BIRTZ, TRUSTEES OF BIRTZ REVOCABLE LIVING TRUST DATED AUGUST 15, 1994	27,200		
ALEXANDRA O. BJORKLUND, TRUSTEE U/A DATED 11-14-88	27,200		
LOUISE D. BODINE	27,200		
JOSEPH J. BOLITSKY	54,400		
CHARLES L. BOLLING	13,600		
GARY R. BOURASSA	6,800		
EDWIN R. BOYNTON (2)	27,200	412,562	*
JAMES R. BOYNTON PENSION PLAN	40,800		
GORDON L. BRODINE	27,200		
CAROLINDA P. BROOKS	27,200		
WILLIAM P. BURKS, M.D	40,800		
SUSAN L. BUTLER	20,400		
SMEDLEY D. BUTLER, ESTATE	27,200		
JOANNE C. CALVARESE AND VINCENT J. CALVARESE	13,600		
VINCENT J. CALVARESE	13,600		
WILLIAM A. CAMPBELL	6,800		
RALPH A. CARABASI, M.D	6,800		
AUGUST B. CASTLE, JR	27,200		
MICHAEL G. CHIECO	34,000		
BARBARA CHIMICLES	13,600		
JUDY CIESIELSKI	40,800		
GORDON S. AND MARY LOU C. CLAUSEN	27,200		
DIANE CLOUTIER	81,600		
MARC A. COHEN	54,400		
HELENA CRECRAFT	13,600		
WILLIAM R. CROTHERS	6,800		
J. DAVID CUNNINGHAM, M.D	13,600		
CLIFTON B. CURRIN TRUST	40,800		
A. KENNETH CURTIS AND WILLIAM K. CURTIS	27,200		
WILLIAM K. CURTIS AND LINDA S. CURTIS	54,400		
DAVID S. D'ANGELO	27,200		
DAVID E. MCCAULEY JR. AND SUE A. MCCAULEY, TRUSTEES, DAVE AND SUE MCCAULEY LIVING TRUST	40,800		
BENJAMIN H. DEACON	6,800		
RICHARD J. DELLARUSSO	13,600		
SHERI-LYNN DEMARIS	68,000		
DAVID M. DEMEDIO (3)	6,800	257,549	*
LOUIS DI RENZO AND ROSE DI RENZO	6,800		
LEO J. DOLAN	27,200		
MITCHELL DRESSLER	13,600		
JUSTIN G. DURYEA	10,200		
HEALD FAMILY TRUST	27,200		
HENRY J. FIELDMAN (4)	40,800	1,197,300	*
FIELDMAN, HAY & ULLMAN, L.L.P. (4)	408,000	1,197,300	*
JOHN S. FOSTER	54,400		
MARGARET R. GEDDIS	3,400		
ROBERT G. GIDDENS	81,600		
LEGG MASON CUST. FBO DENNIS L. GILBERT IRA	13,600		
CHARLOTTE GIVEN	54,400		
HARRIET GLICKSTEIN AND CARY E. GLICKSTEIN	27,200		
WILLIAM M. GOLDSTEIN	40,800		

GREGORY R. GOMES	68,000		
MIKLOS GOTTLIEB	13,600		
HAROLD N. GRAY	54,400		
JOHN R. GREEN	27,200		
ROBERT GUERIERA, JR	27,200		
JOHN E. HAMILTON	4,080		
ROBERT A. HAMILTON (5)	9,520	99,456	*
NANCY H. HANSEN	40,800		
CONG. SHEARITH HAPLETA	408,000		
PETER A. HARRIS AND			
DEBORAH L. HARRIS	6,800		
IRA FBO BETTY A. HARRIS DLJSC	13,600		
IRA FBO KENNETH R. HARRIS DLJSC	13,600		
KENNETH R. HARRIS AND			
BETTY A. HARRIS, JTWROS	27,200		
R. JOHNSTONE HARRITY	13,600		
VIRGINIA W. HARRITY	6,800		
WILLIAM F. HARRITY, JR	68,000		
BARBARA D. HAUPTFUHRER	34,000		
ROBERT P. HAUPTFUHRER			
FAMILY PARTNERSHIP	13,600		
JOHN HAY (4)	40,800	1,197,300	*
MAUREEN E. HENDRON, M.D	68,000		
ADELE H. HEPBURN (6)	496,400	4,104,908	2.1%
AUSTIN B. HEPBURN (6)	24,480	4,104,908	2.1%
JOYCE HODGES	6,800		
JAMES M. HOLMWOOD	27,200		
DAVID R. MOLUMPHY, PARTNER,			
HRUBALA ASSOCIATES,			
A PARTNERSHIP	13,600		
DAVID W. HUBBERT	20,400		
GORDON F. HUDSON	13,600		
WILBUR E. HUDSON	6,800		
CHRISTINE F. HUGHES	3,400		
MICHAEL HYMAN	13,600		
STEVE ILLES	272,000	3,959,250	2.0%
ROBERT B. JACOBY	13,600		
JULIE JENSEN (13)	13,600	1,651,600	*
GEORGE R. JENSEN, JR. (7)	136,000	1,651,600	*
GEORGE R. JENSEN JR			
AND RON RAYMOND JENSEN (7)	136,000	1,651,600	*
WILLIAM ROBERT JOHNSTON	6,800		
ROBERT F. JONES			
AND DEBORAH L. JONES	54,400		
GLORIA S. KARN AND FRED S. KARN	1,360		
MAUDE WOOD KENT AND THOMAS D. KENT	13,600		
MAUDE WOOD KENT	13,600		
KATHLEEN COUGHLIN KILGORE	13,600		
ROBERT A. KILGORE	68,000		
GEORGE H. KILMARX AND			
JUNE KILMARX	68,000		
ANTHONY Y.K. KIM	68,000		
HARRIETTE D. KLANN	13,600		
SHIRLEY K. KNERR	14,960		
CHRISTINE C. KOLLS (8)	40,800	915,050	*
PHILLIP S. KROMBOLZ	27,200		
ROCHELLE L. KROMBOLZ AND			
PHILLIP S. KROMBOLZ	27,200		
NANCY KROOK	95,200		
JEFFREY R. LAND	13,600		
PAUL G. LANNI	13,600		
SHERRILL F. LEBOUTILLIER	122,400		
JOHN N. LEE TRUST W/D/T 10/5/92	40,800		

JENNIFER BEIRNES LEENE	13,600		
AARON LEHMANN	13,600		
SHELLEY LEROUX	27,200		
E.H. ROGERS, JR., FAMILY LIMITED PARTNERSHIP	27,200		
PATRICK LOPEZ	13,600		
DOUGLAS M. LURIO AND MARGARET SHERRY LURIO, JTWR0S (9)	40,800	442,413	*
JAMES P. MACCAIN	20,400		
DONALD MACKENZIE	27,200		
ALBERT P. MALISCHEWSKI AND MARY E. MALISCHEWSKI	13,600		
SALVATORE MARINO	13,600		
IRWIN H. MARKOWITZ D.D.S RETIREMENT FUND	68,000		
KATHLEEN J. MASON	13,600		
CHARLES A. MAYER	13,600		
DUANE C. MCCARTHY	1,360		
G. ELLARD MCCARTHY AND JOAN R. BENNETT	6,800		
ROBERT F. MCCARTNEY AND LILY L. MCCARTNEY	13,600		
PETER J. MCGUIRE	68,000		
JAMES F. MERRIMAN	20,400		
MILLENNIUM TRUST CO., L.L.C., CUST. F/B/O FRED KARAGOSIAN	13,600		
HARLEY MILLER AND BROOKE MILLER	17,680		
WANDA S. MOFFITT REVOCABLE TRUST DATED 9/25/97	13,600		
THOMAS J. MOLUMPHY	6,800		
ROBERT H. MONTGOMERY	27,200		
MILTON K. AND LOIS T. MORGAN, JR	13,600		
MAC G. MORRIS	6,800		
RICHARD F. MURPHY	27,200		
ELIZABETH L. NELSON	13,600		
JOHN BRADLEY NIX AND CAROL C. NIX	4,080		
GEORGE O'CONNELL	204,000		
ALEX ORLIK	5,440		
ROBERT G. PADRICK AND KELLIE NICOLE PADRICK	13,600		
ROBERT G. PADRICK TRUSTEE FOR ROBERT G. PADRICK P/S/P AND TRUST	27,200		
PETER B. PAKRADOONI	27,200		
RICHARD PARKER	13,600		
MATTIE A. PERRY AND WILLIAM R. PERRY	51,000		
ROY T. PIRHALA	40,800		
JOHN W. PONTON, JR	13,600		
J. STEVE POWELL	4,080		
MOLUMPHY CAPITAL MGMT PROFIT SHARING	13,600		
ERNEST L. RANSOME, III	6,800		
WILLIAM RECKTENWALD	13,600		
HARRY RENNEN, IV	54,400		
ROBERT REYBOK AND JOAN REYBOK	13,600		
NOMA ANN ROBERTS	34,000		
DOYLE ROGERS	13,600		
GARDINER ROGERS	10,880		
LEE R. ROPER AND LISA ANN ROPER	27,200		
MARIE G. ROPER	6,800		
GEORGE PARKE ROUSE, III	13,600		
PETER S. RUBEN	27,200		
KARL F. RUGART	27,200		

FRANK S. RUPP	13,600		
JOHN S. RUPP	40,800		
VALENTINA SAS	2,720		
EDWARD L. SCHOENHUT	27,200		
WILLIAM F. SCHOENHUT, III	13,600		
WILLIAM F. SCHOENHUT, JR	13,600		
RICHARD SCHONWALD	176,800		
LEGG MASON F.B.O			
RICHARD SCHONWALD IRA	20,400		
THOMAS A. SELDERS AND			
KRISTIN M. SELDERS	6,800		
NICHOLAS SELLERS	13,600		
WILLIAM W. SELLERS (10)	68,000	1,061,156	*
SELLERS PENSION PLAN			
DTD 8/9/65 (10)	27,200	1,061,156	*
SCOTT SELTZER	6,800		
CELIA E. SHEVLIN	2,720		
LEONARD H. SICHEL, JR	13,600		
LESLIE SINGER AND ETHEL SINGER	13,600		
ELINOR M. STEINHILBER	13,600		
CPT. ERIC W. STETSON	6,800		
SCOTT W. STETSON	1,360		
SOLVEIG W. STETSON	13,600		
JOHN B. STETSON, IV	27,200		
HOMER N. STEWART	13,600		
PRISCILLA STITT	27,200		
EDWARD B. STOKES	27,200		
VIVIAN K. STROUD (11)	6,800	188,994	*
CLARK D. STULL AND			
CAROLYN S. STULL	27,200		
TERRY L. SWANTON AND			
MOLLY B. SWANTON	27,200		
STEPHEN S. TURESKY	6,800		
ANTHONY B. ULLMAN (4)	40,800	1,197,300	*
JOHN H. VESPER, JR	6,800		
IRA FOR ROBERT E. WAGNER	27,200		
BORJE WAHLSTROM	13,600		
JEAN STEEL WAHLSTROM	13,600		
HENRY W. WESSELLS, III	3,400		
ARTHUR L. WHEELER	176,800		
J. EDWARD WILLARD	68,000		
JOHN D. WRIGHT	6,800		
WILLIAM M. WRIGHT	13,600		
SAMUEL D. WYMAN, JR	13,600		
JONI CARLEY YAMAGUCHI	13,600		
FRANCES YOUNG (12)	843,200	981,800	*
DONALD J. ZELENKA	136,000		
RUTH ZWEIGBAAUM	6,800		

TOTAL	8,831,840		
	=====		

* Less than one percent (1%)

(1) The amount listed for each selling shareholder includes the following: (i) shares of common stock issued to each selling shareholder; (ii) shares of common stock to be issued if the entire principal amount of each selling shareholder's senior note due December 31, 2003 is converted; and (iii) shares of common stock to be issued if all interest payment purchase rights are exercised. The total of 8,831,840 shares of common stock registered hereby is comprised of the following: (i) 1,298,800 shares of common stock issued to the selling shareholders; (ii) 5,195,200 shares of common stock to be issued if the entire principal amount of the senior notes due December 31, 2003 is converted into common stock; and (iii) 2,337,840 shares of common stock to be issued if all

interest payment purchase rights are exercised.

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

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

(4) Messrs. Fieldman, Hay and Ullman, are members of the law firm of Fieldman, Hay & Ullman, LLP, which represented USA in connection with prior litigation.

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

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

(7) George R. Jensen, Jr., is the Chairman and Chief Executive Officer of USA. Excludes the right granted to him under his employment agreement to receive seven percent of the issued and outstanding common stock upon the occurrence of a USA Transaction (as defined therein). See "Management - Executive Employment Agreements."

(8) Christine Kolls is the spouse of Haven Brock Kolls, Jr., the Senior Vice President of USA.

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

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

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

(12) Ms. Young is a former employee of USA.

(13) Ms. Jensen is the spouse of George R. Jensen, Jr., Chief Executive Officer and is the beneficial owner of his shares.

EMPLOYEE COMMON STOCK

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering	
		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	*
Total	1,480,000		

* less than one percent

(1)Current employee of USA.
 (2)Current consultant of USA.

2002-B COMMON STOCK

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering	
		Number	Percent
Shotwell, Raymond, K.	10,000		
Hall, Thomas E.	500,000		
Esser, Terry W.	20,000		
Cohen, Marc A	160,000		
Total	690,000		

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

	HIGH	LOW
2001		
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

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

At September 30, 2002, there are 5,290,485 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	\$.40
5,000	\$.50
400,000	\$.70
735,000	\$ 1.00
305,000	\$ 1.50
651,167	\$ 2.00
84,000	\$ 2.50
80,000	\$ 4.50
5,000	\$ 5.00
5,290,485 Total	

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 September 30, 2002, the following Warrants were outstanding:

1,500 1997 Warrants;
2,500 1998-A Warrants;
5,000 1998-B Warrants;
875,000 consultant warrants;
1,580,828 Swartz Private Equity, LLC warrants;
3,721,845 2001-B and C Warrants;
100,000 GEMA Warrants; and
805,735 Warrants associated with Stock for interest.
240,000 2002-A Warrants;
7,332,408 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 September 30, 2002 there are \$13,850,510 face value of Senior Notes outstanding which are convertible into 36,478,498 shares of Common Stock.

On September 30, 2002 there were 979 record holders of the Common Stock and 577 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 have been paid. As of September 30, 2002, such accumulated unpaid dividends amount to \$5,572,533.

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 first quarter of fiscal 2003, none of the Company's Preferred Stock was converted into shares of Common Stock, and no cumulative preferred dividends were converted into shares of Common Stock.

As of September 30, 2002, there were 529,282 shares of Common Stock issuable upon conversion of the outstanding Preferred Stock and 557,253 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 October 30, 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 \$4,284,008, of which \$2,755,775 has been deposited and the remainder of \$1,528,233 was for services.

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 September 30, 2002, La Jolla converted \$103,000 of 9 3/4 percent Convertible Debentures, for which the Company issued 5,349,050 shares of stock, and exercised 534,905 warrants to purchase Common Stock at an average price of \$.193 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 October 2002, the Company agreed to issue 400,000 shares to Ratner & Prestia, P.C., the Company's intellectual property counsel. The sales proceeds from the shares are to be applied by the firm towards the legal fees due to the firm by the Company. We have agreed to register these shares for resale under the Act at our cost and expense.

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.

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. We have agreed to register these shares for resale under the Act at our cost and expense.

In October 2002, the Company issued 501,906 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 501,906 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 in lieu of the 100,000 options granted to him in April 2002.

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 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 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 was 10,360,025 and are exercisable at any time prior to November 30, 2002. 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. We have agreed to register these shares for resale under the Act at our cost and expense.

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 \$.125 per share.

In November 2002, the Company issued an aggregate of 690,000 shares to 4 investors at \$.10 per share for an aggregate of \$69,000.

DESCRIPTION OF SECURITIES

General

Effective October 28, 2002, we are authorized to issue up to 200,000,000 shares of common stock, no par value, and 1,800,000 shares of undesignated preferred stock. As of the date hereof, 900,000 shares have been designated as series A convertible preferred stock, no par value. As of September 30, 2002, there were 72,736,205 shares of common stock issued and outstanding and 529,282 shares of series A preferred stock issued and outstanding which are convertible into 529,282 shares of common stock. Through September 30, 2002, a total of 581,868 shares of preferred stock have been converted into 658,312 shares of common stock and \$2,620,354 of accrued and unpaid dividends thereon have been converted into 282,212 shares of common stock.

Management Options

As of September 30, 2002, we had issued to our employees and consultants options to acquire up to:

- 5,000 shares at \$5.00 per share;
- 80,000 shares at \$4.50 per share;
- 84,000 shares at \$2.50 per share;
- 651,167 shares at \$2.00 per share;
- 305,000 shares at \$1.50 per share;
- 735,000 shares at \$1.00 per share;
- 5,000 shares at \$.50 per share.
- 400,000 shares at \$.70 per share
- 2,475,318 shares at \$.165 per share; and
- 550,000 shares at \$.40 per share.

In connection with the management options, we have, at our cost and expense, filed a registration statement under the Act covering the resale of all the common stock underlying the options.

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 September 30, 2002, La Jolla converted \$103,000 of 9 3/4 percent Convertible Debentures, for which the Company issued 534,905 shares of stock, and exercised 5,349,050 warrants to purchase Common Stock at an average price of \$.193 per share.

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 September 30, 2002 the accumulated and unpaid dividends were \$5,572,300.

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 September 30, 2002 a total of 581,868 shares of series A preferred stock have been converted into common stock and accrued and unpaid dividends thereon have been converted into 282,212 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 September 30, 2002, we have outstanding \$4,164,000 of Senior Notes due December 31, 2005, \$4,652,000 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.

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. In October 2002, 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.

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. In October 2002, 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.

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, and the exercise price of these warrants reduced to \$.10.
- 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 2002, the termination date of 294,334 of these warrants was extended to December 2002, and the exercise price of these warrants reduced to \$.10.
- 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.
- o Each 1998-A 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-A warrants are exercisable at any time prior to March 5, 2003 or such later date as may be determined by USA.

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

All of the 72,736,205 shares of common stock issued and outstanding on the date hereof are freely transferable without registration under the Act (other than shares held by "affiliates" of USA). As of the date hereof, there were 529,282 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 529,282 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.

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, 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

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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

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USA Technologies, Inc.
Consolidated Balance Sheets

	June 30	
	2002	2001

Assets		
Current assets:		
Cash and cash equivalents	\$ 557,970	\$ 817,570
Accounts receivable, less allowance for uncollectible accounts of \$37,000 and \$28,000 in 2002 and 2001, respectively	340,293	64,752
Inventory	877,814	560,410
Prepaid expenses and other current assets	124,865	428,825
Subscriptions receivable	35,000	29,000

Total current assets	1,935,942	1,900,557
Property and equipment, net	1,932,427	761,324
Software development costs, at cost, less accumulated amortization of \$2,995,979 and \$0 in 2002 and 2001, respectively	2,330,207	3,087,415
Goodwill	6,800,827	-
Intangibles, less accumulated amortization of \$36,500	2,883,500	-
Other assets	29,117	430,765

Total assets	\$ 15,912,020	\$ 6,180,061
	=====	
Liabilities and shareholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$ 3,081,495	\$ 2,607,570
Accrued expenses	2,131,289	1,355,595
Deposits	480,000	-
Current obligations under long term debt	850,644	116,231
Convertible Senior Notes	-	211,704

Total current liabilities	6,543,428	4,291,100
Convertible Senior Notes, less current portion	6,289,825	4,236,281
Long term debt, net of current portion	762,085	53,577
Convertible debenture	65,543	-

Total liabilities	13,660,881	8,580,958
Shareholders' equity (deficit):		
Preferred Stock, no par value:		
Authorized shares-1,800,000		
Series A Convertible Preferred-Authorized shares - 900,000		
Issued and outstanding shares-529,282 and 555,284 at June 30, 2002 and 2001, respectively (liquidation preference of \$10,468,391 at June 30, 2002)	3,749,158	3,933,253
Common Stock, no par value:		
Authorized shares-150,000,000 and 62,000,000 at June 30, 2002 and 2001, respectively		
Issued and outstanding shares-66,214,188 and 21,450,755 at June 30, 2002 and 2001, respectively	55,443,750	32,977,922
Subscriptions receivable	(149,750)	-
Deferred compensation	-	(103,000)
Accumulated deficit	(56,792,019)	(39,209,072)

Total shareholders' equity (deficit)	2,251,139	(2,400,897)

Total liabilities and shareholders' equity (deficit)	\$ 15,912,020	\$ 6,180,061
	=====	

See accompanying notes.

USA Technologies, Inc.

Consolidated Statements of Operations

	Year ended June 30	
	2002	2001
Revenues:		
Equipment sales	\$ 903,795	\$ 803,685
License and transaction fees	778,906	647,317
Total revenues	1,682,701	1,451,002
Operating expenses:		
Cost of sales	918,948	816,239
General and administrative	7,989,651	5,628,014
Compensation	4,654,662	2,966,776
Depreciation and amortization	3,436,217	209,646
Total operating expenses	16,999,478	9,620,675
Other income (expense):		
Interest income	15,791	60,034
Interest expense:		
Coupon or stated rate	(966,974)	(587,769)
Non-cash amortization of debt discount	(1,513,118)	(764,736)
Less: amounts capitalized	492,658	230,000
Total interest expense	(1,987,434)	(1,122,505)
Other expense	(26,387)	(40,100)
Total other income (expense)	(1,998,030)	(1,102,571)
Loss before cumulative effect of accounting change and extraordinary item	(17,314,807)	(9,272,244)
Cumulative effect of accounting change	-	(821,000)
Loss before extraordinary item	(17,314,807)	(10,093,244)
Extraordinary loss on exchange of debt	-	(863,000)
Net loss	(17,314,807)	(10,956,244)
Cumulative preferred dividends	(822,561)	(836,541)
Loss applicable to common shares	\$(18,137,368)	\$(11,792,785)
Loss per common share (basic and diluted):		
Loss before cumulative effect of accounting change and extraordinary item	\$ (0.50)	\$ (0.60)
Cumulative effect of accounting change	-	(0.05)
Extraordinary loss on exchange of debt	-	(0.05)
Loss per common share (basic and diluted)	\$ (0.50)	\$ (0.70)
Weighted average number of common shares outstanding (basic and diluted)	35,994,157	16,731,999

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 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 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	\$ -	\$ (149,750)	\$(56,792,019)	\$2,251,139

See accompanying notes

USA Technologies, Inc.

Consolidated Statements of Cash Flows

	Year ended June 30	
	2002	2001
Operating activities:		
Net loss	\$(17,314,807)	\$(10,956,244)
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 stock awards and the issuance of Common Stock and Common Stock Purchase Warrants	4,532,533	859,295
Depreciation	403,738	209,646
Amortization	3,032,479	-
Loss on property and equipment	195,722	-
Interest amortization relating to Senior Notes	1,513,118	764,736
Interest expense on the Senior Notes paid through the issuance of Common Stock	301,856	114,927
Charges incurred in connection with Senior Notes	1,000,085	-
Changes in operating assets and liabilities:		
Accounts receivable	(232,653)	538,419
Inventory	(36,642)	345,009
Prepaid expenses and other assets	774,845	356,757
Accounts payable	(259,627)	1,713,179
Accrued expenses	(44,413)	801,352
Net cash used in operating activities	(6,133,766)	(3,568,924)
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)
Increase in software development costs	(2,238,771)	(2,938,111)
Net cash used in investing activities	(63,459)	(3,318,466)
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
Net repayment of long-term debt	(2,533,363)	(176,053)
Collection of subscriptions receivable	29,000	12,199
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	-
Proceeds from issuance of the Senior Notes, net of issuance costs	3,944,223	1,174,818
Net cash provided by financing activities	5,937,625	5,845,600
Net decrease in cash and cash equivalents	(259,600)	(1,041,790)
Cash and cash equivalents at beginning of year	817,570	1,859,360
Cash and cash equivalents at end of year	\$ 557,970	\$ 817,570
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 603,312	\$ 472,842
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
Conversion of Cumulative Preferred Dividends to Common Stock	\$ 268,140	\$ 87,030
Prepaid stock expenses through issuance of Common Stock	\$ -	\$ 42,000
Subscriptions receivable	\$ 35,000	\$ 29,000
Conversion of Senior Notes to Common Stock	\$ 622,500	\$ 28,024
Transfer of inventory to property and equipment	\$ -	\$ 87,561
Capital lease obligations incurred	\$ -	\$ 118,207
Beneficial conversion feature related to Senior Notes	\$ 3,742,813	\$ 409,104
Beneficial conversion feature related to Convertible Debenture	\$ 325,000	\$ -

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 financial 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 generates its revenues from the direct sale of its control systems and configured business equipment utilizing its control systems, from retaining a percentage of the gross licensing fees generated by the control systems, and from a monthly administrative service fee.

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 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.

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 cumulative losses from its inception through June 30, 2002 amounting to approximately \$53.3 million. Losses have continued through September 2002 and 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.

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. The Company maintains a valuation reserve, which reflects the Company's estimate of the impact on inventory of potential obsolescence, excess quantities, and declines in market values.

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.

Concentration of Credit Risk

Financial instruments that subject the Company to a concentration of credit risk consist principally of cash and accounts receivable. The Company maintains cash 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.

June 30, 2002

2. Accounting Policies (continued)

Revenue Recognition

Revenue from the sale of equipment is recognized upon shipment, or upon installation of the equipment if installation services are purchased of the related equipment. License and transaction fee revenue (including transaction processing revenue) is recognized upon the usage of the Company's credit card activated control systems. Revenue from the sale of products from the Company's vending machines is recognized upon the acceptance by the customer of the products. Monthly fees for the use of vending machines equipped with embedded Internet connectivity technology is recognized upon usage of the equipment.

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. 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. Management performed an evaluation of the commercial success and preliminary market acceptance of the e-Port product and network pursuant to SFAS 121 during the fourth quarter. As a result the Company wrote down \$2,663,000 of software development costs related to the e-Port and the related network. The unamortized balanced 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 during the year ended June 30, 2002, including the above impairment adjustment of \$2,663,000, was \$2,996,000.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2002 and 2001 was approximately \$429,000 and \$88,000, 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.

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,

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 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. 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 a consistent presentation. As of June 30, 2002, the distribution agreement is no longer in effect and, accordingly, the Company wrote off the unamortized balance of \$315,000.

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 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 Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. Statement 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Statement 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 142 prohibits the amortization of goodwill and intangible assets with indefinite

June 30, 2002

2. Accounting Policies (continued)

New Accounting Pronouncements (continued)

useful lives. Statement 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 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 142 until fiscal year 2003, the nonamortization provisions of Statement 142 for combinations initiated after June 30, 2001 are applicable for the Company effective July 1, 2001.

Under Statement 142 the Company will test goodwill for impairment during fiscal year 2003 using the two-step process prescribed in Statement 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 first 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 not yet determined what the effect of these tests will be on the earnings and financial position of the Company.

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 a significant effect on the Company's financial position or results of operations.

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 leading provider of wireless remote monitoring and cashless and mobile commerce solutions. 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 and extraordinary item	(19,583,216)	(15,058,358)
Cumulative effect of accounting change	-	(821,000)
Loss before extraordinary item	(19,583,216)	(15,879,358)
Extraordinary loss on exchange of debt	-	(863,000)
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 and extraordinary item	\$ (0.36)	\$ (0.40)
	=====	=====
Cumulative effect of accounting change	\$ -	\$ (0.02)
	=====	=====
Extraordinary loss on exchange of debt	\$ -	\$ (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
Computer equipment and purchased software	3 years	\$ 1,855,459	\$ 609,775
Vending machines and related components	7 years	1,050,220	-
Control systems	3 years	982,371	533,055
Furniture and equipment	5-7 years	503,110	190,836
Leasehold improvements	Lease term	94,031	90,313
Vehicles	5 years	10,258	10,258
		4,495,449	1,434,237
Less accumulated depreciation		(2,563,022)	(672,913)
		\$ 1,932,427	\$ 761,324

5. Accrued Expenses

Accrued expenses consist of the following:

	June 30 2002	June 30 2001
Accrued professional fees	\$ 628,372	\$ 439,478
Accrued lease termination payments, net	344,934	-
Accrued other	264,518	31,414
Accrued compensation and related sales commissions	225,917	125,668
Accrued interest	209,885	91,585
Accrued software license and support costs	144,755	154,229
Accrued taxes and filing fees	134,411	-
Accrued product warranty costs	85,827	52,466
Accrued consulting fees	62,480	435,000
Advanced customer billings	30,190	25,755
	\$2,131,289	\$1,355,595

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. 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, certain Board members participated in various offerings of debt or equity of the Company for a total investment of approximately \$277,500.

Stitch purchases vending machines from Dixie-Narco, Inc. (Dixie), an affiliate of a shareholder of the Company. There were no purchases from Dixie for the period May 14, 2002 to June 30, 2002. Amounts payable to Dixie of \$124,333 are included in accounts payable in the accompanying 2002 consolidated balance sheet.

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. 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 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.

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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	
	2002	2001

Bank facility	\$1,255,113	\$ -
Working capital loans	275,000	-
IBM inventory financing	19,632	45,785
Capital lease obligations (Note 7)	62,984	124,023

	1,612,729	169,808
Less current portion	850,644	116,231

	\$ 762,085	\$ 53,577
	=====	

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.

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. Subsequent to June 30, 2002, the Company has made interest only payments to the bank. On July 26, 2002, August 29, 2002 and September 27, 2002 the bank agreed to extend the due date of these notes until September 1, 2002, October 1, 2002, and November 1, 2002, respectively under several forbearance agreements. In connection these extensions, the Company paid \$13,000 of fees to the bank.

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

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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 \$4,000,000 in September, 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 June 30, 2004 and interest is payable quarterly. Each Noteholder 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. Through June 30, 2002, the Company sold 444.08 units generating proceeds of \$444,083, of which \$35,000 is reflected as subscriptions receivable. Such amounts were collected subsequent to June

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 September 30, 2002, with right of further extension for an additional 30 days. As of September 27, 2002, the Company had signed subscription agreements for \$2,103,000, of which \$1,694,000 was received in cash which has been deposited. The remainder is for services.

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 fair value of the new warrants issued to 2001-D participants was determined using the Black-Scholes valuation method in the amount of \$3,424,000. Such amount was allocated to equity. 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.

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.

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

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, 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.

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 embedded beneficial conversion in the 2000 Senior Notes of \$409,104 was recorded as equity. The 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

USA Technologies, Inc.

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. Such amount has been reported as a non-cash extraordinary item in the fiscal year 2001 statement of operations.

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	-	(750,295)	(2,928,567)	(323,989)
Balance at June 30, 2002	\$ -	\$ 4,283,705	\$ 1,886,026	\$ 120,094

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

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, respectively.

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, respectively, into 26,814 and 8,703 shares of Common Stock during the years ended June 30, 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. 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;

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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 May 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 February 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.

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USA Technologies, Inc.

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 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
			=====

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

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:

	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 or expired	(4,101,500)	\$.40-\$5.00
Balance at June 30, 2002	5,290,485	\$.165-\$5.00

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	550,000	2.78	550,000
\$.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
	5,290,485		5,170,487

Notes to Consolidated Financial Statements

June 30, 2002

13. Stock Options (continued)

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:

	June 30	
	2002	2001
Net loss applicable to common shares as reported under APB 25	\$(18,137,368)	\$(11,792,785)
Stock option expense per SFAS 123	(985,046)	(524,845)
Pro forma net loss	\$(19,122,414)	\$(12,317,630)
Loss per common share as reported	\$ (0.50)	\$ (.70)
Pro forma net loss per common share	\$ (0.53)	\$ (.74)

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.

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	5,290,485
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

	51,387,870
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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.

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 sold 2,000,000 shares of restricted Common Stock at \$0.12 per share generating gross proceeds of \$240,000. During October 2002, the Company granted the same investor 2,000,000 warrants to purchase the Company's Common Stock at \$0.10 per shares through November 30, 2002. If all 2,000,000 warrants are exercised, the investor has been granted another warrant to purchase 2,000,000 shares of Common Stock at \$0.10 per share through March 31, 2003.

On October 28, 2002, the shareholders voted to increase the number of authorized shares of the Company to 200,000,000.

On October 31, 2002, the Company received an extension to December 1, 2002 of the existing forbearance for repayment of approximately \$225,000 of outstanding debt with Wilmington Trust Bank.

In October 2002, the Company sold to an investor 3,571,429 shares at \$.07 per share and issued the following common stock 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 5,000,000 shares at \$.10 per share, exercisable over a one year period.

In October 2002, the Company sold to an investor 1,500,000 shares at \$.10 per share and granted common stock warrants to purchase up to 750,000 shares at \$.10 per share at any time for a five year period. 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 common stock warrants to purchase up to 750,000 shares at \$.10 per share at any time for a five year period.

In October 2002, the Company issued 501,906 shares of Common stock to holders of Senior Notes in lieu of cash for quarterly interest payments due September 30, 2002, and issued related warrants to purchase up to 501,906 shares of Common Stock at \$.020 per shares through December 31, 2004 to those Senior Note holders.

In October 2002, the Company granted to the holders of all the 12% senior notes common stock 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 is 10,360,025 and are exercisable at any time prior to November 30, 2002. 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.

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 \$.15 per share.

In November 2002, the Company issued an aggregate of 530,000 shares to 3 investors at \$.10 per share for an aggregate of \$59,000.

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	\$ 2,873.34
Printing and Engraving Expenses	\$ 7,126.66
Accounting Fees and Expenses	\$15,000.00
Legal Fees and Expenses	\$15,000.00

Total	\$40,000.00
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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 October, November and December, 1999, we sold 356 units at \$10,000 each, for an aggregate of \$3,560,000. Each unit consisted of 10,000 shares of common stock and 10,000 1999-B common stock purchase warrants. The offering was sold to 196 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 February, March and April 2000, we sold an aggregate of 1,200,000 shares of common stock at \$2.00 per share for a total of \$2,400,000. The offering was sold to 22 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 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.

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.

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.

During the period from March 2001 through September 2001, we sold a total of 739.54 units in a 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. As of the date of this Prospectus, \$829,342 has been collected in cash and \$983,077 has been distributed or is yet to be distributed for services in lieu of cash.

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.

During the period from November 2001 through April 5, 2002, the Company sold \$3,618,985 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.

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.

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.

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.

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.

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 offer and sale of the shares was exempt from registration under Section 4(2) of 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 \$2,755,775 has been deposited and the remainder of \$1,528,233 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 September 30, 2002, La Jolla converted \$103,000 of 9 3/4 percent Convertible Debentures, for which the Company issued 534,905 shares of stock, and exercised 5,349,050 warrants to purchase Common Stock at an average price of \$.193 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 October 2002, the Company sold 400,000 shares to Ratner & Prestia, P.C., the Company's intellectual property counsel. The sales proceeds from the shares are to be applied by the firm towards the legal fees due to the firm by the Company. 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. 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 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.

In October 2002, the Company issued 506,622 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 to warrants to purchase up to 506,622 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 Section 4(2) of the Act.

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.

In October 2002, the Company sold to an investor 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.

In October 2002, the Company sold to an investor 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 November 30, 2002. 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. The offer and sale of the shares was exempt from registration under Section 4(2) of the Act.

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 \$.125 per share. The offer and sale of the shares was exempt from registration under Section 4(2) of the Act.

In November 2002, the Company issued an aggregate of 690,000 shares to 4 accredited investors at \$.10 per share for an aggregate of \$69,000. The offer and sale of the shares was exempt from registration under Section 4(2) of the Act.

II. Stock Options

In November 1999, we issued fully vested options to purchase an aggregate of 90,000 shares of common stock to our executive officers as follows: Stephen P. Herbert - 45,000 options; Haven Brock Kolls - 30,000 options; and Leland Maxwell - 15,000 options. Each option is exercisable at \$2.00 per share.

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.

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.

III. Common Stock-For Cash.

In December 1999, warrants to purchase 100,000 shares of common stock at \$2.00 per share were exercised by the holder thereof.

In February 2000, warrants to purchase 34,000 shares of common stock at \$2.50 per share were exercised by the holder thereof.

In February 2000, options to purchase 10,000 shares of common stock at \$1.50 per share were exercised by the holder thereof.

In February 2000, options to purchase 6,500 shares of common stock at \$2.50 per share were exercised by the holders thereof.

All of the foregoing issuances were made in reliance upon the exemption provided by Section 4(2) of the Act as all of the issuances were to existing security holders of USA, the securities issued contained restrictive legends, and the issuance did not involve 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

**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).

**23.1 Consent of Ernst & Young LLP.

**24.1 Power of Attorney

 ** -- 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 Form SB-2 and has duly caused this registration statement on Form SB-2 to be signed on its behalf by the undersigned, thereunto duly authorized, in Wayne, Pennsylvania, on November 5, 2002.

USA TECHNOLOGIES, INC.

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

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

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints George R. Jensen, Jr. and Leland P. Maxwell, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC, granting unto such attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them or their or his substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this 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	November 5, 2002
/s/ Leland P. Maxwell ----- Leland P. Maxwell	Vice President, Chief Financial Officer Treasurer (Principal Accounting Officer)	November 5, 2002
/s/ Stephen P. Herbert ----- Stephen P. Herbert	President, Chief Operating Officer, Director	November 5, 2002

/s/ William W. Sellers ----- William W. Sellers	Director	November 5, 2002
/s/ William L. Van Alen, Jr. ----- William L. Van Alen, Jr.	Director	November 5, 2002
----- Steven Katz	Director	November __, 2002
/s/ Douglas M. Lurio ----- Douglas M. Lurio	Director	November 5, 2002
----- Edwin R. Boynton	Director	November __, 2002
----- Kenneth C. Boyle	Director	November __, 2002

EXHIBIT INDEX

Exhibit Number	Description
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
10.9.2	Second Amendment to Employment and Non-Competition Agreement between USA and Stephen P. Herbert dated April 15, 2002.
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-Competition Agreement between USA and George R. Jensen, Jr., dated April 15, 2002.
5.1	Opinion of Lurio & Associates
23.1	Consent of Independent Auditors
24.1	Power of Attorney (appears as part of signature page)

SUBSCRIPTION AGREEMENT

This Subscription Agreement is made this 25 day of October 2002, by and between USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USA" or "Company"), and RATNER & PRESTIA, P.C., a Pennsylvania professional corporation ("Ratner").

BACKGROUND

As of the date hereof, USA owes Ratner unpaid professional fees of approximately \$165,000. As more fully set forth herein, Ratner has agreed to subscribe for 400,000 shares of Common Stock of USA (the "Shares") and to apply the sales proceeds thereof towards the professional fees due or to become due in the future.

AGREEMENT

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

1. SUBSCRIPTION. Ratner hereby subscribes for the Shares. Ratner and USA

agree that the proceeds from the sale of the Shares (net of applicable brokerage commissions and all other costs of Ratner relating to this Agreement and the sale of the Shares) shall be applied towards the unpaid balance of the professional fees due and to become due in the future to Ratner by USA. USA shall deliver to Ratner a certificate representing the Shares registered in the name of Ratner within 15 days of the date hereof. Ratner agrees that all sales of the Shares shall satisfy the manner of sale requirements set forth in subsections (f) and (g) of Rule 144 promulgated under the Securities Act of 1933, as amended ("Act"). The foregoing sentence shall not apply (i) unless at the applicable time of sale there is an effective registration statement in effect covering the Shares, or (ii) to block sales by Ratner consisting of at least 50,000 of the Shares. Ratner shall notify the Company of all such sales within 48 hours thereof and comply with the prospectus delivery requirements of the Act.

Promptly following the date hereof, USA shall at its cost and expense file and use its best efforts to have declared effective, an appropriate Registration Statement with the Securities and Exchange Commission registering all of the Shares for resale by Ratner under the Act. USA shall use its best efforts to keep the Registration Statement effective and current for a 12 month period.

2. VERIFICATION OF SUITABILITY AND STATUS AS "ACCREDITED INVESTOR". Ratner hereby represents to USA that it qualifies as an "accredited investor" as such term is defined in Rule 501 promulgated under the Act because it is a corporation not formed for the purpose of investing in the Company with total assets in excess of \$5,000,000.

3. REPRESENTATIONS BY RATNER. Ratner represents and warrants to the Company as follows:

(a) Ratner has received, read and understands the provisions of the following: (i) the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2002; (ii) the Company's draft Registration Statement on Form SB-2 covering the Shares to be filed promptly after the date hereof with the Securities and Exchange Commission; and (iii) the Risk Factors section incorporated by reference herein in Section 3(f) hereof. Ratner understands that all of the foregoing together with this Subscription Agreement shall be referred to herein as "Offering Materials". Ratner agrees to keep the information set forth in the draft Registration Statement in confidence until the Registration Statement has been filed with the Securities and Exchange Commission for at least 24 hours.

(b) Ratner has relied only upon the information presented and contained in the Offering Materials. Ratner has had the opportunity to ask of the person or persons acting on behalf of the Company any and all relevant questions in connection with any aspect of the Company including, but not limited to, the Shares offered by the Offering Materials and has received answers which it considers to be reasonably responsive to such questions. Ratner has had the opportunity to verify the accuracy of the information contained in the Offering Materials.

(c) Ratner understands that it is subscribing for the Shares without being furnished any literature or prospectus in connection with the offering of the Shares other than the Offering Materials, and that the offering of the Shares presented in the Offering Materials will not have been scrutinized by the securities administrator or similar bureau, agency, or department of the state of its incorporation.

(d) Ratner understands (i) that the Shares have not been registered under the Act or registered or qualified under the securities laws of the state of incorporation of Ratner (i.e., Pennsylvania); (ii) that except as otherwise provided herein, Ratner has no right to require such registration or qualification; and (iii) that therefore Ratner must bear the economic risk of the investment for an indefinite period of time because the Shares may not be sold unless so registered or qualified or unless an exemption from such registration and qualification is available.

Although the Company has agreed to use its best efforts to register for resale the Shares with the Securities and Exchange Commission, and to use its best efforts to keep such registration statement current and effective, there can be no assurance that such efforts will be successful. In any such event, the Shares would not be registered for resale under the Act, and could only be sold by the holder in reliance upon exemptions from registration under the Act.

(e) Subject to being resold pursuant to an effective registration statement, the Shares are being purchased for Ratner's own account for investment purposes only and not for the interest of any other person and are not being purchased with a view to or for the resale, distribution, subdivision or fractionalization thereof. Although the Common Stock is currently traded on the OTC Bulletin Board under the symbol USTT, Ratner also understands that there may not be any established public trading market for the sale of the Shares.

(f) Ratner recognizes that the purchase of the Shares involves a high degree of risk including those special risks set forth under the caption "Risk Factors" and "Forward Looking Statements" in the draft of the Form SB-2 Registration Statement of the Company to be filed with the Securities and Exchange Commission promptly after the date hereof, all of which are incorporated herein by reference.

(g) Subject to the registration rights set forth above, Ratner understands that its right to transfer the Shares will be restricted as set forth on the stock certificates. Such restrictions include provisions against transfer unless such transfer is not in violation of the Act, or applicable state securities laws (including investor suitability standards).

(h) All information which Ratner has provided to the Company including, but not limited to, its Social Security or tax identification number, its financial position, and status as an accredited investor, and its knowledge of financial and business matters is true, correct and complete as of the date of execution of this Subscription Agreement. Ratner understands that USA will rely in a material degree upon the representations contained herein.

(i) Ratner maintains a business at the address shown on the signature page of this Subscription Agreement, at which address Ratner has subscribed for the Shares.

(j) Ratner understands that legends may be placed on any stock certificate representing the Shares substantially to the following effect:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES STATUTES AND REGULATIONS. SUCH SHARES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SHARES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES STATUTES AND REGULATIONS, UNLESS, IN THE OPINION (WHICH SHALL BE IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION) OF COUNSEL SATISFACTORY TO THE CORPORATION, SUCH REGISTRATION IS NOT REQUIRED.

(k) The execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby has been duly authorized by Ratner.

4. SURVIVAL OF REPRESENTATIONS, WARRANTIES, COVENANTS, AGREEMENTS AND

REMEDIES. Except as specifically provided otherwise herein, all representations, warranties, covenants, agreements and remedies of the parties hereto, shall survive the date hereof.

5. ENTIRE AGREEMENT. This Agreement constitutes the entire

understanding and agreement between the parties hereto with respect to the transactions contemplated herein, supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and there have been no warranties, representations or promises, written or oral, made by any of the parties hereto except as herein expressly set forth herein.

6. BINDING AGREEMENT. This Agreement shall be binding upon and inure to

the benefit of the parties hereto, as well as their respective heirs, personal representatives, successors and assigns but no party may assign its obligations hereunder.

7. PENNSYLVANIA LAW CONTROLS. This Agreement shall be construed in

accordance with and shall be governed by the laws of the Commonwealth of Pennsylvania without regard to its conflicts of law rules.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Subscription Agreement the date first above written.

RATNER & PRESTIA, P.C.

/s/ Paul Prestia

By: _____
Paul Prestia, President

Address:

One Westlakes
Berwyn, Suite 301
P.O. Box 980
Valley Forge, PA 19482-0980

USA TECHNOLOGIES, INC.

/s/George R. Jensen, Jr.

By: _____
George R. Jensen, Jr.,
Chief Executive Officer

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement is made this 26th day of October 2002, by and between USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USA" or "Company"), and KAZI MANAGEMENT VI, INC., a U. S. Virgin Islands corporation ("KAZI").

Background

As more fully set forth herein, KAZI has purchased from the Company 3,571,429 shares of Common Stock of USA (the "Shares") for \$.07 per share, for an aggregate of \$250,000, and will also receive from USA (a) warrants to purchase up to 7,142,858 shares of Common Stock of the Company at \$.07 per share at any time through October 26, 2007, as evidenced by the certificate attached hereto as Exhibit "A" ("Warrants"), and (b) warrants to purchase (i) up to 7,142,858 additional shares of Common Stock of the Company at \$.07 per share, and (ii) up to 5,000,000 additional shares of common stock of the Company at \$.10 per share as evidenced by the certificates attached hereto as Exhibit "B" and "C", respectively ("Additional Warrants"). The Warrants and Additional Warrants shall be hereinafter referred to as the "Warrants" and the shares of Common Stock underlying the Warrants shall be referred to as the "Warrant Shares". The Additional Warrants, Warrants, and Shares shall be referred to hereinafter collectively as the "Securities".

Agreement

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

1. Subscription.

KAZI hereby purchases the Securities from the Company and the Company hereby sells and issues the Securities to KAZI. In full payment for the Securities, KAZI has delivered to USA immediately available funds in the amount of \$250,000 payable to USA. In exchange therefore, USA has executed and delivered to KAZI the certificates representing the Warrants and the Additional Warrants and shall deliver to KAZI within 5 days after the date hereof a certificate representing 2,500,000 shares of USA Common Stock registered in the name of KAZI.

At the time of the execution and delivery of this Stock Purchase Agreement, KAZI and USA have also executed and delivered the Registration Rights Agreement attached hereto as Exhibit "C" ("Registration Rights Agreement").

2. Verification of Status as "Accredited Investor".

KAZI hereby represents to USA that it qualifies as an "accredited investor" as such term is defined in Rule 501 promulgated under the Act because either (a) KAZI was not formed for the specific purpose of investing in the Securities and has total assets in excess of \$5,000,000, or (b) each of the equity owners of KAZI has a net worth in excess of \$1,000,000.

3. Representations And Warranties of the Company.

The Company hereby makes the following representations and warranties to KAZI:

(a) Issuance of Securities. The issuance of the Shares, Warrants, and Warrant Shares has been duly authorized by USA, and when issued will be validly issued. The Shares and Warrant Shares when issued will be fully paid and non-assessable.

(b) Corporate Organization. The Company is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, with all requisite power, authority and licensing to own, operate and lease its properties and carry on its business as now being conducted.

(c) Authority. The execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby has been duly authorized by the Board of Directors of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to carry out the transactions contemplated hereby.

(d) Warrant Shares. 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. 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.

4. Representations by KAZI.

KAZI represents and warrants to the Company as follows:

(a) KAZI has received, read and understands the provisions of each of the following: (i) the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2001; (ii) the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2001; (iii) the Company's Quarterly Report on Form 10-QSB for the quarter ended December 31, 2001; (iii) the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 2002; (iv) the Company's Registration Statement on Form SB-2 (File No. 333-86064) filed on April 11, 2002 with the Securities and Exchange Commission and the final prospectus thereto filed on June 13, 2002; (v) the Risk Factors section incorporated by reference herein in Section 3(f) hereof; and (vi) the Report on Form 8-K filed July 29, 2002. KAZI understands that all of the foregoing together with this Subscription Agreement shall be referred to herein as "Offering Materials".

(b) KAZI has relied only upon the information presented and contained in the Offering Materials. KAZI has had the opportunity to ask of the person or persons acting on behalf of the Company any and all relevant questions in connection with any aspect of the Company including, but not limited to, the Securities offered by the Offering Materials and has received answers which it considers to be reasonably responsive to such questions. KAZI has had the opportunity to verify the accuracy of the information contained in the Offering Materials. KAZI understands that the proceeds from the sale of the Shares will be used for working capital purposes, primarily to make payment of obligations and debts of the Company (or its subsidiary).

(c) KAZI understands that it is subscribing for the Securities without being furnished any literature or prospectus in connection with the offering of the Securities other than the Offering Materials, and that the offering of the Securities presented in the Offering Materials will not have been scrutinized by the securities administrator or similar bureau, agency, or department of the state of its domicile.

(d) KAZI understands (i) that neither the Shares, Warrants nor the Warrant Stock has been registered under the Act or registered or qualified under the securities laws of the state of domicile of KAZI; (ii) that except as otherwise provided in the Registration Rights Agreement, KAZI has no right to require such registration or qualification; and (iii) that therefore KAZI must bear the economic risk of the investment for an indefinite period of time because neither the Shares, Warrants nor Warrant Stock may be sold unless so registered or qualified or unless an exemption from such registration and qualification is available.

(e) Subject to being resold pursuant to an effective registration statement, the Securities are being purchased for KAZI's own account for investment purposes only and not for the interest of any other person and are not being purchased with a view to or for the resale, distribution, subdivision or fractionalization thereof. Although the Common Stock of USA is currently traded on the OTC Bulletin Board under the symbol USTT, KAZI also understands that there may not be any established public trading market for the sale of the Shares.

(f) KAZI recognizes that the purchase of the Securities involves a high degree of risk including those special risks set forth under the caption "Risk Factors" and "Forward Looking Statements" in the Form SB-2 Registration Statement of the Company (File No. 333-86064) filed with the Securities and Exchange Commission on April 11, 2002 and the Form 10-QSB for the quarter ended March 31, 2002, all of which are incorporated herein by reference.

(g) Subject to the registration rights set forth above, KAZI understands that its right to transfer the Shares, Warrants and Warrant Stock will be restricted as set forth on the stock certificates. Such restrictions include provisions against transfer unless such transfer is not in violation of the Act, or applicable state securities laws (including investor suitability standards).

(h) All information which KAZI has provided to the Company including, but not limited to, its tax identification number, its financial position, and status as an accredited investor, and its knowledge of financial and business matters is true, correct and complete as of the date of execution of this Stock Purchase Agreement. KAZI understands that USA will rely in a material degree upon the representations contained herein.

(i) KAZI maintains its principal place of business at the address shown on the signature page of this Stock Purchase Agreement, at which address KAZI has subscribed for the Securities.

(j) KAZI understands that legends may be placed on any certificate representing the Shares, Warrants, and Warrant Shares substantially to the following effect:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES STATUTES AND REGULATIONS. SUCH SHARES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SHARES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES STATUTES AND REGULATIONS, UNLESS, IN THE OPINION (WHICH SHALL BE IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION) OF

(k) The execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby has been duly authorized by KAZI.

5. Right of First Refusal.

For any private capital raising transactions of Equity Securities (as defined below) which close after the date hereof and on or prior to the date that is one year after the date of this Agreement, not including any Warrants issued in conjunction with this Agreement, the Company agrees to deliver to KAZI, at least three (3) days prior to the closing of such transaction, written notice describing the proposed transaction, including the terms and conditions thereof, and providing KAZI an option (the "Right of First Refusal") during the three (3) day period following delivery of such notice to purchase the securities being offered in such transaction on the same terms as contemplated by such transaction. For purposes hereof, the following shall be collectively referred to herein as, the "Equity Securities": (i) private placements of Common Stock at prices equal to or less than the price that KAZI has purchased the Shares; or (ii) private placements of any debt or equity securities which are convertible into, exercisable or exchangeable for, or carry the right to receive additional shares of Common Stock or other equity securities at prices equal to or less than the price that KAZI purchased the Shares.

Notwithstanding the above, the Rights of First Refusal shall not apply to any transaction involving issuances of securities in connection with a merger, consolidation, acquisition or sale of assets, or in connection with any strategic partnership or joint venture (the primary purpose of which is not to raise equity capital), or in connection with the disposition or acquisition of a business, product or license by the Company or exercise of options by employees, consultants or directors, or a primary underwritten offering of the Company's Common Stock. The Rights of First Refusal also shall not apply to (a) the issuance of securities upon exercise or conversion of the Company's options, warrants or other convertible securities outstanding as of the date hereof, (b) the grant of additional options or warrants, or the issuance of additional securities, under any Company stock option or stock plan for the benefit of the Company's employees, directors or consultants or under any Employee Benefit Plan (as defined in Rule 405 of the Act), (c) the issuance of debt securities, with no equity feature, incurred solely for working capital purposes, or (d) private placements of Equity Securities headed by nationally recognized investment banking firms, such as Salomon Smith Barney.

6. Delay of Registration.

Notwithstanding anything contained herein to the contrary, if the Registration Statement (as such term is defined in the Registration Rights Agreement) has not been (1) filed with the Securities and Exchange Commission within 30 days following the date hereof, or (2) declared effective under the Act by the Securities and Exchange Commission within 90 days following the date hereof, then in either such event, the Company shall issue to KAZI an additional three percent (3%) of the aggregate number of Shares, Warrants, and Additional Warrants issued to KAZI by the Company hereunder on the date hereof, on a pro rata basis for partial months, for each full month that the Registration Statement is not so filed or declared effective. In lieu of receiving additional Shares, KAZI may elect to receive the cash equivalent of the additional Shares (based upon the then closing price of the Common Stock). The additional Shares, if any, and the additional shares of Common Stock underlying the new warrants shall be covered by the Registration Rights Agreement.

7. Survival of Representations, Warranties, Covenants, Agreements and Remedies.

Except as specifically provided otherwise herein, all representations, warranties, covenants, agreements and remedies of the parties hereto, shall survive the date hereof.

8. Entire Agreement.

This Agreement constitutes the entire understanding and agreement between the parties hereto with respect to the transactions contemplated herein, supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and there have been no warranties, representations or promises, written or oral, made by any of the parties hereto except as herein expressly set forth herein.

9. Binding Agreement.

This Agreement shall be binding upon and inure to the benefit of the parties hereto, as well as their respective heirs, personal representatives, successors and assigns but no party may assign its obligations hereunder.

10. Pennsylvania Law Controls.

This Agreement shall be construed in accordance with and shall be

governed by the laws of the Commonwealth of Pennsylvania without regard to its conflicts of law rules.

11. Expenses.

The Company shall pay for and prepare all documentation and filings related to this transaction and shall pay a non-accountable legal and due diligence fee to KAZI or its legal counsel in the amount of \$5,000.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Stock Purchase Agreement the date first above written.

KAZI MANAGEMENT VI, INC.

Witness: _____ /s/ By: _____ /s/

Address:

USA TECHNOLOGIES, INC.

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

Chief Executive Officer

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 7,142,858 COMMON STOCK WARRANTS
NO. 189

USA TECHNOLOGIES, INC.

COMMON STOCK WARRANTS

(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 that KAZI MANAGEMENT VI, INC. is the owner of 7,142,858 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 October 26, 2007 (the "Termination Date"), 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 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 \$.07 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 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.

4. Partial Exercise.

The rights of purchase represented by the Warrants 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.

5. Termination Date.

All of the Warrants must be exercised in accordance with the terms hereof prior to the Termination Date. At and after the Termination Date any and all unexercised rights hereunder shall become null and void and all such unexercised Warrants shall without any action on behalf of the Company become null and void.

6. Lost, Mutilated Certificate.

In case this Common Stock Warrant 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, 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.

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 shares of Common Stock underlying this Warrant are subject to and covered by the Registration Rights Agreement dated of even date herewith between the Company and KAZI.

13. Certain Exercise Limits.

Notwithstanding anything herein to the contrary, if and to the extent that, on any date (the "Section 16 Determination Date"), the holding by KAZI of this Warrant would result in KAZI's becoming subject to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, by virtue of being deemed the "beneficial owner" of more than ten percent (10%) of the then outstanding shares of Common Stock of the Company, then KAZI shall not have the right to exercise any portion of this Warrant as shall cause KAZI to be deemed the beneficial owner of more than ten percent (10%) of the then outstanding shares of Common Stock of the Company during the period ending sixty (60) days after the Section 16 Determination Date.

14. Applicable Law.

The Warrants and this Certificate shall be deemed to 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 on the date written below.

USA TECHNOLOGIES, INC.

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

George R. Jensen, Jr.,
Chief Executive Officer

Attest: /s/ Leland P. Maxwell

Leland P. Maxwell, Secretary

Dated: October 26, 2002

USA TECHNOLOGIES, INC.
200 Plant Avenue
Wayne, Pennsylvania 19087
Attn: George R. Jensen, Jr.,
Chief Executive Officer

ELECTION TO PURCHASE

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: _____, 200

Signature: _____

REGISTRATION RIGHTS AGREEMENT

Registration Rights Agreement dated October 26, 2002 (this "Agreement") by and between USA TECHNOLOGIES, INC., a Pennsylvania corporation, with principal executive offices located at 200 Plant Avenue, Wayne, PA 19087 (the "Company"), and KAZI MANAGEMENT VI, INC, a U.S. Virgin Islands corporation (the "Investor").

WHEREAS, upon the terms and subject to the conditions of the Stock Purchase Agreement dated of even date herewith by and between the Investor and the Company (the "Stock Purchase Agreement"), the Company has agreed to issue and sell to the Investor 3,571,429 shares of the Company's Common Stock (the "Common Stock"), warrants to purchase up to 7,142,858 shares of Common Stock (the "Warrants"), and warrants to purchase up to 14,857,714 additional shares of Common Stock (the "Additional Warrants") ; and

WHEREAS, to induce the Investor to execute and deliver the Stock Purchase Agreement, the Company has agreed to provide with respect to the Common Stock as well as the Common Stock issuable upon exercise of the Warrants certain registration rights under the Securities Act;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions

(A) As used in this Agreement, the following terms shall have the meanings:

(1) "Affiliate" of any specified Person means any other Person who directly, or indirectly through one or more intermediaries, is in control of, is controlled by, or is under common control with, such specified Person. For purposes of this definition, control of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract, securities, ownership or otherwise; and the terms "controlling" and "controlled" have the respective meanings correlative to the foregoing.

(2) "Closing Date" means October 26, 2002.

(3) "Commission" means the Securities and Exchange Commission.

(4) "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder, or any similar successor statute.

(5) "Investor" means each of the Investor and any transferee or assignee of Registrable Securities which agrees to become bound by all of the terms and provisions of this Agreement in accordance with Section 8 hereof.

(6) "Person" means any individual, partnership, corporation, limited liability company, joint stock company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

(7) "Prospectus" means the prospectus (including, without limitation, any preliminary prospectus and any final prospectus filed pursuant to Rule 424(b) under the Securities Act, including any prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance on Rule 430A under the Securities Act) included in the Registration Statement, as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by the Registration Statement and by all other amendments and supplements to such prospectus, including all material incorporated by reference in such prospectus and all documents filed after the date of such prospectus by the Company under the Exchange Act and incorporated by reference therein.

(8) "Public Offering" means an offer registered with the Commission and the appropriate state securities commissions by the Company of its Common Stock and made pursuant to the Securities Act.

(9) "Registrable Securities" means: (i) the Shares; (ii) the Common Stock issued or issuable upon exercise of the Warrants and Additional Warrants; or (iii) any additional Shares or the Common Stock underlying any additional Warrants issued pursuant to Section 6 of the Stock Purchase Agreement; provided, however, a share of Common Stock shall cease to be a Registrable Security for purposes of this Agreement when it no longer is a Restricted Security.

(10) "Registration Statement" means a registration statement of the Company filed on an appropriate form under the Securities Act providing for the registration of, and the sale on a continuous or delayed basis by the holders of, all of the Registrable Securities pursuant to Rule 415 under the Securities Act, including the Prospectus contained therein and forming a part thereof, any amendments to such registration statement and supplements to such Prospectus, and all exhibits to and other material incorporated by reference in such registration statement and Prospectus.

(11) "Restricted Security" means the Shares and any share of Common

Stock issued upon exercise of the Warrants or the Additional Warrants except any such share that (i) has been registered pursuant to an effective registration statement under the Securities Act and sold in a manner contemplated by the prospectus included in such registration statement, (ii) has been transferred in compliance with the resale provisions of Rule 144 under the Securities Act (or any successor provision thereto) or is transferable pursuant to paragraph (k) of Rule 144 under the Securities Act (or any successor provision thereto) or (iii) otherwise has been transferred and a new share of Common Stock not subject to transfer restrictions under the Securities Act has been delivered by or on behalf of the Company.

(12) "Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder, or any similar successor statute.

(B) All capitalized terms used and not defined herein have the respective meaning assigned to them in the Securities Purchase Agreement or the Debenture.

2. Registration

(A) Filing and Effectiveness of Registration Statement. The Company shall prepare and file with the Commission within 30 days following the Closing Date a Registration Statement relating to the offer and sale of the Registrable Securities and shall use its best efforts to cause the Commission to declare such Registration Statement effective under the Securities Act as promptly as practicable but in no event later than ninety (90) days after the Closing Date. The Company shall promptly (and, in any event, no more than 24 hours after it receives comments from the Commission), notify the Investor when and if it receives any comments from the Commission on the Registration Statement and promptly forward a copy of such comments, if they are in writing, to the Investor. At such time after the filing of the Registration Statement pursuant to this Section 2(A) as the Commission indicates, either orally or in writing, that it has no further comments with respect to such Registration Statement or that it is willing to entertain appropriate requests for acceleration of effectiveness of such Registration Statement, the Company shall promptly, and in no event later than two (2) business days after receipt of such indication from the Commission, request that the effectiveness of such Registration Statement be accelerated within forty-eight (48) hours of the Commission's receipt of such request. The Company shall notify the Investor by written notice that such Registration Statement has been declared effective by the Commission within 24 hours of such declaration by the Commission.

(B) Eligibility for Use of Form S-3 or an SB-2. The Company agrees that at such time as it meets all the requirements for the use of Securities Act Registration Statement on Form S-3 or SB-2, it shall file all reports and information required to be filed by it with the Commission in a timely manner and take all such other action so as to maintain such eligibility for the use of such form.

(C) (i) If the Company proposes to register any of its warrants, Common Stock or any other shares of common stock of the Company under the Securities Act (other than a registration (A) on Form S-8 or S-4 or any successor or similar forms, (B) relating to Common Stock or any other shares of common stock of the Company issuable upon exercise of employee share options or in connection with any employee benefit or similar plan of the Company or (C) in connection with a direct or indirect acquisition by the Company of another Person or any transaction with respect to which Rule 145 (or any successor provision) under the Securities Act applies), whether or not for sale for its own account, it will each such time, give prompt written notice at least 20 days prior to the anticipated filing date of the registration statement relating to such registration to the Investor, which notice shall set forth such Investor's rights under this Section 2(C) and shall offer such Investor the opportunity to include in such registration statement such number of Registrable Securities as such Investor may request. Upon the written request of Investor made within 10 days after the receipt of notice from the Company (which request shall specify the number of Registrable Securities intended to be disposed of by such Investor), the Company will use its best efforts to effect the registration under the Securities Act of all Registrable Securities that the Company has been so requested to register by each Investor, to the extent requisite to permit the disposition of the Registrable Securities so to be registered; provided, however, that if, at any time after giving written notice of its intention to register any Registrable Securities pursuant to this Section 2 and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register such Registrable Securities, the Company shall give written notice to each Investor and, thereupon, shall be relieved of its obligation to register any Registrable Securities in connection with such registration. The Company's obligations under this Section 2(C) shall terminate on the date that the registration statement to be filed in accordance with Section 2(A) is declared effective by the Commission.

(ii) If a registration pursuant to this Section 2(C) involves a Public Offering and the managing underwriter thereof advises the Company that, in its view, the number of shares of Common Stock that the Company and the Investor intend to include in such registration exceeds the largest number of shares of Common Stock that can be sold without having an adverse effect on such Public Offering (the "Maximum Offering Size"), the Company will include in such registration only such number of shares of Common Stock as does not exceed the Maximum Offering Size, and the number of shares in the Maximum Offering Size shall be allocated among the Company, the Investor and any other sellers of Common Stock in such Public Offering ("Third-Party Sellers"), first, pro rata among the Investor until all the shares of Common Stock originally proposed to be offered for sale by the Investor have been allocated, and second, pro rata among the Company and any Third-Party Sellers, in each case on the basis of the relative number of shares of Common Stock originally proposed to be offered for

sale under such registration by the Investor, the Company and the Third-Party Sellers, as the case may be. If as a result of the proration provisions of this Section 2(C)(ii), the Investor is not entitled to include all such Registrable Securities in such registration, such Investor may elect to withdraw its request to include any Registrable Securities in such registration. With respect to registrations pursuant to this Section 2(C), the number of securities required to satisfy any underwriters' over-allotment option shall be allocated among the Company, the Investor and any Third Party Seller pro rata on the basis of the relative number of securities offered for sale under such registration by the Investor, the Company and any such Third Party Sellers before the exercise of such over-allotment option.

3. Obligations of the Company

In connection with the registration of the Registrable Securities, the Company shall:

(A) Promptly (i) prepare and file with the Commission such amendments (including post-effective amendments) to the Registration Statement and supplements to the Prospectus as may be necessary to keep the Registration Statement continuously effective and in compliance with the provisions of the Securities Act applicable thereto so as to permit the Prospectus forming part thereof to be current and useable by Investor for resales of the Registrable Securities for a period of five (5) years from the date on which the Registration Statement is first declared effective by the Commission (the "Effective Time") or such shorter period that will terminate when all the Registrable Securities covered by the Registration Statement have been sold pursuant thereto in accordance with the plan of distribution provided in the Prospectus, transferred pursuant to Rule 144 under the Securities Act or otherwise transferred in a manner that results in the delivery of new securities not subject to transfer restrictions under the Securities Act (the "Registration Period") and (ii) take all lawful action such that each of (A) the Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, not misleading and (B) the Prospectus forming part of the Registration Statement, and any amendment or supplement thereto, does not at any time during the Registration Period include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(B) During the Registration Period, comply with the provisions of the Securities Act with respect to the Registrable Securities of the Company covered by the Registration Statement until such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the Investor as set forth in the Prospectus forming part of the Registration Statement;

(C) (i) Prior to the filing with the Commission of any Registration Statement (including any amendments thereto) and the distribution or delivery of any Prospectus (including any supplements thereto), provide (A) draft copies thereof to the Investor and reflect in such documents all such comments as the Investor (and its counsel) reasonably may propose and (B) to the Investor a copy of the accountant's consent letter to be included in the filing and (ii) furnish to the Investor whose Registrable Securities are included in the Registration Statement and its legal counsel identified to the Company, (A) promptly after the same is prepared and publicly distributed, filed with the Commission, or received by the Company, one copy of the Registration Statement, each Prospectus, and each amendment or supplement thereto and (B) such number of copies of the Prospectus and all amendments and supplements thereto and such other documents, as such Investor may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Investor;

(D) (i) Register or qualify the Registrable Securities covered by the Registration Statement under such securities or "blue sky" laws of such jurisdictions as the Investor who holds a majority-in-interest of the Registrable Securities being offered reasonably requests, (ii) prepare and file in such jurisdictions such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof at all times during the Registration Period, (iii) take all such other lawful actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period and (iv) take all such other lawful actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (A) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(D), (B) subject itself to general taxation in any such jurisdiction or (C) file a general consent to service of process in any such jurisdiction;

(E) As promptly as practicable after becoming aware of such event, notify the Investor of the occurrence of any event, as a result of which the Prospectus included in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and promptly prepare an amendment to the Registration Statement and supplement to the Prospectus to correct such untrue statement or omission, and deliver a number of copies of such supplement and amendment to the Investor as such Investor may reasonably request;

(F) As promptly as practicable after becoming aware of such event, notify the Investor who holds Registrable Securities being sold (or, in the event of an underwritten offering, the managing underwriters) of the issuance by the Commission of any stop order or other suspension of the effectiveness of the Registration Statement at the earliest possible time and

take all lawful action to effect the withdrawal, recession or removal of such stop order or other suspension;

(G) Cause all the Registrable Securities covered by the Registration Statement to be listed on the principal national securities exchange, and included in an inter-dealer quotation system of a registered national securities association, on or in which securities of the same class or series issued by the Company are then listed or included;

(H) Maintain a transfer agent and registrar, which may be a single entity, for the Registrable Securities not later than the effective date of the Registration Statement;

(I) Cooperate with the Investor who hold Registrable Securities being offered to facilitate the timely preparation and delivery of certificates for the Registrable Securities to be offered pursuant to the registration statement and enable such certificates for the Registrable Securities to be in such denominations or amounts, as the case may be, as the Investor reasonably may request and registered in such names as the Investor may request; and, within three (3) business days after a registration statement which includes Registrable Securities is declared effective by the Commission, deliver and cause legal counsel selected by the Company to deliver to the transfer agent for the Registrable Securities (with copies to the Investor whose Registrable Securities are included in such registration statement) an appropriate instruction and, to the extent necessary, an opinion of such counsel;

(J) Take all such other lawful actions reasonably necessary to expedite and facilitate the disposition by the Investor of its Registrable Securities in accordance with the intended methods therefor provided in the Prospectus which are customary under the circumstances;

(K) Make generally available to its security holders as soon as practicable, but in any event not later than three (3) months after (i) the effective date (as defined in Rule 158(c) under the Securities Act) of the Registration Statement and (ii) the effective date of each post-effective amendment to the Registration Statement, as the case may be, an earnings statement of the Company and its subsidiaries complying with Section 11 (a) of the Securities Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158);

(L) In the event of an underwritten offering, promptly include or incorporate in a Prospectus supplement or post-effective amendment to the Registration Statement such information as the managers reasonably agree should be included therein and to which the Company does not reasonably object and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after it is notified of the matters to be included or incorporated in such Prospectus supplement or post-effective amendment;

(M) (i) Make reasonably available for inspection by Investor, any underwriter participating in any disposition pursuant to the Registration Statement, and any attorney, accountant or other agent retained by such Investor or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of the Company and its subsidiaries, and (ii) cause the Company's officers, directors and employees to supply all information reasonably requested by such Investor or any such underwriter, attorney, accountant or agent in connection with the Registration Statement, in each case, as is customary for similar due diligence examinations; provided, however, that all records, information and documents that are designated in writing by the Company, in good faith, as confidential, proprietary or containing any material nonpublic information shall be kept confidential by such Investor and any such underwriter, attorney, accountant or agent (pursuant to an appropriate confidentiality agreement in the case of any such holder or agent), unless such disclosure is made pursuant to judicial process in a court proceeding (after first giving the Company an opportunity promptly to seek a protective order or otherwise limit the scope of the information sought to be disclosed) or is required by law, or such records, information or documents become available to the public generally or through a third party not in violation of an accompanying obligation of confidentiality; and provided, further, that, if the foregoing inspection and information gathering would otherwise disrupt the Company's conduct of its business, such inspection and information gathering shall, to the maximum extent possible, be coordinated on behalf of the Investor and the other parties entitled thereto by one firm of counsel designed by and on behalf of the majority in interest of Investor and other parties;

(N) In connection with any underwritten offering, make such representations and warranties to the Investor participating in such underwritten offering and to the managers, in form, substance and scope as are customarily made by the Company to underwriters in secondary underwritten offerings;

(O) In connection with any underwritten offering, obtain opinions of counsel to the Company (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the managers) addressed to the underwriters, covering such matters as are customarily covered in opinions requested in secondary underwritten offerings (it being agreed that the matters to be covered by such opinions shall include, without limitation, as of the date of the opinion and as of the Effective Time of the Registration Statement or most recent post-effective amendment thereto, as the case may be, the absence from the Registration Statement and the Prospectus, including any documents incorporated by reference therein, of an untrue statement of a material fact or the omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading, subject to customary limitations);

(P) In connection with any underwritten offering, obtain "cold comfort" letters and updates thereof from the independent public accountants of the Company (and, if necessary, from the independent public accountants of any business acquired by the Company for which financial statements and financial data are, or are required to be, included in the Registration Statement), addressed to each underwriter participating in such underwritten offering (if such underwriter has provided such letter, representations or documentation, if any, required for such cold comfort letter to be so addressed), in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with secondary underwritten offerings;

(Q) In connection with any underwritten offering, deliver such documents and certificates as may be reasonably required by the managers, if any, and

(R) In the event that any broker-dealer registered under the Exchange Act shall be an "Affiliate" (as defined in Rule 2729(b)(1) of the rules and regulations of the National Association of Securities Dealers, Inc. (the "NASD Rules") (or any successor provision thereto)) of the Company or has a "conflict of interest" (as defined in Rule 2720(b)(7) of the NASD Rules (or any successor provision thereto)) and such broker-dealer shall underwrite, participate as a member of an underwriting syndicate or selling group or assist in the distribution of any Registrable Securities covered by the Registration Statement, whether as a holder of such Registrable Securities or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, the Company shall assist such broker-dealer in complying with the requirements of the NASD Rules, including, without limitation, by (A) engaging a "qualified independent underwriter" (as defined in Rule 2720(b)(15) of the NASD Rules (or any successor provision thereto)) to participate in the preparation of the Registration Statement relating to such Registrable Securities, to exercise usual standards of due diligence in respect thereof and to recommend the public offering price of such Registrable Securities, (B) indemnifying such qualified independent underwriter to the extent of the indemnification of underwriters provided in Section 6 hereof and (C) providing such information to such broker-dealer as may be required in order for such broker-dealer to comply with the requirements of the NASD Rules.

4. Obligations of the Investor

In connection with the registration of the Registrable Securities, the Investor shall have the following obligations:

(A) It shall be a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities of a particular Investor that such Investor shall furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request;

(B) The Investor by its acceptance of the Registrable Securities agrees to cooperate with the Company in connection with the preparation and filing of the Registration Statement hereunder, unless such Investor has notified the Company in writing of its election to exclude all of its Registrable Securities from the Registration Statement; and

(C) The Investor agrees that, upon receipt of any notice from the Company of the occurrence of any event of the kind described in Section 3(E) or 3(F), it shall immediately discontinue its disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Investor's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3(E) and, if so directed by the Company, such Investor shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction) all copies in such Investor's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice.

5. Expenses of Registration

All expenses, other than underwriting discounts and commissions, incurred in connection with registrations, filings or qualifications pursuant to Section 3, but including, without limitation, all registration, listing, and qualifications fees, printing and engraving fees, accounting fees, and the fees and disbursements of counsel for the Company shall be borne by the Company.

6. Indemnification and Contribution

(A) Indemnification by the Company. The Company shall indemnify and hold harmless each Investor and each underwriter, if any, which facilitates the disposition of Registrable Securities, and each of their respective officers and directors and each person who controls such Investor or underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each such person being sometimes hereinafter referred to as an "Indemnified Person") from and against any losses, claims, damages or liabilities, joint or several, to which such Indemnified Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement of a material fact contained in any Registration Statement or an omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, not misleading, or arise out of or are based upon an untrue statement of a material fact contained in any Prospectus or an omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and the Company hereby agrees to reimburse such

Indemnified Person for all reasonable legal and other expenses incurred by them in connection with investigating or defending any such action or claim as and when such expenses are incurred; provided, however, that the Company shall not be liable to any such Indemnified Person in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon (i) an untrue statement or alleged untrue statement made in, or an omission or alleged omission from, such Registration Statement or Prospectus in reliance upon and in conformity with written information furnished to the Company by such Indemnified Person expressly for use therein or (ii) in the case of the occurrence of an event of the type specified in Section 3(E), the use by the Indemnified Person of an outdated or defective Prospectus after the Company has provided to such Indemnified Person an updated Prospectus correcting the untrue statement or alleged untrue statement or omission or alleged omission giving rise to such loss, claim, damage or liability.

(B) Notice of Claims, etc. Promptly after receipt by a party seeking indemnification pursuant to this Section 6 (an "Indemnified Party") of written notice of any investigation, claim, proceeding or other action in respect of which indemnification is being sought (each, a "Claim"), the Indemnified Party promptly shall notify the party against whom indemnification pursuant to this Section 6 is being sought (the "Indemnifying Party") of the commencement thereof; but the omission to so notify the Indemnifying Party shall not relieve it from any liability that it otherwise may have to the Indemnified Party, except to the extent that the Indemnifying Party is materially prejudiced and forfeits substantive rights and defenses by reason of such failure. In connection with any Claim as to which both the Indemnifying Party and the Indemnified Party are parties, the Indemnifying Party shall be entitled to assume the defense thereof. Notwithstanding the assumption of the defense of any Claim by the Indemnifying Party, the Indemnified Party shall have the right to employ separate legal counsel and to participate in the defense of such Claim, and the Indemnifying Party shall bear the reasonable fees, out-of-pocket costs and expenses of such separate legal counsel to the Indemnified Party if (and only if): (x) the Indemnifying Party shall have agreed to pay such fees, costs and expenses, (y) the Indemnified Party and the Indemnifying Party shall reasonably have concluded that representation of the Indemnified Party by the Indemnifying Party by the same legal counsel would not be appropriate due to actual or, as reasonably determined by legal counsel to the Indemnified Party, potentially differing interests between such parties in the conduct of the defense of such Claim, or if there may be legal defenses available to the Indemnified Party that are in addition to or disparate from those available to the Indemnifying Party or (z) the Indemnifying Party shall have failed to employ legal counsel reasonably satisfactory to the Indemnified Party within a reasonable period of time after notice of the commencement of such Claim. If the Indemnified Party employs separate legal counsel in circumstances other than as described in clauses (x), (y) or (z) above, the fees, costs and expenses of such legal counsel shall be borne exclusively by the Indemnified Party. Except as provided above, the Indemnifying Party shall not, in connection with any Claim in the same jurisdiction, be liable for the fees and expenses of more than one firm of counsel for the Indemnified Party (together with appropriate local counsel). The Indemnified Party shall not, without the prior written consent of the Indemnifying Party (which consent shall not unreasonably be withheld), settle or compromise any Claim or consent to the entry of any judgment that does not include an unconditional release of the Indemnifying Party from all liabilities with respect to such Claim or judgment.

(C) Contribution. If the indemnification provided for in this Section 6 is unavailable to or insufficient to hold harmless an Indemnified Person under subsection (A) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault [how is this determined??] of the Indemnifying Party and the Indemnified Party in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such Indemnifying Party or by such Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6(D) were determined by pro rata allocation (even if the Investor or any underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 6(D). The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligations of the Investor and any underwriters in this Section 6(D) to contribute shall be several in proportion to the percentage of Registrable Securities registered or underwritten, as the case may be, by them and not joint.

(D) Notwithstanding any other provision of this Section 6, in no event shall any (i) Investor be required to undertake liability to any person under this Section 6 for any amounts and (ii) underwriter be required to undertake liability to any Person hereunder for any amounts in excess of the aggregate discount, commission or other compensation payable to such underwriter with respect to the Registrable Securities underwritten by it and distributed pursuant to the Registration Statement.

(E) The obligations of the Company under this Section 6 shall be in addition to any liability which the Company may otherwise have to any

Indemnified Person and the obligations of any Indemnified Person under this Section 6 shall be in addition to any liability which such Indemnified Person may otherwise have to the Company. The remedies provided in this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to an indemnified party at law or in equity.

7. Rule 144

With a view to making available to the Investor the benefits of Rule 144 under the Securities Act or any other similar rule or regulation of the Commission that may at any time permit the Investor to sell securities of the Company to the public without registration ("Rule 144"), the Company agrees to use its best efforts to:

(1) comply with the provisions of paragraph (c) (1) of Rule 144 and

(2) file with the Commission in a timely manner all reports and other documents required to be filed by the Company pursuant to Section 13 or 15(d) under the Exchange Act; and, if at any time it is not required to file such reports but in the past had been required to or did file such reports, it will, upon the request of any Investor, make available other information as required by, and so long as necessary to permit sales of, its Registrable Securities pursuant to Rule 144.

8. Assignment

The rights to have the Company register Registrable Securities pursuant to this Agreement shall be automatically assigned by the Investor to any permitted transferee of all or any portion of such Registrable Securities (or all or any portion of the Warrants of the Company which are convertible into such securities) only if (a) the Investor agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such assignment, (b) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (i) the name and address of such transferee or assignee and (ii) the securities with respect to which such registration rights are being transferred or assigned, (c) immediately following such transfer or assignment, the securities so transferred or assigned to the transferee or assignee constitute Restricted Securities and (d) at or before the time the Company received the written notice contemplated by clause (b) of this sentence the transferee or assignee agrees in writing with the Company to be bound by all of the provisions contained herein.

9. Amendment and Waiver

Any provision of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and Investor who hold a majority-in-interest of the Registrable Securities. Any amendment or waiver effected in accordance with this Section 9 shall be binding upon each Investor and the Company.

10. Changes in Common Stock

If, and as often as, there are any changes in the Common Stock by way of stock split, stock dividend, reverse split, combination or reclassification, or through merger, consolidation, reorganization or recapitalization, or by any other means, appropriate adjustment shall be made in the provisions hereof, as may be required, so that the rights and privileges granted hereby shall continue with respect to the Common Stock as so changed.

11. Miscellaneous

(A) A person or entity shall be deemed to be a holder of Registrable Securities whenever such person or entity owns of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more persons or entities with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the registered owner of such Registrable Securities.

(B) Except as may be otherwise provided herein, any notice or other communication or delivery required or permitted hereunder shall be in writing and shall be delivered personally, or sent by telecopier machine or by a nationally recognized overnight courier service, and shall be deemed given when so delivered personally, or by telecopier machine or overnight courier service as follows:

(1) if to the Company, to:

USA TECHNOLOGIES, INC.
200 Plant Avenue
Wayne, PA 19087
Attention: George R. Jensen, Jr., CEO
Telecopier: (610) 989-0344
Telephone: (949) 989-0340

(2) if to the Investor, to:

Kazi Management VI, Inc.
30 Dronnigens Gade, Suite B
St. Thomas, Virgin Islands 00802
Telecopier: (340) 714-7331
Telephone: (340) 643-7860

(3) if to any other Investor, at such address as such Investor shall have provided in writing to the Company.

The Company, the Investor or any Investor may change the foregoing address by notice given pursuant to this Section 11(B).

(C) Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

(D) This Agreement shall be governed by and interpreted in accordance with the laws of the State of Pennsylvania. Each of the parties consents to the jurisdiction of the federal courts whose districts encompass any part of the City of Philadelphia or the state courts of the State of Pennsylvania sitting in the City of Philadelphia in connection with any dispute arising under this Agreement and hereby waives, to the maximum extent permitted by law, any objection including any objection based on forum non conveniens, to the bringing of any such proceeding in such jurisdictions.

(E) Should any party hereto employ an attorney for the purpose of enforcing or construing this Agreement, or any judgment based on this Agreement, in any legal proceeding whatsoever, including insolvency, bankruptcy, arbitration, declaratory relief or other litigation, the prevailing party shall be entitled to receive from the other party or parties thereto reimbursement for all reasonable attorneys' fees and all reasonable costs, including but not limited to service of process, filing fees, court and court reporter costs, investigative costs, expert witness fees, and the cost of any bonds, whether taxable or not, and that such reimbursement shall be included in any judgment or final order issued in that proceeding. The "prevailing party" means the party determined by the court to most nearly prevail and not necessarily the one in whose favor a judgment is rendered.

(F) The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided by law. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(G) This Agreement, the Stock Purchase Agreement, and the Warrants and Additional Warrants of even date herewith among the Company and the Investor constitute the entire agreement among the parties hereto with respect to the subject matter hereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein. These Agreements supersede all prior agreements and undertakings among the parties hereto with respect to the subject matter hereof.

(H) Subject to the requirements of Section 8 hereof, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

(I) All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require.

(J) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning thereof.

(K) This Agreement may be executed in two (2) counterparts, each of which shall be deemed an original but both of which shall constitute one and the same agreement. A facsimile transmission of this signed Agreement shall be legal and binding on the parties hereto.

IN WITNESS WHEREOF, the parties hereto have duly caused this Agreement to be executed and delivered on the date first above written.

USA TECHNOLOGIES, INC.,
a Pennsylvania corporation

/s/ George R. Jensen, Jr.

By: _____
Name: George R. Jensen, Jr.
Title: Chairman & CEO

Investor:

KAZI MANAGEMENT VI, INC.

/s/

By: _____
Name:
Title:

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 7,142,858 COMMON STOCK WARRANTS
 NO. 190

USA TECHNOLOGIES, INC.

 COMMON STOCK WARRANTS

(These Warrants will be void if not exercised
 by the Termination Dates specified below.)

1. Warrants.

Subject to the terms and conditions hereof, this certifies that KAZI MANAGEMENT VI, INC., is the owner of 7,142,858 Warrants (the "Warrants") of USA Technologies, Inc., a Pennsylvania corporation (the "Company"). Each Warrant, when vested in accordance with Section 3 hereof, entitles the holder to purchase from the Company at any time prior to the Termination Date of such Warrant (as set forth in Section 4 hereof), 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 8 hereof.

2. Warrant Price.

a. The Warrants, when vested, shall be exercised by delivery to the Company (prior to the Termination Dates for such Warrants as set forth in Section 4 hereof) of the applicable 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.

b. The Warrant Price for the 7,142,858 shares of Common Stock underlying the Warrants evidenced by this Certificate shall be \$.07 per share of Common Stock. The Warrant Price shall be subject to adjustment as provided in Section 8 hereof. The Warrant Price is payable either in cash or by certified check or bank draft payable to the order of the Company.

3. Vesting of Warrants. Notwithstanding anything contained herein to the contrary, the Warrants shall not become vested unless and until the shareholders of the Company shall have approved the increase in the authorized number of shares of Common Stock of the Company from 150,000,000 to 200,000,000 at the special meeting of shareholders of the Company scheduled for October 28, 2002. Unless and until the Warrants become vested, this Warrant shall not be exercisable.

4. Termination Date. Each Warrant, when vested in accordance with Section 3 hereof, 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

3,571,429	60 days following the declaration of effectiveness under the Act by the Securities and Exchange Commission of the Registration Statement (as such term is defined in the Registration Rights Agreement dated of even date herewith between the Company and KAZI) covering the shares of Common Stock underlying this Warrant.
3,571,429	120 days following the declaration of effectiveness under the Act by the Securities and Exchange Commission of the Registration Statement (as such term is defined in the Registration Rights Agreement dated of even date herewith between the Company and KAZI) covering the shares of Common Stock underlying this Warrant.

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. Exercise.

Upon the surrender of this Certificate and payment of the 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.

6. Partial Exercise.

The rights of purchase represented by the Warrants 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.

7. Lost, Mutilated Certificate.

In case this Common Stock Warrant 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.

8. Adjustments.

Subject and pursuant to the provisions of this Section 8, 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 8.

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 8. 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.

9. 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.

10. 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.

11. 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.

12. Securities Laws; Non-Qualified Warrant.

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.

13. Registration Rights.

The shares of Common Stock underlying this Warrant are subject to and covered by the Registration Rights Agreement dated of even date herewith between the Company and KAZI.

14. Certain Exercise Limits.

Notwithstanding anything herein to the contrary, if and to the extent that, on any date (the "Section 16 Determination Date"), the holding by KAZI of this Warrant would result in KAZI's becoming subject to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, by virtue of being deemed the "beneficial owner" of more than ten percent (10%) of the then outstanding shares of Common Stock of the Company, then KAZI shall not have the right to exercise any portion of this Warrant as shall cause KAZI to be deemed the beneficial owner of more than ten percent (10%) of the then outstanding shares of Common Stock of the Company during the period ending sixty (60) days after the Section 16 Determination Date.

15. Applicable Law.

The Warrants and this Certificate shall be deemed to 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 Certificate and caused its corporate seal to be affixed hereto.

USA TECHNOLOGIES, INC.

Corporate Seal

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

George R. Jensen, Jr.
Chief Executive Officer

Attest: /s/ Leland P. Maxwell

Leland P. Maxwell, Secretary

Dated: October 26, 2002

USA TECHNOLOGIES, INC.
200 Plant Avenue
Wayne, Pennsylvania 19087
Attn: George R. Jensen, Jr.,
Chief Executive Officer

ELECTION TO PURCHASE

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 the undersigned, and delivered to the undersigned at the following address: . 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 the undersigned, and delivered to the undersigned at the address set forth above.

Dated: _____, 20

Signature: _____

SUBSCRIPTION AGREEMENT

The Subscriber hereby agrees to purchase, and USA Technologies, Inc., a Pennsylvania corporation (the "Company") hereby agrees to issue and to sell to the Subscriber, shares of the Company's no par value common stock (the "Company Shares") and common stock purchase warrants representing the right to purchase one share per warrant of the Company's no par value common stock ("Warrants") for the aggregate consideration of \$150,000 ("Purchase Price"). The amount of Company Shares to be sold by the Company and purchased by the Subscriber shall be 1,500,000 Company Shares. The form of Warrant is annexed hereto as Exhibit A. The Company Shares included in the Securities (as hereinafter defined) are sometimes referred to herein as the "Shares", "Common Shares" or "Common Stock". The Company Shares, Warrants, and the Common Stock issuable upon exercise of the Warrants ("Warrant Shares") are collectively referred to herein as, the "Securities". Subject to the terms and conditions hereof and upon acceptance of this agreement by the Subscriber, at the Closing Date, as defined in Section 10(b), the Company shall issue, sell and deliver the Company Shares and Warrants against payment, by Subscriber of the Purchase Price, by a federal funds wire transfer of immediately available funds.

The Company will also issue and deliver to the Subscriber on the Closing Date 750,000 Warrants. The per share "Purchase Price" of the Common Stock (as defined in the Warrant) shall be equal to the closing price of the Company's common stock for the trading day immediately preceding the Closing Date. The Warrants shall be exercisable for five years after the Issue Date (as defined in the Warrant).

The following terms and conditions shall apply to this subscription.

1. Subscriber's Representations and Warranties. The Subscriber hereby represents and warrants to and agrees with the Company that:

(a) Information on Company.

The Subscriber has been furnished or has obtained from the EDGAR Website of the Securities and Exchange Commission (the "Commission") the Company's Form 10-KSB for the year ended June 30, 2002 as filed with the Commission on October 15, 2002, together with all subsequently filed Forms 10-Q, 8-K, and filings made with the Commission available at the EDGAR website (hereinafter referred to collectively as the "Reports"). In addition, the Subscriber has received from the Company such other information concerning its operations, financial condition and other matters as the Subscriber has requested in writing (such information in writing is collectively, the "Other Written Information"), and considered all factors the Subscriber deems material in deciding on the advisability of investing in the Securities.

(b) Information on Subscriber.

The Subscriber is an "accredited investor", as such term is defined in Regulation D promulgated by the Commission under the Securities Act of 1933, as amended (the "1933 Act"), because Subscriber is a corporation with total assets in excess of \$5,000,000 and not formed for the specific purpose of acquiring the Securities, is experienced in investments and business matters, has made investments of a speculative nature and has purchased securities of United States publicly-owned companies in private placements in the past and, with its representatives, has such knowledge and experience in financial, tax and other business matters as to enable the Subscriber to utilize the information made available by the Company to evaluate the merits and risks of and to make an informed investment decision with respect to the proposed purchase, which represents a speculative investment. The Subscriber has the authority and is duly and legally qualified to purchase and own the Securities. The Subscriber is able to bear the risk of such investment for an indefinite period and to afford a complete loss thereof. The information set forth on the signature page hereto regarding the Subscriber is accurate. Subscriber is a corporation duly organized, validly existing and in good standing under the laws of Lichtenstein.

(c) Purchase of Company Shares and Warrants.

On the Closing Date, the Subscriber will purchase the Company Shares and Warrants for its own account and not with a view to any distribution thereof.

(d) Compliance with Securities Act.

The Subscriber understands and agrees that the Securities have not been registered under the 1933 Act, by reason of their issuance in a transaction that does not require registration under the 1933 Act (based in part on the accuracy of the representations and warranties of Subscriber contained herein), and that such Securities must be held indefinitely unless a subsequent disposition is registered under the 1933 Act or is exempt from such registration. In any event and subject to compliance with applicable securities laws, at any time following the earlier of the actual effective date of a registration statement described in Section 8 of this Agreement or one hundred and twenty days after the Closing Date, the Subscriber may enter into hedging transactions with third parties, which may in turn engage in short sales of the Securities in the course of hedging the position they assume and the Subscriber may also enter into short positions or other derivative transactions relating to the Securities, or interests in the Securities, and deliver the Securities, or interests in the Securities, to close out their short or other positions or otherwise settle short sales or other transactions, or loan or pledge the Securities, or interests in the Securities, to third parties that in turn may dispose of these Securities.

(e) Company Shares Legend.

The Company Shares, and the Warrant Shares, shall bear the following or similar legend:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THESE SHARES MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO USA TECHNOLOGIES, INC. THAT SUCH REGISTRATION IS NOT REQUIRED."

(f) Warrants Legend.

The Warrants shall bear the following or similar legend:

"THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THIS WARRANT UNDER SAID ACT OR ANY APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO USA TECHNOLOGIES, INC. THAT SUCH REGISTRATION IS NOT REQUIRED."

(g) Communication of Offer. The offer to sell the Securities was directly communicated to the Subscriber by the Company. At no time was the Subscriber presented with or solicited by any leaflet, newspaper or magazine article, radio or television advertisement, or any other form of general advertising or solicited or invited to attend a promotional meeting otherwise than in connection and concurrently with such communicated offer.

(h) Correctness of Representations. The Subscriber represents that the foregoing representations and warranties are true and correct as of the date hereof and, unless the Subscriber otherwise notifies the Company prior to the Closing Date (as hereinafter defined), shall be true and correct as of the Closing Date. The foregoing representations and warranties shall survive the Closing Date for a period of three years.

2. Company Representations and Warranties.

The Company represents and warrants to and agrees with the Subscriber that:

(a) Due Incorporation.

The Company and each of its subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the respective jurisdictions of their incorporation and have the requisite corporate power to own their properties and to carry on their business as now being conducted. The Company and each of its subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in each jurisdiction where the nature of the business conducted or property owned by it makes such qualification necessary, other than those jurisdictions in which the failure to so qualify would not have a material adverse effect on the business, operations or financial condition of the Company.

(b) Outstanding Stock.

All issued and outstanding shares of capital stock of the Company and each of its subsidiaries has been duly authorized and validly issued and are fully paid and non-assessable.

(c) Authority; Enforceability.

This Agreement, the Warrant and other agreements delivered together with this Agreement or in connection herewith have been duly authorized, executed and delivered by the Company and are valid and binding agreements enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity; and the Company has full corporate power and authority necessary to enter into this Agreement, Warrant and such other agreements and to perform its obligations hereunder and under all other agreements entered into by the Company relating hereto.

(d) Additional Issuances.

There are no outstanding agreements or preemptive or similar rights affecting the Company's common stock or equity and no outstanding rights, warrants or options to acquire, or instruments convertible into or exchangeable for, or agreements or understandings with respect to the sale or issuance of any shares of common stock or equity of the Company or other equity interest in any of the subsidiaries of the Company except as described in Schedule 2(d).

(e) Consents.

No consent, approval, authorization or order of any court, governmental agency or body or arbitrator having jurisdiction over the Company, or any of its affiliates, the American Stock Exchange ("Amex"), the National Association of Securities Dealers, Inc. ("NASD"), Nasdaq, the OTC Bulletin Board ("Bulletin Board") or the Company's Shareholders is required for execution of this Agreement, and all other agreements entered into by the Company relating thereto, including, without limitation, the issuance and sale of the Securities, and the performance of the Company's obligations hereunder and under all such other agreements.

(f) No Violation or Conflict.

Assuming the representations and warranties of the Subscriber in Section 1 are true and correct and the Subscriber complies with its obligations under this Agreement, neither the issuance and sale of the Securities nor the performance of the Company's obligations under this Agreement and all other agreements entered into by the Company relating thereto by the Company will:

(i) violate, conflict with, result in a breach of, or constitute a default (or an event which with the giving of notice or the lapse of time or both would be reasonably likely to constitute a default) under (A) the articles of incorporation, charter or bylaws of the Company, (B) to the Company's knowledge, any decree, judgment, order, law, treaty, rule, regulation or determination applicable to the Company of any court, governmental agency or body, or arbitrator having jurisdiction over the Company or any of its affiliates or over the properties or assets of the Company or any of its affiliates, (C) the terms of any bond, debenture, note or any other evidence of indebtedness, or any agreement, stock option or other similar plan, indenture, lease, mortgage, deed of trust or other instrument to which the Company or any of its affiliates is a party, by which the Company or any of its affiliates is bound, or to which any of the properties of the Company or any of its affiliates is subject, or (D) the terms of any "lock-up" or similar provision of any underwriting or similar agreement to which the Company, or any of its affiliates is a party except the violation, conflict, breach, or default of which would not have a material adverse effect on the Company; or

(ii) result in the creation or imposition of any lien, charge or encumbrance upon the Securities or any of the assets of the Company, its subsidiaries or any of its affiliates.

(g) The Securities. The Securities upon issuance:

(i) are, or will be, free and clear of any security interests, liens, claims or other encumbrances, subject to restrictions upon transfer under the 1933 Act and State laws;

(ii) have been, or will be, duly and validly authorized and on the date of issuance and on the Closing Date, and the Warrants are exercised, the Securities will be duly and validly issued, fully paid and nonassessable (and if registered pursuant to the 1933 Act, and resold pursuant to an effective registration statement will be free trading and unrestricted, provided that the Subscriber complies with the Prospectus delivery requirements);

(iii) will not have been issued or sold in violation of any preemptive or other similar rights of the holders of any securities of the Company; and

(iv) will not subject the holders thereof to personal liability by reason of being such holders.

(h) Litigation.

There is no pending or, to the best knowledge of the Company, threatened action, suit, proceeding or investigation before any court, governmental agency or body, or arbitrator having jurisdiction over the Company, or any of its affiliates that would affect the execution by the Company or the performance by the Company of its obligations under this Agreement, and all other agreements entered into by the Company relating hereto. Except as disclosed in the Reports or Other Written Information, there is no pending or, to the best knowledge of the Company, threatened action, suit, proceeding or investigation before any court, governmental agency or body, or arbitrator having jurisdiction over the Company, or any of its affiliates which litigation if adversely determined could have a material adverse effect on the Company.

(i) Reporting Company.

The Company is a publicly-held company subject to reporting obligations pursuant to Sections 15(d) and 13 of the Securities Exchange Act of 1934, as amended (the "1934 Act") and has a class of common shares registered pursuant to Section 12(g) of the 1934 Act. The Company's common stock is listed for trading on the Bulletin Board. Pursuant to the provisions of the 1934 Act, the Company has filed all reports and other materials required to be filed thereunder with the Securities and Exchange Commission during the preceding twelve months.

(j) No Market Manipulation.

The Company has not taken, and will not take, directly or indirectly, any action designed to, or that might reasonably be expected to, cause or result in stabilization or manipulation of the price of the common stock of the Company to facilitate the sale or resale of the Securities or affect the price at which the Securities may be issued or resold.

(k) Information Concerning Company.

The Reports contain all material information relating to the Company and its operations and financial condition as of their respective dates which information is required to be disclosed therein. Since the date of the financial statements included in the Reports, and except as modified in the Other Written Information or in the Schedule hereto, there has been no material adverse change in the Company's business, financial condition or affairs not disclosed in the Reports. The Reports do not contain any untrue statement of a material fact or omit to state a material fact required to

be stated therein or necessary to make the statements therein not misleading in light of the circumstances when made.

(l) Stop Transfer.

The Securities are restricted securities as of the date of this Agreement. The Company will not issue any stop transfer order or other order impeding the sale, resale or delivery of the Securities, except as may be required by federal securities laws.

(m) Defaults.

The Company is not in violation of its Articles of Incorporation or ByLaws. The Company is (i) not in default under or in violation of any other material agreement or instrument to which it is a party or by which it or any of its properties are bound or affected, which default or violation would have a material adverse effect on the Company, (ii) not in default with respect to any order of any court, arbitrator or governmental body or subject to or party to any order of any court or governmental authority arising out of any action, suit or proceeding under any statute or other law respecting antitrust, monopoly, restraint of trade, unfair competition or similar matters, or (iii) to its knowledge in violation of any statute, rule or regulation of any governmental authority which violation would have a material adverse effect on the Company.

(n) No Integrated Offering.

Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales of any security or solicited any offers to buy any security under circumstances that would cause the offer of the Securities pursuant to this Agreement to be integrated with prior offerings by the Company for purposes of the 1933 Act or any applicable stockholder approval provisions, including, without limitation, under the rules and regulations of the Bulletin Board, nor will the Company or any of its affiliates or subsidiaries take any action or steps that would cause the offer of the Securities to be integrated with other offerings. The Company will not conduct any offering other than the transactions contemplated hereby that will be integrated with the offer or issuance of the Securities.

(o) No General Solicitation.

Neither the Company, nor any of its affiliates, nor to its knowledge, any person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the 1933 Act) in connection with the offer or sale of the Securities.

(p) Listing.

The Company's common stock is quoted on, and listed for trading on the Bulletin Board. The Company has not received any oral or written notice that its Common Stock will be delisted from the Bulletin Board nor that its common stock does not meet all requirements for the continuation of such listing. The Company satisfies the requirements for the continued listing of the Common Stock on the Bulletin Board.

(q) No Undisclosed Liabilities.

The Company has no liabilities or obligations which are material, individually or in the aggregate, which are not disclosed in the Reports and Other Written Information, other than those incurred in the ordinary course of the Company's businesses since June 30, 2002 and which, individually or in the aggregate, would reasonably be expected to have a material adverse effect on the Company's financial condition, other than as set forth in Schedule 2(q).

(r) No Undisclosed Events or Circumstances.

Since June 30, 2002, no event or circumstance has occurred or exists with respect to the Company or its businesses, properties, operations or financial condition, that, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date hereof by the Company but which has not been so publicly announced or disclosed in the Reports.

(s) Capitalization.

The authorized and outstanding capital stock of the Company as of the date of this Agreement and the Closing Date are set forth on Schedule 2(s). Except as set forth in the Reports and Other Written Information and Schedule 2(s), there are no options, warrants, or rights to subscribe to, securities, rights or obligations convertible into or exchangeable for or giving any right to subscribe for any shares of capital stock of the Company. All of the outstanding shares of Common Stock of the Company have been duly and validly authorized and issued and are fully paid and nonassessable.

(t) Dilution.

The Company's executive officers and directors have studied and fully understand the nature of the Securities being sold hereby and recognize that they have a potential dilutive effect on the interests of other holders of the Company's securities. The board of directors of the Company has concluded, in its good faith business judgment, that such issuance is in the best interests of the Company.

(u) Correctness of Representations.

The Company represents that the foregoing representations and warranties are true and correct as of the date hereof in all material respects, will be true and correct as of the Closing Date in all material respects, and, unless the Company otherwise notifies the Subscriber prior to the Closing Date, shall be true and correct in all material respects as of the Closing Date. The foregoing representations and warranties shall survive the Closing Date for a period of three years.

3. Regulation D Offering. This Offering is being made pursuant to the exemption from the registration provisions of the Securities Act of 1933, as amended, afforded by Rule 506 of Regulation D promulgated thereunder. On the Closing Date, the Company will provide an opinion reasonably acceptable to Subscriber from the Company's legal counsel opining on the availability of the Regulation D exemption as it relates to the offer and issuance of the Securities. A form of the legal opinion is annexed hereto as Exhibit B. The Company will provide, at the Company's expense, such other legal opinions in the future as are reasonably necessary for the exercise of the Warrants.

4. Reissuance of Securities. The Company agrees to reissue certificates representing the Securities without the legends set forth in Sections 1(e) and 1(f) above at such time as (a) the holder thereof is permitted to and disposes of such Securities pursuant to Rule 144(d) and/or Rule 144(k) under the 1933 Act in the opinion of counsel reasonably satisfactory to the Company, or (b) upon resale subject to an effective registration statement after the Securities are registered under the 1933 Act. The Company agrees to cooperate with the Subscriber in connection with all resales pursuant to Rule 144(d) and Rule 144(k) and provide legal opinions at the Company's expense necessary to allow such resales provided the Company and its counsel receive reasonably requested written representations from the Subscriber and selling broker, if any. Provided the Subscriber provides required certifications and representation letters, if any, if the Company fails to remove any legend as required by this Section 4 (a "Legend Removal Failure"), then beginning on the tenth (10th) day following the date that the Subscriber has requested the removal of the legend and delivered all items reasonably required by the Company to be delivered by the Subscriber, that the Company continues to fail to remove such legend, the Company shall pay to each Subscriber or assignee holding shares, subject to a Legend Removal Failure, as liquidated damages and not a penalty an amount equal to ten percent (10%) of the Purchase Price of the shares subject to a Legend Removal Failure for each 15-day period or part thereof that such failure continues. If during any twelve (12) month period, the Company fails to remove any legend as required by this Section 4 for an aggregate of thirty (30) days, each Subscriber or assignee holding Securities subject to a Legend Removal Failure may, at its option, require the Company to purchase all or any portion of the Securities subject to a Legend Removal Failure held by such Subscriber or assignee at a price per share equal to 130% of the applicable Purchase Price.

5. Finder's Fee/Legal Fee.

(a) Legal Fee.

The Company shall pay to Grushko & Mittman, P.C., counsel to the Subscriber a fee of \$15,000 ("Legal Fees") (of which \$3,000 has previously been paid) as reimbursement for services rendered to Subscriber in connection with this Agreement and the purchase and sale of the Company Shares and Warrants for the aggregate Purchase Price of \$150,000 (the "Offering") and acting as escrow agent for the Offering. The Legal Fees will be payable out of funds held pursuant to a funds escrow agreement ("Escrow Agreement") to be entered into by the Company, Subscriber and Escrow Agent in connection with the Offering.

(b) Finder.

The Company on the one hand, and the Subscriber on the other hand, agree to indemnify the other against and hold the other harmless from any and all liabilities to any persons claiming brokerage commissions or finder's fees other than Libra Finance, S.A. ("Finder") on account of services purported to have been rendered on behalf of the indemnifying party in connection with this Agreement or the transactions contemplated hereby and arising out of such party's actions. The Company agrees that it will pay the Finder a cash fee equal to 10% of the Purchase Price and Second Closing Purchase Price (as defined in Section 9.1 of this Agreement) on the Closing Date and Second Closing Date (as defined in Section 9.1 of this Agreement) directly out of the funds held pursuant to the Escrow Agreement or other escrow agreement to be entered into in connection with the Second Closing. The Company represents that there are no other parties entitled to receive fees, commissions, or similar payments in connection with the offering described in this Agreement except the Finder.

6. Covenants of the Company.

The Company covenants and agrees with the Subscriber as follows:

(a) Stop Orders.

The Company will advise the Subscriber, promptly after it receives notice of issuance by the Securities and Exchange Commission, any state securities commission or any other regulatory authority of any stop order or of any order preventing or suspending any offering of any securities of the Company, or of the suspension of the qualification of the Common Stock of the Company for offering or sale in any jurisdiction, or the initiation of any proceeding for any such purpose.

(b) Listing.

The Company shall promptly secure the listing of the Company Shares, and Common Stock issuable upon the exercise of the Warrants upon each national securities exchange, or automated quotation system, if any, upon which shares of common stock are then listed (subject to official notice of issuance) and shall maintain such listing so long as any Securities are outstanding. The Company will maintain the listing of its Common Stock on the American Stock Exchange, Nasdaq SmallCap Market, Nasdaq National Market System, NASD OTC Bulletin Board (or any successor entity or the proposed "Bulletin Board Exchange"), or New York Stock Exchange (whichever of the foregoing is at the time the principal trading exchange or market for the Common Stock (the "Principal Market")), and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Bulletin Board and such exchanges, as applicable. The Company will provide the Subscriber copies of all notices it receives notifying the Company of the threatened and actual delisting of the Common Stock from any Principal Market.

(c) Market Regulations.

The Company shall notify the Commission, the Bulletin Board, the Principal Market and applicable state authorities, in accordance with their requirements, if any, of the transactions contemplated by this Agreement, and shall take all other necessary action and proceedings as may be required and permitted by applicable law, rule and regulation, for the legal and valid issuance of the Securities to the Subscriber and promptly provide copies thereof to Subscriber.

(d) Reporting Requirements.

From the Closing Date and until at least two (2) years after the actual effective date of the Registration Statement on Form SB-2 or such other Registration Statement described in Section 8.1(iv) hereof, the Company will (i) cause its Common Stock to continue to be registered under Sections 12(b) or 12(g) of the Exchange Act, (ii) comply in all respects with its reporting and filing obligations under the Exchange Act, (iii) comply with all reporting requirements that are applicable to an issuer with a class of Shares registered pursuant to Section 12(b) or 12(g) of the Exchange Act, as applicable, and (iv) comply with all requirements related to any registration statement filed pursuant to this Agreement. The Company will use its best efforts not to take any action or file any document (whether or not permitted by the Act or the Exchange Act or the rules thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under said Acts until the later of two (2) years after the actual effective date of the Registration Statement on Form SB-2 or such other Registration Statement described in Section 8.1(iv) hereof. Until the earlier of the resale of the Company Shares by the Subscriber or at least two (2) years after the Warrants have been exercised, the Company will use its best efforts to continue the listing of the Common Stock on the Principal Market and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of Principal Market.

(e) Use of Proceeds.

The Purchase Price will be used by the Company for general working capital, and may not and will not be used for accrued and unpaid officer and director salaries, future officer and director salaries, payment of financing related debt, redemption of outstanding redeemable notes or equity instruments of the Company nor non-trade obligations outstanding on the Closing Date.

(f) Reservation of Common Stock.

The Company undertakes to reserve from its authorized but unissued common stock, at all times that Warrants remain outstanding, a number of common shares equal to the amount of common shares issuable upon exercise of the Warrants.

(g) Taxes.

For a period of two years after the date hereof, the Company will promptly pay and discharge, or cause to be paid and discharged, when due and payable, all lawful taxes, assessments and governmental charges or levies imposed upon the income, profits, property or business of the Company; provided, however, that any such tax, assessment, charge or levy need not be paid if the validity thereof shall currently be contested in

good faith by appropriate proceedings and if the Company shall have set aside on its books adequate reserves with respect thereto, and provided, further, that the Company will pay all such taxes, assessments, charges or levies forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefore.

(h) Insurance.

For a period of two years after the date hereof, the Company will keep its assets which are of an insurable character insured by financially sound and reputable insurers against loss or damage by fire, explosion and other risks customarily insured against by companies in the Company's line of business, in amounts sufficient to prevent the Company from becoming a co-insurer and not in any event less than 100% of the insurable value of the property insured; and the Company will maintain, with financially sound and reputable insurers, insurance against other hazards and risks and liability to persons and property to the extent and in the manner customary for companies in similar businesses similarly situated and to the extent available on commercially reasonable terms.

(i) Books and Records.

For a period of two years after the date hereof, the Company will keep true records and books of account in which full, true and correct entries will be made of all dealings or transactions in relation to its business and affairs in accordance with generally accepted accounting principles applied on a consistent basis.

j) Governmental Authorities.

For a period of two years after the date hereof, the Company shall duly observe and conform in all material respects to all valid requirements of governmental authorities relating to the conduct of its business or to its properties or assets.

(k) Intellectual Property.

For a period of two years after the date hereof, the Company shall maintain in full force and effect its corporate existence, rights and franchises and all licenses and other rights to use intellectual property owned or possessed by it and reasonably deemed to be necessary to the conduct of its business.

(l) Properties.

For a period of two years after the date hereof, the Company will keep its properties in good repair, working order and condition, reasonable wear and tear excepted, and from time to time make all needful and proper repairs, renewals, replacements, additions and improvements thereto; and the Company will at all times comply with each provision of all leases to which it is a party or under which it occupies property if the breach of such provision could reasonably be expected to have a material adverse effect.

(m) Blackout.

The Company undertakes and covenants that until the first to occur of (i) the registration statement described in Section 8.1(iv) being effective for one hundred and eighty (180) business days, (ii) until all the Company Shares have been resold pursuant to said registration statement, or (iii) two years after the Closing Date, the Company will not enter into any acquisition, merger, exchange or sale or other transaction that could have the effect of delaying the effectiveness of any pending registration statement, causing an already effective registration statement to no longer be effective or current, or require the filing of an amendment to an already effective registration statement.

(n) Confidentiality.

For a period of two years after the date hereof, the Company agrees that it will not disclose publicly or privately the identity of the Subscriber unless expressly agreed to in writing by the Subscriber or only to the extent required by law.

7. Covenants of the Company and Subscriber Regarding Indemnification.

(a) The Company agrees to indemnify, hold harmless, reimburse and defend Subscriber, Subscriber's officers, directors, agents, affiliates, control persons, and principal shareholders, against any claim, cost, expense, liability, obligation, loss or damage (including reasonable legal fees) of any nature, incurred by or imposed upon Subscriber or any such person which results, arises out of or is based upon (i) any material misrepresentation by Company or breach of any warranty by Company in this Agreement or in any Exhibits or Schedules attached hereto, or other agreement delivered pursuant hereto; or (ii) after any applicable notice and/or cure periods, any breach or default in performance by the Company of any covenant or undertaking to be performed by the Company hereunder, or any other agreement entered into by the Company and Subscriber relating hereto.

(b) Subscriber agrees to indemnify, hold harmless, reimburse and defend the Company and each of the Company's officers, directors, agents, affiliates, control persons against any claim, cost, expense, liability, obligation, loss or damage (including reasonable legal fees) of any nature, incurred by or imposed upon the Company or any such person which results, arises out of or is based upon (i) any material misrepresentation by Subscriber in this Agreement or in any Exhibits or Schedules attached hereto, or other agreement delivered pursuant hereto; or (ii) after any applicable notice and/or cure periods, any breach or default in performance by Subscriber of any covenant or undertaking to be performed by Subscriber hereunder, or any other agreement entered into by the Company and Subscribes relating hereto.

(c) The procedures set forth in Section 8.6 shall apply to the indemnifications set forth in Sections 7(a) and 7(b) above.

8.1. Registration Rights.

The Company hereby grants the following registration rights to holders of the Securities.

(i) On one occasion, for a period commencing 121 days after the Closing Date, but not later than three years after the Closing Date ("Request Date"), the Company, upon a written request therefor from any record holder or holders of more than 50% of the Company Shares actually issued hereunder (the Company Shares issued hereunder on the Closing Date, the Second Closing Shares, and one share of common stock issued or issuable upon exercise of the Warrants and Second Closing Warrants as if same were issued on the Closing Date, collectively the "Registrable Securities"), shall prepare and file with the Commission a registration statement under the 1933 Act covering the Registrable Securities which are the subject of such request, unless such Registrable Securities are the subject of an effective registration statement or included for registration in a pending registration statement. In addition, upon the receipt of such request, the Company shall promptly give written notice to all other record holders of the Registrable Securities that such registration statement is to be filed and shall include in such registration statement Registrable Securities for which it has received written requests within 10 days after the Company gives such written notice. Such other requesting record holders shall be deemed to have exercised their demand registration right under this Section 8.1(i).

(ii) If the Company at any time proposes to register any of its securities under the 1933 Act for sale to the public, whether for its own account or for the account of other security holders or both, except with respect to registration statements on Forms S-4, S-8 or another form not available for registering the Registrable Securities for sale to the public, provided the Registrable Securities are not otherwise registered for resale by the Subscriber or Holder pursuant to an effective registration statement, each such time it will give at least 15 days' prior written notice to the record holder of the Registrable Securities of its intention so to do. Upon the written request of the holder, received by the Company within 10 days after the giving of any such notice by the Company, to register any of the Registrable Securities, the Company will cause such Registrable Securities as to which registration shall have been so requested to be included with the securities to be covered by the registration statement proposed to be filed by the Company, all to the extent required to permit the sale or other disposition of the Registrable Securities so registered by the holder of such Registrable Securities (the "Seller"). In the event that any registration pursuant to this Section 8.1(ii) shall be, in whole or in part, an underwritten public offering of common stock of the Company, the number of shares of Registrable Securities to be included in such an underwriting may be reduced by the managing underwriter if and to the extent that the Company and the underwriter shall reasonably be of the opinion that such inclusion would adversely affect the marketing of the securities to be sold by the Company therein; provided, however, that the Company shall notify the Seller in writing of any such reduction. Notwithstanding the foregoing provisions, or Section 8.4 hereof, the Company may withdraw or delay or suffer a delay of any registration statement referred to in this Section 8.1(ii) without thereby incurring any liability to the Seller.

(iii) If, at the time any written request for registration is received by the Company pursuant to Section 8.1(i), the Company has determined to proceed with the actual preparation and filing of a registration statement under the 1933 Act in connection with the proposed offer and sale for cash of any of its securities for the Company's own account and the Company actually does file such other registration statement, such written request shall be deemed to have been given pursuant to Section 8.1(ii) rather than Section 8.1(i), and the rights of the holders of Registrable Securities covered by such written request shall be governed by Section 8.1(ii).

(iv) The Company shall file with the Commission prior to the Closing Date (the "Filing Date"), and use its reasonable commercial efforts to cause to be declared effective within ninety (90) days after the Closing Date (the "Effective Date"), a Form SB-2 registration statement (the "Registration Statement") (or such other form that it is eligible to use) in order to register the Registrable Securities for resale and distribution under the 1933 Act. The Company will register not less than a number of shares of common stock in the aforescribed registration statement that is equal to the number of Company Shares issued on the Closing Date and Second Closing Shares issuable on the Second Closing Date and one share of common stock for each of the common shares issuable upon exercise of the Warrants and Second Closing Warrants as if same were issued on the Closing Date. The Registrable Securities shall be reserved and set aside exclusively for the

benefit of the Subscriber, and not issued, employed or reserved for anyone other than the Subscriber. Such registration statement will immediately be amended or additional registration statements will be immediately filed by the Company as necessary to register additional Company Shares to allow the public resale of all Common Stock included in and issuable by virtue of the Registrable Securities. No securities of the Company other than the Registrable Securities will be included in the registration statement described in this Section 8.1(iv) except as disclosed on Schedule 8.1, without the written consent of the Subscriber.

8.2. Registration Procedures.

If and whenever the Company is required by the provisions hereof to effect the registration of any shares of Registrable Securities under the 1933 Act, the Company will, as expeditiously as possible:

(a) prepare and file with the Commission a registration statement required by Section 8.1, with respect to such securities and use its best efforts to cause such registration statement to become and remain effective for the period of the distribution contemplated thereby (determined as herein provided), and promptly provide to the holders of Registrable Securities ("Sellers") copies of all filings and Commission letters of comment;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective until the later of: (i) until twelve months after all the Company Shares are eligible for resale pursuant to Rule 144(k) of the 1933 Act; or (ii) until such registration statement has been effective for a period of not less than 365 days, and comply with the provisions of the 1933 Act with respect to the disposition of all of the Registrable Securities covered by such registration statement in accordance with the Seller's intended method of disposition set forth in such registration statement for such period;

(c) furnish to the Seller, at the Company's expense, such number of copies of the registration statement and the prospectus included therein (including each preliminary prospectus) as such persons reasonably may request in order to facilitate the public sale or their disposition of the securities covered by such registration statement;

(d) use its best efforts to register or qualify the Seller's Registrable Securities covered by such registration statement under the securities or "blue sky" laws of such jurisdictions as the Seller, provided, however, that the Company shall not for any such purpose be required to qualify generally to transact business as a foreign corporation in any jurisdiction where it is not so qualified or to consent to general service of process in any such jurisdiction;

(e) list the Registrable Securities covered by such registration statement with any securities exchange on which the Common Stock of the Company is then listed;

(f) immediately notify the Seller when a prospectus relating thereto is required to be delivered under the 1933 Act, of the happening of any event of which the Company has knowledge as a result of which the prospectus contained in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(g) provided same would not be in violation of the provision of Regulation FD under the 1934 Act, make available for inspection by the Seller, and any attorney, accountant or other agent retained by the Seller or underwriter, all publicly available, non-confidential financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors and employees to supply all publicly available, non-confidential information reasonably requested by the seller, attorney, accountant or agent in connection with such registration statement.

8.3. Provision of Documents. In connection with each registration described in this Section 8, the Seller will furnish to the Company in writing such information and representation letters with respect to itself and the proposed distribution by it as reasonably shall be necessary in order to assure compliance with federal and applicable state securities laws. In connection with each registration pursuant to Section 8.1(i) or 8.1(ii) covering an underwritten public offering, the Company and the Seller agree to enter into a written agreement with the managing underwriter in such form and containing such provisions as are customary in the securities business for such an arrangement between such underwriter and companies of the Company's size and investment stature.

8.4. Non-Registration Events. The Company and the Subscriber agree that the Seller will suffer damages if any registration statement required under Section 8.1(i) or 8.1(ii) above is not filed within 60 days after written request by the Holder and not declared effective by the Commission within 120 days after such request or within 120 days after the Closing Date in reference to the Registration Statement on Form SB-2 or such other form described in Section 8.1(iv), and maintained in the manner and within the time periods contemplated by Section 8 hereof, and it would not be feasible to ascertain the extent of such damages with precision. Accordingly, if (i) the Registration Statement described in Sections 8.1(i) or 8.1(ii) is not filed within 60 days of such written request, or is not

declared effective by the Commission on or prior to the date that is 120 days after such request, or (ii) the registration statement on Form SB-2 or such other form described in Section 8.1(iv) is not declared effective on or before the sooner of 120 days after the Closing Date, or within ten (10) business days of receipt by the Company of a written or oral communication from the Commission that the registration statement described in Section 8.1(iv) will not be reviewed, or (iii) any registration statement described in Sections 8.1(i), 8.1(ii) or 8.1(iv) is filed and declared effective but shall thereafter cease to be effective (without being succeeded immediately by an additional registration statement filed and declared effective) for a period of time which shall exceed 45 days in the aggregate per year or more than 20 consecutive calendar days (defined as a period of 365 days commencing on the date the Registration Statement is declared effective) (each such event referred to in clauses (i), (ii) and (iii) of this Section 8.4 is referred to herein as a "Non-Registration Event"), then the Company shall deliver to the holder of Registrable Securities, as Liquidated Damages, an amount of additional Company Shares ("Additional Company Shares") equal to four Additional Company Shares for each ten Company Shares held by the Subscriber which are subject to a Non-Registration Event. Such Additional Company Shares must be delivered to the Subscriber within three business days of the occurrence of the Non-Registration Event. In respect to the Additional Company Shares, the Subscriber is granted the registration rights described in Section 8.1(i) hereof immediately upon the occurrence of a Non-Registration Event and may exercise those rights in relation to the issued or issuable Additional Company Shares without regard to the proportion of outstanding Company Shares such Additional Company Shares represent. Additionally, for so long as such Non-Registration Event shall continue for more than 60 days (in the aggregate), the Company shall pay in cash as Liquidated Damages to each holder of any Registrable Securities an amount equal to one (1%) percent for each 30 days or part thereof beyond the initial 60 days of the pendency of the Non-Registration Event of the Purchase Price of the Company Shares and actually paid Purchase Price (as defined in the Warrant) of the Common Stock issued or issuable upon exercise of the Warrant, during the pendency of such Non-Registration Event for the Registrable Securities owned of record by such holder as of or subsequent to the occurrence of such Non-Registration Event. Payments to be made pursuant to this Section 8.4 shall be due and payable within ten (10) business days after demand in immediately available funds. The Additional Company Shares shall be deemed Registrable Securities for all purposes from and after the occurrence of a Non-Registration Event.

8.5. Expenses. All expenses incurred by the Company in complying with Section 8, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel and independent public accountants for the Company, fees and expenses (including reasonable counsel fees) incurred in connection with complying with state securities or "blue sky" laws, fees of the National Association of Securities Dealers, Inc., transfer taxes, fees of transfer agents and registrars, and costs of insurance are called "Registration Expenses". All underwriting discounts and selling commissions applicable to the sale of Registrable Securities, including any fees and disbursements of any special counsel to the Seller, are called "Selling Expenses". The Seller shall pay the fees of its own additional counsel, if any. The Company will pay all Registration Expenses in connection with the registration statement under Section 8. Selling Expenses in connection with each registration statement under Section 8 shall be borne by the Seller and may be apportioned among the Sellers in proportion to the number of shares sold by the Seller relative to the number of shares sold under such registration statement or as all Sellers thereunder may agree.

8.6. Indemnification and Contribution.

(a) In the event of a registration of any Registrable Securities under the 1933 Act pursuant to Section 8, the Company will, to the extent permitted by law, indemnify and hold harmless the Seller, each officer of the Seller, each director of the Seller, each underwriter of such Registrable Securities thereunder and each other person, if any, who controls such Seller or underwriter within the meaning of the 1933 Act, against any losses, claims, damages or liabilities, joint or several, to which the Seller, or such underwriter or controlling person may become subject under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such Registrable Securities was registered under the 1933 Act pursuant to Section 8, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances when made, and will subject to the provisions of Section 8.6(c) reimburse the Seller, each such underwriter and each such controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable to the Seller to the extent that any such damages arise out of or are based upon an untrue statement or omission made in any preliminary prospectus if (i) the Seller failed to send or deliver a copy of the final prospectus delivered by the Company to the Seller with or prior to the delivery of written confirmation of the sale by the Seller to the person asserting the claim from which such damages arise, (ii) the final prospectus would have corrected such untrue statement or alleged untrue statement or such omission or alleged omission, or (iii) to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by any such Seller, or any such controlling person in writing specifically for use

in such registration statement or prospectus.

(b) In the event of a registration of any of the Registrable Securities under the 1933 Act pursuant to Section 8, the Seller will, to the extent permitted by law, indemnify and hold harmless the Company, and each person, if any, who controls the Company within the meaning of the 1933 Act, each officer of the Company who signs the registration statement, each director of the Company, each underwriter and each person who controls any underwriter within the meaning of the 1933 Act, against all losses, claims, damages or liabilities, joint or several, to which the Company or such officer, director, underwriter or controlling person may become subject under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the registration statement under which such Registrable Securities were registered under the 1933 Act pursuant to Section 8, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company and each such officer, director, underwriter and controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action, provided, however, that the Seller will be liable hereunder in any such case if and only to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information pertaining to such Seller, as such, furnished in writing to the Company by such Seller specifically for use in such registration statement or prospectus, and provided, further, however, that the liability of the Seller hereunder shall be limited to the gross proceeds received by the Seller from the sale of Registrable Securities covered by such registration statement.

(c) Promptly after receipt by an indemnified party hereunder of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party hereunder, notify the indemnifying party in writing thereof, but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to such indemnified party other than under this Section 8.6(c) and shall only relieve it from any liability which it may have to such indemnified party under this Section 8.6(c), except and only if and to the extent the indemnifying party is prejudiced by such omission. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel satisfactory to such indemnified party, and, after notice from the indemnifying party to such indemnified party of its election so to assume and undertake the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 8.6(c) for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation and of liaison with counsel so selected, provided, however, that, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be reasonable defenses available to it which are different from or additional to those available to the indemnifying party or if the interests of the indemnified party reasonably may be deemed to conflict with the interests of the indemnifying party, the indemnified parties, as a group, shall have the right to select one separate counsel and to assume such legal defenses and otherwise to participate in the defense of such action, with the reasonable expenses and fees of such separate counsel and other expenses related to such participation to be reimbursed by the indemnifying party as incurred.

(d) In order to provide for just and equitable contribution in the event of joint liability under the 1933 Act in any case in which either (i) the Seller, or any controlling person of the Seller, makes a claim for indemnification pursuant to this Section 8.6 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 8.6 provides for indemnification in such case, or (ii) contribution under the 1933 Act may be required on the part of the Seller or controlling person of the Seller in circumstances for which indemnification is not provided under this Section 8.6; then, and in each such case, the Company and the Seller will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion so that the Seller is responsible only for the portion represented by the percentage that the public offering price of its securities offered by the registration statement bears to the public offering price of all securities offered by such registration statement, provided, however, that, in any such case, (y) the Seller will not be required to contribute any amount in excess of the public offering price of all such securities offered by it pursuant to such registration statement; and (z) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 10(f) of the 1933 Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

8.7. Delivery of Unlegended Shares.

(a) Within three (3) business days (such third business day, the "Delivery Date") after the business day on which the Company has received a

notice that (i) Registrable Securities have been sold, (ii) a representation that the prospectus delivery requirements, if applicable, have been satisfied, and (iii) and the original Company Share certificate, the Company at its expense, (i) shall deliver, and shall cause legal counsel selected by the Company to deliver, to its transfer agent (with copies to Subscriber) an appropriate instruction and opinion of such counsel, for the delivery of unlegended Company Shares issuable pursuant to any effective and current registration statement described in Section 8 of this Agreement (the "Unlegended Shares"); and (ii) transmit the certificates representing the Unlegended Shares, with a legended certificate representing the balance of the unsold Company Shares to the Subscriber at the address specified in the notice of sale, via express courier, by electronic transfer or otherwise on or before the Delivery Date.

(b) In lieu of delivering physical certificates representing the Unlegended Shares, if the Company's transfer agent is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer program, upon request of the Subscriber and its compliance with the provisions contained in this paragraph, so long as the certificates therefore do not bear a legend and the Subscriber is not obligated to return such certificate for the placement of a legend thereon, the Company shall use its best efforts to cause its transfer agent to electronically transmit the Unlegended Shares by crediting the account of Subscriber's prime Broker with DTC through its Deposit Withdrawal Agent Commission system.

(c) The Company understands that a delay in the delivery of the Unlegended Shares pursuant to Section 8 hereof beyond the Delivery Date could result in economic loss to the Subscriber. As compensation to the Subscriber for such loss, the Company agrees to pay late payment fees (as liquidated damages and not as a penalty) to the Subscriber for late delivery of Unlegended Shares in the amount of \$100 per business day after the Delivery Date for each \$10,000 of Purchase Price of the Company Shares delivered to the Company for reissuance as Unlegended Shares. The Company shall pay any payments incurred under this Section in immediately available funds upon demand.

(d) In addition to any other rights available to the Subscriber, if the Company fails to deliver to the Subscriber Unlegended Shares within ten (10) calendar days after the Delivery Date and the Subscriber purchases (in an open market transaction or otherwise) shares of common stock to deliver in satisfaction of a sale by such Subscriber of the Company Shares which the Subscriber anticipated receiving from the Company (a "Buy-In"), then the Company shall pay in cash to the Subscriber (in addition to any remedies available to or elected by the Subscriber) the amount by which (A) the Subscriber's total purchase price (including brokerage commissions, if any) for the shares of common stock so purchased exceeds (B) the aggregate Purchase Price of the Company Shares delivered to the Company for reissuance as Unlegended Shares, together with interest thereon at a rate of 15% per annum, accruing until such amount and any accrued interest thereon is paid in full (which amount shall be paid as liquidated damages and not as a penalty). For example, if the Subscriber purchases shares of Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to \$10,000 of Purchase Price of Company Shares delivered to the Company for reissuance as Unlegended Shares, the Company shall be required to pay the Subscriber \$1,000, plus interest. The Subscriber shall provide the Company written notice indicating the amounts payable to the Subscriber in respect of the Buy-In.

9. Second Closing.

9.1. Second Closing Securities. The Subscriber agrees to purchase from the Company and the Company agrees to sell to the Subscriber additional Company Shares ("Second Closing Shares") and one Warrant for each two Second Closing Shares ("Second Closing Warrants" and collectively with the Second Closing Shares and Common Stock issuable upon exercise of the Second Closing Warrants - "Second Closing Securities"). The closing date for the purchase of the Second Closing Shares and Second Closing Warrants shall be the seventh business day after the actual effective date of the Registration Statement described in Section 8.1(iv) ("Second Closing Date"). The purchase price of the Second Closing Shares and Second Closing Warrants shall be \$150,000 ("Second Closing Purchase Price"). The amount of Second Closing Shares to be sold by the Company and purchased by Subscriber shall be 1,500,000. The Company will also issue and deliver to the Subscriber on the Second Closing Date 750,000 Second Closing Warrants. The per share "Purchase Price" of the Common Stock (as defined in the Warrant) issuable upon exercise of the Second Closing Warrants shall be the closing price of the Company's Common Stock for the trading day immediately preceding the Second Closing Date. The Second Closing Warrants shall be exercisable for five years after the Second Closing Date.

9.2. Conditions to Second Closing. The requirement of Subscriber to proceed with the Second Closing is expressly contingent on the truth and accuracy, on the Closing Date and Second Closing Date, of the representations and warranties of the Company contained in Section 2 of this Agreement. The Second Closing is further expressly contingent on the non-occurrence of any Registration Default or other default by the Company of its obligation and undertakings contained in this Agreement, and the delivery of Second Closing Shares that have been included in the registration statement described in Section 8.1(iv), which must be effective as of the Second Closing Date.

9.3. Second Closing Deliveries. On the Second Closing Date, the Company will deliver the Second Closing Shares and Second Closing Warrants, and the Subscriber will deliver the Second Closing Purchase Price (the

"Second Closing"). The Company will deliver a certificate ("Second Closing Certificate") signed by its chief operating officer and chief financial officer (i) representing the truth and accuracy of all the representations and warranties made by the Company contained in this Agreement, as of the Closing Date, the actual effective date of the Registration Statement and the Second Closing Date as if such representations and warranties were made and given on each of such dates, (ii) adopting the covenants of the Company set forth in Section 6 of this Agreement in relation to the Second Closing Securities, and (iii) representing the timely compliance by the Company with the Company's registration requirements set forth in Section 8 of this Agreement. A legal opinion nearly identical to the legal opinion referred to in Section 3 of this Agreement shall be delivered to the Subscriber at the Second Closing in relation to the Company and Second Closing Securities. The legal opinion must state that all of the Registrable Securities have been included for registration in an effective registration statement.

9.4. Second Closing Finder's Fee. The Finders shall receive from the Company a Finder's Fee in connection with the Second Closing in the same proportion as received in connection with the Closing, and on the same terms and conditions as set forth in Section 6(b) of this Agreement.

9.5. Second Closing Limitation. A Second Closing may not take place in connection with that amount of Second Closing Securities which would be in excess of the sum of (y) the number of shares of Common Stock beneficially owned by a Subscriber on the Effective Date, and (z) the number of shares of Second Closing Securities with respect to which the determination of this proviso is being made on the Effective Date, which would result in beneficial ownership by the Subscriber of more than 9.99% of the outstanding shares of Common Stock of the Company on the Effective Date. For the purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13d-3 thereunder. The Subscriber may revoke the restriction described in this paragraph upon 75 days prior notice to the Company. The Subscriber shall have the right to determine which of the equity of the Company deemed beneficially owned by the Subscriber shall be included in the 9.99% described above and which shall be allocated to the excess above 9.99%.

10. Miscellaneous.

(a) Notices.

All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to the Company, to USA Technologies, Inc., 200 Plant Avenue, Wayne, PA 19087, Attn: George R. Jensen, Jr., telecopier: (610) 989-0344, with a copy by telecopier only to: Lurio & Associates, One Commerce Square, Suite 2340, 2005 Market Street, Philadelphia, PA 19103-7015, Attn: Douglas M. Lurio, Esq., telecopier: (215) 665-8582, and (ii) if to the Subscriber, to the name, address and telecopy number set forth on the signature page hereto, with a copy by telecopier only to Grushko & Mittman, P.C., 551 Fifth Avenue, Suite 1601, New York, New York 10176, telecopier number: (212) 697-3575.

(b) Closing.

The consummation of the transactions contemplated herein shall take place at the offices of Grushko & Mittman, P.C., 551 Fifth Avenue, Suite 1601, New York, New York 10176, upon the satisfaction of all conditions to Closing set forth in this Agreement. The closing date shall be the date that subscriber funds representing the net amount due the Company from the Purchase Price of the Offering is transmitted by wire transfer or otherwise to the Company (the "Closing Date"). The Subscriber agrees that the Closing must take place not later than one business day after the Subscriber has been notified by the Company of the Filing Date.

(c) Entire Agreement; Assignment.

This Agreement and other documents delivered in connection herewith represent the entire agreement between the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by both parties. Neither the Company nor the Subscriber has relied on any representations not contained or referred to in this Agreement and the documents delivered herewith. No right or obligation of either party shall be assigned by that party without prior notice to and the written consent of the other party.

(d) Execution.

This Agreement may be executed by facsimile transmission, and in counterparts, each of which will be deemed an original.

(e) Law Governing this Agreement.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state of New York. Both parties and the individuals executing this Agreement and other agreements on behalf of the Company agree to submit to the jurisdiction of such courts and waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement.

(f) Specific Enforcement, Consent to Jurisdiction.

The Company and Subscriber acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof or thereof, this being in addition to any other remedy to which any of them may be entitled by law or equity. Subject to Section 10(e) hereof, each of the Company and Subscriber hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Nothing in this Section shall affect or limit any right to serve process in any other manner permitted by law.

[THIS SPACE INTENTIONALLY LEFT BLANK]

Please acknowledge your acceptance of the foregoing
Subscription Agreement by signing and returning a copy to the
undersigned whereupon it shall become a binding agreement between us.

USA TECHNOLOGIES, INC.
A Pennsylvania Corporation

/s/ George R. Jensen, Jr.
By: _____
Name:
Title:

Dated: November 4, 2002

SUBSCRIBER	PURCHASE PRICE	WARRANTS	SECOND CLOSING PURCHASE PRICE
	\$150,000.00	Warrants to Purchase 750,000 Common Shares	\$150,000.00

/s/

(Signature)
ALPHA CAPITAL AKTIENGESELLSCHAFT
Pradafant 7
9490 Furstentums
Vaduz, Lichtenstein
Fax: 011-42-32323196

LIST OF EXHIBITS AND SCHEDULES

Exhibit A	Form of Warrant
Exhibit B	Form of Legal Opinion
Schedule 2(d)	Additional Issuances
Schedule 2(q)	Undisclosed Liabilities
Schedule 2(s)	Capitalization
Schedule 8.1	Other Securities to be Registered

THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO USA TECHNOLOGIES, INC. THAT SUCH REGISTRATION IS NOT REQUIRED.

Right to Purchase 750,000 shares of Common Stock of USA Technologies, Inc. (subject to adjustment as provided herein)

COMMON STOCK PURCHASE WARRANT

No. 2002-__

Issue Date: November 4, 2002

USA TECHNOLOGIES, INC., a corporation organized under the laws of the State of Pennsylvania (the "Company"), hereby certifies that, for value received, ALPHA CAPITAL AKTIENGESELLSCHAFT (the "Holder"), or assigns, is entitled, subject to the terms set forth below, to purchase from the Company from and after the Issue Date and at any time or from time to time before 5:00 p.m., New York time, through five (5) years after such date (the "Expiration Date"), up to 750,000 fully paid and nonassessable shares of Common Stock (as hereinafter defined), no par value per share, of the Company at a per share purchase price of \$.15 [the closing price of the Common Stock for the trading day immediately preceding the Issue Date]. The aforescribed purchase price per share, as adjusted from time to time as herein provided, are referred to herein as the "Purchase Price". The number and character of such shares of Common Stock and the Purchase Price are subject to adjustment as provided herein.

As used herein the following terms, unless the context otherwise requires, have the following respective meanings:

(a) The term "Company" shall include USA Technologies, Inc. and any corporation which shall succeed or assume the obligations of USA Technologies, Inc. hereunder.

(b) The term "Common Stock" includes (a) the Company's Common Stock, no par value per share, as authorized on the date of the Subscription Agreement referred to in Section 9 hereof, (b) any other capital stock of any class or classes (however designated) of the Company, authorized on or after such date, the holders of which shall have the right, without limitation as to amount, either to all or to a share of the balance of current dividends and liquidating dividends after the payment of dividends and distributions on any shares entitled to preference, and the holders of which shall ordinarily, in the absence of contingencies, be entitled to vote for the election of a majority of directors of the Company (even if the right so to vote has been suspended by the happening of such a contingency) and (c) any other securities into which or for which any of the securities described in (a) or (b) may be converted or exchanged pursuant to a plan of recapitalization, reorganization, merger, sale of assets or otherwise.

(c) The term "Other Securities" refers to any stock (other than Common Stock) and other securities of the Company or any other person (corporate or otherwise) which the holder of the Warrant at any time shall be entitled to receive, or shall have received, on the exercise of the Warrant, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 4 or otherwise.

1. Exercise of Warrant.

1.1. Number of Shares Issuable upon Exercise.

From and after the Issue Date through and including the Expiration Date, the holder hereof shall be entitled to receive, upon exercise of this Warrant in whole in accordance with the terms of subsection 1.2 or upon exercise of this Warrant in part in accordance with subsection 1.3, shares of Common Stock of the Company, subject to adjustment pursuant to Section 4.

1.2. Full Exercise.

This Warrant may be exercised in full by the holder hereof by delivery of an original or facsimile copy of the form of subscription attached as Exhibit A hereto (the "Subscription Form") duly executed by such holder and surrender of the original Warrant within seven (7) days of exercise, to the Company at its principal office or at the office of its Warrant Agent (as provided hereinafter), accompanied by payment, in cash, wire transfer or by certified or official bank check payable to the order of the Company, in the amount obtained by multiplying the number of shares of Common Stock for which this Warrant is then exercisable by the Purchase Price then in effect.

1.3. Partial Exercise.

This Warrant may be exercised in part (but not for a fractional share) by surrender of this Warrant in the manner and at the place provided in subsection 1.2 except that the amount payable by the holder on such partial exercise shall be the amount obtained by multiplying (a) the number of whole shares of Common Stock designated by the holder in the Subscription Form by (b) the Purchase Price then in effect. On any such partial exercise, the Company, at its expense, will forthwith issue and deliver to or upon the order of the holder hereof a new Warrant of like tenor, in the name of the holder hereof or as such holder (upon payment by such holder of any applicable transfer taxes) may request, the whole number of shares of Common Stock for which such Warrant may still be exercised.

1.4. Fair Market Value.

Fair Market Value of a share of Common Stock as of a particular date (the "Determination Date") shall mean the Fair Market Value of a share of the Company's Common Stock. Fair Market Value of a share of Common Stock as of a Determination Date shall mean:

(a) If the Company's Common Stock is traded on an exchange or is quoted on the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") National Market System, the NASDAQ SmallCap Market or the American Stock Exchange, Inc., then the closing or last sale price, respectively, reported for the last business day immediately preceding the Determination Date.

(b) If the Company's Common Stock is not traded on an exchange or on the NASDAQ National Market System, the NASDAQ SmallCap Market or the American Stock Exchange, Inc., but is traded in the over-the-counter market, then the mean of the closing bid and asked prices reported for the last business day immediately preceding the Determination Date.

(c) Except as provided in clause (d) below, if the Company's Common Stock is not publicly traded, then as the Holder and the Company agree or in the absence of agreement by arbitration in accordance with the rules then standing of the American Arbitration Association, before a single arbitrator to be chosen from a panel of persons qualified by education and training to pass on the matter to be decided.

(d) If the Determination Date is the date of a liquidation, dissolution or winding up, or any event deemed to be a liquidation, dissolution or winding up pursuant to the Company's charter, then all amounts to be payable per share to holders of the Common Stock pursuant to the charter in the event of such liquidation, dissolution or winding up, plus all other amounts to be payable per share in respect of the Common Stock in liquidation under the charter, assuming for the purposes of this clause (d) that all of the shares of Common Stock then issuable upon exercise of all of the Warrants are outstanding at the Determination Date.

1.5. Company Acknowledgment.

The Company will, at the time of the exercise of the Warrant, upon the request of the holder hereof acknowledge in writing its continuing obligation to afford to such holder any rights to which such holder shall continue to be entitled after such exercise in accordance with the provisions of this Warrant. If the holder shall fail to make any such request, such failure shall not affect the continuing obligation of the Company to afford to such holder any such rights.

1.6. Trustee for Warrant Holders.

In the event that a bank or trust company shall have been appointed as trustee for the holders of the Warrants pursuant to Subsection 3.2, such bank or trust company shall have all the powers and duties of a warrant agent (as hereinafter described) and shall accept, in its own name for the account of the Company or such successor person as may be entitled thereto, all amounts otherwise payable to the Company or such successor, as the case may be, on exercise of this Warrant pursuant to this Section 1.

2.1 Delivery of Stock Certificates, etc. on Exercise.

The Company agrees that the shares of Common Stock purchased upon exercise of this Warrant shall be deemed to be issued to the holder hereof as the record owner of such shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for such shares as aforesaid. As soon as practicable after the exercise of this Warrant in full or in part, and in any event within seven (7) days thereafter, the Company at its expense (including the payment by it of any applicable issue taxes) will cause to be issued in the name of and delivered to the holder hereof, or as such holder (upon payment by such holder of any applicable transfer taxes) may direct in compliance with applicable securities laws, a certificate or certificates for the number of duly and validly issued, fully paid and nonassessable shares of Common Stock (or Other Securities) to which such holder shall be entitled on such exercise, plus, in lieu of any fractional share to which such holder would otherwise be entitled, cash equal to such fraction multiplied by the then Fair Market Value of one full share, together with any other stock or other securities and property (including cash, where applicable) to which such holder is entitled upon such exercise pursuant to Section 1 or otherwise.

2.2. Cashless Exercise.

(a) If a Registration Statement is effective and the Holder may sell its Shares of Company Common Stock upon exercise hereof thereunder, this Warrant may be exercisable in whole or in part for cash only as set forth in Section 1 above. If no such Registration Statement is available, payment upon exercise may be made at the option of the Holder either in (i) cash or by certified or official bank check payable to the order of the Company equal to the applicable aggregate Purchase Price, (ii) by delivery of Common Stock issuable upon exercise of the Warrants in accordance with Section (b) below or (iii) by a combination of any of the foregoing methods, for the number of Common Shares specified in such form (as such exercise number shall be adjusted to reflect any adjustment in the total number of shares of Common Stock issuable to the holder per the terms of this Warrant) and the holder shall thereupon be entitled to receive the number of duly authorized, validly issued, fully-paid and non-assessable shares of Common Stock (or Other Securities) determined as provided herein.

(b) Notwithstanding any provisions herein to the contrary, if the Fair Market Value of one share of Common Stock is greater than the Purchase Price (at the date of calculation as set forth below), in lieu of exercising this Warrant for cash, upon consent of the Company, the holder may elect to receive shares equal to the value (as determined below) of this Warrant (or the portion thereof being cancelled) by surrender of this Warrant at the principal office of the Company together with the properly endorsed Subscription Form in which event the Company shall issue to the holder a number of shares of Common Stock computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where X= the number of shares of Common Stock to be issued to the holder

Y= the number of shares of Common Stock purchasable under the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised (at the date of such calculation)

A= the Fair Market Value of one share of the Company's Common Stock (at the date of such calculation)

B= Purchase Price (as adjusted to the date of such calculation)

(c) The Holder may not employ the cashless exercise feature described above at any time that the Warrant Stock to be issued upon exercise is included for unrestricted resale in an effective registration statement.

3. Adjustment for Reorganization, Consolidation, Merger, etc.

3.1. Reorganization, Consolidation, Merger, etc.

In case at any time or from time to time, the Company shall (a) effect a reorganization, (b) consolidate with or merge into any other person or (c) transfer all or substantially all of its properties or assets to any other person under any plan or arrangement contemplating the dissolution of the Company, then, in each such case, as a condition to the consummation of such a transaction, proper and adequate provision shall be made by the Company whereby the holder of this Warrant, on the exercise hereof as provided in Section 1, at any time after the consummation of such reorganization, consolidation or merger or the effective date of such dissolution, as the case may be, shall receive, in lieu of the Common Stock (or Other Securities) issuable on such exercise prior to such consummation

or such effective date, the stock and other securities and property (including cash) to which such holder would have been entitled upon such consummation or in connection with such dissolution, as the case may be, if such holder had so exercised this Warrant, immediately prior thereto, all subject to further adjustment thereafter as provided in Section 4.

3.2. Dissolution.

In the event of any dissolution of the Company following the transfer of all or substantially all of its properties or assets, the Company, prior to such dissolution, shall at its expense deliver or cause to be delivered the stock and other securities and property (including cash, where applicable) receivable by the holders of the Warrants after the effective date of such dissolution pursuant to this Section 3 to a bank or trust company having its principal office in New York, NY, as trustee for the holder or holders of the Warrants.

3.3. Continuation of Terms.

Upon any reorganization, consolidation, merger or transfer (and any dissolution following any transfer) referred to in this Section 3, this Warrant shall continue in full force and effect and the terms hereof shall be applicable to the shares of stock and other securities and property receivable on the exercise of this Warrant after the consummation of such reorganization, consolidation or merger or the effective date of dissolution following any such transfer, as the case may be, and shall be binding upon the issuer of any such stock or other securities, including, in the case of any such transfer, the person acquiring all or substantially all of the properties or assets of the Company, whether or not such person shall have expressly assumed the terms of this Warrant as provided in Section 4. In the event this Warrant does not continue in full force and effect after the consummation of the transaction described in this Section 3, then only in such event will the Company's securities and property (including cash, where applicable) receivable by the holders of the Warrants be delivered to the Trustee as contemplated by Section 3.2.

3.4 Share Issuance.

If the Company shall issue any shares of Common Stock prior to the complete exercise of this Warrant for a consideration less than the Purchase Price that would be in effect at the time of such issue, then, and thereafter successively upon each such issue, the Purchase Price shall be reduced as follows: (i) the number of shares of Common Stock outstanding immediately prior to such issue shall be multiplied by the Purchase Price in effect at the time of such issue and the product shall be added to the aggregate consideration, if any, received by the Company upon such issue of additional shares of Common Stock; and (ii) the sum so obtained shall be divided by the number of shares of Common Stock outstanding immediately after such issue. The resulting quotient shall be the adjusted Purchase Price. For purposes of this adjustment, the issuance of any security of the Company carrying the right to convert such security into shares of Common Stock or of any warrant, right or option to purchase Common Stock shall result in an adjustment to the Purchase Price upon the issuance of shares of Common Stock upon exercise of such conversion or purchase rights.

4. Extraordinary Events Regarding Common Stock.

In the event that the Company shall (a) issue additional shares of the Common Stock as a dividend or other distribution on outstanding Common Stock, (b) subdivide its outstanding shares of Common Stock or (c) combine its outstanding shares of the Common Stock into a smaller number of shares of the Common Stock, then, in each such event, the Purchase Price shall, simultaneously with the happening of such event, be adjusted by multiplying the then Purchase Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such event and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such event, and the product so obtained shall thereafter be the Purchase Price then in effect. The Purchase Price, as so adjusted, shall be readjusted in the same manner upon the happening of any successive event or events described herein in this Section 4. The number of shares of Common Stock that the holder of this Warrant shall thereafter, on the exercise hereof as provided in Section 1, be entitled to receive shall be increased to a number determined by multiplying the number of shares of Common Stock that would otherwise (but for the provisions of this Section 4) be issuable on such exercise by a fraction of which (a) the numerator is the Purchase Price that would otherwise (but for the provisions of this Section 4) be in effect, and (b) the denominator is the Purchase Price in effect on the date of such exercise.

5. Certificate as to Adjustments.

In each case of any adjustment or readjustment in the shares of Common Stock (or Other Securities) issuable on the exercise of the Warrants, the Company at its expense will promptly cause its Chief Financial Officer or other appropriate designee to compute such adjustment or readjustment in accordance with the terms of the Warrant and prepare a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (a) the consideration received or receivable by the Company for any additional shares of Common Stock (or Other Securities) issued or sold or deemed to have been issued or sold, (b) the number of shares of Common Stock (or Other Securities) outstanding or deemed to be outstanding and (c)

the Purchase Price and the number of shares of Common Stock to be received upon exercise of this Warrant, in effect immediately prior to such adjustment or readjustment and as adjusted or readjusted as provided in this Warrant. The Company will forthwith mail a copy of each such certificate to the holder of the Warrant and any Warrant Agent of the Company (appointed pursuant to Section 11 hereof).

6. Reservation of Stock, etc. Issuable on Exercise of Warrant;

Financial Statements.

The Company will at all times reserve and keep available, solely for issuance and delivery on the exercise of the Warrants, all shares of Common Stock (or Other Securities) from time to time issuable on the exercise of the Warrant. This Warrant entitles the holder hereof to receive copies of all financial and other information distributed or required to be distributed to the holders of the Company's Common Stock.

7. Assignment; Exchange of Warrant.

Subject to compliance with applicable securities laws, this Warrant, and the rights evidenced hereby, may be transferred by any registered holder hereof (a "Transferor") with respect to any or all of the Shares. On the surrender for exchange of this Warrant, with the Transferor's endorsement in the form of Exhibit B attached hereto (the "Transferor Endorsement Form") and together with evidence reasonably satisfactory to the Company demonstrating compliance with applicable securities laws, the Company at its expense, but with payment by the Transferor of any applicable transfer taxes, will issue and deliver to or on the order of the Transferor thereof a new Warrant or Warrants of like tenor, in the name of the Transferor and/or the transferee(s) specified in such Transferor Endorsement Form (each a "Transferee"), calling in the aggregate on the face or faces thereof for the number of shares of Common Stock called for on the face or faces of the Warrant so surrendered by the Transferor.

8. Replacement of Warrant.

On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, on delivery of an indemnity agreement or security reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of this Warrant, the Company at its expense will execute and deliver, in lieu thereof, a new Warrant of like tenor.

9. Registration Rights.

The Holder of this warrant has been granted certain registration rights by the Company. These registration rights are set forth in a Subscription Agreement entered into by the Company and Subscriber of the Company's Common Stock at or prior to the issue date of this Warrant. The terms of the Subscription Agreement are incorporated herein by this reference. For each 30 days of the pendency of a Non-Registration Event, the Purchase Price shall be reduced by 10% of the initial Purchase Price (subject to other adjustments described in this Warrant). The Purchase Price may not be reduced below \$.001 pursuant to this Section 9 (subject to other adjustments described in this Warrant).

10. Maximum Exercise.

The Holder shall not be entitled to exercise this Warrant on an exercise date, in connection with that number of shares of Common Stock which would be in excess of the sum of (i) the number of shares of Common Stock beneficially owned by the Holder and its affiliates on an exercise date, and (ii) the number of shares of Common Stock issuable upon the exercise of this Warrant with respect to which the determination of this limitation is being made on an exercise date, which would result in beneficial ownership by the Holder and its affiliates of more than 9.99% of the outstanding shares of Common Stock of the Company on such date. For the purposes of the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13d-3 thereunder. Subject to the foregoing, the Holder shall not be limited to aggregate exercises which would result in the issuance of more than 9.99%. The restriction described in this paragraph may be revoked upon seventy-five (75) days prior notice from the Holder to the Company. The Holder may allocate which of the equity of the Company deemed beneficially owned by the Subscriber shall be included in the 9.99% amount described above and which shall be allocated to the excess above 9.99%.

11. Warrant Agent.

The Company may, by written notice to the each holder of the Warrant, appoint an agent for the purpose of issuing Common Stock (or Other Securities) on the exercise of this Warrant pursuant to Section 1, exchanging this Warrant pursuant to Section 7, and replacing this Warrant pursuant to Section 8, or any of the foregoing, and thereafter any such issuance, exchange or replacement, as the case may be, shall be made at such office by such agent.

12. Transfer on the Company's Books.

Until this Warrant is transferred on the books of the Company, the Company may treat the registered holder hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary.

13. Notices.

All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to the Company to USA Technologies, Inc., 200 Plant Avenue, Wayne, PA 19087, Attn: George R. Jensen, Jr., telecopier: (610) 989-0344, with a copy by telecopier only to: Lurio & Associates, One Commerce Square, Suite 2340, 2005 Market Street, Philadelphia, PA 19103-7015, Attn: Douglas M. Lurio, Esq., telecopier: (215) 665-8582, and (ii) if to the Holder of this Warrant, to: Alpha Capital Aktiengesellschaft, Pradafant 7, 9490 Furstentums, Vaduz, Lichtenstein, telecopier: 011-42-32323196, with a copy by telecopier only to Grushko & Mittman, P.C., 551 Fifth Avenue, Suite 1601, New York, New York 10176, telecopier number: (212) 697-3575.

14. Miscellaneous.

This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. This Warrant shall be construed and enforced in accordance with and governed by the laws of New York. Any dispute relating to this Warrant shall be adjudicated in New York County in the State of New York. The headings in this Warrant are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

IN WITNESS WHEREOF, the Company has executed this Warrant as of the date first written above.

USA TECHNOLOGIES, INC.

/s/ George R. Jensen, Jr.
By: _____
Name: George R. Jensen
Title: CEO

Witness:

Exhibit A

FORM OF SUBSCRIPTION

(to be signed only on exercise of Warrant)

TO: USA TECHNOLOGIES, INC.

The undersigned, pursuant to the provisions set forth in the attached Warrant (No. _____), hereby irrevocably elects to purchase (check applicable box):

_____ shares of the Common Stock covered by such Warrant; or
_____ the maximum number of shares of Common Stock covered by such Warrant pursuant to the cashless exercise procedure set forth in Section 2.

The undersigned herewith makes payment of the full purchase price for such shares at the price per share provided for in such Warrant, which is \$_____. Such payment takes the form of (check applicable box or boxes):

_____ \$_____ in lawful money of the United States; and/or
_____ the cancellation of such portion of the attached Warrant as is exercisable for a total of _____ shares of Common Stock (using a Fair Market Value of \$_____ per share for purposes of this calculation); and/or

_____ the cancellation of such number of shares of Common Stock as is necessary, in accordance with the formula set forth in Section 2, to exercise this Warrant with respect to the maximum number of shares of Common Stock purchasable pursuant to the cashless exercise procedure set forth in Section 2.

The undersigned requests that the certificates for such shares be issued in the name of, and delivered to

_____ whose address is _____

The undersigned represents and warrants that all offers and sales by the undersigned of the securities issuable upon exercise of the within Warrant shall be made pursuant to registration of the Common Stock under the Securities Act of 1933, as amended (the "Securities Act"), or pursuant to an exemption from registration under the Securities Act.

Dated: _____

(Signature must conform to name of holder as specified on the face of the Warrant)

(Address)

Exhibit B

FORM OF TRANSFEROR ENDORSEMENT
(To be signed only on transfer of Warrant)

For value received, the undersigned hereby sells, assigns, and transfers unto the person(s) named below under the heading "Transferees" the right represented by the within Warrant to purchase the percentage and number of shares of Common Stock of USA TECHNOLOGIES, INC. to which the within Warrant relates specified under the headings "Percentage Transferred" and "Number Transferred," respectively, opposite the name(s) of such person(s) and appoints each such person Attorney to transfer its respective right on the books of USA TECHNOLOGIES, INC. with full power of substitution in the premises.

Transferees	Percentage Transferred	Number Transferred

Dated: _____, _____

(Signature must conform to name of holder as specified on themface of the warrant)

Signed in the presence of:

(Name)

(address)

ACCEPTED AND AGREED:
[TRANSFEREE]

(address)

(Name)

November 5, 2002

USA Technologies, Inc.
200 Plant Avenue
Wayne, PA 19087
Attn: Mr. George R. Jensen, Jr., Chief Executive Officer

Re: USA Technologies, Inc. -
Registration Statement on Form SB-2

Dear Mr. Jensen:

We have acted as counsel to USA Technologies, Inc., a Pennsylvania corporation (the "Company"), in connection with a Registration Statement on Form SB-2, filed with the Securities and Exchange Commission on the date hereof (the "Registration Statement"). The Registration Statement covers 173,326,415 shares of Common Stock ("Common Stock") which are either currently outstanding, issuable in the future, issuable upon exercise of warrants, issuable upon exercise of options, or issuable upon conversion of outstanding senior notes or convertible debentures or in lieu of cash interest payments on the senior notes.

In rendering this opinion, we have examined (i) the Articles of Incorporation, as amended, and By-Laws of the Company; (ii) the resolutions of the Board of Directors evidencing the corporate proceedings taken by the Company to authorize the issuance of the Common Stock pursuant to the Registration Statement; (iii) the Registration Statement (including all exhibits thereto); and (iv) such other documents as we have deemed appropriate or necessary as a basis for the opinion hereinafter expressed.

In rendering the opinion expressed below, we assumed the authenticity of all documents and records examined, the conformity with the original documents of all documents submitted to us as copies and the genuineness of all signatures. We have also assumed that at all relevant times, the Company shall have a sufficient number of authorized shares of Common Stock to cover the issuance by the Company of all shares underlying warrants, senior notes, options, convertible debentures, or cash interest payments on the senior notes, and all shares agreed to be issued in the future.

Based upon and subject to the foregoing, and such legal considerations as we deem relevant, we are of the opinion that when resold as contemplated by the Registration Statement, and subject to effectiveness of the Registration Statement and compliance with applicable state securities laws, the Common Stock when issued will be legally issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as an Exhibit to the Registration Statement and to references made to this firm under the heading "Legal Matters" in the Prospectus contained in the Registration Statement and all amendments thereto.

Sincerely,

/s/ LURIO & ASSOCIATES, P.C.

LURIO & ASSOCIATES, P.C.

SECOND AMENDMENT TO EMPLOYMENT AND

NON-COMPETITION AGREEMENT

This Second Amendment is made as of the 15th day of April 2002, by and between STEPHEN P. HERBERT ("Herbert"), and USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USA").

Background

USA and Herbert entered into an Employment And Non-Competition Agreement dated April 4, 1996 and a First Amendment thereto dated as of February 22, 2000 (collectively, the "Agreement"). As more fully set forth herein, the parties desire to amend the Agreement in certain respects.

Agreement

NOW, THEREFORE, in consideration of the covenants set forth herein, and intending to be legally bound hereby, the parties agree as follows:

1. Amendments.

A. Subparagraph (a) of Section 1. Employment of the Agreement is hereby deleted and the following new subparagraph (a) is hereby substituted in its place:

(a) USA shall employ Herbert as President and Chief Operating Officer commencing on the date hereof and continuing through June 30, 2004 (the "Employment Period") and Herbert hereby accepts such employment. Unless terminated by either party hereto upon at least 60-days notice prior to end of the original Employment Period ending June 30, 2004, or prior to the end of any one year extension of the Employment Period, the Employment Period shall not be terminated and shall automatically continue in full force and effect for consecutive one year periods.

B. Subparagraph (a) of Section 2. Compensation and Benefits of the

Agreement is hereby deleted and the following new subparagraph (a) is hereby substituted in its place:

A. In consideration of his services rendered, commencing April 15, 2002, USA shall pay to Herbert a base salary of \$165,000 per year during the Employment Period, subject to any withholding required by law. Herberts base salary may be increased from time to time in the discretion of the Board of Directors.

C. The following new subparagraphs (v) and (vi) are added to Subparagraph (b) of Section 2. Compensation and Benefits of the Agreement:

(v) On April 15, 2002, USA shall issue to Herbert 300,000 shares of fully vested Common Stock as a bonus. Herbert acknowledges that the Common Stock has not been registered under the Act or under any state securities law, and the Common Stock can not be sold or transferred unless such Common Stock has been registered under the Act or such state securities laws, or unless USA has received an opinion of its counsel that such registration is not required. Notwithstanding the foregoing, USA shall at its cost and expense prepare and file a registration statement with the Securities and Exchange Commission covering these shares for resale under the Act, and shall use its best efforts to have such registration statement declared effective and to remain current and effective. These shares shall represent the shares underlying the options to purchase up to 300,000 shares at \$.40 per share which were granted to Herbert by USA in November 2001 (and which became vested in March 2002). These options shall be canceled upon the issuance to Herbert by USA of the shares without any payment by Herbert to USA.

(vi) USA shall pay to Herbert the sum of \$80,000 in cash in order to reimburse Herbert for the income tax payable by him as a result of the shares of Common Stock delivered to him as a bonus during the 2001 calendar year. These monies shall be paid to Herbert as follows: up to fifty percent on April 15, 2002, with the balance to be paid in six equal consecutive monthly installments commencing May 2002. In the alternative, and in lieu of any cash payment, Herbert may elect to receive shares of Common Stock or other securities of USA having a value equal to such cash payment.

2. Modification. Except as otherwise specifically set forth in Paragraph

1, the Agreement shall not be amended or modified in any respect whatsoever and shall continue in full force and effect.

3. Capitalized Terms. Except as specifically provided otherwise herein, all

capitalized terms used herein shall have the meanings ascribed to them in the Agreement.

4. Effective Time. The amendments to the Agreement made in Paragraph 1 hereof

shall be effective from and after the date of the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment
as of the day and year first above written.

USA TECHNOLOGIES, INC.

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

/s/ Stephen P. Herbert

STEPHEN P. HERBERT

FOURTH AMENDMENT TO EMPLOYMENT AND

NON-COMPETITION AGREEMENT

This Fourth Amendment is made as of the 15th day of April 2002, by and between GEORGE R. JENSEN, JR. ("Jensen"), and USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USA").

Background

USA and Jensen entered into an Employment And Non-Competition Agreement dated November 20, 1997, a First Amendment thereto dated June 17, 1999, a Second Amendment thereto dated February 22, 2000, and a Third Amendment thereto dated January 16, 2002 (collectively, the "Agreement"). As more fully set forth herein, the parties desire to amend the Agreement in certain respects.

Agreement

NOW, THEREFORE, in consideration of the covenants set forth herein, and intending to be legally bound hereby, the parties agree as follows:

1. Amendments.

A. Subparagraph (a) of Section 1. Employment of the Agreement is hereby deleted and the following new subparagraph (a) is hereby substituted in its place:

(a) USA shall employ Jensen as Chairman and Chief Executive Officer commencing on the date hereof and continuing through June 30, 2004 (the "Employment Period") and Jensen hereby accepts such employment. Unless terminated by either party hereto upon at least 60-days notice prior to end of the original Employment Period ending June 30, 2004, or prior to the end of any one year extension of the Employment Period, the Employment Period shall not be terminated and shall automatically continue in full force and effect for consecutive one year periods.

B. Subparagraph (a) of Section 2. Compensation and Benefits of the

Agreement is hereby deleted and the following new subparagraph (a) is hereby substituted in its place:

(a) In consideration of his services rendered, commencing April 15, 2002, USA shall pay to Jensen a base salary of \$180,000 per year during the Employment Period, subject to any withholding required by law. Jensens base salary may be increased from time to time in the discretion of the Board of Directors.

C. The following new subparagraphs (v) and (vi) are added to Subparagraph (b) of Section 2. Compensation and Benefits of the Agreement:

(v) On April 15, 2002, USA shall issue to Jensen 320,000 shares of fully vested Common Stock as a bonus. Jensen acknowledges that the Common Stock has not been registered under the Act or under any state securities law, and the Common Stock can not be sold or transferred unless such Common Stock has been registered under the Act or such state securities laws, or unless USA has received an opinion of its counsel that such registration is not required. Notwithstanding the foregoing, USA shall at its cost and expense prepare and file a registration statement with the Securities and Exchange Commission covering these shares for resale under the Act, and shall use its best efforts to have such registration statement declared effective and to remain current and effective. These shares shall represent the shares underlying the options to purchase up to 320,000 shares at \$.40 per share which were granted to Jensen by USA in November 2001 (and which became vested in March 2002). These options shall be canceled upon the issuance to Jensen by USA of the shares with no payment by Jensen to USA.

(vi) USA shall pay to Jensen the sum of \$80,000 in cash in order to reimburse Jensen for the income tax payable by him as a result of the shares of Common Stock delivered to him as a bonus during the 2001 calendar year. These monies shall be paid to Jensen as follows: up to fifty percent on April 15, 2002, with the balance to be paid in six equal consecutive monthly installments commencing May 2002. In the alternative, and in lieu of any cash payment, Jensen may elect to receive shares of Common Stock or other securities of USA having a value equal to such cash payment.

2. Modification. Except as otherwise specifically set forth in Paragraph

1, the Agreement shall not be amended or modified in any respect whatsoever and shall continue in full force and effect.

3. Capitalized Terms. Except as specifically provided otherwise herein, all

capitalized terms used herein shall have the meanings ascribed to them in the Agreement.

4. Effective Time. The amendments to the Agreement made in Paragraph 1 hereof

shall be effective from and after the date of the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Fourth Amendment
as of the day and year first above written.

USA TECHNOLOGIES, INC.

/s/ Stephen P. Herbert
By: _____
Stephen P. Herbert,
President

/s/ George R. Jensen, Jr.

GEORGE R. JENSEN, JR.

THIRD AMENDMENT TO EMPLOYMENT AND

NON-COMPETITION AGREEMENT

This Third Amendment is made the 16th day of January 2002, by and between GEORGE R. JENSEN, JR. ("Jensen"), and USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USA").

Background

USA and Jensen entered into an Employment And Non-Competition Agreement dated November 20, 1997, a First Amendment thereto dated June 17, 1999, and a Second Amendment thereto dated February 22, 2000 (collectively, the "Agreement"). As more fully set forth herein, the parties desire to amend the Agreement in certain respects.

Agreement

NOW, THEREFORE, in consideration of the covenants set forth herein, and intending to be legally bound hereby, the parties agree as follows:

1. Amendments.

A. Subparagraph (d) of Section 2. Compensation and Benefits of the

Agreement is hereby deleted and the following new subparagraph (d) is hereby substituted in its place:

(d) As a further incentive to Jensen, USA believes it is in the best interest of USA to grant to Jensen seven percent of the issued and outstanding shares of Common Stock of USA ("Common Stock") in the event there is a USA Transaction (as defined below), all as more fully described in Section 4 hereof.

B. The title of Section 4. Eight Percent Rights. of the Agreement

is hereby deleted and the following new title of Section 4 is hereby substituted
in its place:

SECTION 4. Seven Percent Rights.

C. The first sentence of Subparagraph A. of Section 4. Eight

Percent Rights of the Agreement is hereby deleted and the following new first

sentence of subparagraph A. is hereby substituted in its place:

A. If at any time after the date hereof there shall be a USA
Transaction, USA shall issue to Jensen that number of shares of Common
Stock as shall when issued to him equal seven percent (7%) of all the then
issued and outstanding shares of Common Stock (the "Rights").

2. Modification. Except as otherwise specifically set forth in Paragraph

1, the Agreement shall not be amended or modified in any respect whatsoever and
shall continue in full force and effect.

3. Capitalized Terms. Except as specifically provided otherwise herein,

all capitalized terms used herein shall have the meanings ascribed to them in
the Agreement.

4. Original Part. The amendments to the Agreement made in Paragraph 1

hereof shall be deemed to have been an original part of the Agreement and to
have been effective from and after the date of the Agreement.

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

USA TECHNOLOGIES, INC.

/s/ Stephen P. Herbert

By: Stephen P. Herbert,
President

/s/ George R. Jensen, Jr.

GEORGE R. JENSEN, JR.

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 in the Registration Statement (Form SB-2 No. 333-00000) and the related Prospectus of USA Technologies, Inc. for the registration of 173,326,415 shares of its common stock.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
November 5, 2002

