

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-8
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.)

200 Plant Avenue
Wayne, Pennsylvania 19087
(Address of principal executive offices and zip code)

KEY EMPLOYEE STOCK PLAN
(full title of the plan)

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:
Douglas M. Lurio, Esquire
Lurio & Associates, P.C.
One Commerce Square
2005 Market Street, Suite 2340
Philadelphia, PA 19103
(215) 665-9300

CALCULATION OF REGISTRATION FEE

Title of Securities to be Offered	Amount to be Registered	Proposed Maximum Offering Price Per share (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee(1)
-----	-----	-----	-----	-----
Common Stock	87,500	\$2.85	\$249,375	\$68.33

(1) Estimated solely for purposes of calculating the registration fee. Pursuant to Rule 457(h), the offering price is based upon the average of the bid and asked price for the Common Stock on the OTC Electronic Bulletin Board on March 31, 2000. The registration fee represents .000274 of the proposed maximum aggregate offering price.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference

The documents listed in (a) through (e) below are incorporated by reference in the Registration Statement and made a part hereof. All documents subsequently filed by the Registrant pursuant to Section 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), prior to the filing of a post-effective amendment to this Registration Statement which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be part hereof from the date of filing of such documents.

(a) The Registrant's annual report on Form 10-KSB for the fiscal year ended June 30, 1999;

(b) The Registrant's current report on Form 8-K filed on November 2, 1999;

(c) The Registrant's current report on Form 8-K filed on December 2, 1999;

(d) The Registrant's Form 10-QSB Quarterly Report for the quarterly period ended September 30, 1999; and

(e) The Registrant's Form 10-QSB Quarterly Report for the quarterly period ended December 31, 1999.

Recent Developments

During the third quarter of fiscal year 2000, the Company continued to incur operating losses. The Company anticipates incurring operating losses through at least the end of fiscal year 2000.

Item 4. Description of Securities

The Company is proceeding with the registration of 87,500 shares of Common Stock which are to be issued to five key management employees of the Company as a bonus for services rendered and to be rendered to the Company during calendar year 2000 pursuant to employment agreements with the Company. The shares of Common Stock are being issued to the following employees: George R. Jensen, Jr. (25,000 shares); Stephen P. Herbert (20,000 shares); Haven Brock Kolls, Jr. (20,000 shares); Leland P. Maxwell (12,500 shares); and Michael Lawlor (10,000 shares). The issuance of all of the foregoing shares of Common Stock was approved by the Board of Directors of the Company in February, 2000.

The Company is authorized to issue up to 62,000,000 shares of Common Stock, no par value ("Common Stock"), and 1,800,000 shares of undesignated Preferred Stock, 1,200,000 of which has been designated Series A Convertible Preferred Stock, no par value ("Series A Preferred Stock") and 350,000 shares of which has been designated Series B Equity Participating Preferred Stock, no par value ("Series B Preferred Stock").

As of December 31, 1999, there were 11,146,744 shares of Common Stock issued and outstanding.

The foregoing amount does not reflect shares of Common Stock issuable by the Company upon the conversion of the Series A Preferred Stock or any accrued and unpaid dividends thereon. As of December 31, 1999, 623,377 shares of Series A Preferred Stock were issued and outstanding and are convertible into 623,377 shares of Common Stock. As of December 31, 1999, there were \$3,692,784 of accrued and unpaid dividends on the Series A Preferred Stock which are convertible into 369,278 shares of Common Stock. As of December 31, 1999, a total of 487,773 shares of Series A Preferred Stock have been converted into 564,236 shares of Common Stock and accrued and unpaid dividends thereon have been converted into 218,491 shares of Common Stock. As of December 31, 1999 there were no shares of Series B Preferred Stock issued and outstanding.

The foregoing amount also does not include the Common Stock issuable upon the exercise of the remaining 67,300 1995 Warrants, 86,800 1996 Warrants, 4,000 1996-B Warrants, 1,500 1997 Warrants, 4,000 1998-A Warrants, 5,000 1998-B Warrants, 157,900 1999-A Warrants, 3,560,000 1999-B Warrants, or the 100,000 Warrants held by affiliates and/or consultants to GEM Advisors, Inc., issued and outstanding as of December 31, 1999. From January 1, 2000 through March 31, 2000, 150,900 shares of Common Stock were issued upon the exercise of 1999-A Warrants at \$.50 per share and 117,750 shares of Common Stock were issued upon the exercise of 1999-B Warrants at \$2.00 per share.

The foregoing does not include 1,867,200 shares of Common Stock issuable upon conversion of the \$4,668,000 principal amount of the Senior Notes or 150,000 shares of Common Stock issuable upon the exercise of warrants issued to a consultant which were outstanding on December 31, 1999. From January 1, 2000 through March 31, 2000, \$525,000 principal amount of the Senior Notes have been converted at the rate of \$2.50 per share into 210,000 shares of Common Stock and 34,000 shares of Common Stock were issued upon exercise of the warrants at \$2.50 per share.

The foregoing amount also does not include the Common Stock issuable upon the exercise of the outstanding stock options or purchase rights to acquire Common Stock. As of December 31, 1999, there was a total of 11,740 Common Stock Purchase Rights outstanding at a price of \$10.00 per share. As of December 31, 1999, there was a total of 1,001,267 options outstanding to purchase Common Stock at exercise prices ranging from \$.50 to \$5.00 per share, of which 821,267 were vested. Many of the options and purchase rights granted were issued at or above fair market value on the date of grant, and those that were issued below fair market value have resulted in an appropriate charge against earnings during the period the options were issued. From January 1, 2000 through March 31, 2000, 10,000 shares of Common Stock have been issued upon the exercise of stock options at \$1.50 per share.

The foregoing also does not include the following which occurred from January 1, 2000 through March 31, 2000: 1,213,500 shares of Common Stock were sold by the Company at \$2.00 per share pursuant to a private placement offering; 45,000 shares of Common Stock were issued to consultants; and 1,260 shares of Common Stock were issued to an employee of the Company for services rendered to the Company.

The holder of each share of Common Stock is entitled to one vote on all matters submitted to a vote of the shareholders of the Company, including the election of directors. There is no cumulative voting for directors.

The holders of Common Stock are 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 dividends may be paid on the Common Stock until all accumulated and unpaid cumulative dividends on the Series A Preferred Stock have been paid. Upon any liquidation, dissolution or winding up of the Company, holders of shares of Common Stock are entitled to receive pro rata all assets of the Company 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. Shareholders of the Company do not have any preemptive rights to subscribe for or purchase shares, obligations, warrants, or other securities of the Company.

Item 5. Interests of Named Experts and Counsel

Douglas M. Lurio, Esquire, President of Lurio & Associates, P.C, general counsel to the Company, serves as a Director of the Company. Mr. Lurio is the beneficial owner of 63,213 shares of Common Stock.

Item 6. Indemnification of Directors and Officers

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 Company and to purchase and maintain insurance of such indemnification. The Company's By-laws substantively provide that the Company will indemnify its 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. The Company's By-laws eliminate the personal liability of the directors to the fullest extent permitted by Section 1713 of the BCL. The Company maintains a director and officer liability insurance policy covering each of the Company's directors and executive officers.

Item 7. Exemption from Registration Claimed

Not applicable.

Item 8. Exhibits

The following Exhibits are filed as part of this Registration Statement:

- 5 Opinion of Lurio & Associates, P.C.
- 10.1 Second Amendment to Employment and Non-Competition Agreement between George R. Jensen, Jr. and USA Technologies, Inc. dated February 22, 2000.
- 10.2 First Amendment to Employment and Non-Competition Agreement between Stephen P. Herbert and USA Technologies, Inc. dated February 22, 2000.
- 10.3 Third Amendment to Employment and Non-Competition Agreement between Haven Brock Kolls, Jr. and USA Technologies, Inc. dated February 22, 2000.
- 10.4 Second Amendment to Employment and Non-Competition Agreement between Leland P. Maxwell and USA Technologies, Inc. dated February 22, 2000.
- 10.5 First Amendment to Employment and Non-Competition Agreement between Michael Lawlor and USA Technologies, Inc. dated February 22, 2000.
- 23.1 Consent of Lurio & Associates, P.C. (included in the opinion filed as Exhibit 5 hereto.)
- 23.2 Consent of Ernst & Young LLP, Independent Auditors.

Item 9. 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 most recent post-effective amendment thereof) which, individually in the aggregate, represent a fundamental change in the information in the registration statement; and

(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.

Except that, subparagraph (i) and (ii) of this paragraph do not apply provided that the information required in a post-effective amendment is incorporated by reference from periodic reports filed by the issuer under the Securities Exchange Act of 1934.

(2) That for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be treated as a new registration statement relating to the securities offered herein, and shall treat the offering of such securities at that time as 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.

(4) That 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 Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of

the Securities Exchange Act 1934) that is incorporated by reference in the registration statement 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.

(5) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, 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 Securities and Exchange Commission 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.

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 Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Wayne, Pennsylvania, on April 5, 2000.

USA TECHNOLOGIES, INC.

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

 George R. Jensen, Jr.,
 Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been duly signed below by the following persons in the capacities and on the date indicated.

Signature -----	Title -----	Date ----
/s/ George R. Jensen, Jr. ----- George R. Jensen, Jr.	Chairman of the Board and Chief Executive Officer, (Principal Executive Officer)	April 5, 2000
/s/ Stephen P. Herbert ----- Stephen P. Herbert	President, Chief Operating Officer, Director	April 5, 2000
/s/ Leland P. Maxwell ----- Leland P. Maxwell	Senior Vice President, Chief Financial Officer, Treasurer (Principal Accounting Officer)	April 5, 2000
/s/ William W. Sellers ----- William W. Sellers	Director	April 5, 2000
/s/ Peter G. Kapourellos ----- Peter G. Kapourellos	Director	April 5, 2000
----- Henry B. duPont Smith	Director	April __, 2000
----- William L. Van Alen, Jr.	Director	April __, 2000
----- Steven Katz	Director	April __, 2000
/s/ Douglas M. Lurio ----- Douglas M. Lurio	Director	April 5, 2000
----- Edwin R. Boynton	Director	April __, 2000

EXHIBIT INDEX

Exhibit No. -----	Description -----	Page No. -----
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23.1	Consent of Lurio & Associates, P,C. (included in the opinion filed as Exhibit 5 hereto)	
23.2	Consent of Independent Auditors	

April 5, 2000

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 S-8

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 S-8, filed with the Securities and Exchange Commission on the date hereof (the "Registration Statement"). The Registration Statement covers 87,500 shares of Common Stock of the Company to be issued to key management employees of the Company as a bonus for services rendered and to be rendered to the Company for calendar year 2000 pursuant to employment agreements between the employees and the Company (the "Employment Agreements").

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); (iv) the Employment Agreements; and (v) 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.

Based upon and subject to the foregoing, and such legal considerations as we deem relevant, we are of the opinion that, when sold as contemplated by the Registration Statement and the

USA Technologies, Inc.
April 5, 2000
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Employment Agreements, and subject to compliance with applicable state securities laws, the Common Stock will be legally issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as an Exhibit to the Registration Statement.

Sincerely,

LURIO & ASSOCIATES, P.C.

/s/ Lurio & Associates, P.C.

SECOND AMENDMENT TO EMPLOYMENT AND
NON-COMPETITION AGREEMENT

This Second Amendment is made as of the 22nd day of February 2000, 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, and a First Amendment thereto dated June 17, 1999 (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 June 17, 1999, and continuing through June 30, 2002 (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, 2002, 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 (c) of Section 1. Employment of the Agreement is hereby deleted and the following new subparagraph (c) is hereby substituted in its place:

(c) Nothing contained in subparagraph 1.(b) hereof shall prohibit Jensen from investing his personal assets in businesses which do not compete with USA, where the form or manner of such investments will not require more than minimal services on the part of Jensen in the operation of the affairs of the business in which such investments are made, or in which his participation is solely that of a passive investor; or from serving as a member of boards of directors, boards of trustees, or other governing bodies of any organization, provided that USA approves such activities in advance; or from participating in trade associations, charitable, civic and any similar activities of a not-for-profit, philanthropic or eleemosynary nature; or from attending educational events or classes. It is understood and agreed that any such permitted activities which shall occur during business hours shall be limited to no greater than forty hours per year.

C. 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 March 1, 2000, USA shall pay to Jensen a base salary of \$135,000 per year during the Employment Period, subject to any withholding required by law. Jensen's base salary may be increased from time to time in the discretion of the Board of Directors.

D. Subparagraph (b) of Section 2. Compensation and Benefits of the Agreement is hereby deleted and the following new subparagraph (b) is hereby substituted in its place:

(b) (i) In addition to the base salary provided for in subparagraph (a), Jensen shall be eligible to receive such bonus or bonuses as the Compensation Committee of the Board of Directors may, in their sole discretion, pay to Jensen from time to time based upon his performance and/or the performance of USA. All awards in this regard may be made in cash or in Common Stock of USA ("Common Stock").

(ii) As of the date of this Second Amendment, USA shall issue to Jensen 25,000 shares of fully vested Common Stock as a bonus on account of calendar year 2000. Such shares of Common Stock shall be registered under the Securities Act of 1933, as amended ("Act"), pursuant to a Form S-8, at USA's cost and expense.

(iii) Jensen shall also be eligible to receive an additional bonus of up to 25,000 shares of Common Stock on account of the 2000 calendar year. The determination of the number of shares to be awarded to Jensen shall be made by the Compensation Committee of the Board of Directors, in their sole discretion, and shall be based upon the performance of USA and/or the performance of Jensen during the 2000 calendar year. USA shall issue to Jensen any such shares of Common Stock during January 2001. Such shares of Common Stock shall be registered under the Act pursuant to a Form S-8, at USA's cost and expense.

(iv) Provided that Jensen is an employee of USA at the end of the original Employment Period hereunder (i.e., on June 30, 2002), and further provided that Jensen has not materially breached any provision of this Agreement if he is so employed, then USA shall issue to Jensen 40,000 fully vested shares of Common Stock. USA shall issue to Jensen such shares of Common Stock during July 2002. All of such shares shall be registered under the Act pursuant to a Form S-8, at the cost and expense of USA.

Jensen shall not be entitled to any such shares of Common Stock if for any reason whatsoever he is not an employee of USA on June 30, 2002. The number of shares of Common Stock issuable to Jensen shall be equitably adjusted from time to time to reflect any stock splits, stock combinations, stock subdivisions, stock recapitalizations, reverse stock splits, stock dividends paid on, and other similar events involving the Company's Common Stock occurring prior to and as of June 30, 2002.

E. The following new subparagraph (d) is hereby added to Section 7. Business Secrets of the Agreement:

(d) All documents, data, know-how, designs, products, ideas, equipment, inventions, names, devices, marketing information, method or means, materials, software programs, hardware, configurations, information, or any other materials or data of any kind developed by Jensen on behalf of USA or at its direction or for USA's use, or otherwise devised, developed, created, or invented in connection with Jensen's employment with USA or Jensen's affiliation with USA, and whether before or after the date of this Agreement, are and shall remain the sole and exclusive property of USA, and Jensen has and shall have no right or interest whatsoever thereto. Jensen hereby renounces and disclaims the work-for-hire doctrine and acknowledges that all such rights to intellectual property shall belong exclusively to USA and not to Jensen. Any and all rights of ownership in connection with any of the foregoing shall belong solely to USA, and all copyright, patent, trademark, or similar rights or interests shall be the sole and exclusive property of USA. Jensen hereby assigns, transfers, and conveys to USA all of Jensen's right, title and interest in and to any and all such inventions, discoveries, improvements, modifications and other intellectual property rights and agrees to take all such actions as may be required by USA at any time and with respect to any such invention, discovery, improvement, modification or other intellectual property

rights to confirm or evidence such assignment, transfer and conveyance. At USA's direction and request, Jensen shall execute and deliver any and all forms, documents, or applications required under any applicable copyright, patent, trademark, or other law, rule or regulation.

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 Second Amendment as of the day and year first above written.

USA TECHNOLOGIES, INC.

By: /s/ Stephen P. Herbert

Stephen P. Herbert,
President

/s/ George R. Jensen, Jr.

GEORGE R. JENSEN, JR.

FIRST AMENDMENT TO EMPLOYMENT AND
NON-COMPETITION AGREEMENT

This First Amendment is made as of the 22nd day of February 2000, 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 (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 June 17, 1999 and continuing through June 30, 2002 (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, 2002, 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 (c) of the Section 1. Employment is hereby deleted and the following new subparagraph (c) is hereby substituted in its place:

(c) Nothing contained in subparagraph 1.(b) hereof shall prohibit Herbert from investing his personal assets in businesses which do not compete with USA, where the form or manner of such investments will not require more than minimal services on the part of Herbert in the operation of the affairs of the business in which such investments are made, or in which his participation is solely that of a passive investor; or from serving as a member of boards of directors, boards of trustees, or other governing bodies of any organization, provided that USA approves such activities in advance; or from participating in trade associations, charitable, civic and any similar activities of a not-for-profit, philanthropic or eleemosynary nature; or from attending educational events or classes. It is understood and agreed that any such permitted activities which shall occur during business hours shall be limited to no greater than forty hours per year.

C. 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 March 1, 2000, USA shall pay to Herbert a base salary of \$125,000 per year during the Employment Period, subject to any withholding required by law. Herbert's base salary may be increased from time to time in the discretion of the Board of Directors.

D. Subparagraph (b) of Section 2. Compensation and Benefits of the Agreement is hereby deleted and the following new subparagraph (b) is hereby substituted in its place:

(b) (i) In addition to the base salary provided for in subparagraph (a), Herbert shall be eligible to receive such bonus or bonuses as the Compensation Committee of the Board of Directors may, in their sole discretion, pay to Herbert from time to time based upon his performance and/or the performance of USA. All awards in this regard may be made in cash or in Common Stock of USA ("Common Stock").

(ii) As of the date of this First Amendment, USA shall issue to Herbert 20,000 shares of fully vested Common Stock as a bonus on account of calendar year 2000. Such shares of Common Stock shall be registered under the Securities Act of 1933, as amended ("Act"), pursuant to a Form S-8, at USA's cost and expense.

(iii) Herbert shall also be eligible to receive an additional bonus of up to 20,000 shares of Common Stock on account of the 2000 calendar year. The determination of the number of shares to be awarded to Herbert shall be made by the Compensation Committee of the Board of Directors, in their sole discretion, and shall be based upon the performance of USA and/or the performance of Herbert during the 2000 calendar year. USA shall issue to Herbert any such shares of Common Stock during January 2001. Such shares of Common Stock shall be registered under the Act pursuant to a Form S-8, at USA's cost and expense.

(iv) Provided that Herbert is an employee of USA at the end of the original Employment Period hereunder (i.e., on June 30, 2002), and further provided that Herbert has not materially breached any provision of this Agreement if he is so employed, then USA shall issue to Herbert 40,000 fully vested shares of Common Stock. USA shall issue to Herbert such shares of Common Stock during July 2002. All of such shares shall be registered under the Act pursuant to a Form S-8, at the cost and expense of USA. Herbert shall not be entitled to any such shares of Common Stock if for any reason

whatsoever he is not an employee of USA on June 30, 2002. The number of shares of Common Stock issuable to Herbert shall be equitably adjusted from time to time to reflect any stock splits, stock combinations, stock subdivisions, stock recapitalizations, reverse stock splits, stock dividends paid on, and other similar events involving the Company's Common Stock occurring prior to and as of June 30, 2002.

E. The following new subparagraph (d) is hereby added to Section 5. Business Secrets of the Agreement:

D. All documents, data, know-how, designs, products, ideas, equipment, inventions, names, devices, marketing information, method or means, materials, software programs, hardware, configurations, information, or any other materials or data of any kind developed by Herbert on behalf of USA or at its direction or for USA's use, or otherwise devised, developed, created, or invented in connection with Herbert's employment with USA or Herbert's affiliation with USA, and whether before or after the date of this Agreement, are and shall remain the sole and exclusive property of USA, and Herbert has and shall have no right or interest whatsoever thereto. Herbert hereby renounces and disclaims the work-for-hire doctrine and acknowledges that all such rights to intellectual property shall belong exclusively to USA and not to Herbert. Any and all rights of ownership in connection with any of the foregoing shall belong solely to USA, and all copyright, patent, trademark, or similar rights or interests shall be the sole and exclusive property of USA. Herbert hereby assigns, transfers, and conveys to USA all of Herbert's right, title and interest in and to any and all such inventions, discoveries, improvements, modifications and other intellectual property rights and agrees to take all such actions as may be required by USA at any time and with respect to any such invention, discovery, improvement, modification or other intellectual property rights to confirm or evidence such

assignment, transfer and conveyance. At USA's direction and request, Herbert shall execute and deliver any and all forms, documents, or applications required under any applicable copyright, patent, trademark, or other law, rule or regulation.

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 First Amendment as of the day and year first above written.

USA TECHNOLOGIES, INC.

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

George R. Jensen, Jr.,
Chief Executive Officer

/s/ Stephen P. Herbert

STEPHEN P. HERBERT

THIRD AMENDMENT TO EMPLOYMENT AND
NON-COMPETITION AGREEMENT

This Third Amendment is made as of the 22nd day of February 2000, by and between HAVEN BROCK KOLLS, JR. ("Kolls"), and USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USA").

Background

USA and Kolls entered into an Employment And Non-Competition Agreement dated May 1, 1994, and a First Amendment thereto dated May 1, 1995, and a Second Amendment thereto dated March 30, 1996 (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 Kolls as Senior Vice President - Research and Development commencing on December 12, 1997 and continuing through June 30, 2002 (the "Employment Period") and Kolls 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, 2002, 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. The following new subparagraph C. is hereby added to Section 1. Employment of the Agreement:

C. Nothing contained in subparagraph 1.B. hereof shall prohibit Kolls from investing his personal assets in businesses which do not compete with USA, where the form or manner of such investments will not require more than minimal services on the part of Kolls in the operation of the affairs of the business in which such investments are made, or in which his participation is solely that of a passive investor; or from serving as a member of boards of directors, boards of trustees, or other governing bodies of any organization, provided that USA approves such activities in advance; or from participating in trade associations, charitable, civic and any similar activities of a not-for-profit, philanthropic or eleemosynary nature; or from attending educational events or classes. It is understood and agreed that any such permitted activities which shall occur during business hours shall be limited to no greater than forty hours per year.

C. 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 March 1, 2000, USA shall pay to Kolls a base salary of \$120,000 per year during the Employment Period, subject to any withholding required by law.

D. Subparagraph B. of Section 2. Compensation and Benefits of the Agreement is hereby deleted and the following new subparagraph B. is hereby substituted in its place:

B. (i) In addition to the base salary provided for in subparagraph A., Kolls shall be entitled to receive such bonus or bonuses as the Compensation Committee of the Board of Directors may, in their sole discretion, pay to Kolls from time to time based upon his performance or the performance of USA. All awards in this regard may be made in cash or in Common Stock of USA ("Common Stock").

(ii) As of the date of this Third Amendment, the Company shall issue to Kolls 20,000 shares of fully vested Common Stock as a bonus on account of calendar year 2000. Such shares of Common Stock shall be registered under the Securities Act of 1933, as amended ("Act"), pursuant to a Form S-8, at USA's cost and expense.

(iii) Kolls shall also be entitled to receive an additional bonus of up to 25,000 shares of Common Stock on account of the 2000 calendar year. The determination of the amount of shares to be awarded to Kolls shall be made by the Compensation Committee of the Board of Directors, in their sole discretion, and shall be based upon the performance of USA and the performance of Kolls during the 2000 calendar year. USA shall issue to Kolls any such shares of Common Stock during January 2001. Such shares of Common Stock shall be registered under the Act pursuant to a Form S-8, at USA's cost and expense.

(iv) Provided that Kolls is an employee of USA at the end of the original Employment Period hereunder (i.e., on June 30, 2002), and further provided that Kolls has not materially breached any provision of this Agreement if he is so employed, then USA shall issue to Kolls 40,000 fully vested shares of Common Stock. USA shall issue to Kolls such shares of Common Stock during July 2002. All of such shares shall be registered under the Act pursuant to a Form S-8, at the cost and expense of USA. Kolls shall not be entitled to any such shares of Common Stock if for any reason whatsoever he is not an employee of USA on June 30, 2002. The number of shares of

Common Stock issuable to Kolls shall be equitably adjusted from time to time to reflect any stock splits, stock combinations, stock subdivisions, stock recapitalizations, reverse stock splits, stock dividends paid on, and other similar events involving the Company's Common Stock occurring prior to and as of June 30, 2002.

E. The following new subparagraph D. is hereby added to Section 5 Business Secrets of the Agreement:

D. All documents, data, know-how, designs, products, ideas, equipment, inventions, names, devices, marketing information, method or means, materials, software programs, hardware, configurations, information, or any other materials or data of any kind developed by you on behalf of USA or at its direction or for USA's use, or otherwise devised, developed, created, or invented in connection with your employment with USA or your affiliation with USA, and whether before or after the date of this Agreement, are and shall remain the sole and exclusive property of USA, and you have and shall have no right or interest whatsoever thereto. You hereby renounce and disclaim the work-for-hire doctrine and acknowledge that all such rights to intellectual property shall belong exclusively to USA and not to you. Any and all rights of ownership in connection with any of the foregoing shall belong solely to USA, and all copyright, patent, trademark, or similar rights or interests shall be the sole and exclusive property of USA. You hereby assign, transfer, and convey to USA all of your right, title and interest in and to any and all such inventions, discoveries, improvements, modifications and other intellectual property rights and agree to take all such actions as may be required by USA at any time and with respect to any such invention, discovery, improvement, modification or other intellectual property rights to confirm or evidence such assignment, transfer and conveyance. At USA's direction and request, you shall execute and deliver any and all forms, documents, or applications required under any applicable copyright, patent, trademark, or other law, rule or regulation.

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 as of the day and year first above written.

USA TECHNOLOGIES, INC.

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

George R. Jensen, Jr.
Chief Executive Officer

/s/ Haven Brock Kolls, Jr.

HAVEN BROCK KOLLS, JR.

SECOND AMENDMENT TO EMPLOYMENT AND
NON-COMPETITION AGREEMENT

This Second Amendment is made as of the 22nd day of February 2000, by and between LELAND P. MAXWELL ("Maxwell"), and USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USA").

Background

USA and Maxwell entered into an Employment And Non-Competition Agreement dated February 24, 1997, and a First Amendment thereto dated as of February 24, 1998 (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 Maxwell as Chief Financial Officer, Senior Vice President and Treasurer commencing on the date hereof and continuing through June 30, 2001 (the "Employment Period") and Maxwell 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, 2001, 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 March 1, 2000, USA shall pay to Maxwell a base salary of \$108,000 per year during the Employment Period, subject to any withholding required by law. Maxwell's base salary may be increased from time to time in the discretion of the Board of Directors.

C. Subparagraph (b) of Section 2. Compensation and Benefits of the Agreement is hereby deleted and the following new subparagraph (b) is hereby substituted in its place:

(b) (i) In addition to the base salary provided for in subparagraph (a), Maxwell shall be eligible to receive such bonus or bonuses as the Compensation Committee of the Board of Directors may, in their sole discretion, pay to Maxwell from time to time based upon his performance and/or the performance of USA. All awards in this regard may be made in cash or in Common Stock of USA ("Common Stock").

(ii) As of the date of this Second Amendment, USA shall issue to Maxwell 12,500 shares of fully vested Common Stock as a bonus on account of calendar year 2000. Such shares of Common Stock shall be registered under the Securities Act of 1933, as amended ("Act"), pursuant to a Form S-8, at USA's cost and expense.

(iii) Maxwell shall also be eligible to receive, at the discretion of the Compensation Committee of the Board of Directors, an additional bonus for calendar year 2000 in an amount of up to 65% of his base salary. Such additional bonus shall be payable

in either cash or Common Stock in the discretion of the Compensation Committee. The amount of the bonus to be awarded to Mr. Maxwell shall be based upon the performance of the Company and/or Mr. Maxwell during calendar year 2000. The Company shall deliver to Mr. Maxwell any such bonus during January 2001. Any shares of Common Stock payable as part of any such bonus shall be registered under the Act pursuant to a Form S-8, at the Company's cost and expense.

D. The following new subparagraph (d) is hereby added to Section 5. Business Secrets of the Agreement:

(d) All documents, data, know-how, designs, products, ideas, equipment, inventions, names, devices, marketing information, method or means, materials, software programs, hardware, configurations, information, or any other materials or data of any kind developed by Maxwell on behalf of USA or at its direction or for USA's use, or otherwise devised, developed, created, or invented in connection with Maxwell's employment with USA or Maxwell's affiliation with USA, and whether before or after the date of this Agreement, are and shall remain the sole and exclusive property of USA, and Maxwell has and shall have no right or interest whatsoever thereto. Maxwell hereby renounces and disclaims the work-for-hire doctrine and acknowledges that all such rights to intellectual property shall belong exclusively to USA and not to Maxwell. Any and all rights of ownership in connection with any of the foregoing shall belong solely to USA, and all copyright, patent, trademark, or similar rights or interests shall be the sole and exclusive property of USA. Maxwell hereby assigns, transfers, and conveys to USA all of Maxwell's right, title and interest in and to any and all such inventions, discoveries, improvements, modifications and other intellectual property rights and agrees to take all such actions as may be required by USA at any time and with respect to any such invention, discovery, improvement, modification or other

intellectual property rights to confirm or evidence such assignment, transfer and conveyance. At USA's direction and request, Maxwell shall execute and deliver any and all forms, documents, or applications required under any applicable copyright, patent, trademark, or other law, rule or regulation.

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 Second Amendment as of the day and year first above written.

USA TECHNOLOGIES, INC.

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

George R. Jensen, Jr.,
Chief Executive Officer

/s/ Leland P. Maxwell

LELAND P. MAXWELL

FIRST AMENDMENT TO EMPLOYMENT AND
NON-COMPETITION AGREEMENT

This First Amendment is made as of the 22nd day of February 2000, by and between MICHAEL LAWLOR ("Lawlor"), and USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USA").

Background

USA and Lawlor entered into an Employment And Non-Competition Agreement dated June 7, 1996 (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 To Agreement.

A. Paragraph A. of Section 1. Employment of the Agreement is hereby deleted and the following new Paragraph A. is hereby substituted in its place:

A. USA shall employ Lawlor as Vice President of Marketing and Sales commencing on the date hereof and continuing through June 30, 2001 (the "Employment Period") and Lawlor hereby accepts such employment. Unless terminated by either party hereto upon at least 60-days notice prior to the end of the Employment Period ending June 30, 2001, 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. Paragraph A. of Section 2. Compensation and Benefits of the Agreement is hereby deleted and the following new Paragraph A. is hereby substituted in its place:

A. In consideration of his services rendered, commencing on March 1, 2000, USA shall pay to Lawlor a base salary of \$100,000 per year during the Employment Period, subject to any withholding required by law. Lawlor's base salary may be increased from time to time in the discretion of the Board of Directors.

C. Paragraph B. of Section 2. Compensation and Benefits of the Agreement is hereby deleted and the following new Paragraph B. is hereby substituted in its place:

B. (i) In addition to the base salary provided for in Paragraph A., Lawlor shall be eligible to receive such bonus or bonuses as the Compensation Committee of the Board of Directors may, in their sole discretion, pay to Lawlor from time to time based upon his performance and/or the performance of USA. All awards in this regard may be made in cash or in Common Stock of USA ("Common Stock").

(ii) As of the date of this First Amendment, USA shall issue to Lawlor 10,000 shares of fully vested Common Stock as a bonus on account of calendar year 2000. Such shares of Common Stock shall be registered under the Securities Act of 1933, as amended ("Act"), pursuant to a Form S-8, at USA's cost and expense.

(iii) Lawlor shall also be eligible to receive, at the discretion of the Compensation Committee of the Board of Directors, an additional bonus for calendar year 2000 in an amount of up to 65% of his base salary. Such additional bonus shall be payable in either cash or Common Stock in the discretion of the Compensation Committee. The

amount of the bonus to be awarded to Mr. Lawlor shall be based upon the performance of the Company and/or Mr. Lawlor during calendar year 2000. The Company shall deliver to Mr. Lawlor any such bonus during January 2001. Any shares of Common Stock payable as part of any such bonus shall be registered under the Act pursuant to a Form S-8, at the Company's cost and expense.

D. The following new Section 2.A. Lawlor Relocation is hereby added to the Agreement:

2.A. Lawlor Relocation.

A. Lawlor agrees that he and his family shall relocate to the Philadelphia, Pennsylvania area on or before March 15, 2000. All of the reasonable and customary costs and expenses of such relocation to the Philadelphia, Pennsylvania area, including moving expenses, shall be paid for by USA. Such costs and expenses shall be payable in either cash or Common Stock in the discretion of USA. Any such shares of Common Stock shall be registered under the Act pursuant to a Form S-8, at the Company's cost and expense.

B. In addition to the payment by USA of Lawlor's relocation costs and expenses, and in order to assist Lawlor to purchase a residence in the Philadelphia, Pennsylvania area prior to the closing of the sale of his current residence in Texas, USA shall make available to Lawlor a bridge loan in an amount of up to \$70,000. The bridge loan shall be repaid by Lawlor upon the earlier to occur of the closing of the sale of his Texas residence or August 1, 2000. The bridge loan shall not bear any interest. The bridge loan shall be evidenced by a promissory note signed by Lawlor and his spouse and upon request of USA shall be secured by a mortgage on Lawlor's Texas residence. Lawlor and his spouse shall execute any other instruments or documents reasonably required by USA or its counsel.

C. Commencing on the first month in which Lawlor is required to make a mortgage payment in connection with his new residence located in the Philadelphia, Pennsylvania area, and provided that he has not yet sold his Texas residence, USA shall, until his Texas residence has been sold, advance to Lawlor the monthly mortgage payment due in connection with his Texas residence. Such monthly payment is in the approximate amount of \$950. Lawlor shall not be required to repay USA for any such advances.

E. The following new sentence shall be added to the end of Paragraph B. of Section 5. Business Secrets of the Agreement:

Notwithstanding this Section 5.B. or Section 6 hereof, during the one year period following the termination of the Employment Period, or during the one year period following the termination of Lawlor's employment hereunder if earlier, Lawlor may nevertheless solicit, serve, or sell to any customer or account of USA, provided that any such solicitation, sale or serving shall not be in connection with any product, service or business that is in competition, in whole or in part, with the products, services or business of USA as presently or as hereinafter existing or conducted.

F. The following new Paragraph D. is hereby added to Section 5. Business Secrets of the Agreement:

D. All documents, data, know-how, designs, products, ideas, equipment, inventions, names, devices, marketing information, method or means, materials, software programs, hardware, configurations, information, or any other materials or data of any kind developed by Lawlor on behalf of USA or at its direction or for USA's use, or otherwise devised, developed, created, or invented in connection with Lawlor's employment with USA or Lawlor's affiliation with USA, and whether before or after the date of this Agreement, are and shall remain the sole and exclusive property of USA, and Lawlor has and shall have no right or interest whatsoever thereto. Lawlor hereby renounces and disclaims the work-for-hire doctrine and acknowledges that all such rights to intellectual property shall belong exclusively to USA and not to Lawlor. Any and all rights of ownership in connection with any of the foregoing shall belong solely to USA, and all copyright, patent, trademark, or similar rights or interests shall be the sole and exclusive property of USA. Lawlor hereby assigns, transfers, and conveys to USA all of Lawlor's right, title and interest in and to any and all such inventions, discoveries, improvements, modifications and other intellectual property rights and agrees to take all such actions as may be required by USA at any time and with respect to any such invention, discovery, improvement, modification or other intellectual property rights to confirm or evidence such assignment, transfer and conveyance. At USA's direction and request, Lawlor shall execute and deliver any and all forms, documents, or applications required under any applicable copyright, patent, trademark, or other law, rule or regulation.

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 First Amendment as of the day and year first above written.

USA TECHNOLOGIES, INC.

By: /s/ Stephen P. Herbert

Stephen P. Herbert,
President

/s/ Michael Lawlor

MICHAEL LAWLOR

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-00000) pertaining to the registration of 87,500 shares of Common Stock of USA Technologies, Inc. of our report dated September 14, 1999, with respect to the consolidated financial statements of USA Technologies, Inc. included in its Annual Report (Form 10-KSB) for the year ended June 30, 1999, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
April 5, 2000