

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

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

Date of Report (Date of earliest event reported): December 1, 1996

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

Pennsylvania	33-70882	23-269963
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer) Identification No.)

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

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

Item 5. Other Events

Edward J. Sullivan resigned as Chief Financial Officer, Senior Vice President and Treasurer of the Company, effective December 1, 1996, for personal reasons. Mr. Sullivan has agreed to act as a part-time consultant to the Company through February 28, 1997. The Company has agreed that 21,000 of the 50,000 options granted to Mr. Sullivan during May 1996 have become vested as of December 1, 1996 and the balance thereof have been canceled. The employment agreement of Mr. Sullivan was canceled effective December 1, 1996.

The Company appointed Keith L. Sterling as interim Chief Financial Officer and Treasurer of the Company. Mr. Sterling also serves as Executive Vice President - Operations, Secretary and as a Director of the Company.

The Company authorized a reduction in the exercise price of each 1996 Common Stock Purchase Warrant ("1996 Warrants") from \$.40 to \$.20 during the period of time commencing November 1, 1996 and ending at the close of business on December 31, 1996. As of December 16, 1996, a total of 1,218,000 1996 Warrants have been exercised at \$.20 each with total gross proceeds to the Company of \$260,100, and 3,982,000 1996 Warrants remain unexercised.

The Company authorized the issuance of up to 160,000 shares of Common Stock to a consultant to the Company, as compensation for services to be rendered to the Company. Such shares of Common Stock shall be issued to the consultant at the rate of 40,000 shares per month, commencing in December 1996, and continuing each month thereafter. The Company has agreed to register such shares under the Act pursuant to a Form S-8 to be filed with the Securities and Exchange Commission.

The Company reduced from \$.65 to \$.45 the exercise price of the options to purchase up to 400,000 shares of Common Stock issued to Stephen P. Herbert in April 1996 and of the options to purchase up to 50,000 shares of the Common

Stock issued to Keith L. Sterling in May 1996. The new exercise price of these options was equal to or greater than the fair market value of the Common Stock on November 27, 1996, the date of such reduction.

On December 5, 1996, the Company entered into an agreement with International Business Machines Corporation ("IBM") pursuant to which it was appointed an "IBM Personal Computer Value-Added Reseller." The agreement is for a twelve month period commencing January 1, 1997 and can be terminated by either party by one month's prior notice. The Company anticipates utilizing IBM personal computers in connection with its Business Express(TM) and Computer Express(TM) products.

During November 1996, the Company issued to employees and a consultant options to purchase up to an aggregate of 110,000 shares of Common Stock, 60,000 of which are exercisable at \$.50 and 50,000 of which are exercisable at \$.65. The exercise price of the options granted was equal to or greater than the fair market value of the Common Stock on the date of the grant. All of such options are non-qualified stock options and are not part of a qualified stock option plan. The aforementioned options as well as the Common Stock underlying those options have not been registered by the Company under the Act or under any state securities law.

SIGNATURES

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

USA TECHNOLOGIES, INC.

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

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

December 19, 1996

EXHIBIT INDEX

Exhibit Number	Description
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10.1	Separation and Consulting Agreement Between the Company and Edward J. Sullivan dated December 17, 1996.

USA Technologies, Inc.
200 Plant Avenue
Wayne, Pennsylvania 19087

December 17, 1996

Mr. Edward J. Sullivan, C.P.A.
3 Pickwick Lane
Malvern, Pennsylvania 19355

RE: Separation And Consulting Agreement

Dear Ed:

This will confirm your resignation as Chief Financial Officer of the Company effective at the close of business on November 30, 1996. This letter also sets forth and confirms the various agreements we have reached concerning your separation from the Company as well as the terms of a consulting arrangement.

1. Consulting Arrangement. Effective December 1, 1996, you shall no longer be an employee or officer of the Company. From and after December 1, 1996 and through February 28, 1997, you shall act as a consultant to the Company. In this capacity, under my direction, you shall assist the Company to maintain the daily operations of the financial function, including all current activities, as well as special projects such as the inventory system, business plan projections and physical inventory. You shall be present at the offices of the Company at least 25 hours per week. You shall be compensated by the Company for your consulting work at the rate of \$50.00 per hour, to be billed and paid weekly. In addition, your existing medical insurance will be provided to you by the Company at no cost to you during the consulting period. Upon the termination of the consulting period, and if permitted by law and the Company's medical plan, you may elect to maintain your health insurance coverage at your sole cost and expense. As an independent contractor to the Company, you acknowledge that you (and not the Company) shall be responsible for payment of all applicable taxes on your compensation.
2. Outstanding Options. On April 29, 1996, the Company issued to you options to acquire up to 50,000 shares of Common Stock of the Company at \$.65 per share. As originally stated, the options do not vest until June 30, 1997. We have agreed, however, that effective immediately, an aggregate of 21,000 options shall be fully vested with the balance of 29,000 options being forfeited by you and considered null and void. The 21,000 options which are vested must be exercised by you on or before November 30, 2001.
3. Rule 144. You acknowledge that the shares of Common Stock currently owned by you can only be sold by you in compliance with all of the provisions of Rule 144 promulgated under the Securities Act of 1933, as amended, and you agree to comply

with all of the requirements thereof. You shall not sell or offer to sell any securities whatsoever of the Company during the consulting period referred to in Section 1 without prior written notice to the Company. In the event that you so notify the Company, the Company may, at its sole discretion, terminate the consulting arrangement described in Section 1 above and have no further obligation thereunder; provided that all of the other terms and conditions of this letter other than Section 1 hereof shall survive any such termination and shall remain in full force and effect; and provided, further, however, and if permitted by law and the Company's medical plan, you may elect to maintain your health insurance coverage at your sole cost and expense following any such termination of the consulting arrangement.

4. Sullivan General Release. You agree, intending to be legally bound, to voluntarily and forever release and discharge the Company, as well as all of its past, present and future officers, directors, employees, shareholders and agents and their respective successors and assigns (collectively "Releasees"), jointly and severally, from any and all actions, charges, causes of action or claims of any kind (collectively, "claims"), known or unknown, suspected or claimed, which you, your heirs, agents, successors or assigns ever had, now have or hereafter may have against Releasees arising heretofore out of any matter, occurrence or event existing or occurring prior to your execution hereof, including, without limitation:
- (a) Any claims relating to or arising out of your employment with and/or separation of employment with the Company;
 - (b) Any claims for unpaid or withheld wages, severance, stock options, benefits, bonuses and/or other compensation of any kind; or
 - (c) Any claims of discrimination and/or harassment based on age, sex, race, religion, color, creed, disability, handicap, citizenship, national origin, sexual preference or any other factor prohibited by Federal, state or local law or ordinance, common law or administrative regulations (such as the Age Discrimination in Employment Act, the Americans With Disabilities Act, Title VII of the Civil Rights Act of 1964, the Employee Retirement Income Security Act and the Pennsylvania Human Relations Act), and/or any other statutory or common law claims, now existing or hereinafter recognized, including, but not limited to, breach of contract, quasi-contract, breach of covenant of good faith and fair dealing, detrimental reliance, libel, slander, fraud, wrongful discharge, promissory estoppel, equitable estoppel and intentional or negligent misrepresentation.

In addition, you covenant and agree to never, individually or with any other person or in any way, commence, aid in any fashion, prosecute or cause or permit to be

commenced against the Company or any Releasee any action, obligation, damage, or liability that is the subject matter of this Section 4.

5. A. Company General Release. The Company agrees, intending to be legally bound, to voluntarily and forever release and discharge you, as well as all of your heirs, personal representatives, successors and assigns (collectively "Releasees"), jointly and severally, from any and all actions, charges, causes of action or claims of any kind, known or unknown, suspected or claimed, which the Company ever had, now has or hereafter may have against Releasees arising heretofore out of any matter, occurrence or event existing or occurring prior to the Company's execution hereof. In addition, the Company covenants and agrees to never, by itself or with any other person or in any way, commence, aid in any fashion, prosecute or cause or permit to be commenced against any Releasee any action, obligation, damage, or liability that is the subject matter of this Section 5.

B. Company Indemnification. This will confirm that notwithstanding anything else contained in this letter, you shall continue to be indemnified under the Company's Bylaws to the fullest extent provided or to be provided from time to time thereunder to officers of the Company.

6. Future Actions. You agree not to take any actions which are specifically intended to damage the business interests of the Company or which reflect negatively on the Company or its employees, directors, shareholders or agents, including, but not limited to, contacting the Company's agents, customers, employees (past, present or future to the extent you know them to be related to the Company), or using documents or other data obtained while in the employ of the Company, in a manner that interferes with or damages the Company's reputation, purpose, or employee relations.
7. Termination of Employment Agreement. It is agreed that effective December 1, 1996, the Employment And Non-Competition Agreement between you and the Company dated July 1, 1993, as well as the First Amendment thereto dated April 29, 1996 are hereby terminated and are of no further force and effect and shall be completely superseded and replaced by this letter.
8. Non-disclosure. From and after the date hereof, and except in connection with your consulting duties under Section 1, you shall not directly or indirectly, at any time from and after the date hereof, make any use of, exploit, disclose, or divulge to any other person, firm or corporation, any trade or business secret, customer or supplier information, documents, know-how, data, marketing information, method or means, or any other confidential or proprietary information (i.e., not already otherwise disseminated to or available to the public) concerning the business or policies of the Company, that you learned as a result of, in connection with, through your employment with, or through your affiliation with the Company.

9. Severability. Should any provision of this letter be held invalid or illegal, such illegality shall not invalidate the whole of this letter but rather, the letter shall be construed as if it did not contain the illegal part, and the rights and obligations of the parties shall be construed and enforced accordingly.
10. Merger Clause. This letter contains the complete understanding and agreement between the parties hereto and supersedes any and all prior and contemporaneous agreements, understandings, negotiations and discussions between the parties, oral or written, express or implied including but not limited to your Employment And Non-Competition Agreement referred to in Section 7.
11. Choice of Law. This letter has been executed in the Commonwealth of Pennsylvania and shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to its conflict of law rules.
12. Revocation. You have twenty-one (21) days within which to consider this letter. If you sign this letter, you will retain the right to revoke it for seven (7) days. To revoke this letter, you must send a certified letter to my attention. The letter must be postmarked within seven (7) days of your execution of this letter. If you elect to so revoke this letter, all of the terms and conditions hereof shall become void and of no further force or effect whatsoever.

December 17, 1996
Mr. Edward J. Sullivan, C.P.A.
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Ed, please indicate your agreement with this letter by signing and
dating this letter below where indicated and returning it to me.

Sincerely,

USA TECHNOLOGIES, INC.

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

George R. Jensen, Jr., Chief Executive Officer

UNDERSTOOD AND AGREED:

/s/ Edward J. Sullivan

EDWARD J. SULLIVAN

Date: December 17, 1996
