

Registration No. 33-

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

7359

23-2679963

(State or other
jurisdiction of
incorporation or
organization)

(Primary Standard Industrial
Classification Code Number)

(I.R.S. employer
Identification No.)

1265 Drummers Lane, Suite 306
Wayne, Pennsylvania 19087
(Address of principal executive offices and zip code)

George R. Jensen, Jr.
Chief Executive Officer
USA Technologies, Inc.
1265 Drummers Lane, Suite 306
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
1760 Market Street, Suite 1300
Philadelphia, PA 19103-4132
(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: [X]

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

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

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

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CALCULATION OF REGISTRATION FEE

Title of each class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, no par value	5,200,000 shares	\$.50	\$ 2,600,000	\$ 896.55

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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.

USA TECHNOLOGIES, INC.

COMMON STOCK

This Prospectus relates to up to 5,200,000 shares of Common Stock, no par value (the "Common Stock"), of USA Technologies, Inc. (the "Company") which may be sold from time to time by the shareholders of the Company (the "Selling Shareholders") who purchased 1996 Common Stock Purchase Warrants (the "1996 Warrants") from the Company. The 1996 Warrants were issued pursuant to a warrant agreement dated as of May 1, 1996, by and between the Company and American Stock Transfer & Trust Company, the warrant agent (the "1996 Warrant Agreement").

The Common Stock which may be sold by the Selling Shareholders pursuant to this Prospectus will be purchased from the Company by the Selling Shareholders pursuant to the exercise of the 1996 Warrants. The Company issued 5,200,000 1996 Warrants to the Selling Shareholders in May 1996 pursuant to the 1996 Warrant Agreement in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the "Act"), and applicable state securities law. Each 1996 Warrant entitles the holder thereof to purchase one share of Common Stock for \$.40 through December 31, 1996, and for \$.50 at any time thereafter through May 31, 2001. The exercise price of the 1996 Warrants may be reduced by the Company at any time, or from time to time. The 1996 Warrants are exercisable at any time through May 31, 2001, or such later date as the Company may determine. The Company agreed, at its cost and expense, to register under the Act the Common Stock underlying the 1996 Warrants for resale by the Selling Shareholders, and to register or qualify such Common Stock under applicable state securities laws. See "Description of Securities - 1996 Common Stock Purchase Warrants." The Common Stock may be sold from time to time by the Selling Shareholders named herein pursuant to this Prospectus. See "Selling Shareholders".

As a condition to obtaining the Common Stock being offered hereby, the Selling Shareholders must exercise the 1996 Warrants by tendering the per share exercise price required under the 1996 Warrant Agreement. In the event all 5,200,000 1996 Warrants are exercised at \$.50, the Company would receive gross proceeds of \$2,600,000. In the event all 5,200,000 1996 Warrants are exercised at \$.40, the Company would receive gross proceeds of \$2,080,000. There is no assurance that any or all of the 1996 Warrants will be exercised by the Selling Shareholders, and if none of the 1996 Warrants are exercised, the Company would not receive any gross proceeds. The Company is responsible for all of the costs and expenses incident to the offer and sale of the Common Stock by the Selling Shareholders pursuant to this Prospectus other than any brokerage fees or commissions incurred by the Selling Shareholders.

in connection therewith.

The Common Stock offered by the Selling Shareholders pursuant to this Prospectus may be sold from time to time by the Selling Shareholders. The sale of the Common Stock offered hereby by the Selling Shareholders may be effected in one or more transactions that may take place on the over-the-counter market, including ordinary brokers' transactions, privately negotiated transactions or through sales to one or more dealers for resale of such securities as principals. Usual and customary or specifically negotiated brokerage fees or commissions may be paid by the Selling Shareholders.

The Company will not receive any of the proceeds from the sale of the Common Stock by the Selling Shareholders. The Selling Shareholders will receive all of the net proceeds from the sale of the Common Stock and will pay all selling commissions, if any, applicable to the sale of the Common Stock.

See "Risk Factors" on page 3 of this Prospectus for a discussion of certain factors that should be considered by prospective investors in the Common Stock offered hereby.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is August __ , 1996.

AVAILABLE INFORMATION

The Company has filed a registration statement on Form SB-2 (together with any amendments thereto, the "Registration Statement") with the Securities and Exchange Commission (the "Commission") under the Act with respect to the Common Stock. This Prospectus, which constitutes a part of the Registration Statement, omits certain information contained in the Registration Statement and reference is made to the Registration Statement and the exhibits and schedules thereto for further information with respect to the Company and the Common Stock. Statements contained in this Prospectus as to the contents of certain documents filed with, or incorporated by reference in the Registration Statement are not necessarily complete, and in each instance reference is made to such document, each such statement being qualified in all respects by such reference.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the Commission. Such reports, and other information filed by the Company can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's Regional Offices located at 7 World Trade Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can also be obtained at prescribed rates from the Public Reference Section of the Commission, Washington, D.C. 20549.

The Company 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., 3 Glenhardie Corporate Center, 1265 Drummers Lane, Suite 306, Wayne, Pennsylvania 19087, Attn: Edward J. Sullivan, Chief Financial Officer (telephone (610) 989-0340).

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

PROSPECTUS SUMMARY

The following information does not purport to be complete and is qualified in its entirety by and should be read in conjunction with the more detailed information and Financial Statements, including the notes thereto, appearing elsewhere in this Prospectus. Prospective investors should consider carefully the factors discussed below under "Risk Factors".

The Company

USA Technologies, Inc., a Pennsylvania corporation (the "Company"), was founded in January 1992. The Company is in the development stage and intends to become the leading owner and licensor of unattended, credit card activated control systems for the vending, copying, debit card and personal computer industries. The Company's devices make available credit card payment technology in connection with the sale of a variety of products and services. The Company anticipates generating its revenues primarily from retaining a portion of the revenues generated from all credit card transactions conducted through its devices.

The Company has developed a credit card activated control system for vending machines known as the Credit Card Vending Express™, a credit card activated control system to be utilized with photocopying machines and computer printers known as the Credit Card Copy Express™, and a credit card activated control system to be utilized with debit card purchase/revalue stations known as the Credit Card Debit Express™. The devices allow consumers to use credit cards to pay for these products and services.

The Company has also developed the Credit Card Computer Express™ which is an unattended, credit card activated control system to be used in connection with general use of a personal computer, as well as for the use of on-line services, including the Internet, and for the use of a laser printer. This product enables locations such as public libraries to offer the use of personal computers to the public on an "as needed" basis utilizing credit cards as a method of payment. The Company has entered into a strategic alliance with Dell Computer Corporation in connection with the Credit Card Computer Express™. See "Business - Credit Card Computer Express™."

As of June 30, 1996, the Company has installed at commercial locations a total of 130 devices and revenues have been nominal. See "Business". Substantially all of these customers are university or public libraries.

The Company's executive offices are located at 3 Glenhardie Corporate Center, Suite 306, 1265 Drummers Lane, Wayne, Pennsylvania 19087, and its telephone number is (610) 989-0340.

Description Of The Securities

Issuer	USA Technologies, Inc.
Securities Offered	Up to 5,200,000 shares of Common Stock by the Selling Shareholders. See "Selling Shareholders."
Common Stock Outstanding as of June 30, 1996	23,023,976 shares. On a fully converted basis, there would be 42,949,016 shares outstanding consisting of 3,592,300 shares issuable upon exercise of outstanding options and purchase rights, 5,200,000 shares issuable upon exercise of the 1996 Warrants, 1,414,000 shares issuable upon the exercise of the outstanding 1995 Warrants, 7,960,250 shares issuable upon conversion of the Preferred Stock, and 1,758,490 shares issuable upon conversion of accrued and unpaid dividends on the Preferred Stock. An additional \$597,019 of dividends will accrue on August 1, 1996 which would be convertible into 597,019 shares of Common Stock.
Preferred Stock Outstanding as of June 30, 1996	796,025 shares. Each share of Series A Convertible Preferred Stock, no par value, of the Company ("Preferred Stock") is convertible by the holder thereof at any time into 10 shares of Common Stock. The outstanding shares of Preferred Stock are convertible into 7,960,250 shares of Common Stock. At the time of conversion, all accrued and unpaid dividends are converted into Common Stock at the rate of \$1.00 per share of Common Stock. See

"Description of Securities - Series A Convertible Preferred Stock."

Common Stock OTC Bulletin Board Symbol

USTX

Use of Proceeds.

The Company will receive no cash proceeds from the sale of the Common Stock being offered by the Selling Shareholders hereby. The Company would, however, receive \$.40 per 1996 Warrant exercised by the Selling Shareholders on or before December 31, 1996, and \$.50 per 1996 Warrant exercised by the Selling Shareholders thereafter (or such lower exercise price as the Company may determine). There is no assurance that any or all of the 1996 Warrants will be exercised by the Selling Shareholders, and if none of the 1996 Warrants are exercised, the Company would not receive any gross proceeds. The Selling Shareholders will receive all of the net proceeds from the sale of the Common Stock. The Company expects to incur expenses of approximately \$40,000 in connection with the registration of the 1996 Warrants. See "Description of Securities - 1996 Common Stock Purchase Warrants."

RISK FACTORS

The securities described herein are speculative and involve a high degree of risk. Each prospective investor in the Common Stock should carefully consider the following risk factors inherent in and affecting the business of the Company and the Common Stock before investing in the Common Stock.

1. Development Stage Company; Limited Operating History; Significant Cumulative Operating Losses. Since its founding in January 1992, the Company has been in the development stage and has been engaged almost exclusively in research and development activities focused on designing, developing, and marketing its credit card activated control systems. From inception through June 30, 1996 the Company has generated funds primarily through the sales of its securities and unless and until the Company generates sufficient revenues from operations, its existence may be dependent on the ability to continue to raise capital. See "Financial Statements." The Company installed its first product, the Golfer's Oasis™ in June 1994. This product line did not achieve the anticipated market acceptance and was also very capital intensive. There are currently only 2 units in operation and net revenues through June 30, 1996 were nominal. The Credit Card Copy Express™ was first installed in January 1995, and as of June 1996, there were only 77 units in operation and net revenues therefrom were nominal. The Credit Card Vending Express™ was first installed in March 1995, and as of June 30, 1996 there were only 6 units in operation and net revenues were nominal. The Company's Credit Card Debit Express™ was first installed in April 1995, and as of June 30, 1996, there were only 24 units in operation and net revenues were nominal. The Credit Card Computer Express™ was first installed in April 1996, and as of June 30, 1996, there were only 21 units in operation and net revenues were nominal.

For its fiscal years ended June 30, 1994, and June 30, 1995, the Company incurred operating losses of \$1,244,117 and \$1,645,750, respectively. For the nine months ended March 31, 1996, the Company incurred an operating loss of \$1,696,410. From its inception on January 16, 1992 through March 31, 1996, the Company has incurred operating losses of \$5,487,672. The Company anticipates that for the three months ended June 30, 1996, it will incur an operating loss of approximately \$600,000. Such operating losses are anticipated to continue into fiscal 1997. See "Management's Discussion And Analysis of Financial Condition And Results of Operations."

As of June 30, 1996, the Company's products have been installed at only 130 locations and net revenues have been nominal. Accordingly, the Company has an extremely limited operating history upon which an evaluation of the Company's prospects can be made. Such prospects must be considered in light of the risks, expenses and difficulties frequently encountered in the establishment of a new business as well as the risks, expenses and difficulties encountered by a development stage company. There is currently no basis upon which to assume that the Company's business will prove financially profitable or generate more than nominal operating revenues, and if not, investors may lose all or a substantial portion of their investment.

2. Dependence Upon Key Personnel. The Company is dependent on certain key management personnel, particularly its President and Chief Executive Officer, George R. Jensen, Jr. The loss of services of Mr. Jensen or other executive officers would have a material adverse effect upon the Company's business. The Company has entered into an employment agreement with Mr. Jensen that expires in June 1997 and one-year employment agreements with the other executive officers each of which contain non-compete agreements. The Company has 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 its Vice President-Research and Development, Haven Brock Kolls, Jr. The Company does not have and does not presently intend to obtain key man life insurance coverage on any of its other executive officers.

3. Uncertainty of New Product Development; Unproven Commercial Viability. While a number of products or services such as gasoline, prepaid telephone cards, public telephones, vending machines, tickets and facsimile machines, are currently provided through unattended, credit card activated terminals, the commercial viability of the use of an unattended, credit card activated control system in connection with the use of copiers and personal computers has not been established. Although commercial production and installation of the Company's products has commenced on a very limited basis, there can be no assurance that the Company's products will be successful or become profitable. Likewise, there can be no assurance that the demand for the Company's products will be sufficient to enable the Company to become profitable. In any such event, investors may lose all or substantially all of their investment in the Company.

4. Dependence on Proprietary Technology; Patent Issues. The Company's success is dependent in part on its ability to obtain patent protection for its products, maintain trade secret protection and operate without infringing the proprietary rights of others. To date, the Company has filed seven patent applications, and intends to file applications for additional patents covering its future products. There can be no assurance that any of the patent applications will be granted, that the Company will develop additional products that are patentable or do not infringe the patents of others, or that any patents issued to the Company will provide the Company with any competitive advantages or adequate protection for its products. In addition, there can be no assurance that any patents issued to the Company will not be challenged, invalidated or circumvented by others. If any of the Company's products is found to have infringed any patent, there can be no assurance that the Company will be able to obtain licenses to continue to manufacture and license such product or that the Company will not have to pay damages as a result of such infringement. Even if a patent application is granted for any of the Company's products, there can be no assurance that the patented technology will be a commercial success or result in any profits to the Company.

5. Competition. The Company is not aware of any other business competing in the areas of unattended, credit card activated control systems for use in connection with copiers or personal computers. However, the businesses which have developed unattended, credit card activated control systems currently used in connection with gasoline dispensing, public telephones, ticket dispensing machines, prepaid telephone cards, 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 one business which has developed an unattended, credit card activated device for vending machines. Any such increased competition may result in lower percentages of gross revenues being retained by the Company in connection with its devices, or otherwise may reduce potential profits or result in a loss of some or all of its customer base.

6. Dependence on Third-Party Suppliers. The Company is dependent on third-party suppliers for the various component parts of its products. Although the Company believes there are alternative sources for these component parts, the failure of such suppliers to supply such component parts or the absence of readily available alternative sources could have a material adverse effect on the Company, including delaying the implementation of the Company's business plan to achieve profitability. The Company does not have supply contracts with any of such third-party suppliers and intends to purchase components pursuant to purchase orders placed from time to time. See "Business-Procurement".

7. Cash Dividends Not Likely. There can be no assurance that the proposed operations of the Company will result in significant revenues or any level of profitability. Any earnings which may be generated by the Company would be used, for the foreseeable future, to finance the growth of the Company's business. Accordingly, while payment of dividends rests within the discretion of the Board of Directors, no cash dividends on the Common Stock have been declared or paid by the Company to date, and the Company does not presently intend to pay cash dividends on the Common Stock for the foreseeable future. Although the Company paid a special stock dividend in August 1995 consisting of 3 shares of Common Stock for each share of outstanding Preferred Stock, there can be no assurance that cash dividends will ever be paid on the Common Stock. See "Description of Securities-Series A Convertible Preferred Stock." The Articles of Incorporation of the Company prohibit the declaration of any dividends on the Common Stock unless and until all unpaid and accumulated dividends on the Preferred Stock have been declared and paid. Through June 30, 1996, the unpaid and cumulative dividends on the Preferred Stock equal \$1,758,490. On August 1, 1996 this amount will increase by \$597,019. See "Description of Securities- Series A Convertible Preferred Stock."

8. Need For Market Acceptance; Location Risk. There can be no assurance that demand for the Company's products will be sufficient to enable the Company to become profitable. Likewise, no assurance can be given that the Company will be able to install the credit card activated control systems at enough locations to achieve significant revenues or that its operations can be conducted profitably. As of June 30, 1996, the Company's products have been installed at only 130 locations and revenues have been nominal. Alternatively, the locations which would utilize the control systems may not be successful locations. In such event, the revenues of the Company would be adversely affected. The Company may in the future lose locations utilizing its products to competitors, or may not be able to install its products at its competitor's locations.

9. No Assurance of Active Public Market. The Common Stock is currently traded on the OTC Electronic Bulletin Board. Although there is limited trading in the Common Stock, there is no established trading market therefore. Unless and until there is an established trading market for the Common Stock, holders of the Common Stock could find it difficult to dispose of, or to obtain accurate quotations as to the price of, the Common Stock. See "Description of Securities - Shares Eligible For Future Sale" and "Market For Common Stock."

10. Risks of Low-Priced Stocks. The Common Stock is subject to the so-called penny stock rules that impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally defined as an investor with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with a spouse). For transactions covered by this rule, the broker-dealer must make a special suitability determination for the purchaser and must have received the purchaser's written consent to the transaction prior to sale. These regulations may adversely affect the ability of broker-dealers to sell the Common Stock.

The Commission has adopted regulations that define a penny stock to be any equity security that has a market price (as defined) of less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the transaction, of a disclosure schedule relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer's

presumed control over the market.

As of the date hereof, the Common Stock qualifies as a penny stock and is subject to the above regulations. The above regulations could adversely affect the market liquidity for the Common Stock and could limit the ability of broker-dealers to sell the Common Stock as well as the ability of holders of the Common Stock to sell the Common Stock in the secondary market.

11. Charge to Income in the Event of Release of Escrow Shares. If the Company attains certain earning thresholds or the Company's Common Stock attains certain prices required for the release of certain shares of Common Stock currently held in escrow and which are subject to cancellation, such release will require the Company to recognize additional compensation expense. In the event such shares are released, they will be considered outstanding for purposes of calculating per share information concerning the Company. Accordingly, the Company will, in the event of the release of such Common Stock, recognize during the period in which the earning thresholds are met or such per share prices obtained, what could be a substantial charge that would have the effect of substantially increasing the Company's loss or reducing or eliminating earnings, if any, at such time. Such charge will not be deductible for income tax purposes. Although the amount of compensation expense recognized by the Company will not affect the Company's total Shareholders' equity or cash flow, it may have a depressive effect on the market price of the Company's securities. If the required earnings threshold was achieved at March 31, 1996, or the Company's Common Stock attained certain prices required for the release of the escrowed shares for a 30-day period during the nine months ended March 31, 1996, the compensatory charge to the Company's operations during the nine months ended March 31, 1996 would have been \$2,837,250 (assuming the fair market value approximated \$.65 per share on March 31, 1996). This charge would not have affected the Company's cash flow or total Shareholders' equity. The net loss per share of Common Stock would have been (\$.37). See "Principal Shareholders - Escrow and Cancellation Arrangements."

USE OF PROCEEDS

The Company will not receive any of the proceeds from the sales of the Common Stock by the Selling Shareholders. See "Selling Shareholders" for a list of those Shareholders entitled to receive proceeds from the sales of the Common Stock. The Company would, however, receive \$.40 through December 31, 1996 and \$.50 thereafter (or such lower exercise price as the Company may determine) upon the exercise of each 1996 Warrant by a Selling Shareholder. There is no assurance that any or all of the 1996 Warrants will be exercised by the Selling Shareholders. The Selling Shareholders will receive all of the net proceeds from the sale of the Common Stock pursuant to this Prospectus. The Company expects to incur costs of approximately \$40,000 in connection with the registration of the 1996 warrants. See "Description of Securities - 1996 Common Stock Purchase Warrants."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

Since January 1992, the Company, a development stage corporation, has been engaged almost exclusively in research and development activities focused on designing, developing, and marketing its unattended, credit card activated control systems. From inception through March 31, 1996, the Company has had nominal operating revenues and has generated funds primarily through the sale of its securities. The Company has incurred operating losses since its inception, resulting in an accumulated deficit of \$6,499,230 at March 31, 1996 and such losses are expected to continue into fiscal 1997.

Results of Operations

Fiscal Year Ended June 30, 1995. For the fiscal year ended June 30, 1995, the Company had a net loss of \$1,645,750. Overall this loss reflects the continuing development stage activities of the Company including the costs associated with the de-emphasis of the Golfer's Oasis™ product line. The Company's Preferred Stock provides for an annual cumulative dividend of \$1.50 per share payable to the shareholders of record on February 1 and August 1 each year as declared by the Company's Board of Directors. In addition, in August 1995 the Company paid a special stock dividend of 3 shares of Common Stock for each share of Preferred Stock issued and outstanding on August 1, 1995, consisting of an aggregate of 1,908,600 shares of Common Stock. The \$2,149,624 loss applicable to common shares or \$.19 loss per common share was derived by adding the \$1,645,750 net loss and the \$503,784 of cumulative preferred dividends for the year ending June 30, 1995 and dividing by the weighted average shares outstanding.

Revenues for the fiscal year ended June 30, 1995 remained at a nominal level reflecting the disappointing performance of the Golfer's Oasis™ and the slower than anticipated introduction of the Credit Card Copy Express™ product line. Expenses for the fiscal year ended June 30, 1995 were \$1,667,998, representing a \$413,914 or 33% increase over the prior year. The primary contributors to this increase were general and administrative expense and a provision for loss on obsolete equipment.

General and administrative expense of \$653,693 increased sharply by \$314,689 which reflects both a general increase in spending to support the expansion of operations as well as several non-operational factors. Specifically, the major contributors to this increase were (a) \$120,000 increase in consulting fees which includes a non-recurring charge of \$99,750 for the non-cash compensation expense associated with the 150,000 shares of Common Stock issued to an outside consultant, (b) \$47,000 increase in rent, which includes a non-recurring charge of \$44,000 for the planned lease termination for the Jacksonville facility, (c) 25,000 increase in equipment rental expense associated with the Jacksonville location, (d) \$69,000 increase in professional fees due to legal, accounting, and public relations activities, (e) increase of \$12,000 in telephone expense, and (f) an increase of \$12,000 in postage.

Compensation expense remained level with the prior year. At year end the Company had thirteen full time employees representing a net addition of only one. However the composition of the staff has shifted in support of the new product development.

A provision for losses on obsolete equipment of \$148,615 was recorded to reflect the Company's decision to deemphasize the Golfer's Oasis™ product line. It is management's opinion that the new products already developed represent a better utilization of the Company's resources and will yield returns higher than the capital intensive Golfer's Oasis™. All of the software and technology related to this control system has been incorporated into and will be marketed under the Credit Card Vending Express™ line. This charge to expense represents the cost of liquidating the machines, parts, and components in excess of the Company's current requirements.

Advertising and interest expense were both level with the prior year. The majority of the interest expense, however, is related to the Company's initial public offering which closed in February 1995 and therefore will not continue. Research and development expense decreased significantly in 1995 by \$73,125 primarily due to the transition of projects from outside contracts to in-house personnel which is accounted for under Compensation. Depreciation increased by \$7,410 as a function of the increased asset base.

Fiscal Quarter And Nine Months Ended March 31, 1996. The fiscal quarter ended March 31, 1996 resulted in a net loss of \$627,376 or \$.07 loss per common share. This contrasts to a net loss of \$299,546 or \$.05 loss per common share for the comparable fiscal quarter ended March 31, 1995. A significant portion of this increased loss is due to a \$183,000 charge to expense to reflect the issuance of 300,000 shares of Common Stock, at market value, to an outside consultant for services performed. Overall these continuing losses reflect the development stage nature of the Company. Losses are projected to continue until sufficient revenue is generated from various applications of the Company's proprietary technology.

Revenue from operations was \$13,419, compared to \$2,036 from the previous year's fiscal quarter and remains level with the immediately preceding quarter ended December 31, 1995. However revenue is still well below the level required to be profitable.

Expenses for the period were \$646,004 which represents an increase over the prior year of \$343,146 or 113%, and is due primarily to the change noted above for consulting services.

Compensation increased by \$30,280 or 18% over the prior year which is attributable to increased staffing primarily in the marketing function as the Company prepares for the introduction of its credit card activated personal computer.

General and administration expenses also increased by \$291,674 or 250%. The major contributors to this increase were in the areas of professional fees (\$30,707), and travel expense (\$27,238).

Research and development expense was also up by \$29,709 due to the increased number and pace of application projects.

For the nine month period ended March 31, 1996, the net operating loss was \$1,696,410 compared to last years quarter of \$1,005,654, representing a 69% increase and reflecting the accelerated level of operations. Revenue from operations of \$61,565 for the period compared to last years \$7,383, while a significant increase, remains well below breakdown requirements. Compensation increased 30% and general and administrative expense was up 159% while interest expense was favorably impacted by the elimination of the interest paid the previous period to investors in the Company's initial public offering.

Preliminary Results for the Quarter Ended June 30, 1996

The Company continued to incur losses during the quarter ended June 30, 1996 of approximately \$600,000 and generated nominal revenues.

Plan of Operations

As of March 31, 1996 the Company's installation base consisted of the following: Credit Card Copy Express™ 84, Credit Card Debit Express™ 19, Credit Card Vending Express™ 11, and the Credit Card Computer Express™ 9 (all of which are test sites) for a total of 123 control system units. It is the Company's intention to build the installation base to the break even level as quickly as possible.

The Credit Card Computer Express™ or C3XTM, will enable libraries and service establishments to offer state of the art computer technology, such as access to the Internet, as well as the capability of charging users via credit card for usage of the equipment.

The Credit Card Debit Express™ will enable consumers to transfer value from their credit card to their stored value debit card. This stored value card is typically used in connection with copy machines in university libraries. The Company generally retains 15% of the gross revenues from these devices. See "Business - Credit Card Debit Express."

In spite of the de-emphasis of the Golfer's Oasis™ product line, the control technology developed can be utilized in other areas of the vending industry. It is the Company's intention to pursue these alternatives under the Credit Card Vending Express™ trademark.

The Company is utilizing its direct sales force to market the control systems to university and public libraries.

Liquidity and Capital Resources

The Company commenced a private placement offering on June 21, 1995 which was closed on a fully subscribed basis on July 31, 1995 and generated net proceeds of \$1,647,567. On March 31, 1996 the Company had cash on hand of \$414,551. Management believes that such cash balance together with the net proceeds of the private placement offering which closed in May 1996 of \$1,249,264, and the gross proceeds of \$1,105,800 obtained by the Company from the exercise of the 1995 Warrants through June 30, 1996, will enable the Company to be sufficiently capitalized through June 30, 1997.

During the fiscal year ended June 30, 1995, net cash of \$1,353,741 was used by operating activities (primarily compensation and general and administrative expense). Net cash used by investing activities resulted from the purchase of property and equipment of \$213,370. The net cash provided by financing activities of \$1,499,091 was principally due to the net proceeds generated from the issuance of Common Stock and Preferred Stock of \$1,512,183.

During the nine months ended March 31, 1996, net cash of \$1,323,607 was used by operating activities (principally compensation and general and administrative expenses). Net investing activities of \$394,511 were principally due to the purchase of equipment of \$445,511, net of proceeds from the sale of equipment of \$51,000. The net cash provided by financing activities of \$1,756,478 was principally due to the net proceeds generated from the issuance of Common Stock and Preferred Stock of \$1,763,585.

BUSINESS

USA Technologies, Inc., a Pennsylvania corporation (the "Company"), was founded in January 1992. The Company is in the development stage and intends to become the leading owner and licensor of unattended, credit card activated control systems for the vending, copying, debit card and personal computer industries.

The Company's devices make available credit card payment technology in connection with the sale of a variety of products and services. The Company anticipates generating its revenues primarily from retaining a portion of the revenues generated from all credit card transactions conducted through its devices.

The Company has developed an unattended, credit card activated control system for vending machines known as the Credit Card Vending Express™, an unattended, credit card activated control system to be utilized with photocopying machines and computer printers known as the Credit Card Copy Express™, and an unattended, credit card activated control system to be used in connection with debit card purchase/revalue stations known as the Credit Card Debit Express™. The devices allow consumers to use credit cards to pay for those products and services.

The Company has also developed the Credit Card Computer Express™ which is an unattended, credit card activated control system to be used in connection with general use of a personal computer, as well as for the use of on-line services, including the Internet, and for the use of a laser printer. This product enables locations such as public libraries to offer the use of personal computers to the public on an "as needed" basis utilizing credit cards as a method of payment.

In February 1996, the Company entered into an agreement with Dell Marketing, L.P., a subsidiary of Dell Computer Corporation ("Dell"), pursuant to which the Company was appointed as a Dell authorized "Remarketer/Integrator". Dell is one of the leading manufacturers of personal computers and other related computer products in the world. Pursuant to the agreement, Dell will manufacture Dell computers containing the Company's C3X™ credit card activated control system. These products will be sold to the Company by Dell either for resale by the Company to its customers or for licensing by the Company to its customers. The Company is entitled to a discount off of the list price of the Dell products being purchased from Dell. Dell may ship the complete computer system (including the integrated C3X™ control system) directly to the Company's customer on a COD basis and remit the applicable discount to the Company. The agreement has an initial term of one year and is cancelable by either party upon thirty days notice. Through June 30, 1996, the Company ordered 25 computer systems from Dell.

For the year ended June 30, 1994 and 1995, the Company has spent approximately \$163,000 and \$130,000, respectively for the development of its proprietary technology. In the year ended June 30, 1995, these amounts include the expense of outside consultants and contractors (approximately \$45,000) as well as compensation paid to the Company's employees (approximately \$85,000) and included in Compensation in the accompanying financial statements.

The Company has been certified by First Data Corp., the leading credit card processor in the United States. First Data has extended to the Company a fixed rate percentage processing charge in connection with the credit card transactions conducted through the Company's products. This charge is paid by the Company out of its share of the gross proceeds. See "Business-Credit Card Processing." Each credit card activated control device records and transmits all transaction data to the Company, and the Company then forwards such data to the credit card processor. After receiving transaction information from the Company, the credit card processor electronically transfers the funds to the Company's bank account. The Company then forwards to the location utilizing the Company's control system its share of the funds.

As of June 30, 1996, the Company had 77 Credit Card Copy Express™ control systems, 24 Credit Card Debit Express™ control systems, and 21 Credit Card Computer Express™ control systems at the following commercial locations: Adams State College, Anaheim Public Library, Boston College, Boston Law School, Bradley University Library, Bucks County Community College, Central Arkansas Library System, Clarkson University, Cleveland State University, Colgate University, Denver Public Library, Drexel University, Georgetown University Law Library, Library of Congress, Loyola University Medical School, Michigan State University, Nanuet Public Library, New England Law Library, Nova Southeastern University, Ohio University, Penn State University, Philadelphia College of Pharmacy & Science, Princeton University, San Francisco Public Library, Temple Law Library, University of Arkansas Law Library, University of Chicago, University of the District of Columbia, University of Georgia, University of Houston, University of Maine, University of Maryland, University of Pittsburgh, University of Tennessee, University of Texas, University of Wisconsin, Upper Merion Public Library, Villanova University, and William Jeanes Memorial Library. Through June 30, 1996 the total gross revenues received by the Company from these systems has been nominal.

The Company has licensed its Credit Card Vending Express™ technology to an apparel manufacturer to be used in connection with the sale from vending machines of T-shirts, windbreakers, and tote bags, and has also licensed this technology to two golf courses. In July 1996, the licensing arrangement with the apparel manufacturer was terminated by the apparel manufacturer effective September 30, 1996. At June 30, 1996, there were 8 Credit Card Vending Express™ control systems in operation and the gross revenues to the Company from those machines has been nominal.

Credit Card Processing

Each of the Company's credit card activated control devices records and transmits all transaction data to the Company, and the Company then forwards such data to the credit card processor. After receiving transaction information from the Company, the credit card processor electronically transfers the funds (less the credit card processor's charge) to the Company. The Company then forwards to the location its share of the funds.

The Company and each location have agreed on a percentage split of the gross proceeds from the Company's device. The credit card processor's fees and cost to forward the location's share of the gross proceeds are all paid for out of the Company's portion of the gross revenue.

In connection with its Credit Card Copy Express™, the Company is currently retaining 15 to 30% of the gross revenues from each device. The Company anticipates retaining approximately 90% of the gross revenues where it licenses the Credit Card Computer Express™ complete system to a location and 20% of the gross revenues where the Company sells a complete system to a location or where the Company licenses only the C3X™ control system to a location for use in connection with existing computer equipment.

Industry Trends

With trends over the last twenty years indicating an ever increasing customer reliance on the use of credit cards as a method of payment, the Company believes the future of purchasing products and services is in credit cards rather than cash. There are approximately eight hundred million credit cards issued in the United States. The Company has focused its efforts towards developing unattended, credit card activated control systems for use in the vending, copier, debit card and personal computer industries.

The Credit Card Vending Express™

According to the Vending Times, Census of the Industry, vending sales in the United States have increased from approximately \$14.8 billion in 1983 to approximately \$29.3 billion in 1994.

The Company believes that operators have become increasingly aware of the economic gains to be realized by selling higher priced items from a vending machine. Selling higher priced products from a vending machine is difficult using a coin and dollar bill based system. These difficulties include handling increased amounts of cash as well as collecting, counting, changing and depositing the cash.

The Company has developed a credit card activated control system to be used in connection with vending machines known as the Credit Card Vending Express™. This product allows owner/operators of vending machines to sell higher priced items from one or more vending machines. Using a valid credit card, the customer swipes his or her credit card to activate the equipment which could offer items without limitation as to price. The Company's device makes the vending machines operable 24 hour per day, 365 days per year and eliminates the need for cash.

The Credit Card Copy Express™

Traditionally, customers wishing to use a photocopying machine have either used a prepaid, stored value card or cash. In most circumstances, this places a burden on employees of the facility to provide a number of services unrelated to their primary jobs, such as providing change, coin collecting, coin counting and coin reloading. With the Credit Card Copy Express™, the attendant no longer needs to interact with the customers for these purposes.

The Credit Card Copy Express™ provides a cashless method to pay for the use of photocopying machines. The device is attached to the photocopying machine, computer printer, or microfilm/fiche printer in a similar manner as attaching a standard coin acceptor. The device can be attached to either existing or new equipment. The control system enables customers to photocopy documents with the use of a credit card.

The Credit Card Debit Express™

Many "closed" environments such as universities utilize a private card system to store cash value known as a debit or "stored value" card. The system works by encouraging customers to transfer lump sum cash values onto a magnetic stripe or imbedded chip card that can be used to activate equipment within the closed environment. As the cardholder uses the card to purchase products or services the cash value is deducted from the total value on the card.

The Company's Credit Card Debit Express™ enables customers to purchase or revalue their debit cards with a credit card and eliminates the need for cash or for an attendant to handle cash, provide change or process credit card transactions. The Credit Card Debit Express™ eliminates any reliance on cash by allowing customers to use a credit card to purchase or place additional value on a debit card.

The Company's product is presently being used with debit card machines in university libraries. Such debit cards are used for the copy machines located in the library. The Company generally retains 15% of the gross revenues from the devices.

The Credit Card Computer Express™

The Company believes that the growing dependence on personal computers has created an environment where there is a need for access to personal computers by the general public on an "as needed" basis. To meet this need, the Company has developed the Credit Card Computer Express™. Through June 30, 1996, the Company's system is in commercial use at 21 locations, substantially all of which are public libraries. The device enables the public to utilize personal computers and/or the services they offer on an "as-needed" basis. The system is designed so that the computer could not be used until a valid credit card is swiped through the control system. Once the user is authorized to proceed, the system would charge for time in use, printed output, and any modem activity.

The Company could either sell the C3X™ control device to locations which already have personal computers, or alternatively, either license or sell to the location a Credit Card Computer Express™ complete system. If the complete system is purchased by the location from the Company, the Company anticipates retaining 20% of the gross revenues, or if the complete system is purchased by the Company and licensed to the location, the Company anticipates retaining approximately 90% of the gross revenues.

During February 1996, the Company entered into an agreement with Dell Marketing, L.P., a subsidiary of Dell Computer Corporation ("Dell"), pursuant to which the Company was appointed as a Dell authorized "Remarketer/Integrator." Dell is one of the leading manufacturers of personal computers and other related computer products in the world. Pursuant to the agreement, Dell will manufacture Dell computers containing the Company's C3X™ credit card activated control system. See "Business Procurement." These products will be sold to the Company by Dell either for resale by the Company to its customers or for licensing by the Company to its customers. The Company is entitled to a discount off of the list price of the Dell products being purchased from Dell. Dell may ship the complete computer system (including the integrated C3X™ control device) directly to the Company's customer on a COD basis and remit the applicable discount to the Company. The agreement has initial term of one year and is cancelable by either party upon thirty days notice. Through June 30, 1996, the Company ordered 25 computer systems from Dell.

The initial customer base to be targeted by the Company for the Credit Card Computer Express™ is public and university libraries. The Company believes that the personal computer is becoming an integral part of how library patrons access and utilize the information available to them. The Company also believes that the majority of these libraries do not currently offer general use personal computers to their patrons. The Company will also pursue print shops, cyber cafes, hotels, airports, convention and conference centers, and various retail outlets as potential customers.

Marketing

The Company is currently marketing its products through its full-time sales staff consisting of six persons to university and public libraries, either directly or through facility management companies servicing these locations.

Procurement

The Company's control system devices consist of a card reader, printer, amplifier, circuit board and micro chip in a specially designed housing. The devices are currently manufactured to the Company's design specification by an independent contractor, LMC - Autotech Technologies, LP. The Company has recently contracted for the purchase of 250 control devices, for a total purchase price of \$143,000. Through June 30, 1996, 148 units have been delivered and \$85,000 has been included in accounts payable. The Company anticipates obtaining its complete computer systems (other than the C3XTM control system) from Dell pursuant to the agreement entered into with Dell.

Competition

The Company believes that there are currently no other businesses competing in the areas of unattended, credit card activated control systems for use in connection with copiers or personal computers. However, 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 one business which has developed an unattended, credit card activated control system to be used in connection with vending machines. Any such increased competition may result in 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. See "Risk Factors - Competition".

Patents, Trademarks and Proprietary Information

The Company has applied for federal registration of its trademarks Credit Card Printer ExpressTM, Credit Card Copy ExpressTM, Credit Card Debit ExpressTM, Credit Card Computer ExpressTM, and C3XTM.

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 or that others will not capitalize on certain of the Company's technology.

The Company has applied for seven United States letters patent and has applied for foreign letters patent in connection therewith. See "Risk Factors - Dependence on Proprietary Technology; Patent Issues."

Employees

The Company has sixteen full-time employees and two part-time employees.

Properties

The Company leases its principal executive offices, consisting of approximately 3400 square feet, at 3 Glenhardie Corporate Center, 1265 Drummers Lane, Suite 306, Wayne, Pennsylvania for a monthly rental of \$3,300. The lease expires on August 31, 1997. The Company also leases approximately 5,000 square feet of warehouse space in Jacksonville, Florida, for \$2,300 per month. The lease expires on April 30, 1997. It is the Company's intention to vacate or sublease this facility prior to the expiration date, and accordingly the Company has reserved an appropriate amount for the continuing expense.

Legal Proceedings

In January 1995, Norman H. Greenspun, a former officer and Director, commenced litigation against the Company and its Chief Executive Officer, in the Court of Common Pleas of Montgomery County, Pennsylvania. The complaint alleges that the plaintiff was subject to age discrimination in conjunction with the termination of his employment in violation of the Pennsylvania Human Relations Act. The complaint seeks unspecified damages in excess of \$100,000. In May 1996, the Court granted preliminary objections to the complaint, and dismissed the action against the Company's Chief Executive Officer and struck plaintiff's request for punitive damages and a jury trial against the Company. The Company believes that the action has no merit and intends to vigorously defend the action.

MANAGEMENT

Directors and Executive Officers

The Directors and executive officers of the Company, together with their ages and business backgrounds are as follows.

Name ----	Age ---	Position(s) Held -----
George R. Jensen, Jr.	47	President, Chief Executive Officer, Chairman of the Board of Directors
Stephen P. Herbert	34	Executive Vice President - Sales and Marketing, Director
Haven Brock Kolls, Jr.	30	Vice President - Research and Development
Keith L. Sterling	44	Executive Vice President - Operations, Secretary, Director
Edward J. Sullivan	46	Senior Vice President, Chief Financial Officer, Treasurer
Peter G. Kapourellos	75	Director
William W. Sellers	75	Director
Henry B. duPont Smith	35	Director
William L. Van Alen, Jr.	61	Director

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 the President, Chief Executive Officer, and Director of the Company since January 1992. Mr. Jensen is the founder, and 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 \$33 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 of the Company in April 1996, and joined the Company full-time on May 6, 1996. Prior to joining the Company and since 1986, Mr. Herbert had been employed by Pepsi-Cola, the beverage division of PepsiCo. 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 the Company 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. From 1984 to 1988, Mr. Kolls was employed as an electrical engineer. Mr. Kolls is a graduate of the University of Tennessee with a Bachelor of Science Degree in Engineering.

Keith L. Sterling joined the Company on a full-time basis as Executive Vice President-Operations and Secretary on July 1, 1993 and was elected to the Board of Directors on May 12, 1995. Mr. Sterling is part owner, and from October 1987 to July 1, 1993, was the Chief Executive Officer of Radnor Commonwealth Equities, Inc., a Washington, D.C. asset-based investment/consulting firm. He co-founded that firm in 1987. From 1980 to 1987, Mr Sterling held various positions with MHB Companies, Inc., a national investment-development company headquartered in Houston, Texas, including Executive Vice President. Mr. Sterling graduated with a Bachelor of Science degree in Economics from Susquehanna University.

Edward J. Sullivan joined the Company on a full-time basis as Senior Vice President, Chief Financial Officer and Treasurer on July 1, 1993. Prior thereto, and since 1990, he was President of Brian Edwards & Co., a consulting firm specializing in controllership services, cost containment, and expense reduction programs. From 1987 to 1990, Mr. Sullivan was Vice President, Group Controller of Pony Industries, Inc., a manufacturer supplying

the building products industry. Mr. Sullivan is a Certified Public Accountant and received a Bachelor of Science degree in Accounting from Villanova University.

Peter G. Kapourellos joined the Board of Directors of the Company in May 1993. Mr. Kapourellos has been a branch manager of Advantage Capital Corporation, a subsidiary of Primerica Corporation, since 1972. He has been a member of the Millionaire Production Club since 1972. Mr. Kapourellos is currently the Vice President for American Capital High Yield Bond Fund and of the American Capital Equity Income Fund, which are publicly traded mutual funds.

William W. Sellers joined the Board of Directors of the Company 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.

Henry B. duPont Smith joined the Board of Directors of the Company in May 1994. Since January 1992, Mr. Smith has been a Vice President of The Rittenhouse Trust Company and since September 1991 has been a Vice President of Rittenhouse Financial Services, Inc. From September 1991 to December 1992, he was a registered representative of Rittenhouse Financial Securities, Inc. Mr. Smith was an Assistant Vice President of Mellon Bank, N.A. from March 1988 to July 1991, and an investment officer of Provident National Bank from March 1985 to March 1988. Mr. Smith received a Bachelor of Arts degree in Accounting in 1984 from Franklin & Marshall College.

William L. Van Alen, Jr., joined the Board of Directors of the Company 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. Prior thereto, 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.

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, 1994, June 30, 1995 and June 30, 1996 to the individual acting in the capacity of Chief Executive Officer of the Company. No individual who was serving as an executive officer of the Company at the end of the fiscal years ended June 30, 1994, June 30, 1995 or June 30, 1996 received salary and bonus in excess of \$100,000 in any such fiscal year.

Summary Compensation Table

Name and Principal Position -----	Fiscal Year -----	Annual Compensation -----	
		Salary -----	Bonus -----
George R. Jensen, Jr., Chief Executive Officer, President	1996	\$90,000	\$0
	1995	\$90,000	\$0
	1994	\$90,000(1)	\$0

(1) During the 1994 fiscal year, Mr. Jensen actually received, in addition to his salary for the 1994 fiscal year, the amount of \$50,000 for accrued but unpaid salary attributable to the 1993 fiscal year.

Executive Employment Agreements

The Company has entered into a one year employment agreement with Mr. Jensen which expires June 30, 1997. The Agreement is automatically renewed from year to year unless canceled by Mr. Jensen or the Company. The agreement provides for an annual base salary of \$100,000 per year. 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 Company has entered into a one-year employment agreement with Mr. Herbert which expires on April 30, 1997. The agreement is automatically renewed from year to year thereafter unless canceled by Mr. Herbert or the Company. The Agreement provides for an annual base salary of \$90,000 per year, provided, that Mr. Herbert's base salary shall never be less than ninety percent of that of the Chief Executive Officer of the Company. 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.

Mr. Sterling has entered into a one-year employment agreement with the Company which expires on June 30, 1997. The agreement is automatically renewed from year to year thereafter unless cancelled by Mr. Sterling or the Company. The Agreement provides for an annual base salary of \$90,000 per year and provides that Mr Sterling is entitled to receive such bonus or bonuses as the Board of Directors may award to him. The agreement requires Mr. Sterling 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.

Mr. Sullivan has entered into a one-year employment agreement with the Company which expires on June 30, 1997. The agreement automatically renews from year to year unless canceled by the Company or Mr. Sullivan. The agreement provides for an annual base salary of \$80,000 and provides that Mr. Sullivan is entitled to receive such bonus or bonuses as may be awarded by the Board of Directors. The agreement requires Mr. Sullivan 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.

Mr. Kolls has entered into a one-year employment agreement with the Company which expires on April 30, 1997, and is automatically renewed from year to year thereafter unless canceled by Mr. Kolls or the Company. The agreement provides for an annual base salary of \$90,000 per year. 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.

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.

In April 1993, Messrs. Kapourellos and Sellers each purchased 100,000 shares of Common Stock from the Company at a purchase price of \$.001 per share. In June 1993, Mr. Van Alen purchased 100,000 shares of Common Stock from the Company at a purchase price of \$.001 per share.

In July 1993, the Company issued to each of Messrs. Kapourellos, Sellers, and Van Alen fully vested options to purchase 100,000 shares of Common Stock at an exercise price of \$.25 per share. The options must be exercised on or before June 30, 1998.

In March 1995, the Company issued to Mr. Smith fully vested options to purchase 100,000 shares of Common Stock, to Mr. Sellers fully vested options to purchase 55,000 shares of Common Stock, to Mr. Kapourellos fully vested options to purchase 70,000 shares of Common Stock, and to Mr. Van Alen fully vested options to purchase 25,000 shares of Common Stock. The exercise price of these options is \$.25 per share and they must be exercised on or before February 29, 2000.

Pursuant to the request of the Pennsylvania Securities Commission, each of the Directors have placed all of the shares of Common Stock owned beneficially by them in escrow. See "Principal Shareholders - Escrow And Cancellation Arrangements."

The Company paid to William W. Sellers the amount of \$80,000 for consulting services rendered by Mr. Sellers to the Company during the fiscal year ended June 30, 1996.

The Company paid to Peter G. Kapourellos the amount of \$24,000 for consulting services rendered by Mr. Kapourellos to the Company during the fiscal year ended June 30, 1996.

Executive Stock Options

In July 1993, the Company issued to Messrs. Sullivan and Sterling, options to purchase shares of Common Stock at an exercise price of \$.25 per share. The options must be exercised within five years of the vesting thereof. Mr. Sterling received options to acquire 200,000 shares of Common Stock, 100,000 of which vested on June 30, 1994, and 100,000 of which vested on June 30, 1995. Mr. Sullivan was granted options to acquire 100,000 shares of Common Stock, 50,000 of which vested on June 30, 1994, and 50,000 of which vested on June 30, 1995.

In August 1994, the Company issued to Mr. Kolls options to acquire 50,000 shares of Common Stock at an exercise price of \$.25 per share, 25,000 of which vested on April 30, 1995, and 25,000 of which vested on April 30, 1996.

In August 1994, the Company issued to Mr. Barry Slawter, a former officer of the Company, options to acquire 200,000 shares of Common Stock at an exercise price of \$.25 per share, 50,000 of which vested on February 1, 1995, 50,000 of which vested on May 1, 1995, 50,000 of which vested on August 1, 1995, and 50,000 of which vested on November 1, 1995. The options must be exercised within five years after vesting.

In March 1995, the Company issued to Mr. Sterling fully vested options to acquire 100,000 shares of Common Stock at \$.25 per share exercisable on or before February 29, 2000.

In March 1995, the Company issued to Mr. Kolls options to acquire 150,000 shares of Common Stock, at an exercise price of \$.25 per share, 75,000 of which vested on April 30, 1995, and 75,000 of which vested on April 30, 1996. These options must be exercised within five years after vesting.

In June 1995, the Company issued to Mr. Slawter fully vested options to acquire 10,000 shares of Common Stock at an exercise price of \$.25 per share. Such options must be exercised within five years.

In March 1996, the Company issued to Mr. Kolls options to acquire up to 50,000 shares of Common Stock at an exercise price of \$.65 per share, all of which will vest if he is employed on April 30, 1997. The options must be exercised within five years of vesting.

In April 1996, the Company issued to Mr. Herbert options to acquire up to 400,000 shares of Common Stock at an exercise price of \$.65 per share. Subject to Mr. Herbert's continued employment with the Company, the options will become vested over a three year period, 200,000 during the first year, and 100,000 during each year thereafter, in quarterly intervals. The options must be exercised within five years of vesting.

In May 1996, the Company issued to Mr. Sterling options to acquire up to 50,000 shares of Common Stock at an exercise price of \$.65 per share, all of which will vest if he is employed by the Company on April 30, 1997. The options must be exercised within five years of vesting.

In May 1996, the Company issued to Mr. Sullivan options to acquire up to 50,000 shares of Common Stock at an exercise price of \$.65 per share, all of which will vest if he is employed by the Company on April 30, 1997. The options must be exercised within five years of vesting.

Pursuant to the request of the Pennsylvania Securities Commission, each of the executive officers have placed all of the shares of Common Stock beneficially owned by them in escrow. See "Principal Shareholders--Escrow And Cancellation Arrangements.

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.

Officer Termination

The employment agreement of Barry Slawter, a former officer of the Company, expired on June 30, 1996, and Mr. Slawter is no longer an employee or officer of the Company.

PRINCIPAL SHAREHOLDERS

Common Stock

The following table sets forth, as of June 30, 1996, 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. 10 Fox Chase Road Malvern, Pennsylvania 19355	7,753,000 shares(3)	18.3%
Stephen P. Herbert 536 West Beach Tree Lane Strafford, Pennsylvania 19087	50,000 shares (4)	*
Haven Brock Kolls, Jr. 150 Westridge Gardens Phoenixville, Pennsylvania 19460	221,500 shares(5)	*
Keith L. Sterling 114 South Valley Road Paoli, Pennsylvania 19033	400,000 shares(6)	1.0%
Edward J. Sullivan 3 Pickwick Lane Malvern, Pennsylvania 19355	200,000 shares(7)	*
Peter G. Kapourellos 1515 Richard Drive West Chester, Pennsylvania 19380	313,000 shares(8)	*
William W. Sellers 394 East Church Road King of Prussia, Pennsylvania 19406	911,000 shares(9)	2.2%
Henry B. duPont Smith 350 Mill Bank Road Bryn Mawr, Pennsylvania 19010	400,000 shares(10)	1.0%
William L. Van Alen, Jr. Cornerstone Entertainment, Inc. P.O. Box 727 Edgemont, Pennsylvania 19028	225,000 shares(11)	*
All Directors and Executive Officers As a Group (9 persons)	10,249,675 shares(12)	24.2%

*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 the date

hereof, are deemed to be beneficially owned for purposes hereof.

(2) 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 7,960,250 shares of Common Stock, that all of the options or purchase rights to acquire Common Stock which have been issued and are fully vested as of the date hereof (or within 60-days of the date hereof) have been converted into 3,042,300 shares of Common Stock. Of the 3,435,000 options to acquire Common Stock issued as of June 30, 1996, only 550,000 of such options do not become vested within 60-days thereof, and such options are excluded from this table. For purposes of computing such percentages it has also been assumed that all of the remaining 1995 Warrants have been exercised for 1,414,000 shares of Common Stock, all of the 1996 Warrants have been exercised for 5,200,000 shares of Common Stock, and all of the accrued and unpaid dividends on the Preferred Stock as of June 30, 1996 have been converted into 1,758,490 shares of Common Stock. Therefore, for purposes of computing the percentages under this table, there are 42,399,016 shares of Common Stock issued and outstanding.

(3) Includes 6,000,000 shares of Common Stock held by Mr. Jensen with his minor children as joint tenants with right of survivorship. Includes 160,000 shares of Common Stock issuable upon conversion of the 16,000 shares of Preferred Stock owned by him. An aggregate of 4,365,000 shares of Common Stock (or under certain circumstances 1,030,000 shares of Common Stock) beneficially owned by Mr. Jensen are subject to cancellation and are included in this table. See "Escrow and Cancellation Arrangements."

(4) Includes 50,000 shares of Common Stock issuable upon the exercise of options. Does not include 350,000 shares of Common Stock issuable pursuant to options not presently exercisable and not exercisable within 60 days of June 30, 1996.

(5) Includes 5,000 shares of Common Stock issuable upon the conversion of 500 shares of Preferred Stock beneficially owned by Mr. Kolls. Includes 200,000 shares of Common Stock issuable upon exercise of options. Does not include 50,000 shares of Common Stock issuable pursuant to options not presently exercisable and not exercisable within 60-days of June 30, 1996.

(6) All shares of Common Stock held by Mr. Sterling on the date hereof are held with his spouse as joint tenants with right of survivorship. Includes 300,000 shares of Common Stock issuable upon exercise of options. Does not include 50,000 shares of Common Stock issuable pursuant to options not presently exercisable and not exercisable within 60-days of June 30, 1996.

(7) All shares of Common Stock held by Mr. Sullivan on the date hereof are held with his spouse as joint tenants with right of survivorship. Includes 100,000 shares of Common Stock issuable

upon exercise of options. Excludes 50,000 shares of Common Stock issuable pursuant to options not presently exercisable and not exercisable within 60-days of June 30, 1996.

(8) Includes 10,000 shares of Common Stock issuable upon the conversion of 1,000 shares of Preferred Stock beneficially owned by Mr. Kapourellos. Includes 30,000 shares of Common Stock held on the date hereof by Mr. Kapourellos with his spouse as joint tenants with right of survivorship. Includes 170,000 shares of Common Stock issuable upon exercise of options.

(9) Includes 147,250 shares of Common Stock issuable upon the conversion of 14,725 shares of Preferred Stock beneficially owned by Mr. Sellers. Includes an aggregate of 126,750 shares of Common Stock issuable upon exercise of the 1995 Warrants beneficially owned by him. Of such 1995 Warrants, 60,000 are owned by the Sellers Pension Plan of which Mr. Sellers is a trustee and 30,000 are owned by Sellers Process Equipment Company of which he is a Director. Includes an aggregate of 280,000 1996 Warrants beneficially owned by him, of which 80,000 are owned by the Sellers Pension Plan and 40,000 are owned by his wife. Includes 6,000 shares of Common Stock owned by Sellers Pension Plan, 3,000 shares of Common Stock owned by Sellers Process Equipment Company, and 18,000 shares of Common Stock owned by Mr. Seller's wife. Includes 155,000 shares of Common Stock issuable upon exercise of options.

(10) Includes 120,000 shares of Common Stock issuable upon conversion of the 12,000 shares of Preferred Stock beneficially owned by Mr. Smith. Includes 100,000 shares of Common Stock issuable upon exercise of options. Includes 80,000 shares of Common Stock issuable upon conversion of the 1996 Warrants held by trusts for the benefit of Mr. Smith's children of which he is a trustee.

(11) Includes 125,000 shares of Common Stock issuable upon exercise of options.

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

Preferred Stock

The following table sets forth, as of June 30, 1996 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) -----
George R. Jensen, Jr. 10 Fox Chase Road Malvern, Pennsylvania 19355	16,000	2.0%
Haven Brock Kolls, Jr. 150 West Ridge Gardens Phoenixville, Pennsylvania 19460	500	*
Peter G. Kapourelou 1515 Richard Drive West Chester, Pennsylvania 19380	1,000	*
William W. Sellers 394 East Church Road King Of Prussia, Pennsylvania 19406	14,725(2)	1.0%
Henry B. duPont Smith 350 Mill Bank Road Bryn Mawr, Pennsylvania 19010	12,000(3)	1.5%
All Directors and Executive Officers As a Group (9 persons) (4) -----	37,225	4.7%

*Less than one percent (1%)

(1) There were 796,025 shares of Preferred Stock issued and outstanding as of June 30, 1996.

(2) Includes 4,000 shares of Preferred Stock owned by Sellers Pension Plan of which Mr. Seller is a trustee, 1,000 shares of Preferred Stock owned by Sellers Process Equipment Company of which Mr. Sellers is a Director, and 2,000 shares of Preferred Stock of which is owned by his wife.

(3) Includes 2,000 shares of Preferred Stock held by trusts for the benefit of Mr. Smith's children of which he is a trustee.

(4) As of the date hereof, Messrs. Van Alen, Herbert, Sterling and Sullivan do not beneficially own any shares of Preferred Stock.

Escrow And Cancellation Arrangements

At the request of the Pennsylvania Securities Commission, all of the executive officers and directors of the Company have placed in escrow with Meridian Bank, as escrow agent, all of the 8,511,500 shares of Common Stock beneficially owned by them. Any additional shares of Common Stock beneficially acquired by them will also be held in escrow. Until December 29, 1996, and subject to the

provisions of the escrow agreement, the executive officers and directors have agreed not to sell, pledge, or transfer, directly or indirectly, any of the Common Stock held in escrow or any options to acquire Common Stock which they may own. As set forth below, under certain circumstances, Mr. Jensen's shares of Common Stock may be held in escrow for an additional period of time but not later than June 30, 1998.

Pursuant to the request of the Pennsylvania Securities Commission, Mr. Jensen has agreed that 4,365,000 shares of his escrowed Common Stock would be canceled by the Company and would no longer be issued and outstanding unless one of the following occurs (i) the bid price of the Common Stock equals or exceeds \$1.75 for 30 consecutive trading days at any time during the period of July 1, 1996 through June 30, 1998; or (ii) the Company's cumulative operating income (before taxes, dividends, or extraordinary items) per share of Common Stock (on a fully diluted basis) at any time after July 1, 1994, through June 30, 1998, equals or exceeds \$.18. Mr. Jensen has agreed that an amount equal to 1,030,000 shares of his escrowed Common Stock (rather than 4,365,000 shares) would be canceled if (i) at any time after July 1, 1994 and prior to June 30, 1998, the Company's cumulative operating income per share of Common Stock is at least \$.12 but less than \$.18 and Mr. Jensen affirmatively elects to have this provision apply, or (ii) on June 30, 1998, the Company's cumulative operating income per share of Common Stock since July 1, 1994 is at least \$.12 but less than \$.18. See "Risk Factors - Charge to Income in the Event of Release of Escrow Shares."

For purposes of computing the Company's cumulative operating income, all operating results prior to July 1, 1994 are ignored, and the cumulative operating income is deemed to be zero on and as of such date. Subject to the minimum escrow period for all executive officers and directors (until December 29, 1996), Mr. Jensen's Common Stock will be held in escrow until the earlier of the satisfaction of any of the above conditions (in which event no shares, or only 1,030,000 shares, would be canceled), or June 30, 1998. Unless and until any such shares would be canceled, and subject to the restrictions on sale or transfer pursuant to the escrow arrangement, Mr. Jensen has retained all rights pertaining to such shares, including voting rights.

Prior to the date hereof, Mr. Jensen cancelled an aggregate of 2,305,000 shares of Common Stock which had been owned by him and which has been held in escrow pursuant to the above arrangements. See "Certain Transactions." Prior to such cancellation, a maximum of 6,670,000 shares (rather than 4,365,000 shares as currently provided) were subject to cancellation.

CERTAIN TRANSACTIONS

In August 1994, the Company issued to Haven Brock Kolls, Jr.,

options to purchase 50,000 shares of Common Stock and issued to Barry Slawter, a former officer of the Company, options to purchase 200,000 shares of Common Stock. See "Management-Executive Stock Options."

In October 1994, Mr. Jensen cancelled 900,000 shares of Common Stock owned by him and which had been held in escrow. See "Principal Shareholders-Escrow And Cancellation Arrangements."

During October 1994, Mr. Jensen resigned as custodian under the Uniform Gifts to Minors Act for his three minor children over 15,000 shares of Preferred Stock and is no longer the beneficial owner of those shares.

In March 1995, Mr. Jensen cancelled 1,100,000 shares of Common Stock owned by him and which had been held in escrow. See "Principal Shareholders - Escrow And Cancellation Arrangements."

In March 1995, the Company issued to Keith L. Sterling options to purchase up to 100,000 shares of Common Stock, to Henry B. duPont Smith options to purchase up to 100,000 shares of Common Stock, to William W. Sellers options to purchase up to 55,000 shares of Common Stock, to Peter G. Kapourellos options to purchase up to 70,000 shares of Common Stock, and to Mr. Van Alen options to purchase up to 25,000 shares of Common Stock. See "Management- Executive Stock Options" and "Management-Director Compensation and Stock Options."

In March 1995, the Company issued to Haven Brock Kolls, Jr., options to purchase up to 150,000 shares of Common Stock. See "Management-Executive Stock Options."

In June 1995, the Company issued to Barry Slawter, a former officer of the Company, options to purchase up to 10,000 shares of Common Stock. See "Management-Executive Stock Options."

In August 1995, pursuant to the special stock dividend paid by the Company to holders of Preferred Stock, the Company issued 48,000 shares of Common Stock to Mr. Jensen, 1,500 shares of Common Stock to Mr. Kolls, 3,000 shares of Common Stock to Mr. Kapourellos, 11,175 shares of Common Stock to Mr. Sellers, and 30,000 shares of Common Stock to Mr. Smith. See "Description of Securities - Series A Convertible Preferred Stock."

In March 1996, the Company issued to Mr. Kolls options to acquire up to 50,000 shares of Common Stock. See Management-Executive Stock Options."

In March 1996, Mr. Jensen cancelled 305,000 shares of Common Stock owned by him and which had been held in escrow. See "Principal Shareholders - Escrow And Cancellation Arrangements".

In April 1996, the Company issued to Mr. Herbert options to

acquire up to 400,000 shares of Common Stock. In May 1996, the Company issued to Mr. Sterling options to acquire up to 50,000 shares of Common Stock and issued to Mr. Sullivan options to acquire up to 50,000 shares of Common Stock. See "Management- Executive Stock Options."

In June 1996, the Company refunded a total of \$87,200 to the holders of the 1995 Warrants who had exercised the 1995 Warrants at \$.40 per share. See "Description of Securities - General." Of such refunded amount, \$4,500 was refunded to William W. Sellers.

Mr. Jensen may be deemed a "promoter" of the Company as such term is defined under the Federal securities laws.

SELLING SHAREHOLDERS

Each of the Selling Shareholders listed below is, as of the date hereof, the holder of 1996 Warrants to acquire the number of shares of Common Stock set forth opposite such Selling Stockholder's name. The 1996 Warrants were issued by the Company to the Selling Shareholders in May 1996 pursuant to a transaction exempt from the registration requirements of the Act and various state securities laws. The 1996 warrants are exercisable at any time through May 31, 2001, unless such period is extended by the Company.

As of the date of this Prospectus, the Selling Shareholders have not exercised any of the 1996 Warrants. The issuance by the Company of the Common Stock to the Selling Shareholders upon exercise of the 1996 Warrants would be pursuant to the 1996 Warrant Agreement in a transaction exempt from the registration requirements of the Act and various state securities laws. The Company has agreed, at its expense, to register the Common Stock for resale by the Selling Shareholders under the Act and various state securities laws. The Company expects to incur expenses of approximately \$40,000 in connection with the registration. The Common Stock may be sold from time to time by the Selling Shareholders pursuant to this Prospectus. See "Plan of Distribution".

The following table sets 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 the Company, 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.

Selling Shareholder -----	Common Stock Offered Hereby -----	Beneficial Ownership After Offering (1) -----	
		Number -----	Percent -----
Gilbert Abramson	20,000		
Vanda Adams	40,000		

Selling Shareholder -----	Common Stock Offered Hereby -----	Beneficial Ownership After Offering (1) -----	
		Number -----	Percent -----
Ann M. Allegrini	12,000		
Eleanor S. Allshouse	20,000		
John and Celia Alvanos	4,000		
Costa and Michelle Alvanos	4,000		
John P. Ayers	40,000		
J. Stone Bagby	40,000		
Alan and Judith Ballard	80,000		
Thomas Basile	20,000		
Thomas B. Basile	40,000		
William Bauder	40,000		
Robert E. Beck	12,000		
Stephen A. Bell	40,000		
John Berukoff	20,000		
Benjamin and Diana Bird	40,000		
Alexandra O. Bjorkland	40,000		
Donald F. Blackburn	40,000		
Clyde and Charlotte Blount	8,000		
Frederick L. Bowden	10,000		
Edwin R. Boynton	20,000		
Edward S. Brockie	40,000		
Kathleen D. Buffum	4,000		
William P. and Judith Burks	40,000		
Paul and Gwen Canavarro	20,000		
Peter and Lisa Canavarro	20,000		
Herminio and Maria Canavarro	20,000		
Candace S. Carey	20,000		
Jerrold Carl	40,000		
Jeffrey C. Carlson	4,000		
D. Zeke Carlson	4,000		
L.E. Carlson	4,000		
Henry and Jean Carlson	28,000		
Charles Abbott Carter III	40,000		
Marc A. Cohen	160,000		
Craig and Deanne Cook	32,000		
William R. Crothers	40,000		
Gary L. Cunha	40,000		
Marie Bradlyn Currin	12,000		
Clifton B. Currin, Trustee	40,000		
Nancy B. Davis	20,000		
Jack and Helen Davis	50,000		
Benjamin Deacon	10,000		
Sheri Lynn DeMaris	80,000		
Jill Smith cust. for Ron Jensen	136,000		
Sheri Demaris cust. for Burt Jensen	100,000		
Sheri Demaris cust. for Andrew David Jensen	100,000		
Desert Investment Grp.-D Crockett	40,000		
William P. Dunham	4,000		

Selling Shareholder -----	Common Stock Offered Hereby -----	Beneficial Ownership After Offering (1) -----	
		Number -----	Percent -----
Jean W. Eason	60,000		
Dr. Mallory Eisenman	4,000		
John Faust	20,000		
Richard and Isabel Fradkin	40,000		
Harriet and Cary Glickstein	80,000		
E.J. and M.K. Golightly	40,000		
Harold N. Gray	40,000		
Wendel C. and Roma Roy Lynch Green	10,000		
Loring S. Grove	10,000		
Ruth Hall	4,000		
Thomas F. Hall	80,000		
S. Hansen and K. Heiuschel	40,000		
Armason Harrison	8,000		
William F. Harrity, Jr.	80,000		
Robert Hauptfuhrer Family Partnership	100,000		
Austin B. Hepburn	80,000	1,109,900(2)	2.6%
Adele H. Hepburn	80,000	1,109,900(2)	2.6%
A.D. Hodges	40,000		
R. Holland, D. Holland and K. Duffy	40,000		
David W. Hubbert	20,000		
Wilbur E. Hudson	20,000		
Robert M. Ihrig	20,000		
Bernard Millis	40,000		
Fred Karagosian	40,000		
Harold and Lois Kauffman	40,000		
George H. Kilmarx	40,000		
Rocco and Sandra La Penta	160,000		
Fred Languth	40,000		
Robert E. Leiser	20,000		
Peggy Longstreth Bayer	12,000		
Nicholas S. Ludington	40,000		
Douglas M. Lurio	40,000		
Robert M. Madonna	40,000		
Alberta and J. Grant McCabe	4,000		
Philip S. Meckley	40,000		
James F. Merriman	40,000		
Richard D. Mierley	40,000		
Richard Moffitt	20,000		
Robert H. and Rosemary Montgomery	40,000		
Thomas Motl	40,000		
Eunice Carter Nute	20,000		
Harry Ohannesian	80,000		
Janet and Sudhir Patel	40,000		
George M. Pflaumer	80,000		
Bernard Pincus	10,000		
Genevieve Pondo	12,000		
J. Steve and Carol Powell	20,000		
Ashok and Swaran Rajpal	10,000		

Selling Shareholder -----	Common Stock Offered Hereby -----	Beneficial Ownership After Offering (1) -----	
		Number -----	Percent -----
Keith J. Raphael	40,000		
John B. Rettew III	40,000		
Melissa C. Rike	12,000		
Eric J. Robbins	20,000		
Noma Ann Roberts	20,000		
Dorothy S. Rodgers	20,000		
Edmund H. Rogers, Jr. Trust UA 06-21-88	120,000		
Gardiner Rogers	8,000		
Rodney Rohrer	12,000		
Joel M. Rubins	40,000		
Scott W. Ryan	40,000		
Joseph P. Sawka	40,000		
Virginia Schaun and Martha Eischen	20,000		
Richard S. Schonwald	20,000		
William W. Sellers(3)	160,000	631,000	1.5%
Nancy F. Sellers(3)	40,000		
Sellers Pension Plan(3)	80,000		
Helen E. Seltzer	4,000		
Robert Silverman	10,000		
Horace and Elizabeth B. Spackman	40,000		
Clarence E. Sterling	40,000		
Dorothy A. Stone	40,000		
Ben Wallace and J.A. Hatcherson	80,000		
Howard Waxman	40,000		
Peter S. Whitney	40,000		
Peter S. Whitney SEP/IRA	40,000		
Wilmington Trust Company, Trustee for Allison Eleuthera Smith	40,000		
Wilmington Trust Company, Trustee for Isabelle duPont Smith	40,000		
Wilmer H. Wood	4,000		
Dr. David W. Wood	40,000		
Joni Carley Yamaguchi	80,000		
Keiji Yamaguchi	40,000		
Thomas J. Zaucha	40,000		
V. Scott Zelov	40,000		
Peter Zelov	40,000		
Un Jin Zimmerman	8,000		
Patricia and Robert Zimmerman	10,000		

Total.....	5,200,000		

(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 the securities, and includes any shares of Common Stock which a person has the right to acquire within 60-days of the date hereof.

(2) Adele and Austin Hepburn are husband and wife, and together would beneficially own an aggregate of 1,109,900 shares of Common Stock following the sale of their 1996 Warrants pursuant hereto.

(3) William W. Sellers is a Director of the Company. 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.

MARKET FOR COMMON STOCK

The Common Stock and Preferred Stock are currently traded on the OTC Electronic Bulletin Board under the symbols USTX and USTXP, respectively. Such trading began on March 8, 1995. As of the date hereof, there is no established trading market for the Common Stock or Preferred Stock. See "Risk Factors - No Assurance of Active Public Market".

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

Fiscal -----	High -----	Low ---
1995		
Third Quarter (March 8, 1995 to March 31, 1995)	\$.75	\$.50
Fourth Quarter (through June 30, 1995)	\$1.25	\$.25
1996		
First Quarter (through September 30, 1995)	\$.55	\$.25
Second Quarter (through December 31, 1995)	\$1.00	\$.40
Third Quarter (through March 31, 1996)	\$1.40	\$.37
Fourth Quarter (through June 30, 1996)	\$1.68	\$.50
1997		
First Quarter (through July 30, 1996)	\$.62	\$.43

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

On the date hereof, there are 3,435,000 shares of Common Stock issuable upon exercise of outstanding options, and 157,300 shares of Common Stock issuable upon exercise of outstanding purchase rights. All of these shares of Common Stock, if issued on the date hereof, would be "restricted securities" as defined under Rule 144 under the Act. See "Description of Securities-Shares Eligible for Future Sale." Of the 3,435,000 options, 650,000 are exercisable at \$.65 per share, 2,565,000 are exercisable at \$.25 per share, and 220,000 are exercisable at \$.05 per share. In connection with the options exercisable at \$.25 and \$.65 per share, the Company has

agreed, at its cost and expense, to file a registration statement under the Act and applicable state securities laws covering all of the Common Stock underlying the options before the end of calendar year 1996. All of the aforesaid options have been issued by the Company to employees, Directors, officers, and consultants.

As of June 30, 1996, they were 1,414,000 shares of Common Stock issuable upon exercise of the outstanding 1995 Warrants, which when and if issued would be freely tradeable under the Act. See "Description of Securities."

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 December 31, 1995, 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 June 30, 1996, such accumulated unpaid dividends amounted to \$1,758,490.

DESCRIPTION OF SECURITIES

General

The Company is authorized to issue up to 45,000,000 shares of Common Stock, no par value ("Common Stock"), and 1,000,000 shares of undesignated Preferred Stock all of which have been designated as Series A Convertible Preferred Stock, no par value ("Preferred Stock").

On June 30, 1996, there were 23,023,976 shares of Common Stock issued and outstanding and 796,025 shares of Preferred Stock issued and outstanding which are convertible into 7,960,250 shares of Common Stock. As of June 30, 1996, a total of 21,175 shares of Preferred Stock have been converted into 211,750 shares of Common Stock and accrued and unpaid dividends thereon have been converted into 41,626 shares of Common Stock. As of June 30, 1996, there were 1,019 record owners of the Common Stock and 985 record owners of the Preferred Stock.

As of June 30, 1996, the Company has issued to its directors, executive officers, consultants, and employees options to acquire up to 650,000 shares of Common Stock at \$.65 per share, options to acquire up to 2,565,000 shares of Common Stock at \$.25 per share, and options to acquire up to 220,000 shares of Common Stock at \$.05 per share. See "Management--Executive Stock Options" and Management -- Director Compensation and Stock Options." The Company has also issued purchase rights to acquire up to 157,300 shares of Common Stock at \$1.00 per share. All options to purchase Common Stock were granted at prices at or above the market value on the date of the grant.

In June and July 1995, the Company issued an aggregate of 5,100,000 1995 Common Stock Purchase Warrants ("1995 Warrants") pursuant to a private placement under Regulation D of the Act and various state securities laws. The Company has registered the Common Stock underlying the 1995 Warrants under the Act and appropriate state securities laws, and such Common Stock when and if issued will be freely tradeable thereunder. The 1995 Warrants entitle the holder hereof to purchase one share of Common Stock for \$.50. The exercise price of the 1995 Warrants had been reduced by the Company to \$.40 during the period of time from February 12, 1996 through April 30, 1996. Subsequent to April 30, 1996, the exercise price of the 1995 Warrants was further reduced to \$.30 until June 30, 1996, and such further reduction was made retroactive to those holders who had already exercised the 1995 Warrants at \$.40. As a result thereof, the Company returned the sum of \$87,200 to such holders. At June 30, 1996, a total of 3,686,000 1995 Warrants had been exercised for a total exercise price to the Company of \$1,105,800. There are 1,414,000 unexercised 1995 Warrants as of June 30, 1996. The 1995 Warrants are exercisable on or before January 31, 2001.

During calendar year 1995, the Company issued an aggregate of 280,000 shares of Common Stock to Jerome Wenger, a consultant to the Company, in exchange for consulting services. These shares were registered under the Act and freely tradeable thereunder.

In February 1996, the Company issued 50,000 shares of Preferred Stock at a purchase price of \$4.00 per share to Samuel Investors International LDC, a Cayman Island Company. Such shares were issued pursuant to Regulation S promulgated under the Act, and such issuance was exempt from registration under the Act.

In March 1996, the Company issued 300,000 shares of Common Stock to Diversified Corporate Consulting Group, L.C., a consultant to the Company, in exchange for consulting services. These shares were registered under the Act and are freely tradeable.

Pursuant to the request of the Pennsylvania Securities Commission, Mr. Jensen has agreed that unless certain conditions are satisfied, either 4,365,000 or, alternatively, 1,030,000 shares of the Common Stock beneficially owned by him would be cancelled by the Company. In the event that any of Mr. Jensen's shares of Common Stock are cancelled, such cancelled shares would no longer be issued and outstanding shares of Common Stock. Unless and until any such shares would be cancelled, and subject to the restrictions on sale or transfer pursuant to the escrow arrangement, Mr. Jensen has retained all rights pertaining to such shares, including voting rights. See "Principal Shareholders-Escrow and Cancellation Arrangements."

Common Stock

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 dividend may be paid on the Common Stock until all accumulated and unpaid dividends on the 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 of the assets of the Company available for distribution, subject to the liquidation preference of the Preferred Stock of \$10.00 per share and any unpaid and accumulated dividends on the Preferred Stock. The holders of the Common Stock do not have any preemptive rights to subscribe for or purchase shares, obligations, 1996 Warrants, or other securities of the Company.

Series A Convertible Preferred Stock

The holders of shares of Preferred Stock 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 Preferred Stock equals 10 votes). The shares of Preferred Stock are entitled to vote on all matters submitted to the vote of the shareholders of the Company, including the election of directors.

The holders of Preferred Stock are entitled to an annual cumulative cash dividend of \$1.50 per annum, payable when, as and if declared by the Board of Directors. Any and all accumulated and unpaid cash dividends on the 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 June 30, 1996 the accumulated and unpaid dividends on the Preferred Stock were \$1,758,490. An additional \$597,019 of dividends will accrue on August 1, 1996. Any unpaid and accumulated dividends will not bear interest.

Each share of Preferred Stock is convertible at any time into 10 shares of fully issued and non-assessable Common Stock. Accrued and unpaid dividends earned on shares of Preferred Stock being converted into Common Stock are also convertible into Common Stock at the rate \$1.00 per share of Common Stock at the time of conversion and whether or not such dividends have then been declared by the Company. As of June 30, 1996, a total of 21,175 shares of Preferred Stock have been converted into Common Stock and accrued and unpaid dividends therein have been converted into 41,626 shares of Common Stock. The conversion rate of the

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 the Company. Upon any liquidation, dissolution, or winding-up of the Company, the holders of 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.

The Company has the right, at any time on or after January 1, 1998, to redeem all or any part of the issued and outstanding Preferred Stock for the sum of \$11.00 per share plus any and all unpaid and accumulated dividends thereon. Upon notice by the Company of such call, the holders of the Preferred Stock so called will have the opportunity to convert their shares of Preferred Stock and any unpaid and accumulated dividends thereon (whether or not such dividends have been declared by the Company as of such date) into shares of Common Stock.

The Company paid a special stock dividend consisting of 3 shares of Common Stock for each share of Preferred Stock issued and outstanding on August 1, 1995. The stock dividend consisted of an aggregate of 1,908,600 shares of Common Stock.

1996 Common Stock Purchase Warrants

Each 1996 Warrant entitles its holder to purchase one share of Common Stock at an exercise price of \$.40 per share through December 31, 1996, and at an exercise price of \$.50 thereafter. The 1996 Warrants are exercisable at any time through May 31, 2001, or such later date as may be determined by the Company ("1996 Warrant Termination Date"). As of the date hereof, no 1996 Warrants have been exercised.

The 1996 Warrants have been issued pursuant to a 1996 Warrant Agreement dated as of May 1, 1996, by and between the Company and American Stock Transfer & Trust Company, the 1996 warrant agent (the "1996 Warrant Agreement").

As a condition to obtaining their Common Stock, the Selling Shareholders must exercise the 1996 Warrants by tendering the per share exercise price required under the 1996 Warrant Agreement. In the event all 5,200,000 1996 Warrants are exercised at \$.40, the Company would receive gross proceeds of \$2,080,000. There is no assurance that any or all of the 1996 Warrants will be exercised by the Selling Shareholders, and if none of the 1996 Warrants are exercised, the Company would not receive any gross proceeds. Any such exercise may occur through the 1996 Warrant Termination Date.

The Company has agreed, at its expense, to register for resale by the Selling Shareholders the Common Stock underlying the 1996 Warrants under the Act, and to register or qualify the Common Stock

in those states in which the Selling Shareholders are located.

The exercise price of the 1996 Warrants and the number of shares of Common Stock issuable upon exercise of the 1996 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 the Company, or other similar transaction, the 1996 Warrant holders shall, at the option of the Company, be required to exercise the 1996 Warrants immediately prior to the closing of the transaction, or such 1996 Warrants shall automatically expire. Upon such exercise, the 1996 Warrant holders shall participate on the same basis as the holders of Common Stock in connection with the transaction.

The 1996 Warrants do not confer upon the holder any voting or any other rights of a shareholder of the Company. Upon notice to the 1996 Warrant holders, the Company has the right, at any time and from time to time, to reduce the exercise price or to extend the Warrant Termination Date of the Warrants.

Shares Eligible for Future Sale

Of the 23,023,976 shares of Common Stock issued and outstanding on June 30, 1996, 10,204,376 are freely transferable without restriction or further registration under the Act (other than shares held by "affiliates" of the Company), and the remaining 12,819,600 are "restricted securities". As of June 30, 1996, there are 796,025 shares of Preferred Stock issued and outstanding, 293,075 of which are freely transferable without further registration or restriction under the Act (other than shares held by "affiliates" of the Company), and the remaining 502,950 are "restricted securities". The 796,025 shares of Preferred Stock issued and outstanding on the date hereof are convertible into 7,960,250 shares of Common Stock. Of such shares of Common Stock, 2,930,750 would be fully transferable without registration or regulation under the Act and 5,029,500 would be "restricted securities" within the meaning of Rule 144.

As set forth in the prior paragraph, there are 12,819,600 shares of Common Stock and 502,950 shares of Preferred Stock which are "restricted securities" and cannot be resold without registration, except in reliance upon Rule 144 or another applicable exemption from registration. Of such Common Stock, an aggregate of 8,511,500 shares may not be sold or transferred until December 29, 1996. See "Principal Shareholders-Escrow And Cancellation Arrangements." Subject to such prohibition, during calendar year 1996, 12,539,600 shares of such Common Stock and 152,950 shares of such Preferred Stock are eligible for sale pursuant to Rule 144. During calendar year 1997, 180,000 shares of Common Stock and 152,950 of Preferred Stock would become eligible for sale pursuant to Rule 144. During calendar year 1998, the

remaining 100,000 shares of Common Stock and 180,000 shares of Preferred Stock would become eligible for sale pursuant to Rule 144. The Company is unable to predict the effect that sales made under Rule 144 or otherwise may have on the market price of the Common Stock or Preferred Stock prevailing at the time of any such sales.

As of June 30, 1996, there are outstanding options to acquire 3,435,000 shares of Common Stock, 220,000 of which are exercisable at \$.05 per share, 2,565,000 of which are exercisable at \$.25 per share, and 650,000 of which are exercisable at \$.65 per share. There are also outstanding purchase rights to acquire 157,300 shares of Common Stock at \$1.00 per share. All of such Common Stock, if issued on the date hereof, would be "restricted securities" as defined in Rule 144 promulgated under the Act. In connection with the options exercisable at \$.25 and \$.65 per share, the Company has agreed, at its cost and expense, to file a registration statement under the Act and applicable state securities laws covering all of the Common Stock underlying the options before the end of calendar year 1996. As of June 30, 1996, there are also 1,414,000 shares of Common Stock issuable by the Company to the holders of the outstanding 1995 Warrants. Such Common Stock, if issued, will be freely tradeable under the Act. See "Description of Securities."

In general, under Rule 144 as currently in effect, a person (or persons whose shares are required to be aggregated), including any affiliate of the Company, who beneficially owns "restricted securities" for a period of at least two years 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 Securities and Exchange Commission. 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 the Company. 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 Company, and who has beneficially owned restricted shares for at least three 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"), the Company's By-laws provide that Directors of the Company 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 the Company's 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 the Company pursuant to the foregoing provisions, or otherwise, the Company 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.

Transfer Agent and Registrar

The Transfer Agent and Registrar for the Common Stock, Preferred Stock and 1996 Warrants is American Stock Transfer & Trust Company, 40 Wall Street, New York, New York 10005.

PLAN OF DISTRIBUTION

The Common Stock is being registered to permit public secondary trading of the Common Stock by the Selling Shareholders from time to time after the date of this Prospectus. The Company has 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.

The Common Stock offered by the Selling Shareholders pursuant to this Prospectus may be sold from time to time by the Selling Shareholders. The sale of the Common Stock offered hereby by the Selling Shareholders may be effected in one or more transactions that may take place on the over-the-counter market, including ordinary brokers' transactions, privately negotiated transactions or through sales to one or more dealers for resale of such securities as principals. Usual and customary or specifically negotiated brokerage fees or commissions may be paid by the Selling Shareholders.

The Company will not receive any of the proceeds from the sale of the Common Stock by the Selling Shareholders. The Selling Shareholders will receive all of the net proceeds from the sale of the Common Stock and will pay all selling commissions, if any, applicable to the sale of the Common Stock. The Company is responsible for all other expenses incident to the offer and sale of the Common Stock.

In order to comply with the securities laws of certain states, if applicable, the Common Stock will be sold in such jurisdictions only through registered or licensed brokers or dealers. In

addition, in certain states, the Common Stock may not be sold unless it has been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and complied with.

LEGAL MATTERS

The validity of the Common Stock has been passed upon for the Company by Lurio & Associates, Philadelphia, Pennsylvania.

EXPERTS

The financial statements of USA Technologies, Inc. at June 30, 1995 and 1994, and for the years then ended, and for the period January 16, 1992 (inception) through June 30, 1995, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

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 the Company since the date hereof or that the information contained herein is current as of any time subsequent to its date.

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USA TECHNOLOGIES, INC.
(A Development Stage Corporation)

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Report of Independent Auditors

To the Board of Directors and Shareholders
USA Technologies, Inc.

We have audited the accompanying balance sheets of USA Technologies, Inc. (A Development Stage Corporation) as of June 30, 1995 and 1994, and the related statements of operations, shareholders' equity, and cash flows for each of the two years in the period ended June 30, 1995 and the period January 16, 1992 (inception) through June 30, 1995. 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Technologies, Inc. at June 30, 1995 and 1994, and the results of its operations and its cash flows for each of the two years in the period ended June 30, 1995 and for the period January 16, 1992 (inception) through June 30, 1995, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Philadelphia, Pennsylvania
August 21, 1995

USA Technologies, Inc.
(A Development Stage Corporation)

Balance Sheets

	June 30		March 31
	1995	1994	1996
	(Unaudited)		
Assets			
Current assets:			
Cash	\$ 376,191	\$ 444,212	\$ 414,551
Stock subscriptions receivable	50,000	-	-
Prepaid expenses and deposits	3,137	4,436	14,574
Total current assets	429,328	448,648	429,125
Property and equipment, at cost, net	207,383	208,496	587,027
Other assets	4,832	6,033	4,182
Total assets	\$ 641,543	\$ 663,177	\$ 1,020,334
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable	\$ 193,815	\$ 180,939	\$ 260,083
Accrued expenses	19,352	93,080	39,002
Capital lease obligation	4,777	7,075	-
Note payable	4,166	6,433	1,836
Total current liabilities	222,110	287,527	300,921
Accrued rent	25,000	-	10,600
Total liabilities	247,110	287,527	311,521
Shareholders' equity:			
Preferred Stock, no par value:			
Authorized shares -- 1,000,000			
Series A Convertible issued and outstanding shares			
-- 491,100; 297,622 and 686,200 at June 30, 1995			
and 1994, and March 31, 1996, respectively			
(liquidation preference of \$5,756,816 at			
June 30, 1995 and \$8,662,116 at March 31, 1996)			
	4,057,372	2,504,400	5,698,557
Common Stock, no par value:			
Authorized shares -- 34,000,000			
Issued and outstanding shares -- 18,254,300;			
17,433,954 and 19,365,600 at June 30, 1995 and			
1994, and March 31, 1996, respectively			
	909,172	16,762	1,509,486
Deficit accumulated during the development stage	(4,572,111)	(2,145,512)	(6,499,230)
Total shareholders' equity	394,433	375,650	708,813
Total liabilities and shareholders' equity	\$ 641,543	\$ 663,177	\$ 1,020,334

See accompanying notes

USA Technologies, Inc.
(A Development Stage Corporation)

Statements of Operations

	Year ended June 30		Nine months ended		January 16, 1992 (Date of Inception) Through	
	1995	1994	1996	March 31 1995	June 30 1995	March 31 1996
			(Unaudited)	(Unaudited)	(Unaudited)	
Revenue:						
License fee income	\$ 10,679	\$	\$ 36,302	\$ 2,829	\$ 10,679	\$ 46,981
Interest income	11,569	9,967	25,263	4,554	21,536	46,799
Total revenue	22,248	9,967	61,565	7,383	32,215	93,780
Costs and expenses:						
Compensation	688,385	673,409	649,699	498,237	1,562,378	2,212,077
General and administrative	653,693	339,004	960,882	370,451	1,172,695	2,133,577
Provision for losses on obsolete equipment	148,615	-	-	-	356,615	356,615
Advertising	67,740	71,301	45,115	48,648	291,610	336,725
Interest	49,190	44,280	4,240	49,602	120,862	125,102
Research and development	44,907	118,032	82,721	32,483	242,939	325,660
Depreciation and amortization	15,468	8,058	15,318	13,616	26,378	41,696
Costs incurred in connection with abandoned private placement offering	-	-	-	-	50,000	50,000
Total costs and expenses	1,667,998	1,254,084	1,757,975	1,013,037	3,823,477	5,581,452
Net loss	(1,645,750)	(1,244,117)	(1,696,410)	(1,005,654)	\$(3,791,262)	\$(5,487,672)
Cumulative preferred dividends	(503,874)	(187,542)	(954,300)	(500,056)		
Loss applicable to common shares	\$(2,149,624)	\$(1,431,659)	\$(2,650,710)	\$(1,505,710)		
Loss per common share	\$ (.19)	\$ (.13)	\$ (.18)	\$ (.13)		
Weighted average number of shares outstanding	11,428,486	11,058,813	14,760,322	11,450,468		

USA Technologies, Inc.

(A Development Stage Corporation)

Statements of Shareholders' Equity

	Series A Convertible Preferred Stock	Common Stock	Deficit Accumulated During the Development Stage	Total
Balance, January 16, 1992, inception	\$ -	\$ -	\$ -	\$ -
Issuance of stock:				
April 1992--10,500,000 shares of Common Stock at \$.001 per share	-	10,500	-	10,500
May 1992--10,000 shares of Convertible Preferred Stock at \$9.98 per share	99,800	-	-	99,800
June 1992--100,000 shares of Common Stock at \$.001 per share	-	100	-	100
Net loss	-	-	(1,848)	(1,848)
Balance, June 30, 1992	99,800	10,600	(1,848)	108,552
Issuance of stock:				
September 1992--15,000 shares of Convertible Preferred Stock at \$9.97 per share	149,550	-	-	149,550
September 1992--450,000 shares of Common Stock at \$.001 per share	-	450	-	450
April 1993--400,000 shares of Common Stock at \$.001 per share	-	400	-	400
June 1993--695,000 shares of Common Stock at \$.001 per share	-	695	-	695
June 1993--142.2 units (142,200 shares, net of offering costs, of Convertible Preferred Stock at \$9.97 per share and 4,266,000 shares of Common Stock at \$.001 per share)	1,266,439	3,815	-	1,270,254
Net loss	-	-	(899,547)	(899,547)
Balance, June 30, 1993	1,515,789	15,960	(901,395)	630,354
September 1993--110,000 shares of Common Stock at \$.001 per share	-	110	-	110
February 1994--79,522 units (79,522 shares, net of offering costs, of Convertible Preferred Stock at \$9.99 per share and 556,654 shares of Common Stock at \$.001 per share)	624,824	438	-	625,262
March 1994--34,960 units (34,960 shares, net of offering costs, of Convertible Preferred Stock at \$9.99 per share and 244,720 shares of Common Stock at \$.001 per share)	288,591	202	-	288,793
June 1994--15,940 units (15,940 shares, net of offering costs, of Convertible Preferred Stock at \$9.99 per share and 111,580 shares of Common Stock at \$.001 per share)	75,196	52	-	75,248
Net loss	-	-	(1,244,117)	(1,244,117)
Balance, June 30, 1994	2,504,400	16,762	(2,145,512)	375,650

USA Technologies, Inc.
(A Development Stage Corporation)

Statements of Shareholders' Equity (continued)

	Series A Convertible Preferred Stock	Common Stock	Deficit Accumulated During the Development Stage	Total
	-----	-----	-----	-----
July 1994--5,092 Units (5,092 shares, net of offering costs, of Convertible Preferred Stock at \$9.99 per share and 35,644 of Common Stock at \$.001 per share)	\$ 37,248	\$ 26	\$ -	\$ 37,274
August 1994--9,132 Units (9,132 shares net of offering costs, of Convertible Preferred Stock at \$9.99 per share and 63,924 of Common Stock at \$.001 per share)	66,801	47	-	66,848
September 1994--4,935 Units (4,935 shares, net of offering costs, of Convertible Preferred Stock at \$9.99 per share and 34,545 of Common Stock at \$.001 per share)	36,098	25	-	36,123
October 1994--12,205 Units (12,205 shares, net of offering costs, of Convertible Preferred Stock at \$9.99 per share and 85,435 of Common Stock at \$.001 per share)	88,895	62	-	88,957
October 1994--Cancellation of 900,000 shares of Common Stock	-	-	-	-
November 1994--11,478 Units (11,478 shares, net of offering costs, of Convertible Preferred Stock at \$9.99 per share and 80,346 of Common Stock at \$.001 per share)	83,600	59	-	83,659
December 1994--16,430 Units (16,430 shares, net of offering costs, of Convertible Preferred Stock at \$9.99 per share and 115,010 of Common Stock at \$.001 per share)	119,668	84	-	119,752
January 1995--12,225 Units (12,225 shares, net of offering costs, of Convertible Preferred Stock at \$9.99 per share and 85,575 of Common Stock at \$.001 per share)	102,244	71	-	102,315
February 1995--98,081 Units (98,081 shares, net of offering costs, of Convertible Preferred Stock at \$9.99 per share and 686,567 of Common Stock at \$.001 per share)	820,298	575	-	820,873
March 1995--Cancellation of 1,100,000 shares of Common Stock	-	-	-	-
April 1995--June 1995--issuance of 150,000 common shares in exchange for consulting services	-	99,750	-	99,750
June 1995--24.9 Units (24,900 shares, net of offering costs, of Convertible Preferred Stock at \$10 per share) of which 5 units were subscribed	206,382	-	-	206,382

USA Technologies, Inc.
(A Development Stage Corporation)

Statements of Shareholders' Equity (continued)

	Series A Convertible Preferred Stock	Common Stock	Deficit Accumulated During the Development Stage	Total

June 1995--issuance of options to purchase 10,000 shares of Common Stock at \$.25 per share in exchange for services	\$ -	\$ 2,600	\$ -	\$ 2,600
June 1995--conversion of 1,000 shares of Convertible Preferred Stock to 10,000 shares of Common Stock	(8,262)	8,262	-	-
Net loss	-	-	(1,645,750)	(1,645,750)
Common stock dividend to be distributed--3 shares of Common Stock for each outstanding share of Convertible Preferred Stock on August 1, 1995 (1,473,300 shares as of June 30, 1995)	-	780,849	(780,849)	-
Balance, June 30, 1995	4,057,372	909,172	(4,572,111)	394,433
July 1995--145.1 Units (145,100 shares, net of offering costs, of Convertible Preferred Stock at \$10 per share) (Unaudited)	1,441,185	-	-	1,441,185
July 1995--September 1995--issuance of 100,000 common shares in exchange for consulting services (Unaudited)	-	50,000	-	50,000
July 1995--Common Stock options exercised--80,000 shares at \$.05 per share (Unaudited)	-	9,000	-	9,000
August 1995--Common stock dividend distributed 3 shares of Common Stock for each outstanding share of Preferred Stock on August 1, 1995 (435,300 shares) (Unaudited)	-	230,709	(230,709)	-
October 1995--Common Stock options exercised--100,000 shares at \$.05 per share (Unaudited)	-	5,000	-	5,000
January 1996--Issuance of 30,000 shares in exchange for consulting services (Unaudited)	-	14,205	-	14,205
February 1996--Common Stock warrants exercised--145,500 shares at \$.40 per share (Unaudited)	-	58,200	-	58,200

USA Technologies, Inc.
(A Development Stage Corporation)

Statements of Shareholders' Equity (continued)

	Series A Convertible Preferred Stock	Common Stock	Deficit Accumulated During the Development Stage	Total
	-----	-----	-----	-----
February 1996--Issuance of 50,000 preferred shares at \$4.00 per share (Unaudited)	200,000	-	-	200,000
March 1996--Common stock warrants exercised--125,500 shares at \$.40 per share (Unaudited)	-	50,200	-	50,200
March 1996--issuance of 300,000 shares in exchange for consulting services (Unaudited)	-	183,000	-	183,000
March 1996--cancellation of 305,000 shares of Common Stock (Unaudited)	-	-	(1,696,410)	(1,696,410)
Net loss (Unaudited)	-	-	(1,696,410)	(1,696,410)
	-----	-----	-----	-----
Balance, March 31, 1996 (Unaudited)	\$ 5,698,557	\$ 1,509,486	\$ (6,499,230)	\$ 708,813
	=====	=====	=====	=====

USA Technologies, Inc.
(A Development Stage Corporation)

Statements of Cash Flows

	Year ended June 30 1995 1994		Nine months ended March 31		January 16, 1992 (Date of Inception) Through	
			1996	1995	June 30 1995	March 31 1996
			(Unaudited)	(Unaudited)		(Unaudited)
Operating activities						
Net loss	\$(1,645,750)	\$(1,244,117)	\$(1,696,410)	\$(1,005,654)	\$(3,791,262)	\$(5,487,672)
Adjustments to reconcile net loss to net cash used by operating activities:						
Depreciation and amortization	15,468	8,058	15,318	13,616	26,378	41,696
Provision for losses on obsolete equipment	148,615	-	-	-	339,656	339,656
Compensation charges incurred in connection with the issuance of Common Stock and Common Stock options	102,350	-	247,205	-	102,350	349,555
Changes in operating assets and liabilities:						
Prepaid expenses, deposits, and other assets	1,900	(3,572)	38,763	(1,584)	(14,649)	24,114
Accounts payable	72,404	29,504	66,268	(20,547)	152,939	219,207
Accrued expenses	(48,728)	(154,824)	5,249	(64,041)	(9,773)	(4,524)
Net cash used by operating activities	(1,353,741)	(1,364,951)	(1,323,607)	(1,078,210)	(3,194,361)	(4,517,968)
Investing activities						
Purchase of property and equipment	(213,370)	(184,099)	(445,511)	(91,359)	(610,662)	(1,056,173)
Proceeds from sale of property and equipment	-	-	51,000	-	-	51,000
Net cash used by investing activities	(213,370)	(184,099)	(394,511)	(91,359)	(610,662)	(1,005,173)
Financing activities						
Change in accounts payable relating to the initial public offering	-	50,746	-	-	50,746	50,746
Change in accounts payable and accrued expenses relating to the private placement offering	(8,528)	-	-	-	95,255	95,255
Repayment of capital lease obligation	-	-	(4,777)	(1,881)	-	(4,777)
Repayment of note payable shareholder	-	(40,000)	-	-	-	-
(Repayment of) proceeds from note payable-other	(4,565)	(2,317)	(2,330)	(1,338)	1,868	(462)
Net proceeds from issuance of Common Stock	949	802	122,400	949	17,711	140,111
Net proceeds from issuance of Convertible Preferred Stock	1,511,234	1,172,111	1,641,185	1,354,852	4,015,634	5,656,819
Net cash provided by financing activities	1,499,090	1,181,342	1,756,478	1,352,582	4,181,214	5,937,692
Net (decrease) increase in cash	(68,021)	(367,708)	38,360	183,013	376,191	414,551
Cash at beginning of period	444,212	811,920	376,191	444,212	-	-
Cash at end of period	\$ 376,191	\$ 444,212	\$ 414,551	\$ 627,225	\$ 376,191	\$ 414,551

USA Technologies, Inc.
(A Development Stage Corporation)

Statements of Cash Flows (continued)

	Year ended June 30 1995	June 30 1994	Nine months ended March 31 1996	March 31 1995
			----- (Unaudited)	----- (Unaudited)
Supplemental disclosure of cash flow information				
Cash paid during the period for interest	\$ 92,483	\$ 28,380	\$ 4,240	\$ 91,140
Stock subscription receivable	\$ 50,000	\$ -	\$ -	\$ -
Conversion of Convertible Preferred Stock to Common Stock	\$ 8,262	\$ -	\$ -	\$ -
Acquisition of equipment through assumption of capital lease obligations	\$ -	\$ 7,075	\$ -	\$ -

See accompanying notes.

USA Technologies, Inc.

(A Development Stage Corporation)

Notes to Financial Statements

1. Business

USA Technologies, Inc. a Pennsylvania corporation (the "Company"), was incorporated on January 16, 1992. In May 1995, the Company changed its name from USA Entertainment Center, Inc. to USA Technologies, Inc. to more accurately reflect its business. Substantially all of the Company's activities to date have been devoted to raising capital, developing markets, and starting up operations which commenced during July 1994. The Company intends to become the leading owner and licensor of credit card activated control systems for the vending, copying, debit card, and personal computer industries. The Company's products make available credit card payment technology in connection with the sale of various products and services.

Through June 30, 1995 and March 31, 1996, the Company has installed 42 and 84 Credit Card Copy Express™ control systems, 9 and 19 Credit Card Debit Express™ control systems, and at March 31, 1996 9 Credit Card Computer Express™ control systems at various colleges, universities and public libraries. The Company generally retains twenty to thirty percent of the gross revenues in connection with the machines. To date the total gross revenues received by the Company from these systems has been nominal.

The Company has also licensed and installed refreshments centers which utilize the Credit Card Vending Express™ control system. The total gross revenues received to date by the Company have been nominal. The Company has also recently licensed its Credit Card Vending Express™ technology to an apparel manufacturer to be used in connection with the sale from a vending machine of T-shirts, windbreakers, and tote bags. The Company generally retains 20% of the gross revenues from the machines. Through June 30, 1995 and March 31, 1996 11 of the Credit Card Vending Express™ control systems are in operation and the total gross revenues to the Company from these machines have been nominal.

2. Accounting Policies

Interim Financial Information

The financial statements and disclosures included herein for the nine months ended March 31, 1996 and 1995, and for the date of inception through March 31, 1996 are unaudited. These financial statements and disclosures have been prepared by the

USA Technologies, Inc.

(A Development Stage Corporation)

Notes to Financial Statements (continued)

2. Accounting Policies (continued)

Interim Financial Information (continued)

Company in accordance with generally accepted accounting principles and reflect all adjustments, consisting of adjustments of a normal and recurring nature, which, in the opinion of management, are necessary for a fair presentation of the Company's financial position and the results of its operations and cash flows.

Use of Estimates

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

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over five to seven years for financial statement purposes and accelerated methods for income tax reporting purposes.

Revenue Recognition

Licensing revenues are recognized upon the usage of the Company's credit card activated control systems.

Research and Development

Research and development costs are charged to operations as incurred.

Income Taxes

The Company provides for income taxes using the asset and liability approach whereby deferred tax assets and liabilities are recorded based on the difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

USA Technologies, Inc.

(A Development Stage Corporation)

Notes to Financial Statements (continued)

2. Accounting Policies (continued)

Income Taxes (continued)

Such differences result from differences in the timing of recognition by the Company of certain accrued expenses, and the periods of amortization and depreciation of certain assets.

Loss Per Common Share

Loss per common share is based on the weighted average number of common shares outstanding during the year. No exercise of stock options, purchase rights, stock purchase warrants, or the conversion of preferred stock and cumulative preferred dividends was assumed because the exercise of these securities would be antidilutive. Additionally, the effect of the stock dividend as discussed in Note 9 has not been considered at June 30, 1995 in the loss per common share calculation as it would be antidilutive. The 4,365,000 common shares held in escrow (Note 11) are not considered outstanding for purposes of calculating the loss per common share for all periods presented.

3. Property and Equipment

Property and equipment consist of the following:

	June 30 1995	1994	March 31 1996

	(Unaudited)		
Equipment components	\$ 41,719	\$ 118,657	\$ 375,575
Equipment installed	119,604	36,199	177,599
Furniture and equipment	52,919	45,631	55,580
Vehicles	17,333	17,333	17,333

	231,575	217,820	626,087
Less accumulated depreciation	24,192	9,324	39,060

	\$ 207,383	\$ 208,496	\$ 587,027
	=====		

USA Technologies, Inc.

(A Development Stage Corporation)

Notes to Financial Statements (continued)

3. Property and Equipment (continued)

The Company discontinued the Golf Oasis(TM) vending machines and an agreement was entered into with the manufacturer of the machines to repurchase certain of the machines at an amount significantly below the purchase amount. Accordingly, the Company has recorded a charge for the permanent impairment to the carrying value of the related assets of \$149,000 during the year ended June 30, 1995.

4. Accrued Expenses

	June 30		March 31
	1995	1994	1996

	(Unaudited)		
Accrued rent	\$ 19,000	\$ -	\$ 18,865
Accrued interest--shareholders	-	43,293	4,853
Accrued payroll	352	49,787	15,284

	\$ 19,352	\$ 93,080	\$ 39,002
	=====		

5. Related Party Transactions

At June 30, 1995 and 1994 and March 31, 1996, approximately \$19,000, \$15,000, and \$14,000, respectively, of the Company's accounts payable are due to several shareholders for various legal and technical services performed.

The Company borrowed \$40,000 from its President and shareholder of the Company during September 1992 in the form of a 5% demand note payable. The note was repaid to the President and shareholder during August 1993.

6. Commitments

The Company conducts its operations from various facilities under leases. Rental expense under such arrangements was approximately \$72,000 and \$69,000, respectively, during the fiscal years ended June 30, 1995 and 1994, \$57,000 and \$72,000 during the nine months ended March 31, 1996 and 1995, and \$222,000 for the period January 16, 1992 (date of inception) to March 31, 1996. Future

USA Technologies, Inc.

(A Development Stage Corporation)

Notes to Financial Statements (continued)

6. Commitments (continued)

minimum lease payments under noncancelable operating leases subsequent to June 30, 1995 are approximately \$76,000 in 1996, \$78,000 in 1997, and \$9,000 in 1998. The Company closed its storage facility in Jacksonville, Florida during the year ended June 30, 1995. Accordingly, a \$44,000 charge to operations was recorded during 1995 representing the future minimum lease payments due under the related leases net of anticipated sub-lease payments.

The Company entered into a commitment to acquire certain control system units. As of June 30, 1995, \$100,000 was included in accounts payable (and subsequently paid in August 1995). An additional \$150,000 was paid on March 31, 1996.

The Company has several employment agreements with its officers, none of which extend beyond two years.

7. Income Taxes

At June 30, 1995 and 1994, the Company had a net tax operating loss carryforward of approximately \$2,565,000 and \$1,016,000, respectively, to offset future taxable income expiring through 2010. At June 30, 1995 and 1994, the Company recorded a deferred tax asset of \$1,564,000 and \$894,000, respectively, which were reduced by a valuation allowance of same amounts. The deferred tax assets arose primarily from the use of different accounting methods for financial statement and income tax reporting purposes principally related to the accounting for preoperating costs and research and development and net operating loss carryforwards.

As of June 30, 1993, the timing and manner in which the Company can utilize operating loss carryforwards and future tax deductions for capitalized items in any year was limited by provisions of the Internal Revenue Code regarding changes in ownership of corporations. The Company believes that such limitation will have an impact on the ultimate realization of its carryforwards and future tax deductions (generated through June 30, 1993). Losses generated for income tax purposes for the years ended June 30, 1995 and 1994 are not expected to be subject to the limitation.

USA Technologies, Inc.

(A Development Stage Corporation)

Notes to Financial Statements (continued)

8. Preferred Stock

The Preferred Stock authorized 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 ten votes and is convertible at any time into ten shares of Common Stock. Series A Convertible Preferred Stock provides for an annual cumulative dividend of \$1.50 per share payable to the shareholders of record on February 1 and August 1 of each year. Cumulative unpaid dividends at June 30, 1995 and 1994 and at March 31, 1996 amounted to \$845,816, \$341,942, and \$1,800,116, respectively. Cumulative unpaid dividends are convertible into common shares at \$1.00 per common share at the option of the shareholder. 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. 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.

9. Stock Transactions

During June 1995, the Company's Board of Directors authorized a \$1,500,000 private placement offering of 150 units at a unit price of \$10,000 and each unit included 30,000 Common Stock purchase warrants and 1,000 shares of Series A Convertible Preferred Stock. Subsequent to June 30, 1995, the Company obtained approval to extend the private placement offering to \$1,700,000 and 170 units. As of June 30, 1995, 24.9 units were sold generating net proceeds of \$206,382. This private placement offering closed on July 31, 1995 and a total of 170 units were sold generating net proceeds of \$1,647,567 (\$1,700,000 less offering costs of \$52,433). The subscriptions receivable at June 30, 1995 recorded in connection with this offering were received in July 1995. In connection with this offering, 5,100,000 of 1995 Common Stock purchase warrants (1995 warrants) were issued. The 1995 warrants are exercisable at any time on or before January 31, 2001, unless such date is extended by the Company. Each warrant entitled the holder to purchase one share of Common Stock for \$.50.

USA Technologies, Inc.

(A Development Stage Corporation)

Notes to Financial Statements (continued)

9. Stock Transactions (continued)

On May 12, 1995, the Company's shareholders approved the payment of a stock dividend of 3 shares of Common Stock, for each outstanding share of Series A Convertible Preferred Stock at the close of business on August 1, 1995. The effects of this stock dividend have been reflected in shareholders' equity in the accompanying financial statements as if the stock dividend had occurred on June 30, 1995 for the 636,200 Series A Convertible shares issued and outstanding on June 30, 1995. Additionally, on May 12, 1995 the Company's shareholders approved an amendment to the Articles of Incorporation of the Company to authorize the issuance of up to a maximum of 34,000,000 shares of Common Stock, without par value, and 1,000,000 shares of Series A Preferred Stock, without par value.

On May 6, 1995, the Company filed a registration statement on Form S-8, pursuant to which 250,000 (subsequently amended to 280,000) shares of Common Stock will be issued to a consultant in consideration for services rendered for the period April 1, 1995 through August 31, 1995. Through June 30, 1995, the Company issued 150,000 shares under this agreement. Professional fees of \$99,750 were charged to operations during the year ended June 30, 1995 representing the estimated fair value of the shares issued.

On December 29, 1993, the Company commenced an offering of public securities in an effort to raise, before offering costs, a minimum of \$500,000 and a maximum of \$3,000,000. The offering permitted a minimum of 50,000 units or a maximum of 300,000 units at \$10.00 per unit. Each unit consisted of 1 share of Series A Convertible Preferred Stock and 7 shares of Common Stock. The offering terminated on February 28, 1995 and a total of 300,000 units were sold generating net proceeds of \$ 2,345,104 (\$3,000,000 less offering costs of \$654,896).

USA Technologies, Inc.

(A Development Stage Corporation)

Notes to Financial Statements (continued)

9. Stock Transactions (continued)

During October 1992, the Company's Board of Directors authorized private offering of \$2,000,000 for up to 200 units at a unit price of \$10,000 which includes 30,000 shares of Common Stock and 1,000 shares of Series A Convertible Preferred Stock. The Company allocated \$9.97 per share to the Series A Convertible Preferred Stock due to the Preferred Stock's senior position. The private offering closed on June 30, 1993 from which the Company issued 142.2 units and raised \$1,270,254 of net proceeds (\$1,422,000 less offering costs of \$151,746).

On July 1, 1993, the Company granted 157,300 Common Stock purchase rights at \$1.00 per share to certain consultants and to a broker dealer in connection with this private placement offering. These rights were immediately vested and are exercisable for a period of five years.

During July 1992, the Company's Board of Directors authorized a \$1,500,000 private placement offering of 150 units of Common and Preferred Stock. The offering was canceled effective September 1992. Approximately \$50,000 of costs incurred in connection with the canceled offering were charged to operations during the year ended June 30, 1993.

10. Stock Options

Except as noted below, the Company's Board of Directors has granted options to employees and consultants to purchase common shares at or above fair market value. During June 1995, the Company issued 10,000 options at \$.25 per share which was below fair market value and, accordingly, recorded a \$2,600 charge to compensation expense in conjunction with the issuance.

USA Technologies, Inc.

(A Development Stage Corporation)

Notes to Financial Statements (continued)

10. Stock Options (continued)

The following table summarizes all stock option activity:

	Common Shares Under Options Granted	Price Per Share
	-----	-----
Balance at June 30, 1993 Granted	\$ - 875,000	\$ - .25

Balance at June 30, 1994 Canceled Granted	875,000 (100,000) 2,290,000	.25 .05 - .25

Balance at June 30, 1995 Exercised (Unaudited)	3,065,000 (280,000)	.05
	=====	
Balance at March 31, 1996 (Unaudited)	\$ 2,785,000	\$.05 - .25
	=====	

At June 30, 1995 and March 31, 1996, respectively, 2,890,000 and 2,760,000 of these options were exercisable.

11. Escrow and Cancellation Arrangements

At the request of the Pennsylvania Securities Commission, all of the executive officers and directors of the Company serving at the commencement of the initial public offering of the Company agreed to place in escrow 10,700,000 shares of Common Stock (subsequently amended to 8,395,000 by the cancellation of 2,000,000 shares during June 1995 and 305,000 shares during February 1996 by the President of the Company) beneficially owned by them until December 29, 1996. Under certain circumstances as outlined by the Pennsylvania Securities Commission, the President's shares may be held in escrow for an additional period of time, but not later than June 30, 1998. Any additional shares acquired by the executive officers and directors will also be held in escrow. The executive officers and directors have agreed not to sell, pledge, or transfer, directly or indirectly, any of the Common Stock held in escrow or any options to acquire stock they may

USA Technologies, Inc.

(A Development Stage Corporation)

Notes to Financial Statements (continued)

11. Escrow and Cancellation Arrangements (continued)

own. Additionally, the President of the Company has agreed that his 4,365,000 escrowed common shares would be canceled by the Company and would no longer be issued and outstanding unless certain performance measures as specified by the Commission are achieved. If the performance measures are achieved, the common shares released from escrow will result in a compensatory charge to the Company's operations. The charge will be based on the fair value of the Company's common shares on the date the shares are released from escrow. During the year ended June 30, 1995 and the nine months ended March 31, 1996, there was no such charge to operations. The 4,365,000 common shares are not considered outstanding for purposes of calculating the loss per common share for all periods presented.

12. Events Subsequent to the Date of the Report of Independent Auditors (Unaudited)

During February 1996, the Company filed a registration statement on Form S-8 in connection with an agreement with a consulting company whereby the Company issued and registered for sale 300,000 shares of its common stock in exchange for consulting and advisory services to be rendered to the Company. Consulting costs of \$183,000 were charged to operations in connection with this agreement.

During February 1996, the Company sold 50,000 shares of its Series A Convertible Preferred Stock for \$200,000 to a private investment company pursuant to Regulation S under the Securities Act of 1933.

During February 1996, the Company entered into an agreement with a vendor whereby it committed to acquire 250 control system units for approximately \$143,000. Based on deliveries through June 30, 1996, approximately \$85,000 was included in accounts payable in connection with this obligation. An additional \$58,000 is payable upon the delivery of all units.

During April 1996, the Company's Board of Directors authorized a \$1,300,000 private placement offering of 130 units at a unit price of \$10,000 and each unit includes 40,000 1996 common stock purchase warrants and 1,000 shares of Series A convertible Preferred Stock. All 130 units were sold, generating net proceeds of \$1,249,264. Each 1996 warrant is exercisable at any time prior to June 1, 2001 for one share of common stock at \$.50 per share, provided that the exercise price is \$.40 per share through December 31, 1996.

USA Technologies, Inc.

(A Development Stage Corporation)

Notes to Financial Statements (continued)

12. Events Subsequent to the Date of the Report of Independent Auditors
(Unaudited) (continued)

During the period February 12, 1996 through April 30, 1996, the exercise price of the 1995 warrants (Note 9) was reduced to \$.40 per warrant. (The original warrant exercise price was \$.50.) Subsequent to April 30, 1996, the exercise price of the 1995 warrants was further reduced to \$.30 until June 30, 1996, and such further reduction was made retroactive to those holders who had already exercised the 1995 warrants at \$.40. Accordingly, the Company returned \$87,200 to such holders. Through June 30, 1996, a total of 3,686,000 1995 warrants had been exercised generating gross proceeds to the Company of \$1,105,800.

During April 1996, the Company's shareholders approved the increase in the number of the Company's authorized common stock to 45,000,000 and to increase the number of designated shares of Series A Convertible Preferred Stock from 700,000 to 1,000,000.

During March, April, and May 1996, the Company issued options to acquire up to 650,000 shares of its common stock to certain employees of the Company at \$.65 per share, which was determined to be at or above the fair market value on the date of grant. These options principally vest in quarterly intervals over a five year period.

During July 1996, the Company formalized certain agreements with two Directors of the Company to perform consulting services during fiscal year 1996. Through June 30, 1996, \$104,000 was incurred for services performed.

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. The Company's Bylaws 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.

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	\$ 896.56
Blue Sky fees and expenses.	\$ 3,000.00
Printing and Engraving Expenses	\$10,000.00
Accounting Fees and Expenses.	\$12,000.00
Legal Fees and Expenses	\$12,000.00
Miscellaneous	\$ 2,103.44

Total	\$40,000.00

Item 26. Recent Sales of Unregistered Securities.

During the three years immediately preceding the date of the filing of this Registration Statement, the following securities were issued by the Company without registration under the Securities Act of 1993, as amended ("Act"):

I. Private Placements.

During June and July 1995, the Company sold 170 Units at \$10,000 each pursuant to a private placement under Rule 506 of Regulation D promulgated under the Act. Each Unit consisted of 1,000 shares of Preferred Stock and 30,000 1995 Common Stock Purchase Warrants. An aggregate of 170,000 shares of Preferred Stock and 5,100,000 1995 Common Stock Purchase Warrants were sold to 226 accredited investors. In connection therewith, William W. Sellers, a Director of the Company, purchased an aggregate of 2,225 shares of Preferred Stock and 66,750 1995 Common Stock Purchase Warrants.

During May 1996, the Company sold 130 units at \$10,000 each pursuant to a private placement under Rule 506 of Regulation D promulgated under the Act. Each unit consisted of 1,000 shares of Preferred Stock and 40,000 1996 Common Stock Purchase Warrants. An aggregate of 130,000 shares of Preferred Stock and 5,200,000 1996 Common Stock Purchase Warrants were issued to 100 accredited investors and 33 non-accredited investors. In connection therewith, William W. Sellers, a Director of the Company, purchased 4,000 shares of Preferred Stock and 160,000 1996 Common Stock Purchase Warrants.

II. Stock Options

In July, 1993, the Company issued options to purchase an aggregate of 750,000 shares of Common Stock for \$.25 per share, to the following officers, directors, or employees, in the amounts across from their respective names:

Grantee	Number of Shares of Common Stock Purchasable Under the Options Granted
-----	-----
Robert L. Bartlett	100,000
Keith L. Sterling	200,000
Edward J. Sullivan	100,000
Adele Hepburn	50,000
William W. Sellers	100,000
William L. Van Alen, Jr.	100,000
Peter G. Kapourellos	100,000

In September, 1993, the Company issued to Gregory C. Rollins options to purchase an aggregate of 100,000 shares of Common Stock for \$.25 per share.

In August, 1994, the Company approved the issuance to Megan N. Cherney options to purchase an aggregate of 100,000 shares of Common stock for \$.25 per share.

In August, 1994, the Company issued to Haven Brock Kolls, Jr., options to purchase an aggregate of 50,000 shares of Common Stock for \$.25 per share.

In August, 1994, the Company issued to Barry Slawter options to purchase an aggregate of 200,000 shares of Common Stock for \$.25 per share.

In March 1995, the Company issued to the following officers, directors, consultants and employees, options to acquire an aggregate of 1,305,000 shares of Common Stock at \$.25 per share:

Grantee	Number of shares of Common Stock purchasable Under the Options Granted
-----	-----
Henry B. duPont Smith	100,000
Keith L. Sterling	100,000
William W. Sellers	55,000
Peter G. Kapourellos	70,000
William L. Van Alen, Jr.	25,000
Adele Hepburn	500,000
Austin Hepburn	390,000
Robert Leiser	40,000
Doug Anette	25,000

In March 1995, the Company issued to two consultants options to acquire an aggregate of 500,000 shares of Common Stock at \$.05 per share.

In April 1995, the Company issued to H. Brock Kolls options to purchase up to 150,000 shares of Common Stock at \$.25 per share.

In June 1995, the Company issued to Barry Slawter options to purchase up to 10,000 shares of Common Stock at \$.25 per share.

In March 1996, the Company issued to Haven Brock Kolls options to purchase up to 50,000 shares of Common Stock at \$.65 per share.

In April 1996, the Company issued to Stephen Herbert options to purchase up to 400,000 shares of Common Stock at \$.65 per share.

In May 1996, the Company issued to Keith Sterling options to purchase up to 50,000 shares of Common Stock at \$.65 per share.

In May 1996, the Company issued to Edward Sullivan options to purchase up to 50,000 shares of Common Stock at \$.65 per share.

In June 1996, the Company issued to Michael Lawlor options to purchase up to 100,000 shares of Common Stock at \$.65 per share.

The issuance of all of the foregoing options was made in reliance upon the exemption provided by Section 4(2) of the Act.

III. Common Stock-For Cash.

On and after July 1, 1993, shares of Common Stock were issued by the Company to the following persons at \$.001 per share. All of such shares were issued by the Company in reliance upon the exemption provided by Section 4(2) of the Act, as follows:

Date ----	Name ----	Number of Shares of Common Stock -----
September 1993	Gregory C. Rollins	100,000
September 1993	James Czekner	10,000

In July 1995, options to purchase 180,000 shares of Common Stock at \$.05 per share were exercised by the holders thereof. All of such shares were issued by the Company in reliance on Section 4(2) of the Act.

In February 1996, options to purchase 100,000 shares of Common Stock at \$.05 per share were exercised by the holders thereof. All of such shares were issued by the Company in reliance on Section 4(2) of the Act.

IV. Stock Dividend.

The Company issued a stock dividend consisting of 3 shares of Common Stock for each share of Preferred Stock issued and outstanding on August 1, 1995. Based on the 636,200 shares of Preferred

Stock issued and outstanding on such date, an aggregate of 1,908,600 shares of Common Stock were distributed to the holders of the Preferred Stock. Pursuant thereto, 48,000 shares were issued to Mr. Jensen, 1,500 shares were issued to Mr. Kolls, 3,000 shares were issued to Mr. Kapourellos, 11,175 shares were issued to Mr. Sellers, and 30,000 shares were issued to Mr. Smith. The issuance of this Common Stock was made in reliance on the exemption provided by Section 4(2) of the Act.

Item 27. Exhibits.

Exhibit Number	Description
3.1	Articles of Incorporation of Company 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 the Company 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 the Company 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 the Company 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 the Company 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 the Company filed on June 7, 1995 (incorporated by reference to Exhibit 3.1 to Form 5.3 Registration Statement No. 33-98808, filed October 31, 1995)
**3.1.6	Sixth Amendment to Articles of Incorporation of the Company filed on May 1, 1996
3.2	By-Laws of the Company (Incorporated by reference to Exhibit 3.2 to Form SB-2 Registration Statement No. 33-70992)

Exhibit Number -----	Description -----
**4.1	1996 Warrant Agreement dated as of May 1, 1996 between the Company and American Stock Transfer and Trust Company
**4.2	Form of 1996 Warrant Certificate
**5.1	Opinion of Lurio & Associates
10.1	Amended and Restated Employment and Non-Competition Agreement between the Company and George R. Jensen, Jr., dated as of July 1, 1992 (Incorporated by reference to Exhibit 10.3 to Form SB-2 Registration Statement No. 33-70992)
**10.1.2	First Amendment to Amended and Restated Employment and Non-Competition Agreement between the Company and George R. Jensen, Jr., dated as of April 29, 1996
10.2	Employment and Non-Competition Agreement between the Company and Keith L. Sterling dated as of July 1, 1993 (Incorporated by reference to Exhibit 10.4 to Form SB-2 Registration Statement No. 33-70992)
**10.2.1	First Amendment to Employment and Non-Competition Agreement between the Company and Keith L. Sterling dated as of April 29, 1996
10.3	Employment and Non-Competition Agreement between the Company and Edward J. Sullivan dated as of July 1, 1993 (Incorporated by reference to Exhibit 10.5 to Form SB-2 Registration Statement No. 33-70992)
**10.3.1	First Amendment to Employment and Non-Competition Agreement between the Company and Edward J. Sullivan dated as of April 29, 1996
10.4	Employment and Non-Competition Agreement between the Company 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)
10.5	Robert L. Bartlett Common Stock Options dated as of July 1, 1993 (Incorporated by reference to Exhibit 10.9 to Form SB-2 Registration Statement No. 33-70992)

Exhibit Number	Description
10.6	Edward J. Sullivan Common Stock Options dated as of July 1, 1993 (Incorporated by reference to Exhibit 10.10 to Form SB-2 Registration Statement No. 33-70992)
**10.6.1	Edward J. Sullivan Common Stock Options dated as of April 29, 1996
10.7	Keith L. Sterling Common Stock Options dated July 1, 1993 (Incorporated by reference to Exhibit 10.11 to Form SB-2 Registration Statement No. 33-70992)
**10.7.1	Keith L. Sterling Common Stock Options dated as of April 29, 1996
10.8	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)
10.9	Gregory C. Rollins Common Stock Options dated as of August 23, 1993 (Incorporated by reference to Exhibit 10.13 to Form SB-2 Registration Statement No. 33-70992)
10.10	Lease Agreement for Principal Executive Office dated October 1, 1992 (Incorporated by reference to Exhibit 10.14 to Form SB-2 Registration Statement No. 33-70992)
10.10.1	First Amendment to Lease for Principal Executive Office dated July 13, 1993 (Incorporated by reference to Exhibit 10.14.1 to Form SB-2 Registration Statement No. 33-70992)
10.11	Application Sales Agreement of the Company to Card Establishment Services, Inc. and letter of acceptance thereof (Incorporated by reference to Exhibit 10.15 to Form SB-2 Registration Statement No. 33-70992)
10.12	Non-Disclosure Agreement between USA Entertainment Center, Inc. and Card Establishment Services, Inc. (Incorporated by reference to Exhibit 10.16 to Form SB-2 Registration Statement No. 33-70992)

Exhibit Number -----	Description -----
10.13	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)
10.14	Form of Escrow Agreement between the Company, Meridian Trust Company and various shareholders dated as of December 28, 1993 (Incorporated by reference to Exhibit 10.31 to Form SB-2 Registration Statement No. 33-70992)
10.14.1	Modification to Escrow Agreement dated as of October 6, 1994 between the Company, Meridian Trust Company and George R. Jensen, Jr. (Incorporated by reference to Exhibit 10.31.1 to Form SB-2 Registration Statement No. 33-70992)
**10.14.2	Joinder to Escrow Agreement dated as of February 14, 1996 by each of Haven Brock Kolls, Barry Slawter, and Henry B. duPont Smith
10.15	Employment and Non-Competition Agreement between the Company 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)
**10.15.1	First Amendment to Employment and Non-Competition Agreement between the Company and H. Brock Kolls dated as of March 20, 1996
10.16	Agreement of Lease dated March 16, 1994, by and between the Company and G.F. Florida Operating Alpha, Inc. (Incorporated by reference to Exhibit 10.33 to Form SB-2 Registration Statement No. 33-70992)
10.17	Megan N. Cherney Common Stock Options dated as of April 1, 1994 (Incorporated by reference to Exhibit 10.41 to Form SB-2 Registration Statement No. 33-70992)
10.18	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)

Exhibit Number	Description
**10.18.1	H. Brock Kolls Common Stock Options dated as of March 20, 1996
10.19	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)
10.20	Employment and Non-Competition Agreement between the Company and Barry Slawter dated as of July 12, 1994 (Incorporated by reference to Exhibit 10.44 to Form SB-2 Registration Statement No. 33-70992)
10.21	Employment Agreement dated June 30, 1994 between the Company and Megan N. Cherney (Incorporated by reference to Exhibit 10.45 to Form SB-2 Registration Statement No. 33-70992)
10.22	First Amendment to Employment and Non-Competition Agreement dated September 2, 1994 between Barry Slawter and the Company (Incorporated by reference to Exhibit 10.46 to Form SB-2 Registration Statement No. 33-70992)
10.23	Consulting Agreement between Jerome M. Wenger and the Company dated March 24, 1995 (incorporated by reference to Exhibit 28 to the Form S-8 Registration Statement No. 33-92038 filed on May 6, 1995)
10.24	Amendment to Consulting Agreement between Jerome M. Wenger and the Company dated May 19, 1995 (incorporated by reference to Exhibit 28.2 to Form S-8 filed on November 1, 1995)
10.25	First Amendment to Employment And Non-Competition Agreement between the Company and Barry Slawter dated September 28, 1995 (incorporated by reference to Exhibit 10.31 to Form SB-2 Registration Statement No. 33-98808)
**10.26	Remarketer/Integrator Agreement between the Company and Dell Computer Corporation dated February 8, 1996

Exhibit Number - - - - -	Description - - - - -
10.27	Letter Agreement between the Company and Diversified Corporate Consulting Group, L.P., dated February 7, 1996 (incorporated by reference to Exhibit 28.2 to Form S-8 Registration Statement No. 33-2614)
**10.28	Employment And Non-Competition Agreement between the Company and Michael Lawlor dated June 7, 1996
**10.29	Michael Lawlor Common Stock Option Certificate dated as of June 7, 1996
**10.30	Employment And Non-Competition Agreement between the Company and Stephen P. Herbert dated April 4, 1996
**10.31	Stephen P. Herbert Common Stock Option Certificate dated April 4, 1996
**10.32	Letter between the Company and William W. Sellers dated July 17, 1996
**10.33	Letter between the Company and Peter G. Kapourellos dated July 17, 1996
**23.1	Consent of Ernst & Young LLP, Independent Auditors
23.2	Consent of Lurio & Associates (included in Exhibit 5.1)

- - - - -
** 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 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.

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 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 July 31, 1996.

USA TECHNOLOGIES, INC.

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

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

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, President and Chief Executive Officer (Principal and Chief Executive Officer)	July 31, 1996
/s/ Edward J. Sullivan ----- Edward J. Sullivan	Vice President and Chief Financial Officer (Principal Accounting Officer)	July 31, 1996
/s/ Stephen P. Herbert ----- Stephen P. Herbert	Vice President, Director	July 31, 1996
/s/ Keith L. Sterling ----- Keith L. Sterling	Vice President, Director	July 31, 1996
----- William W. Sellers	Director	July , 1996
/s/ Peter G. Kapourellos ----- Peter G. Kapourellos	Director	July 31, 1996
----- Henry B. duPont Smith	Director	July , 1996
/s/ William L. Van Alen, Jr. ----- William L. Van Alen, Jr.	Director	July 31, 1996

EXHIBIT INDEX

Exhibit Number -----	Description -----
3.1.6	Sixth Amendment to Articles of Incorporation of the Company filed on May 1, 1996
4.1	1996 Warrant Agreement dated as of May 1, 1996 between the Company and American Stock Transfer and Trust Company
4.2	Form of 1996 Warrant Certificate
5.1	Opinion of Lurio & Associates
10.1.2	First Amendment to Amended and Restated Employment and Non-Competition Agreement between the Company and George R. Jensen, Jr., dated as of April 29, 1996
10.2.1	First Amendment to Employment and Non-Competition Agreement between the Company and Keith L. Sterling dated as of April 29, 1996
10.3.1	First Amendment to Employment and Non-Competition Agreement between the Company and Edward J. Sullivan dated as of April 29, 1996
10.6.1	Edward J. Sullivan Common Stock Options dated as of April 29, 1996
10.7.1	Keith L. Sterling Common Stock Options dated as of April 29, 1996
10.14.2	Joinder to Escrow Agreement dated as of February 14, 1996 by each of Haven Brock Kolls, Barry Slawter, and Henry B. duPont Smith
10.15.1	First Amendment to Employment and Non-Competition Agreement between the Company and H. Brock Kolls dated as of March 20, 1996
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10.32	Letter between the Company and William W. Sellers dated July 17, 1996
10.33	Letter between the Company and Peter G. Kapourellos dated July 17, 1996
23.1	Consent of Ernst & Young LLP, Independent Auditors

**Filed herewith

Microfilm Number 9631-1599 Filed with the Department of State on May 1, 1996

Entity Number 2072587 /s/ JEANETTE KANDER

Secretary of the Commonwealth

ARTICLES OF AMENDMENT-DOMESTIC BUSINESS CORPORATION
DSCB:15-1915 (Rev 90)

In compliance with the requirements of 15 Pa.C.S. Section 1915 (relating to articles of amendment), the undersigned business corporation, desiring to amend its Articles, hereby states that:

1. The name of the corporation is: USA Technologies, Inc.

2. The (a) address of this corporation's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

(a) _____
Number and Street City State Zip County

(b) c/o: Corporation Service Company

Name of Commercial Registered Office Provider County

For a corporation represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation is located for venue and official publication purposes.

3. The statute by or under which it was incorporated is: Business Corporation Law of 1988

4. The date of its incorporation is: January 16, 1992

5. (Check, and if appropriate complete, one of the following):
 The amendment shall be effective upon filing these Articles of Amendment in the Department of State.
 The amendment shall be effective on: _____ at _____
Date Hour

6. (Check one of the following):
 The amendment was adopted by the shareholders (or members) pursuant to 15 Pa.C.S. Section 1914(a) and (b).
 The amendment was adopted by the board of directors pursuant to 15 Pa.C.S. Section 1914(c).

7. (Check, and if appropriate complete, one of the following):
 The amendment adopted by the corporation, set forth in full, is as follows:

The amendment adopted by the corporation is set forth in full in Exhibit A attached hereto and made a part hereof.

8. (Check if the amendment restates the Articles):
 The restated Articles of Incorporation supersede the original Articles and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this 30th day of April, 1996.

USA TECHNOLOGIES, INC.

(Name of Corporation)

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

(Signature)

TITLE: President

EXHIBIT "A"

1. Paragraph (A) Classes of Stock of Article 4 of the Articles of Incorporation of the Company shall be amended and restated to read in full as follows:

(A) Classes of Stock. The aggregate number of shares which the corporation shall have authority to issue is 46,000,000 shares, divided into 45,000,000 shares of Common Stock, without par value, and 1,000,000 shares of Series Preferred Stock, without par value.

2. The first sentence of Paragraph (C) Designation of Series A Convertible Preferred Stock of Article 4 of the Articles of Incorporation of the Company shall be amended and restated to read in full as follows:

(C) Designation of Series A Convertible Preferred Stock. There is hereby established a series of the Series Preferred Stock designated "Series A Convertible Preferred Stock" (herein referred to as "Series A Preferred Stock"), consisting of 1,000,000 shares, having the relative rights, designations, preferences, qualifications, privileges, limitations, and restrictions applicable thereto as follows:

USA TECHNOLOGIES, INC.
1996 COMMON STOCK PURCHASE WARRANTS

WARRANT AGREEMENT

1996 Warrant AGREEMENT dated as of the 1st day of May, 1996, by and between USA TECHNOLOGIES, INC., a Pennsylvania corporation (hereinafter called the "Company"), and AMERICAN STOCK TRANSFER & TRUST COMPANY, as warrant agent (hereinafter called the "1996 Warrant Agent").

WHEREAS, the Company at or about the same time that it is entering into this Agreement, is issuing 1996 Common Stock Purchase Warrants ("1996 Warrants") to purchase up to 5,200,000 shares of Common Stock, no par value of the Company ("Common Stock"). Each 1996 Warrant represents the right to purchase from the Company one (1) share of Common Stock at the purchase price ("Purchase Price") of \$.40 per share for a period commencing on June 1, 1996 and ending at 5:00 p.m., December 31, 1996, and \$.50 per share commencing on January 1, 1997 and ending on 5:00 p.m., May 31, 2001, subject to the terms and conditions hereinafter set forth; and

WHEREAS, the Company desires the 1996 Warrant Agent to act on behalf of the Company, and the 1996 Warrant Agent is willing so to act, in connection with the issuance, registration, transfer, exchange and replacement of the certificates evidencing the 1996 Warrants (the "1996 Warrant Certificate") and the exercise of the 1996 Warrants, and to act as depository for the 1996 Warrant Certificates.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Appointment of 1996 Warrant Agent. The Company hereby appoints the 1996 Warrant Agent to act as agent for the Company in accordance with the terms and conditions hereinafter in this Agreement set forth, and the 1996 Warrant Agent hereby accepts such appointment.

Section 2. Form of 1996 Warrant Certificates. The text of the 1996 Warrant Certificates (and the form of election to purchase shares to be printed on the reverse thereof) shall be substantially as set forth in Exhibit "A" attached hereto, and may have such letters, numbers, or other marks of identification or designation and such legends, summaries, or endorsements printed, lithographed, or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this 1996 Warrant Agreement, or as may be required to comply with any law or with any rules or regulations of any stock exchange. The 1996 Warrant Certificates may bear such notice of restriction on transfer and/or exercise as the Company's counsel may deem necessary or appropriate for the Company to comply with all federal or state laws or regulations, including securities laws. The 1996 Warrant Certificates shall be dated as of the date of issuance thereof by the 1996 Warrant Agent, either upon initial issuance or upon transfer or exchange, and on their face shall entitle the holders thereof to purchase such number of shares of Common Stock

at the Purchase Price, subject to all of the terms and conditions hereof. 1996 Warrant Certificates shall be numbered serially with the letter W for the 1996 Warrants.

Section 3. Countersignature and Registration. The 1996 Warrant Agent shall keep, or cause to be kept, at its principal office, books for the transfer and registration of the 1996 Warrant Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the 1996 Warrant Certificates, the number of 1996 Warrants evidenced on its face by each of the 1996 Warrant Certificates, and the date of each of the 1996 Warrant Certificates.

The 1996 Warrant Certificates shall be executed on behalf of the Company by its Chairman of the Board, its President, or any Vice President, by facsimile signature, and have affixed thereto a facsimile of the Company's seal which shall be attested by the Secretary or an Assistant Secretary of the Company by facsimile signature. The 1996 Warrant Certificates shall be countersigned manually or by facsimile by the 1996 Warrant Agent (or by any successor to the 1996 Warrant Agent then acting as 1996 Warrant Agent under this Agreement) and shall not be valid for any purpose unless so countersigned. 1996 Warrant Certificates may be so countersigned, however, by the 1996 Warrant Agent (or by its successor as 1996 Warrant Agent) and be delivered by the 1996 Warrant Agent, notwithstanding that the persons whose manual or facsimile signatures appear thereon as proper officers of the Company shall have ceased to be such officers at the time of such

countersignature or delivery.

Section 4. Transfers and Exchanges.

Subject to the provisions of Section 10 hereof, any 1996 Warrant Certificate, with or without other 1996 Warrant Certificates, may be transferred, split up, combined, or exchanged for another 1996 Warrant Certificate or 1996 Warrant Certificates, entitling the registered holder to purchase a like number of shares of Common Stock as the 1996 Warrant Certificate or 1996 Warrant Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine, or exchange any 1996 Warrant Certificates shall make such request in writing delivered to 1996 Warrant Agent, and shall surrender the 1996 Warrant Certificate or 1996 Warrant Certificates to be transferred, split up, combined, or exchanged at the principal office of 1996 Warrant Agent. Subject to Section 4.B, 1996 Warrant Agent shall countersign and deliver to the person entitled thereto a 1996 Warrant Certificate, or 1996 Warrant Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover all taxes and other governmental charges that may be imposed in connection with any transfers, split up, combination, or exchange of 1996 Warrant Certificates.

As a condition to the transfer, split up, combination, or exchange of any 1996 Warrant Certificate or 1996 Warrant Certificates, pursuant to Section 4.A, the holder and/or proposed holder of such 1996 Warrant Certificate or 1996 Warrant

Certificates, shall execute and deliver such representations, 1996 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 transfer, split up, combination or exchange of such 1996 Warrant Certificate or 1996 Warrant Certificates, and the 1996 Warrant Certificate or 1996 Warrant Certificates to be issued by the 1996 Warrant Agent 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.

Section 5. Exercise of the 1996 Warrants.

A. Subject to the provisions of this Agreement, each registered holder of a 1996 Warrant Certificate shall have the right which may be exercised commencing at the opening of business on June 1, 1996 (the "1996 Warrant Date"), and which shall terminate at 5:00 p.m. on May 31, 2001, or such later date or dates as the Company may determine (the "1996 Warrant Termination Date"), to purchase from the Company, and the Company shall issue and sell to such registered holder of the 1996 Warrant Certificate, the number of fully paid and non-assessable shares of Common Stock specified in such 1996 Warrant Certificate, upon surrender to the Company at the office of the 1996 Warrant Agent of such 1996 Warrant Certificate, with the form of election to purchase on the reverse thereof duly filled in and signed and upon payment to the Company of the Purchase Price, determined in accordance with the provisions of Sections 8 and 9 of this Agreement, for the number of

Common Shares in respect of which such 1996 Warrants are then exercised. Payment of such Purchase Price shall be made in cash or by certified check or bank draft payable to the order of the Company. No adjustment shall be made for any dividends on any Common Stock issuable upon exercise of a 1996 Warrant.

B. Upon the surrender of the 1996 Warrant Certificate, with the form of election to purchase duly executed, and payment of the Purchase Price as aforesaid, the 1996 Warrant Agent shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the registered holder of such 1996 Warrant Certificate and in such name or names as such registered holder may designate, a certificate or certificates for the number of full shares of Common Stock so purchased upon the exercise of such 1996 Warrants. 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 as of the date of the surrender of such 1996 Warrant Certificate and payment of the Purchase Price as aforesaid; provided, however, that if, at the date of surrender of such 1996 Warrant Certificate and payment of such Purchase Price, the transfer books for the Common Stock purchasable upon the exercise of such 1996 Warrants shall be closed, the certificates for the Common Stock in respect to which such 1996 Warrants are then exercised shall be issuable 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.

C. The rights of purchase represented by the 1996 Warrant Certificate shall be exercisable, at the election of the registered holders thereof, either as an entirety or from time to time for part only of the Common Stock specified therein and, in the event that any 1996 Warrant Certificate is exercised in respect of less than all of the Common Stock specified therein at any time prior to the 1996 Warrant Termination Date, a new 1996 Warrant Certificate or 1996 Warrant Certificates will be issued to such registered holder for the remaining number of shares of Common Stock specified in the 1996 Warrant Certificate so surrendered, and the 1996 Warrant Agent is hereby irrevocably authorized to countersign and to deliver the required new 1996 Warrant Certificate pursuant to the provisions of this Section and of Section 3 of this Agreement.

D. No 1996 Warrant is exercisable by a holder unless, at the time of exercise by such holder, (1) there is either (a) a registration statement or prospectus covering the shares of Common Stock underlying the 1996 Warrant that is effective under (I) the Securities Act of 1933, as amended, and (ii) the securities laws of the state of the address of record of such holder, or (b) an exemption is available from registration for the exercise of the 1996 Warrant and issuance of the shares of Common Stock in the opinion of counsel to the Company; and (2) such exercise and issuance would otherwise be in compliance with applicable law in the opinion of counsel to the Company. No 1996 Warrant may be, directly or indirectly, transferred to, or exercised by, any person

in any state where such transfer or exercise would violate any law, including securities law, of such state in the opinion of counsel to the Company.

E. Prior to the exercise of the 1996 Warrants evidenced thereby, the holder of a 1996 Warrant Certificate shall not be entitled to any rights of a shareholder of the Company with respect to the shares for which the 1996 Warrants are exercisable, including, without limitation, the right to vote, to receive dividends or other distributions, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

F. To the extent that any 1996 Warrant Certificates remain outstanding and unexercised at 5:00 p.m. on the 1996 Warrant Expiration Date, such outstanding 1996 Warrant Certificates, and any and all rights to purchase Common stock associated therewith, shall automatically become null and void and shall have no further force or effect whatsoever.

Section 6. Mutilated or Missing 1996 Warrants. In case any of the 1996 Warrant Certificates shall be mutilated, lost, stolen or destroyed, the Company may in its discretion issue and the 1996 Warrant Agent shall countersign and deliver in exchange and substitution for and upon cancellation of the mutilated 1996 Warrant Certificate, or in lieu of and substitution for the 1996 Warrant Certificate lost, stolen or destroyed, a new 1996 Warrant Certificate of like tenor and representing an equivalent right or interest, but only upon receipt of evidence satisfactory to the

Company and the 1996 Warrant Agent of such loss, theft or destruction of such 1996 Warrant Certificate and indemnity, if requested, also satisfactory to them. Applicants for such substitute 1996 Warrant Certificates shall also comply with such other reasonable regulations and pay such reasonable charges as the Company or the 1996 Warrant Agent may prescribe.

Section 7. Reservation of Common Stock.

A. There have been reserved, and the Company shall at all times keep reserved out of the authorized and unissued Common Stock, a number of shares of Common Stock sufficient to provide for the exercise of the rights of purchase represented by the 1996 Warrants. The Company agrees that all Common Stock issued upon exercise of the 1996 Warrants shall be, at the time of delivery of the certificates for such Common Stock, validly issued and outstanding, fully paid and non-assessable.

B. The Company will keep a copy of this Agreement on file with the transfer agent for the Common Stock and with every subsequent transfer agent for any Common Stock or of the Company's capital stock issuable upon the exercise of the rights of purchase represented by the 1996 Warrants. The 1996 Warrant Agent is hereby irrevocably authorized to requisition from such transfer agent stock certificates required to honor outstanding 1996 Warrants. The Company will supply such transfer agent with duly executed stock certificates for such purpose and will itself provide or otherwise make available any cash which may be issuable only if so provided in Section 10 of this Agreement.

C. All 1996 Warrant Certificates surrendered in the exercise of the rights thereby evidenced shall be canceled by the 1996 Warrant Agent and shall thereafter be delivered to the Company, and such canceled 1996 Warrant Certificates shall constitute sufficient evidence of the number of shares of Common Stock which have been issued upon the exercise of such 1996 Warrants. Promptly after the 1996 Warrant Expiration Date, the 1996 Warrant Agent shall certify to the Company the total aggregate amount of 1996 Warrant Certificates then outstanding, and thereafter no Common Stock shall be subject to reservation in respect to such 1996 Warrants which shall have expired.

Section 8. Purchase Price. The Purchase Price at which Common Stock shall be purchasable pursuant to the 1996 Warrants shall be \$.40 per share at any time from the 1996 Warrant Date until 5:00 p.m. on December 31, 1996, and \$.50 per share at any time thereafter until the 1996 Warrant Expiration Date; provided, such price shall be subject to adjustment as provided in Section 9 hereof. In addition to the adjustments required by Section 9, the Company may, at any time or from time to time prior to the 1996 Warrant Termination Date, reduce the Purchase Price for such period or periods of time as the Company deems appropriate.

Section 9. Adjustments. Subject and pursuant to the provisions of this Section 9, the Purchase Price, the number of shares of Common Stock covered by each 1996 Warrant, and the number of 1996 Warrants outstanding, 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 Purchase 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 Purchase 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 Purchase Price immediately prior to such combination shall be proportionately increased. Any such adjustment to the Purchase Price shall become effective at the close of business on the record date for such subdivision or combination. The Purchase 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 Purchase Price as hereinabove provided, the number of shares of Common Stock issuable upon exercise of the 1996 Warrants remaining unexercised immediately prior to such adjustment, shall be changed to the number of shares determined by dividing (I) the aggregate Purchase Price payable for the purchase of all shares of Common Stock issuable upon exercise of all the 1996 Warrants remaining unexercised immediately prior to such adjustment, by (ii) the

Purchase 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 1996 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 execute with the 1996 Warrant Agent a supplemental 1996 Warrant Agreement providing that each registered holder of a 1996 Warrant Certificate shall have the right thereafter and until the 1996 Warrant Expiration Date to exercise such 1996 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 1996 Warrant might have been exercised immediately prior to such reorganization, reclassification, consolidation,

merger or sale, subject to subsequent adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 9.

(ii) Notwithstanding subsection (I) hereof and in lieu thereof, the Company may elect by written notice to the registered holder of the 1996 Warrant Certificates, to require such registered holder to exercise all of the 1996 Warrants remaining unexercised prior to any such reorganization, reclassification, consolidation, merger or sale. If the holder of any 1996 Warrant Certificate shall not exercise all or any part of the 1996 Warrants remaining unexercised prior to such event, such unexercised 1996 Warrants shall automatically become null and void upon the occurrence of any such event, and of no further force and effect. The Common Stock issued pursuant to any such exercise shall be deemed to be issued and outstanding immediately prior to any such event, and shall be entitled to be treated as any other issued and outstanding share of Common Stock in connection with such event.

E. The form of 1996 Warrant Certificate need not be changed because of any change pursuant to this Section 9, and 1996 Warrant Certificates issued after such change may state the same Purchase Price and the same number of shares of Common Stock as is stated in the 1996 Warrant Certificates initially issued pursuant to this 1996 Warrant Agreement. However, the Company may at any time in its sole discretion (which shall be conclusive) make any change in the form of 1996 Warrant Certificates that the Company may deem appropriate and that does not affect the substance

thereof; and any 1996 Warrant Certificates thereafter issued or countersigned, whether in exchange or substitution for an outstanding 1996 Warrant Certificate or otherwise, may be in the form as so changed.

Section 10. Fractional Interest.

A. The Company shall not be required to issue fractions of 1996 Warrants or to distribute 1996 Warrant Certificates which evidence fractional 1996 Warrants.

B. Upon the exercise of the 1996 Warrants, the Company shall not be required to issue fractional shares of its Common Stock, or to distribute certificates which evidence fractional shares. In lieu of the issuance of any such fractional shares on the exercise of the 1996 Warrants, and provided that the holder of the 1996 Warrant Certificates being exercised has exercised all of the 1996 Warrants then held by such holder, the Company shall pay cash to the registered holder of the 1996 Warrants in an amount equal to the value of such fractional shares based on the market value of the Common Stock on the last trading day prior to the exercise date. If the holder of such 1996 Warrant Certificates has not exercised all of the 1996 Warrants then held by such holder, the Company shall not be required to purchase any such fraction.

Section 11. Notices to 1996 Warrant Holders. Upon any adjustment of the Purchase Price, the number of shares of Common Stock issuable on exercise of each 1996 Warrant, or the number of 1996 Warrants are adjusted as provided in Section or if the Purchase Price is reduced by the Company, or the 1996 Warrant Date

or 1996 Warrant Expiration Date are adjusted by the Company, then and in each such case the Company shall give written notice thereof to the 1996 Warrant Agent, which notice shall state the Purchase Price resulting from such adjustment, the increase or decrease, if any, in the number of shares of Common Stock purchasable at such price upon the exercise of each 1996 Warrant, and the increase or decrease, if any, in the number of 1996 Warrants, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

Section 12. Disposition of Proceeds on Exercise of 1996 Warrants.

A. The 1996 Warrant Agent shall account promptly to the Company with respect to 1996 Warrants exercised and shall forward to the Company all monies received by the 1996 Warrant Agent for the purchase of shares of Common Stock through the exercise of such 1996 Warrants.

B. The 1996 Warrant Agent shall keep copies of this Agreement available for inspection by holders of 1996 Warrant Certificates during normal business hours.

Section 13. Merger or Consolidation or Change of Name of 1996 Warrant Agent. Any corporation or company which may succeed to the business of the 1996 Warrant Agent by any merger or consolidation or otherwise to which the 1996 Warrant Agent shall be a party, or any corporation or company succeeding to the corporate trust business of the 1996 Warrant Agent, shall be the successor 1996 Warrant Agent hereunder without the execution or filing of any

paper or any further act on the part of any of the parties hereto. In case at the time such successor to the 1996 Warrant Agent shall succeed to the agency created by this 1996 Warrant Agreement, any of the 1996 Warrant Certificates shall have been countersigned but not delivered, any such successor to the 1996 Warrant Agent may adopt the countersignature of the original 1996 Warrant Agent and deliver such 1996 Warrant Certificates so countersigned; and in case at that time any of the 1996 Warrant Certificates shall not have been countersigned, any successor to the 1996 Warrant Agent may countersign such 1996 Warrant Certificates either in the name of the predecessor 1996 Warrant Agent or in the name of the successor 1996 Warrant Agent; and in all such cases such 1996 Warrant Certificates shall have the full force provided in the 1996 Warrant Certificates and in this 1996 Warrant Agreement. In the event the name of the 1996 Warrant Agent shall be changed and at such time any of the 1996 Warrant Certificates shall have been countersigned but not delivered, the 1996 Warrant Agent may adopt the countersignature under its prior name and deliver 1996 Warrant Certificates so countersigned; and in case at that time any of the 1996 Warrant Certificates shall not have been countersigned, the 1996 Warrant Agent may countersign such 1996 Warrant Certificates either in its prior name or in its changed name; and in all such cases such 1996 Warrant Certificates shall have the full force provided in the 1996 Warrant Certificates and in this 1996 Warrant Agreement.

Section 14. Duties of 1996 Warrant Agent. The 1996 Warrant Agent undertakes the duties and obligations imposed by this 1996 Warrant Agreement upon the following terms and conditions, by all of which the Company and the holders of 1996 Warrant Certificates, by their acceptance thereof, shall be bound.

A. The statements of facts and recitals contained herein and in the 1996 Warrant Certificates shall be taken as statements of the Company, and the 1996 Warrant Agent assumes no responsibility for the correctness of any of the same except such as describe the 1996 Warrant Agent or action taken or to be taken by it. The 1996 Warrant Agent assumes no responsibility with respect to the distribution of the 1996 Warrant Certificates except as herein expressly provided.

B. The 1996 Warrant Agent shall not be responsible for any failure of the Company to comply with any of the covenants contained in this Agreement or in the 1996 Warrant Certificates to be complied with by the Company.

C. The 1996 Warrant Agent may consult at any time with counsel satisfactory to it (who may be counsel for the Company) and the 1996 Warrant Agent shall incur no liability or responsibility to the Company or to any holder of any 1996 Warrant Certificate in respect to any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion or the advice of such counsel.

D. The 1996 Warrant Agent shall incur no liability or responsibility to the Company or to any holder of any 1996 Warrant Certificate for any action taken in reliance on any notice,

resolution, waiver, consent, order, certificate, or other paper, document or instrument believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

E. To the extent, and in the amounts agreed upon between the Company and the 1996 Warrant Agent, the Company agrees to pay to the 1996 Warrant Agent reasonable compensation for all services rendered by the 1996 Warrant Agent in connection with this 1996 Warrant Agreement, to reimburse the 1996 Warrant Agent for all expenses, taxes and governmental charges and other charges of any kind and nature incurred by the 1996 Warrant Agent in connection with this 1996 Warrant Agreement. The Company also agrees to indemnify the 1996 Warrant Agent and save it harmless against any and all liabilities, including judgments, costs and reasonable counsel fees, for anything done or omitted by the 1996 Warrant Agent in connection with the 1996 Warrant Agreement except as a result of the 1996 Warrant Agent's negligence, willful misconduct, or bad faith.

F. The 1996 Warrant Agent shall be under no obligation to institute any action, suit or legal proceedings or to take any other action likely to involve expenses unless the Company or one or more registered holders of 1996 Warrant Certificates shall furnish the 1996 Warrant Agent with reasonable security and indemnity for any costs and expenses which may be incurred, but this provision shall not affect the power of the 1996 Warrant Agent to take such action as the 1996 Warrant Agent may consider proper, whether with or without any security or indemnity. All rights of

action under this 1996 Warrant Agreement or under any of the 1996 Warrants may be enforced by the 1996 Warrant Agent without the possession of any of the 1996 Warrant Certificates or production thereof at any trial or other proceeding relative thereto, and any such action, suit or proceeding instituted by the 1996 Warrant Agent shall be brought in its name as 1996 Warrant Agent, and any recovery or judgment shall be for the ratable benefit of the registered holders of the 1996 Warrant Certificates, as their respective rights or interests may appear.

G. The 1996 Warrant Agent shall act hereunder solely as agent and not in a ministerial capacity, and its duties shall be determined solely by the provisions hereof. The 1996 Warrant Agent shall not be liable for anything which it may do or refrain from doing in connection with this 1996 Warrant Agreement except for its own negligence, willful misconduct or bad faith.

H. The 1996 Warrant Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys, agents or employees, and the 1996 Warrant Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys, agents or employees or for any loss to the Company resulting from such neglect or misconduct, provided reasonable care had been exercised in the selection and continued employment thereof.

I. Any request, direction, election, order or demand of the Company shall be sufficiently evidenced by an instrument signed

in the name of the Company by its President or Vice President or its Secretary or an Assistant Secretary or its Treasurer or Assistant Treasurer (unless other evidence in respect thereof be herein specifically prescribed); any resolution of the Board of Directors may be evidenced to the 1996 Warrant Agent by a copy thereof certified by the Secretary or an Assistant Secretary of the Company.

Section 15. Change of 1996 Warrant Agent. The 1996 Warrant Agent may resign and be discharged from its duties under this 1996 Warrant Agreement by giving to the Company notice in writing, and to the holders of the 1996 Warrant Certificates notice by mailing such notice to holders at their addresses appearing on the 1996 Warrant register, of such resignation, specifying a date when such resignation shall take effect. The 1996 Warrant Agent may be removed by like notice to the 1996 Warrant Agent from the Company and by like mailing of notice to the holders of the 1996 Warrant Certificates. If the 1996 Warrant Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the 1996 Warrant Agent. If the Company shall fail to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated 1996 Warrant Agent or by the registered holder of a 1996 Warrant Certificate (who shall, with such notice, submit his 1996 Warrant Certificate for inspection by the Company), then the registered holder of any 1996 Warrant Certificate may apply to any court of

competent jurisdiction for the appointment of a successor to the 1996 Warrant Agent. Any successor 1996 Warrant agent, whether appointed by the Company or by such a court, shall be a bank or trust company, in good standing, incorporated under the laws of the Commonwealth of Pennsylvania or any other state in the United States of America. After appointment, the successor 1996 Warrant agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as 1996 Warrant Agent without further act or deed; but the former 1996 Warrant Agent shall deliver and transfer to the successor 1996 Warrant agent all canceled 1996 Warrants, records and property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Failure to file or mail any notice provided for in this Section, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the 1996 Warrant Agent or the appointment of the successor 1996 Warrant agent, as the case may be.

Section 16. Right of Action. All rights of action in respect of this Agreement are vested in the respective registered holders of the 1996 Warrant Certificates; and any registered holder of any 1996 Warrant Certificate, without the consent of 1996 Warrant Agent or of the holder of any other 1996 Warrant Certificate, may, in such holder's own behalf and for such holder's own benefit, enforce, and may institute and maintain any suit, action, or proceeding against the Company to enforce, or otherwise

in respect of, such holder's right to exercise the 1996 Warrants evidenced by such 1996 Warrant Certificate in the manner provided in such 1996 Warrant Certificate and in this Agreement.

Section 17. Agreement of 1996 Warrant Certificate Holders.

Every holder of a 1996 Warrant Certificate, by accepting same, consents and agrees with Company, 1996 Warrant Agent, and with every other holder of a 1996 Warrant Certificate that:

A. The 1996 Warrants are transferable only on the registry books of 1996 Warrant Agent upon surrender of the 1996 Warrant Certificates at the principal office of 1996 Warrant Agent and only as provided in Section 4; and

B. The Company and 1996 Warrant Agent may deem and treat the person in whose name the 1996 Warrant Certificate is registered as the absolute owner thereof and of the 1996 Warrants evidenced thereby (notwithstanding any notations of ownership or writing on the 1996 Warrant Certificates made by anyone other than the Company or 1996 Warrant Agent) for all purposes whatsoever, and neither the Company nor 1996 Warrant Agent shall be affected by any notice to the contrary.

Section 18. Identity of Transfer Agent. Forthwith upon the appointment of any transfer agent for the Common Stock (other than 1996 Warrant Agent) or any subsequent transfer agent for Common Stock or other shares of the Company's capital stock issuable upon the exercise of the rights of purchase represented by the 1996 Warrants, the Company will file with the 1996 Warrant Agent a statement setting forth the name and address of such transfer agent.

Section 19. Notices. Any notice pursuant to this 1996 Warrant Agreement to be given or made by the 1996 Warrant Agent or by the registered holder of any 1996 Warrant Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing by the Company with the 1996 Warrant Agent) as follows:

USA Technologies, Inc.
3 Glenhardie Corporate Center
1265 Drummers Lane, Suite 306
Wayne, Pennsylvania 19087
Attn: George R. Jensen, Jr.,
President

Any notice pursuant to this Agreement to be given or made by the Company or by the registered holder of any 1996 Warrant Certificate to or on the 1996 Warrant Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing by the 1996 Warrant Agent with the Company) as follows:

American Stock Transfer &
Trust Company
40 Wall Street
New York, New York 10005

Section 20. Supplements and Amendments. The Company and the 1996 Warrant Agent may from time to time supplement or amend the 1996 Warrant Agreement without the approval of any holders of 1996 Warrant Certificates in order to cure any ambiguity or to correct or supplement any provision contained herein which may be defective or inconsistent with any other provision herein, or to

make any other provisions in regard to matters or questions arising hereunder which the Company and the 1996 Warrant Agent may deem necessary or desirable and which shall not be inconsistent with the provisions of the 1996 Warrant Certificates and which shall not adversely affect the interests of the holders of 1996 Warrant Certificates.

Section 21. Successors. All the covenants and provisions of this 1996 Warrant Agreement by or for the benefit of the Company or the 1996 Warrant Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 22. Interpretation. This 1996 Warrant Agreement and each 1996 Warrant Certificate issued hereunder 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 of said Commonwealth.

Section 23. Benefits of this Agreement. Nothing in this 1996 Warrant Agreement shall be construed to give to any person or corporation other than the Company, the 1996 Warrant Agent and the registered holders of the 1996 Warrant Certificates any legal or equitable right, remedy or claim under this 1996 Warrant Agreement; but this 1996 Warrant Agreement shall be for the sole and exclusive benefit of the Company, the 1996 Warrant Agent and the registered holders of the 1996 Warrant Certificates.

Section 24. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such

counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Warrant Agreement to be duly executed as of the day and year first above written.

USA TECHNOLOGIES, INC.

Attest: /s/Keith Sterling

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

George R. Jensen, Jr.,
President

AMERICAN STOCK TRANSFER &
TRUST COMPANY

Attest: /s/Joe Alicia

By: /s/Joe Wolf

Authorized Officer

SEE LEGEND ON REVERSE

NUMBER W96-	LOGO USA TECHNOLOGIES	Warrants
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USA TECHNOLOGIES, INC.

INCORPORATED UNDER THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA

Void After 5:00 p.m. Eastern Standard Time, on May 31, 2001
Warrants to Purchase Common Stock
of USA Technologies, Inc.

THIS CERTIFIES, that for value received

or registered assigns, is the owner of the number of Common Stock Purchase Warrants set forth above (subject to adjustment as referred to below), each of which represents the right, at any time prior to the Expiration Date (as hereinafter defined), to purchase one fully paid and nonassessable share of the Common Stock, no par value ("Common Stock"), of USA Technologies, Inc., a Pennsylvania corporation (the "Company"), at the price of \$.50 per share (subject to adjustment as referred to below)(as it may be adjusted from time to time, the "Warrant Price), subject to the terms and conditions hereof and of the Warrant Agreement (as hereinafter defined). Each such purchase to be made, and to be deemed effective for the purpose of determining the date of exercise hereof, only upon surrender of this Warrant Certificate to the Company at the office in New York, New York, of the American Stock Transfer & Trust Company, as Warrant Agent (the "Warrant Agent) (or any successor Warrant Agent), with the form of Election to Exercise on the reverse hereof duly completed and executed and upon simultaneous payment, to the Warrant Agent for the account of the Company, in cash or by certified or bank cashier's check, of the exercise price as provided in the Warrant Agreement and upon compliance with and subject to the conditions set forth herein and in the Warrant Agreement. Each Warrant may be exercised on any Business Day (as hereinafter defined) on or after June 1, 1996, and on or before 5:00 p.m. Eastern Standard Time, on May 31, 2001 (the "Expiration Date"). After the Expiration Date, any previously unexercised Warrants shall be void, have no value, and be of no further effect.

This Warrant Certificate is issued under and in accordance with the Warrant Agreement, dated as of May 1, 1996 (herein called the "Warrant Agreement"), between the Company and the Warrant Agent and is subject to the terms of the Warrant Agreement, to all of which terms every holder of this Warrant Certificate consents by acceptance hereof. Reference is hereby made to the Warrant Agreement for a more complete statement of the rights and limitations of rights of the registered holder hereof, the rights and duties of the Warrant Agent and the rights and obligations of the Company thereunder. Copies of the Warrant Agreement are on file at the office of the Warrant Agent. The number of shares of Common Stock which may be purchased upon the exercise of the Warrants represented hereby and the purchase price per share upon such exercise shall be subject to adjustment from time to time as provided in Section 9 of the Warrant Agreement.

The Company shall not be required upon the exercise of the Warrants represented hereby to issue fractions of shares but in lieu thereof the Company shall pay in cash an appropriate amount for any fraction of a share based upon the last reported sales price of the Common Stock on the trading day immediately preceding the date of exercise (all as computed in the Warrant Agreement). If the Warrants represented hereby shall be exercised in part, the registered holder hereof shall be entitled to receive, upon surrender hereof, a new Warrant Certificate for the number of Warrants not exercised as provided in the Warrant Agreement.

This Warrant Certificate may be exchanged at the office in New York, New York of the Warrant Agent (or at the office of its successor as Warrant Agent), either separately or in combination with other Warrant Certificates, for new Warrant Certificates representing the same aggregate number of Warrants as were evidenced by the Warrant Certificate or Warrant Certificate exchanged, upon compliance with and subject to the conditions set forth herein and in the Warrant Agreement.

This Warrant Certificate is transferable at the office in New York, New York, of the Warrant Agent (or of its successor as Warrant Agent) by the registered holder hereof in person or by attorney duly authorized in writing, upon surrender of this Warrant Certificate and upon compliance with and subject to the conditions set forth herein and in the Warrant Agreement. Upon any such transfer, a new Warrant Certificate or new Warrant Certificates of different denominations, representing in the aggregate a like number of Warrants, will be issued to the transferee. Every holder of Warrants, by accepting this Warrant Certificate, consents and agrees with the Company, the Warrant Agent and with every subsequent holder of this Warrant Certificate that until the registration of transfer of this Warrant Certificate is effected on the books of the Warrant Agent, the Company and the Warrant Agent may deem and treat the person in whose name this Warrant Certificate is registered as the absolute and lawful owner of the Warrants represented hereby for all purposes whatsoever and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

This Warrant Certificate does not entitle the registered holder hereof to any of the rights of a stockholder of the Company.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be executed by its President, by manual or facsimile signature and a facsimile of its corporate seal to be affixed or imprinted hereon, attested by its Secretary, by manual or facsimile signature.

Dated: USA TECHNOLOGIES, INC.

BY /s/ Keith L. Sterling BY /s/ George R. Jensen, Jr.

Secretary President

USA TECHNOLOGIES, INC.
CORPORATE SEAL

1992

PENNSYLVANIA
*

THE WARRANTS REPRESENTED BY THIS CERTIFICATE, AS WELL AS THE COMMON STOCK UNDERLYING THE WARRANTS, HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES STATUTES AND REGULATIONS. SUCH WARRANTS AND THE COMMON STOCK UNDERLYING THE WARRANTS 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 OF COUNSEL TO THE COMPANY, SUCH REGISTRATION IS NOT REQUIRED.

SUBSCRIPTION FORM
(To Be Executed Upon Exercise of Warrant)

The undersigned hereby irrevocably elects to exercise _____ Warrants represented by this Warrant Certificate, and to purchase the securities issuable upon the exercise of such Warrants, and requests that such securities shall be issued in the name of

(Name)

(Address)

(Social Security or other identifying number)

and be delivered to

(Name)

(Address)

Notice: The signature on this subscription form must correspond with the name as written upon the face of the within Warrant, or upon the assignment form on the reverse thereof, in every particular, without alteration or enlargement, or any change whatsoever and must be guaranteed by a bank, other than a savings bank, or trust company having an office or correspondent in New York, New York, or by a firm having membership on a registered national securities exchange and an office in New York, New York.

Signature: _____

Signature Guarantee

ASSIGNMENT

For value received, _____

_____ hereby sells, assigns and transfers unto _____
_____ Warrants represented by the within Warrant Certificate,
together with all right, title and interest herein, and does hereby irrevocably
constitute and appoint

_____ attorney, to transfer this Warrant Certificate on
the books of the within-name company, with full power of substitution.

Dated: _____, 19_____

Signature of Warrant Holder

Printed Name of Warrant Holder

Social Security Number

Signature of Guarantee

Notice: The signature on this subscription form must correspond with
the name as written upon the face of the within warrant, or upon the assignment
form on the reverse thereof, in every particular, without alteration or
enlargement, or any change whatsoever and must be guaranteed by a bank, other
than a savings bank, or trust company having an office or correspondent in New
York, New York, or by a firm having membership on a registered national
securities exchange and an office in New York, New York.

IMPORTANT: SIGNATURE(S) MUST BE GUARANTEED BY A FIRM WHICH IS A
MEMBER OF A REGISTERED NATIONAL STOCK EXCHANGE, OR BY A COMMERCIAL
BANK OR A TRUST COMPANY.

LURIO & ASSOCIATES

ATTORNEYS AT LAW
SUITE 1300
1760 MARKET STREET
PHILADELPHIA, PA 19103-4132

DOUGLAS M. LURIO**
MARGARET SHERRY LURIO*

NEW JERSEY OFFICE

215 / 665-9300
FAX 215 / 665-8582

411 COOPER STREET
CAMDEN, NEW JERSEY 08102
TEL. NO.: 609/225-9434

**MEMBER PENNSYLVANIA & FLORIDA BARS
*MEMBER PENNSYLVANIA & NEW JERSEY BARS

August 1, 1996

USA Technologies, Inc.
Three Glenhardie Corporate Center
Suite 306
1265 Drummers Lane
Wayne, PA 19087

Attn: Mr. George R. Jensen, Jr., President

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 5,200,000 shares of Common Stock ("Common Stock") issuable upon exercise of outstanding 1996 Common Stock Purchase Warrants of the Company (the "1996 Warrants").

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.

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

LURIO & ASSOCIATES

FIRST AMENDMENT TO AMENDED AND RESTATED
EMPLOYMENT AND NON-COMPETITION

AGREEMENT

This First Amendment is made as of the 29th day of April 1996, by and between GEORGE R. JENSEN, JR. ("Jensen"), and USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USA").

Background

USA and Jensen entered into an Amended And Restated Employment And Non-Competition Agreement dated as of July 1, 1992 (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. Amendment. 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, USA shall pay to Jensen a base salary at the rate of \$90,000 per year through June 30, 1996, and a base salary at the rate of \$100,000 per year from and after July 1, 1996.

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 amendment 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

George R. Jensen, Jr.

George R. Jensen, Jr.

March 21, 1995

FIRST AMENDMENT TO
EMPLOYMENT AND NON-COMPETITION

AGREEMENT

This First Amendment is made as of the 29th day of April 1996, by and between KEITH L. STERLING ("Sterling"), and USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USA").

Background

USA and Sterling entered into an Employment And Non-Competition Agreement dated as of July 1, 1993 (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. Amendment. 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, USA shall pay to Sterling a base salary at the rate of \$75,000 per year through June 30, 1996, and a base salary at the rate of \$90,000 per year from and after July 1, 1996.

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 amendment 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/ Keith L. Sterling

Keith L. Sterling.

FIRST AMENDMENT TO
EMPLOYMENT AND NON-COMPETITION

AGREEMENT

This First Amendment is made as of the 29th day of April 1996, by and between EDWARD J. SULLIVAN ("Sullivan"), and USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USA").

Background

USA and Sullivan entered into an Employment And Non-Competition Agreement dated as of July 1, 1993 (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. Amendment. 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, USA shall pay to Sullivan a base salary at the rate of \$75,000 per year through June 30, 1996, and a base salary at the rate of \$80,000 per year from and after July 1, 1996.

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 amendment 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/ Edward J. Sullivan

Edward J. Sullivan

THESE OPTIONS 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 OPTIONS 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 OPTIONS AND THE COMMON STOCK ISSUABLE UPON THE EXERCISE HEREOF, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

OPTION CERTIFICATE
NO. 143

50,000 COMMON STOCK OPTIONS

USA TECHNOLOGIES, INC.

COMMON STOCK OPTIONS

(This Option will be void if not exercised
by the date provided below.)

1. Options. Subject to the terms and conditions hereof, this certifies that EDWARD J. SULLIVAN, is the owner of 50,000 Options (the "Options") of USA Technologies, Inc. (the "Company"), a Pennsylvania corporation. Each Option, when vested in accordance with Section 3 hereof, entitles the owner hereof to purchase from the Company at any time prior to 5:00 p.m. on the fifth annual anniversary of the vesting of such option (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 8 hereof.

2. Option Price. The Options, when vested, shall be exercised by delivery to the Company of the option price for each share of Common Stock being purchased hereunder (the "Option Price"), this Certificate, and the completed Election To Purchase Form which is attached hereto. The Option Price shall be \$.65 per share of Common Stock to be purchased pursuant to each Option. The Option Price shall be subject to adjustment as provided in Section 8 hereof. The Option Price is payable either in cash or by certified check or bank draft payable to the order of the Company.

3. Vesting of Options.

I. Notwithstanding anything contained herein to the contrary, the Options represented by this Certificate shall only become vested and exercisable by SULLIVAN in accordance with the terms and conditions set forth in this Section 3. If SULLIVAN is employed by the Company as of June 30, 1997, the Options shall on such date become irrevocably and absolutely vested and exercisable. If SULLIVAN is not employed by the Company on such date, the Options shall not become vested and shall be null and void.

a. The Employment And Non-Competition Agreement dated July 1, 1993 between SULLIVAN and the Company, and the First Amendment thereto dated as of April 29, 1996, as well as any and all further supplements, amendments, or modifications thereto (collectively, the "Employment Agreement"), are hereby incorporated herein by reference. The terms and conditions thereof shall be used to determine whether SULLIVAN is employed by the Company on the vesting date. Therefore, and as set forth in the Employment Agreement, SULLIVAN's employment would be considered terminated upon his death or disability under Section 4 thereof, or upon notice given to SULLIVAN by the Company under Section 3 thereof, or upon notice given by the Company or SULLIVAN under Section 1A. thereof.

4. Exercise. Upon the surrender of this Certificate and payment of the Option 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 Option 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 Option. 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 Option Price as aforesaid. If, however, at the date of surrender of this Certificate and payment of such Option Price, the transfer books for the Common Stock purchasable upon the exercise of any Option shall be closed, the certificates for the Common Stock in respect to which any such Option 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.

5. Partial Exercise. The rights of purchase represented by the Options 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 Options 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 Options not so exercised.

6. Termination Date. All of the Options 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 the Options shall without any action on behalf of the Company become null and void.

7. Lost, Mutilated Certificate. In case this Common Stock Option 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 Option Price and number of shares of Common Stock subject to the Options 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 Option 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 Option 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 Option Price immediately prior to such combination shall be proportionately increased. Any such adjustment to the Option Price shall become effective at the close of business on the record date for such subdivision or combination. The Option 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.

b. Upon any adjustment of the Option Price as hereinabove provided, the number of shares of Common Stock issuable upon exercise of the Options remaining unexercised immediately prior to any such adjustment, shall be changed to the number of shares determined by dividing (I) the appropriate Option Price payable for the purchase of all shares of Common Stock issuable upon exercise of all of the Options remaining unexercised immediately prior to such adjustment by (ii) the Option 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 Options remaining unexercised immediately prior to such adjustment shall remain constant.

c. (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 Options shall have the right thereafter and until the Termination Date to exercise such Options 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 Options 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.

(ii) Notwithstanding subsection (I) hereof and in lieu thereof, the Company may elect by written notice to the registered holder hereof, to require such registered holder to exercise all of the Options remaining unexercised prior to any such reorganization, reclassification, consolidation, merger or sale. If the holder of this Option shall not exercise all or any part of the Options remaining unexercised prior to such event, such unexercised Options shall automatically become null and void upon the occurrence of any such event, and of no further force and effect. The Common Stock issued pursuant to any such exercise shall be deemed to be issued and outstanding immediately prior to any such event, and shall be entitled to be treated as any other issued and outstanding share of Common Stock in connection with such event. If an election is not made by the Company pursuant to this subsection (ii) in connection with any such event, then the provisions of subsection (I) hereof shall apply to such event.

d. Whenever the Option Price and number of shares of Common Stock subject to this Option is adjusted as herein provided, the Company shall promptly mail to the registered holder of this Option a statement signed by an officer of the Company setting forth the adjusted Option Price and the number of shares of Common Stock subject to this Option, determined as so provided.

e. 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 Options. The Company agrees that all shares of Common Stock issued upon exercise of the Options 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 Option and shall pay cash to the holder of any Option in lieu of any such fractional shares.

11. No Right. The holder of any Options 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 Option.

12. Securities Laws. As a condition to the issuance of any Common Stock pursuant to the Options, 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. Applicable Law. The Options 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/ Keith L. Sterling

Keith L. Sterling, Secretary

Dated: April 29, 1996

USA TECHNOLOGIES, INC.
3 Glenhardie Corporate Center
1265 Drummers Lane, Suite 306
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 Option Certificate No. _____ of the Company. The undersigned desires to purchase shares of Common Stock provided for therein and tenders herewith full payment of the Option 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 in the name of _____

_____ and be delivered to _____

_____. If said number of shares of Common Stock shall not be all the shares purchasable under the Certificate, then a new Certificate for the balance remaining of the shares of Common Stock purchasable shall be registered in the name of, and delivered, to the undersigned at the following address: _____

Dated: _____, 19____

Signature: _____

THESE OPTIONS 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 OPTIONS 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 OPTIONS AND THE COMMON STOCK ISSUABLE UPON THE EXERCISE HEREOF, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

OPTION CERTIFICATE
NO. 142

50,000 COMMON STOCK OPTIONS

USA TECHNOLOGIES, INC.

COMMON STOCK OPTIONS

(This Option will be void if not exercised
by the date provided below.)

1. Options. Subject to the terms and conditions hereof, this certifies that KEITH L. STERLING, is the owner of 50,000 Options (the "Options") of USA Technologies, Inc. (the "Company"), a Pennsylvania corporation. Each Option, when vested in accordance with Section 3 hereof, entitles the owner hereof to purchase from the Company at any time prior to 5:00 p.m. on the fifth annual anniversary of the vesting of such option (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 8 hereof.

2. Option Price. The Options, when vested, shall be exercised by delivery to the Company of the option price for each share of Common Stock being purchased hereunder (the "Option Price"), this Certificate, and the completed Election To Purchase Form which is attached hereto. The Option Price shall be \$.65 per share of Common Stock to be purchased pursuant to each Option. The Option Price shall be subject to adjustment as provided in Section 8 hereof. The Option Price is payable either in cash or by certified check or bank draft payable to the order of the Company.

3. Vesting of Options.

I. Notwithstanding anything contained herein to the contrary, the Options represented by this Certificate shall only become vested and exercisable by STERLING in accordance with the terms and conditions set forth in this Section 3. If STERLING is employed by the Company as of June 30, 1997, the Options shall on such date become irrevocably and absolutely vested and exercisable. If STERLING is not employed by the Company on such date, the Options shall not become vested and shall be null and void.

a. The Employment And Non-Competition Agreement dated July 1, 1993 between STERLING and the Company, and the First Amendment thereto dated as of April 29, 1996, as well as any and all further supplements, amendments, or modifications thereto (collectively, the "Employment Agreement"), are hereby incorporated herein by reference. The terms and conditions thereof shall be used to determine whether STERLING is employed by the Company on the vesting date. Therefore, and as set forth in the Employment Agreement, STERLING's employment would be considered terminated upon his death or disability under Section 4 thereof, or upon notice given to STERLING by the Company under Section 3 thereof, or upon notice given by the Company or STERLING under Section 1A. thereof.

4. Exercise. Upon the surrender of this Certificate and payment of the Option 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 Option 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 Option. 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 Option Price as aforesaid. If, however, at the date of surrender of this Certificate and payment of such Option Price, the transfer books for the Common Stock purchasable upon the exercise of any Option shall be closed, the certificates for the Common Stock in respect to which any such Option 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.

5. Partial Exercise. The rights of purchase represented by the Options 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 Options 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 Options not so exercised.

6. Termination Date. All of the Options 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 the Options shall without any action on behalf of the Company become null and void.

7. Lost, Mutilated Certificate. In case this Common Stock Option 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 Option Price and number of shares of Common Stock subject to the Options 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 Option 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 Option 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 Option Price immediately prior to such combination shall be proportionately increased. Any such adjustment to the Option Price shall become effective at the close of business on the record date for such subdivision or combination. The Option 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.

b. Upon any adjustment of the Option Price as hereinabove provided, the number of shares of Common Stock issuable upon exercise of the Options remaining unexercised immediately prior to any such adjustment, shall be changed to the number of shares determined by dividing (I) the appropriate Option Price payable for the purchase of all shares of Common Stock issuable upon exercise of all of the Options remaining unexercised immediately prior to such adjustment by (ii) the Option 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 Options remaining unexercised immediately prior to such adjustment shall remain constant.

c. (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 Options shall have the right thereafter and until the Termination Date to exercise such Options 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 Options 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.

(ii) Notwithstanding subsection (I) hereof and in lieu thereof, the Company may elect by written notice to the registered holder hereof, to require such registered holder to exercise all of the Options remaining unexercised prior to any such reorganization, reclassification, consolidation, merger or sale. If the holder of this Option shall not exercise all or any part of the Options remaining unexercised prior to such event, such unexercised Options shall automatically become null and void upon the occurrence of any such event, and of no further force and effect. The Common Stock issued pursuant to any such exercise shall be deemed to be issued and outstanding immediately prior to any such event, and shall be entitled to be treated as any other issued and outstanding share of Common Stock in connection with such event. If an election is not made by the Company pursuant to this subsection (ii) in connection with any such event, then the provisions of subsection (I) hereof shall apply to such event.

d. Whenever the Option Price and number of shares of Common Stock subject to this Option is adjusted as herein provided, the Company shall promptly mail to the registered holder of this Option a statement signed by an officer of the Company setting forth the adjusted Option Price and the number of shares of Common Stock subject to this Option, determined as so provided.

e. 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 Options. The Company agrees that all shares of Common Stock issued upon exercise of the Options 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 Option and shall pay cash to the holder of any Option in lieu of any such fractional shares.

11. No Right. The holder of any Options 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 Option.

12. Securities Laws. As a condition to the issuance of any Common Stock pursuant to the Options, 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. Applicable Law. The Options 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/ Keith L. Sterling

Keith L. Sterling, Secretary

Dated: April 29, 1996

USA TECHNOLOGIES, INC.
3 Glenhardie Corporate Center
1265 Drummers Lane, Suite 306
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 Option Certificate No. _____ of the Company. The undersigned desires to purchase shares of Common Stock provided for therein and tenders herewith full payment of the Option 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 in the name of _____

_____ and be delivered to _____

_____. If said number of shares of Common Stock shall not be all the shares purchasable under the Certificate, then a new Certificate for the balance remaining of the shares of Common Stock purchasable shall be registered in the name of, and delivered, to the undersigned at the following address: _____

_____.

Dated: _____, 19____

Signature: _____

JOINDER TO ESCROW AGREEMENT

This Joinder To Escrow Agreement is made as of the 14th day of February, 1996, by each of HAVEN BROCK KOLLS, JR., BARRY SLAWTER, and HENRY B. duPONT SMITH ("Shareholders").

Background

Each of the Shareholders is a Director or an executive officer of USA Technologies, Inc., a Pennsylvania corporation (the "Company"). On December 28, 1993, pursuant to the request of the Pennsylvania Securities Commission, the Company, each of the then Directors and executive officers of the Company, and Meridian Trust Company, as the escrow depository, entered into an Escrow Agreement (the "Escrow Agreement"). A copy of the fully signed Escrow Agreement is attached hereto as Exhibit "A". The Shareholders were not original parties to the Escrow Agreement and the Pennsylvania Securities Commission has requested that each of the Shareholders become a party to the Escrow Agreement at this time.

Agreement

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

1. Joinder. Each of the undersigned Shareholders hereby agree to become a party to and to be fully bound by all the terms and conditions of the Escrow Agreement as if the undersigned were an original signatory thereto.

2. Escrow Deposit. Simultaneously with the execution and delivery of this Joinder To Escrow Agreement, each of the undersigned is depositing with the Escrow Depostory all of the Common Stock beneficially owned by each of them, as follows:

Haven Brock Kolls, Jr.	16,500 shares
Barry Slawter	0 shares
Henry B. DuPont Smith	100,000 shares

The original share certificates representing the Escrow Securities have been simultaneously delivered to the Escrow Depository, with stock powers endorsed in blank. The above Escrow Securities represent all of the shares of Common Stock beneficially owned by each of the Shareholders as of the date hereof. As set forth in the Escrow Agreement, during the Escrow Period, each of the Shareholders shall deposit with the Escrow Depository all additional shares of Common Stock to which they shall acquire beneficial and/ or record ownership, whether by exercise of options, warrants, or otherwise (including a right of conversion), and such shares shall also be deemed Escrow Securities.

3. Parties Bound. This Joinder To Escrow Agreement may be executed in separate counterparts, by the several parties hereto, each of which shall be an original but all of such counterparts shall together constitute one and the same instrument. This Joinder To Escrow Agreement shall extend to and be binding upon the successors, representatives and assigns of each of the parties hereto.

4. Capitalized Terms. All capitalized terms used herein shall unless otherwise specifically defined herein, shall have the meanings ascribed to such terms in the Escrow Agreement.

IN WITNESS WHEREOF, and intending to be legally bound hereby,
each of the undersigned has executed and delivered this Joinder To Escrow
Agreement as of the date first above written.

/s/ Haven Brock Kolls, Jr.

HAVEN BROCK KOLLS, JR.

/s/ Barry Slawter

BARRY SLAWTER

/s/ Henry duPont Smith

HENRY B. duPONT SMITH

FIRST AMENDMENT TO
EMPLOYMENT AND NON-COMPETITION

AGREEMENT

This First Amendment is made as of this 20th day of March 1996, 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 as of May 1, 1994 (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. Amendment. Section 1.A of the Agreement is hereby deleted and the following new subparagraph substituted in its place:

A. USA shall employ Kolls for a three year period commencing on May 1, 1994 and continuing through April 30, 1997 (the "Employment Period") and Kolls hereby accepts such employment. Unless terminated by either party hereto upon at least 30- days notice prior to the end of the original Employment Period ending April 30, 1997, or prior to the end of any one year extension of the Employment Period, the Employment Period shall not be terminated and shall continue in full force and effect for consecutive one year periods.

2. Amendment. Section 2.A of the Agreement is hereby deleted and the following new subparagraph is substituted in its place:

A. In consideration of his services rendered, USA shall pay to Kolls a base salary of \$65,000 per year during the first six months of the Employment Period (i.e., until November 1, 1994), subject to any withholding required by law; provided however, that on and after November 1, 1994, Kolls shall receive a base salary of \$75,000 per year, and on and after May 1, 1995, Kolls shall receive a base salary of \$85,000 per year, and on and after July 1, 1996, Kolls shall receive a base salary of \$90,000 per year.

3. Amendment. The following new Section 2.E is hereby added to the Agreement:

E. Options. In addition to the options to acquire up to 200,000 shares of Common Stock, no par value, of USA ("Common Stock") which have already been issued to Kolls by USA prior to the date of this First Amendment (i.e., March 20, 1996), USA is issuing to Kolls options to acquire up to an additional 50,000 shares of Common Stock for an exercise price of \$.65 per share. The vesting schedule of such options as well as all the other terms and conditions thereof are set forth in the Option Certificate evidencing such options which is being issued to Kolls at the time of the execution and delivery of this First Amendment. The form of such Option Certificate is attached hereto as Exhibit "A". Kolls acknowledges that such options are not incentive stock options as such term is defined in Section 422 of the Internal Revenue Code of 1986, as amended, and such options, if and when vested, may constitute taxable compensation to Kolls. Kolls also acknowledges that neither the options nor the Common Stock underlying the options have been registered under the Securities Act of 1933, as amended (the "Act"), or under any state securities laws, and neither the options nor the Common Stock underlying the options can be sold or transferred unless such options or Common Stock have been registered under the Act or such state securities laws, or unless USA has received an opinion of counsel that such registration is not required.

4. Modification. Except as otherwise specifically set forth in Paragraphs 1, 2 and 3 above, the Agreement shall not be amended or modified in any respect whatsoever and shall continue in full force and effect.

5. Capitalized Terms. Except as specifically provided otherwise herein, all capitalized terms used herein shall have the meanings ascribed to them in the Agreement.

6. Original Part. The amendments to the Agreement made in Paragraphs 1, 2 and 3 hereof shall be deemed to have been an original part of the Agreement and to have been effective from and after such date.

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/ Haven Brock Kolls, Jr.

HAVEN BROCK KOLLS, JR.

THESE OPTIONS 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 OPTIONS 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 OPTIONS AND THE COMMON STOCK ISSUABLE UPON THE EXERCISE HEREOF, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

OPTION CERTIFICATE
NO. 141

50,000 COMMON STOCK OPTIONS

USA TECHNOLOGIES, INC.

COMMON STOCK OPTIONS

(This Option will be void if not exercised
by the date provided below.)

I. Options. Subject to the terms and conditions hereof, this certifies that HAVEN BROCK KOLLS, JR., is the owner of 50,000 Options (the "Options") of USA Technologies, Inc. (the "Company"), a Pennsylvania corporation. Each Option, when vested in accordance with Section 3 hereof, entitles the owner hereof to purchase from the Company at any time prior to 5:00 p.m. on the fifth annual anniversary of the vesting of such option (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 8 hereof.

1. Option Price. The Options, when vested, shall be exercised by delivery to the Company of the option price for each share of Common Stock being purchased hereunder (the "Option Price"), this Certificate, and the completed Election To Purchase Form which is attached hereto. The Option Price shall be \$.65 per share of Common Stock to be purchased pursuant to each Option. The Option Price shall be subject to adjustment as provided in Section 8 hereof. The Option Price is payable either in cash or by certified check or bank draft payable to the order of the Company.

2. Vesting of Options.

Notwithstanding anything contained herein to the contrary, the Options represented by this Certificate shall only become vested and exercisable by KOLLS in accordance with the terms and conditions set forth in this Section 3. If KOLLS is employed by the Company as of April 30, 1997, the Options shall on such date become irrevocably and absolutely vested and exercisable. If KOLLS is not employed by the Company on such date, the Options shall not become vested and shall be null and void.

The Employment And Non-Competition Agreement dated May 1, 1994 between KOLLS and the Company, and the First Amendment thereto dated as of March 20, 1996, as well as any and all further supplements, amendments, or modifications thereto (collectively, the "Employment Agreement"), are hereby incorporated herein by reference. The terms and conditions thereof shall be used to determine whether KOLLS is employed by the Company on the vesting date. Therefore, and as set forth in the Employment Agreement, KOLLS's employment would be considered terminated upon his death or disability under Section 4 thereof, or upon notice given to KOLLS by the Company under Section 3 thereof, or upon notice given by the Company or KOLLS under Section 1A. thereof.

3. Exercise. Upon the surrender of this Certificate and payment of the Option 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 Option 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 Option. 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 Option Price as aforesaid. If, however, at the date of surrender of this Certificate and payment of such Option Price, the transfer books for the Common Stock purchasable upon the exercise of any Option shall be closed, the certificates for the Common Stock in respect to which any such Option 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 Options 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 Options 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 Options not so exercised.

5. Termination Date. All of the Options 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 the Options shall without any action on behalf of the Company become null and void.

6. Lost, Mutilated Certificate. In case this Common Stock Option 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 8, the Option Price and number of shares of Common Stock subject to the Options 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 Option 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 Option 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 Option Price immediately prior to such combination shall be proportionately increased. Any such adjustment to the Option Price shall become effective at the close of business on the record date for such subdivision or combination. The Option 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 Option Price as hereinabove provided, the number of shares of Common Stock issuable upon exercise of the Options remaining unexercised immediately prior to any such adjustment, shall be changed to the number of shares determined by dividing (i) the appropriate Option Price payable for the purchase of all shares of Common Stock issuable upon exercise of all of the Options remaining unexercised immediately prior to such adjustment by (ii) the Option 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 Options 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 Options shall have the right thereafter and until the Termination Date to exercise such Options 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 Options 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.

(ii) Notwithstanding subsection (i) hereof and in lieu thereof, the Company may elect by written notice to the registered holder hereof, to require such registered holder to exercise all of the Options remaining unexercised prior to any such reorganization, reclassification, consolidation, merger or sale. If the holder of this Option shall not exercise all or any part of the Options remaining unexercised prior to such event, such unexercised Options shall automatically become null and void upon the occurrence of any such event, and of no further force and effect. The Common Stock issued pursuant to any such exercise shall be deemed to be issued and outstanding immediately prior to any such event, and shall be entitled to be treated as any other issued and outstanding share of Common Stock in connection with such event. If an election is not made by the Company pursuant to this subsection (ii) in connection with any such event, then the provisions of subsection (i) hereof shall apply to such event.

E. Whenever the Option Price and number of shares of Common Stock subject to this Option is adjusted as herein provided, the Company shall promptly mail to the registered holder of this Option a statement signed by an officer of the Company setting forth the adjusted Option Price and the number of shares of Common Stock subject to this Option, 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.

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 Options. The Company agrees that all shares of Common Stock issued upon exercise of the Options 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 Option and shall pay cash to the holder of any Option in lieu of any such fractional shares.

10. No Right. The holder of any Options 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 Option.

11. Securities Laws. As a condition to the issuance of any Common Stock pursuant to the Options, 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.

12. Applicable Law. The Options 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/ Keith L. Sterling, Secretary

Keith L. Sterling, Secretary

Dated: March 20, 1996

USA TECHNOLOGIES, INC.
3 Glenhardie Corporate Center
1265 Drummers Lane, Suite 306
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 Option Certificate No. _____ of the Company. The undersigned desires to purchase shares of Common Stock provided for therein and tenders herewith full payment of the Option 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 in the name of _____

_____ and be delivered to _____

_____. If said number of shares of Common Stock shall not be all the shares purchasable under the Certificate, then a new Certificate for the balance remaining of the shares of Common Stock purchasable shall be registered in the name of, and delivered, to the undersigned at the following address: _____

_____.

Dated: _____, 19____

Signature: _____

REMARKETING/INTEGRATOR AGREEMENT

Remarketer/Integrator Name: USA Technologies, Inc.
 Remarketer/Integrator Address: 1265 Drummer Lane, Ste. 306
 Wayne, PA 19087
 Agreement Number: 960111 Customer Number: 2857385
 Commencement Date: Date of Execution by Dell Marketing L.P.
 Annual Commitment: Two Million Dollars and up to Five
 Millon Dollars (2M-5M)

Remarketer/Integrator Liaison: George Jensen
 Dell Liaison: Stan Slimp

Discounts:	Product Class	Commercial
	-----	-----
	A	9%
	B	12%
	C	16%
	N	9%
	O	20%
	Ltd:	2%

Dell Marketing L.P. ("Dell"), located at 2214 W. Braker Ln., Suite D, Austin, TX 78758, and the entity named above ("Remarketer/Integrator") hereby agree on the terms and conditions that apply to purchases by Remarketer/Integrator of products from Dell and their remarketing. These terms and conditions are set forth in the Remarketer/Integrator Agreement Terms and Conditions, attached hereto as Schedule A, and Warranties, attached hereto as Schedule B. The schedules and this page form the entire and only statement of the terms between Remarketer/Integrator and Dell (the "Agreement").

THE PERSON SIGNING FOR THE REMARKETER/INTEGRATOR CERTIFIES AUTHORIZATION TO SIGN THIS AGREEMENT, AND ACKNOWLEDGES THAT THIS AGREEMENT HAS BEEN READ AND UNDERSTOOD.

DELL MARKETING L.P.	USA TECHNOLOGIES, INC.
/s/ ROBERT A. KUSHWARA	/s/ GEORGE R. JENSEN, JR.
-----	-----
Signature	Signature
Robert A. Kushwara	George R. Jensen, Jr.
-----	-----
Manager, Contracts & Proposals	Name & Title
February 8, 1996	January 31, 1996
-----	-----
Date	Date

SCHEDULE A

REMARKETER/INTEGRATOR AGREEMENT TERMS AND CONDITIONS

Relationship: Dell Appoints Remarketer/Integrator as a "Dell Authorized Remarketer/Integrator" for the products Dell sells to Remarketer/Integrator and its customers hereunder ("Products"), and Remarketer/Integrator accepts the appointment. All purchase and remarketing of Products by Remarketer/Integrator will be in accordance with the terms and conditions of this Agreement.

Remarketer/Integrator certifies that the business it will derive from Products will be based on either value added remarketing, or on integration, in accordance with this section. Remarketer/Integrator may acquire Products under this Agreement for internal use, but only in connection with permitted marketing activities. Remarketer/Integrator may present other marketing opportunities to Dell, and Dell may, but is in no way obligated to, consider waiving the provisions of this section.

Value added remarketing is adding product content value to Products or integrating them into or with other products or services, and then marketing the resultant value added products or services. Except for additions to a customer's installation, Remarketer/Integrator will not remarket Products by themselves, or market Products when the only added value is installation of devices that Dell markets as part of its systems, such as disk and tape drives, and monitors. Remarketer/Integrator must remarket the resultant products and services directly to end users and end users through third party financing. Remarketer/Integrator may not use distributors, other remarketers, sales agents or others without Dell's prior written consent.

The products the Remarketer/Integrator markets as an integrator must be integrated and sold, licensed or leased in association with other products and/or services.

Within the conditions established in this Agreement and Dell's warranty statements, the prices, terms and conditions for the marketing by Remarketer/Integrator of Products is at the discretion of Remarketer/Integrator. Remarketer/Integrator may market products considered competitive to the Products. Remarketer/Integrator may price Products as it sees fit.

Appointment of Remarketer/Integrator as a "Dell Authorized Remarketer/Integrator" is not exclusive in any way. Dell retains the unfettered right to change distribution channels, add and terminate other resellers, value added resellers and distributors. Dell is free to sell to and accept orders from anyone, including Remarketer/Integrator's customers.

Contract Term, Termination: This Agreement is in effect starting on the Commencement Date and continues in effect for one (1) year. At the end of the year, it will renew automatically for additional one year terms.

Either party may terminate this Agreement at any time on at least thirty (30) days prior written notice to the other. Unless a payment is late or Remarketer/Integrator is in breach of a material provision of this Agreement at the time notice of termination is given, Dell will receive and accept orders in accordance with this Agreement up to the date of termination. Termination of this Agreement, regardless of the reason, will not affect the rights and obligations of the parties with respect to orders accepted prior to termination and the Products sold thereunder.

Dell and Remarketer/Integrator accept the risk of termination by the other. On termination, neither party will have any claim against the other for the investment it may have made in the relationship established hereunder or in anticipation of the sales and other revenue to be gained because of it.

Remarketer/Integrator Responsibilities: Remarketer/Integrator will exert its best efforts to market the Products.

Remarketer/Integrator will provide Dell with the information Dell requests concerning the end users acquiring the Dell systems Remarketer/Integrator remarkets. Remarketer/Integrator will provide this information for each Dell system remarketed as soon as Remarketer/Integrator has identified the end user. Remarketer/Integrator will maintain a list of end users that have Products sold

by Dell to Remarketer/Integrator other than Dell systems, and will permit Dell to use it to notify them concerning the Products if Dell needs to notify users of such a Product generally. Remarketer/Integrator agrees that Dell may treat Remarketer/Integrator's failure to comply with this paragraph as a material breach of this Agreement. Remarketer/Integrator will provide its customers with the Product warranty statements, registration cards, software license agreements and other materials included with the Products at the time of delivery.

Remarketer/Integrator will provide Dell with written notice of any material change in the information provided to Dell as part of applying for appointment as a Dell Authorized Remarketer/Integrator, including Remarketer/Integrator's plans for marketing Products as part of Remarketer/Integrator's value added offerings. Material changes include any change in the ownership of Remarketer/Integrator or a material change in any credit information and references contained in the Application. This notice is to be provided as soon as possible and must be provided within five (5) working days of any such change.

On Dell's request, Remarketer/Integrator agrees to provide Dell with an accurate and complete written list of liens, security interests and other encumbrances on Remarketer/Integrator's assets which could affect Remarketer/Integrator's compliance with this Agreement. After providing it, Remarketer/Integrator will promptly notify Dell of any material change to this information in accordance with the previous paragraph.

Remarketer/Integrator will conduct business in an ethical manner and will obey all applicable laws and regulations. Remarketer/Integrator will factually present the capabilities, function, and performance of Products.

Remarketer/Integrator may not export Products from the United States.

Remarketer/Integrator will maintain Comprehensive General Liability (including Products Liability) insurance with at least \$1 million in coverage and with an insurance company acceptable to Dell. Remarketer/Integrator will obtain certificates of such insurance and provide them to Dell, on request. If Dell separately requests, Remarketer/Integrator will name Dell as an additional insured, and ensure that Dell will be notified at least thirty (30) days prior to cancellation or termination of any policy. Dell may hold up shipment of Products pending compliance with such a request.

Liaison: Remarketer/Integrator will appoint one full time employee to be its primary liaison with Dell concerning orders, shipments, invoices, payments and other non-technical issues. This primary liaison may appoint other liaison people, but Remarketer/Integrator will keep the number of liaisons to a minimum. Remarketer/Integrator will authorize liaisons to handle such issues on Remarketer/Integrator's behalf.

Orders: Remarketer/Integrator may place orders by telephone or in writing; written orders may be sent by facsimile. An order is accepted unless Dell rejects it. An order is not binding on Dell until Dell accepts it, and Dell is not obligated to accept an order. If Remarketer/Integrator requires confirmation that Dell will accept an order before it places the order, it must request a firm quotation in accordance with the section titled Quotations.

Remarketer/Integrator may change or cancel without liability an order or any part of it at any time up until Dell begins manufacture of the affected Products. Remarketer/Integrator may change or cancel an order or any part of it after Dell begins manufacture of the affected Products, but Remarketer/Integrator agrees to pay Dell 4.2% of the prices for the affected Products as a fair estimate of Dell's costs of selling them to others.

Prices: Prices are not firm until Dell has accepted an order. However, Dell will provide Remarketer/Integrator with two (2) weeks prior notice of price changes, if Dell accepts orders for Products within the two week period, the Products will be sold at the old prices.

A separate charge for shipping and handling will be shown on Dell's invoice. Except for Dell's franchise taxes and taxes on Dell's net income, all sales and other taxes, however designated, are payable by Remarketer/Integrator. Such taxes, if due, will be shown separately. If Remarketer/Integrator provides Dell with a correct and valid tax exemption certificate or equivalent documentation, Dell will not invoice Remarketer/Integrator for the affected taxes.

Quotations: Remarketer/Integrator may request from Dell a written quotation, good for ten (10) calendar days from the date of the request, offering to accept Remarketer/Integrator's firm order under this Agreement for certain Products in specific quantities at set prices. Dell's policy is to issue such quotations in response to requests that are in accord with Dell's then current product and pricing policies and plans, but Dell may refuse to issue any specific quotation. Dell will not quote specific delivery dates.

Discounts: Products are classified by Dell. The discounts that apply to Remarketer/Integrator's purchases of Products are based on these classifications. Classification of Products is subject to change by Dell at any time. Dell will endeavor to provide Remarketer/Integrator with 30 days advance notice of changes to Product classifications. However, if Dell makes a reclassification effective sooner than 30 days from when Remarketer/Integrator receives notice, Remarketer/Integrator may, during the 30 day notice period, 1) consider affected Products as reclassified and apply any reduction that Dell may announce to their list prices, or 2) consider affected Products as remaining in their old classifications in which case Remarketer/Integrator forgoes the effect of any reduction in list prices which may occur during the notice period.

The discounts that apply to Remarketer/Integrator's purchases of Products are also based on the end users to which Products are remarketed. The end user categories are set forth on the signature page of this Agreement.

During each annual term, Dell will review quarterly the total dollar volume of orders, net of cancellations and returns, against the commitment stated. If the cumulative net dollar volume ordered, as a percentage of the commitment, does not equal or exceed the applicable value from the following table, Dell may, in its discretion, reduce the discounts to levels (including no discount) in accordance with its then current discount policy for the actual dollar volume of orders.

Three-Month Period	Percentage of Commitment
1st	20%
2nd	45%
3rd	70%
4th	100%

Dell will discuss at any time with Remarketer/Integrator adjustment of the commitment and applicable discounts, based on revision of Remarketer/Integrator's forecasted purchases, but any adjustment requires Dell's prior written consent. For contract terms after the first year, Dell and Remarketer/Integrator will agree on the applicable discounts. Remarketer/Integrator may not assume any discounts will be continued for a subsequent term.

Payment: Dell's payment terms are Net 30 days from date of invoice. They are subject to change at any time by Dell, and Dell may change them without prior notice. Remarketer/Integrator agrees to confirm Dell's security interest in Products delivered but not paid for, as Dell may request. Dell may invoice parts of an order separately; Remarketer/Integrator will treat each invoice as a separate transaction, and pay it accordingly. If a payment due from Remarketer/Integrator is late and not because it is disputed in good faith, Dell may, in its discretion, refuse to ship Products until the late payment is made.

At Remarketer/Integrator's request, Dell will ship COD directly to Remarketer/Integrator's end user customer. The amount due will be the list prices for the Products. If Dell receives payment in full, Dell will pay or credit Remarketer/Integrator with the value of the applicable discount. If the end user refuses delivery, Remarketer/Integrator will pay Dell 4.2% of the full amount due for the Products, to cover Dell's cost of shipping the Products and having them returned. If the Products are accepted by the end user but the payment is not good, Remarketer/Integrator will pay for the Products, including any COD charges.

Products: Dell's policy is one of on-going product update and revision. Dell may revise and discontinue Products at any time. Dell will endeavor to provide Remarketer/Integrator with advance notice of Product changes, but Dell makes no commitment in this regard. While there may be differences in detail, Dell will ship Products that have the functionality and performance of the products ordered. Changes between what is shipped and what is described in a specification sheet or catalog are possible. The parts and assemblies used in

building the Products are selected from new and equivalent to new parts and assemblies in accordance with industry practices. Spare parts are refurbished if necessary, tested, and equivalent to new.

Delivery; Title and Risk of Loss: All ship dates are Dell's estimates. Many factors, including supply of parts and assemblies, affect Dell's production scheduling. Dell's normal policy is to schedule production based on when orders are accepted.

Dell will ship to Remarketer/Integrator or its end user customer as Remarketer/Integrator may direct. Dell is responsible for loss or damage that occurs during shipping. Title to Products passes from Dell to the recipient on delivery to the carrier at Dell's facility.

"Total Satisfaction Return Policy": Remarketer/Integrator agrees that Dell's policy of accepting Products for refund within the first 30 days of use is not available to Remarketer/Integrator or its end users. Remarketer/Integrator will inform its end users of this fact by the time they receive Products.

Limited Warranties: Dell warrants that the hardware Products it sells will conform to the specifications current when the Product is shipped.

Dell warrants that spare parts will be interchangeable with the parts they are to replace, and will conform to the specifications current when they are shipped. The warranty term for spare parts is ninety (90) days from the date of delivery.

Dell warrants that its computers and peripherals will function as parts of an IBM PC-AT or EISA architecture system. Dell warrants that its computers and peripherals will run widely used application software written for equivalent systems when the application software functions correctly on several widely used, equivalent IBM PC-AT or EISA architecture systems.

The warranty term for each hardware Product is stated in Schedule B, Warranties, attached hereto. Dell will issue revisions to this schedule as it revises its standard warranties from time to time; a revision is effective on the date stated thereon and applies to orders placed and accepted on or after that date. If the manufacturer of an accessory offers a longer warranty than Dell's then current term, Dell will cooperate with the user in connection with claims under the manufacturer's warranty.

Dell's hardware warranties do not cover damage due to external causes, including accident, problems with electrical power, servicing not authorized by Dell, usage not in accordance with Product specifications and instructions, failure to perform preventive maintenance, abuse and misuse.

Except for the compatibility warranty set forth above, Dell does not warrant that Products, when used, will function in any specific configuration that includes hardware or software not provided by Dell or will function to produce a particular result, even if the specific configuration or the result has been discussed with Dell people. Remarketer/Integrator will evaluate for itself that the Products it remarkets will function properly as part of its value added offerings.

The start of the one-year warranty period for each system remarketed by Remarketer/Integrator is the date the system is placed in service with the end user or 60 days from the date the system is shipped from Dell's facility, whichever occurs first. Dell will handle warranty claims in accordance with the applicable version of Schedule B. Dell owns all parts removed from repaired Products and all returned spare parts. Dell uses new and reconditioned parts made by various manufacturers in performing warranty repairs and building replacement Products. The warranty term on repaired and replaced products is the remainder of the original term or 60 days, whichever is longer.

DELL MAKES NO EXPRESS WARRANTIES EXCEPT THOSE STATED IN THIS SECTION AND THE THEN CURRENT VERSION OF SCHEDULE B. DELL DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

DELL'S RESPONSIBILITY FOR WARRANTY CLAIMS IS LIMITED TO REPAIR AND REPLACEMENT AS SET FORTH IN THIS SECTION AND THE THEN CURRENT VERSION OF SCHEDULE B.

On-site Service Contracts: Remarketer/Integrator may contract for on-site service as Dell may market service contracts to its customers. Any on-site service acquired by Remarketer/Integrator may be transferred to Remarketer/Integrator's customers in accordance with the applicable service contract. If such a transfer is accomplished within sixty (60) days of the date the Products covered were shipped from Dell's facility, the transferee will have a full twelve months of on-site service coverage.

Product and Technical Support: Remarketer/Integrator agrees that it will establish and maintain support services for its customers. Dell will accept requests for support from Remarketer/Integrator's customers when Remarketer/Integrator is unable to handle them. Dell will accept from Remarketer/Integrator requests for support that are unusual, new to Remarketer/Integrator, and not of a general nature. Dell promises that its support people will attempt to handle over the telephone any such request. However, Dell's support people may not be able to understand or resolve a particular problem.

Infringement of Third Party Rights: Dell will indemnify and hold Remarketer/Integrator harmless from a claim that a hardware Product or accessory, or its use, infringes on another person or company's patent, copyright, trade secret or other intellectual property rights in the United States. This indemnity is limited to use of hardware and accessories sold by Dell by themselves or with operating system software provided by Dell only; use with other products or software, including that which Remarketer/Integrator incorporates in its offerings, is not covered. If a person or company makes such a claim, Dell will resolve it in a way that permits continued ownership and use of the Product, or Dell will provide a replacement at no cost, or Dell will accept return of the Product, freight collect, and provide a full refund. This section is the exclusive statement of Dell's liability and responsibility with respect to infringement of intellectual property rights.

Software: All software, including MS-DOS and Microsoft Windows, is provided subject to the license agreement that is part of the package. Remarketer/Integrator agrees that it will be bound by the license agreement once the package is opened or its seal is broken.

Dell does not warrant any software under this Agreement. All software is warranted in accordance with the license agreement that governs its purchase and use. Applications and other software packages that are purchased by Dell from other companies for resale are warranted by the companies that publish them and not by Dell.

Indemnification: If Dell is notified promptly in writing and given sole control of the defense and all related settlement negotiations, it will take responsibility for any claim based on an allegation that a Product did not meet Dell's warranty when received by an end user, or that Dell failed on request to provide warranty service in accordance with the applicable warranty statement, or otherwise alleging Dell fault with respect to Products. Dell will pay any resulting costs and damages finally awarded against Remarketer/Integrator with regard to any such claim if and to the extent that they are grounded on Dell's fault and do not exceed costs or damages that would have been finally awarded against Dell had the claim been made directly against Dell.

Remarketer/Integrator agrees to indemnify and hold Dell harmless from any and all damages, costs and expense in connection with any claim by anyone that arises out of Remarketer/Integrator's acts (other than marketing Products in compliance with this Agreement and all applicable instructions given by Dell), omissions or misrepresentations, regardless of the form of action.

Limitation of Remedies and Liability: In the event of the failure or threatened failure of either party to fulfill any obligation, the remedy of the other party is to request that the obligation be fulfilled. If that does not occur promptly and within thirty (30) days, the other party may terminate this Agreement and, if appropriate, bring an action for moneys due or to seek enforcement of its rights at law or in equity.

NEITHER PARTY HAS ANY LIABILITY TO THE OTHER FOR LOST PROFITS, LOSS OF BUSINESS OR OTHER CONSEQUENTIAL, SPECIAL, INDIRECT OR PUNITIVE DAMAGES, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, OR FOR ANY CLAIM BY ANY THIRD PARTY EXCEPT AS EXPRESSLY PROVIDED FOR IN THIS AGREEMENT.

However, this limitation does not apply to awards made on suits or proceedings within the scope of the indemnity provided in the Infringement section, or to claims within the scope of the Indemnification section, or to claims for bodily injury or damage to real or tangible personal property caused by the negligence of employees or representatives of Dell or Remarketer/Integrator.

Trademarks; Advertising: Remarketer/Integrator may refer to itself during the term of this Agreement as a "Dell Authorized Remarketer/Integrator" but only in connection with Products.

Remarketer/Integrator may use Dell's trademarks and trade names to market Products. Remarketer/Integrator agrees to change or correct, at Remarketer/Integrator's expense, any material or activity which Dell, in its sole judgment, decides is inaccurate, objectionable, misleading or a misuse of Dell trademarks or trade names.

Remarketer/Integrator will provide Dell with proof copies of all advertising and other publicity that refers to Dell or uses Dell trademarks or trade names in time for Dell to have at least five (5) business days to review the references to Dell and use of Dell marks and names. Remarketer/Integrator agrees to change or correct, at Remarketer/Integrator's expense, any advertising and other publicity which Dell, in its sole judgment, decides is inaccurate, objectionable, misleading or a misuse of Dell trademarks or trade names. Dell will communicate any such changes and corrections to Remarketer/Integrator within five (5) business days of receipt of the proof copies; Remarketer/Integrator may accept Dell's failure to communicate as Dell's consent for Remarketer/Integrator to use the advertising and publicity as submitted.

Remarketer/Integrator receives no rights to use Dell trademarks and trade names except as provided in this section. The limited rights granted herein end with termination of this Agreement.

Confidential Information: Confidential Information is all confidential and proprietary information so designated in writing or verbally by the words "Confidential", "Proprietary" or similar. A party receiving Confidential Information will keep the information in confidence and not disclose it to others, including, for Remarketer/Integrator, its customers, except as the disclosing party may expressly authorize. For this paragraph, Dell includes Dell Computer Corporation and its subsidiaries.

Miscellaneous: Remarketer/Integrator may not assign this Agreement without Dell's prior written consent, which Dell will not unreasonably withhold or delay. Dell may assign this Agreement, on notice to Remarketer/Integrator, to any entity owned or controlled by Dell Computer Corporation, Dell's parent.

Dell and Remarketer/Integrator are independent contractors. Neither party will state, imply or knowingly permit anyone, including Remarketer/Integrator's customers, to infer that any other relationship exists between the parties without the other party's prior written consent.

This Agreement shall be governed by Texas law.

Notices from one party to the other will be sent to the address shown on the signature page. Notices to Dell will be directed to its Contracts Manager. Notices to Remarketer/Integrator will be directed to its then current primary liaison.

If any provision of this Agreement is void or unenforceable, the parties agree to delete it and agree that the remainder of this Agreement will continue to be in effect. Further, if either party believes this Agreement may be deemed a franchise contract, or that the relationship established hereunder may be deemed to be that of franchiser and franchisee, the parties agree to amend this Agreement as necessary to avoid the possibility of such a construction.

This Agreement is the exclusive statement of the contract in effect between Dell and Remarketer/Integrator. Preprinted terms and all other terms not requested herein on any purchase order or other document submitted by Remarketer/Integrator are of no force or effect unless expressly accepted by Dell in writing.

SCHEDULE B -- WARRANTIES

The Following One-Year Limited Warranty Is Applicable to Certain Dell Products
As Designated By Dell

Warranty Policy Effective Date: November 1, 1990.

(U.S. Only)

Warranty Terms

For Dell systems and peripherals, the warranty term is one (1) year.
For accessories and spare parts, the warranty term is ninety (90) days.

Warranty Claims

Dell will repair or replace products returned to Dell's facility. To request warranty service, Dell must be contacted within the warranty period. If Dell decides a product requires service, Dell will issue a Return Material Authorization Number. Products must be shipped back to Dell in their original packaging or equivalent, shipping charges prepaid. Risk of loss during shipping to Dell is the sender's responsibility. Dell will ship the repaired or replacement products freight prepaid.

Note

This Schedule applies to Dell's return-to-factory warranty only. For the provisions relating to on-site service, see On-site Service Contracts in Schedule A and the terms of any applicable service contract.

The Following Three-Year Limited Warranty Is Applicable To Certain Dell Products
As Designated by Dell

Warranty Policy Effective Date: May 2, 1994

(U.S. Only)

Dell Computer Corporation ("Dell") manufactures its hardware products from parts and components that are new or equivalent to new in accordance with industry-standard practices. Dell warrants that the hardware products it sells will be free from defects in materials and workmanship. The warranty term is three years beginning on the date of delivery, as further described below.

Damage due to shipping the products to you is covered under this warranty. Otherwise, this warranty does not cover damage due to external causes, including accident, problems with electrical power, servicing not authorized by Dell, usage not in accordance with product instructions, failure to perform required preventive maintenance, abuse, and misuse.

Limited Warranty Coverage During Year 1

During the one year period beginning on the date of delivery, Dell will repair or replace products returned to Dell's facility. To request warranty service, you must call Dell within the warranty period. Refer to your user documentation to find the appropriate telephone number for customer assistance. If warranty service is required, Dell will issue a Return Material Authorization Number. You must ship the products back to Dell in their original packaging or equivalent, prepay shipping charges, and you must insure the shipment or accept the risk of loss or damage during shipment. Dell will ship the repaired or replacement products to you freight prepaid if you use an address in the United States (excluding Puerto Rico and U.S. possessions). Shipments to other locations will be made freight collect.

NOTE: Before you ship the product to Dell, back up the data on the hard-disk drive(s) and any other storage device(s) in the product. Remove any removable media, such as diskettes or PC cards. If you have any questions, call Dell for technical assistance.

Dell owns all parts removed from repaired products. Dell uses new and reconditioned parts made by various manufacturers in performing warranty repairs and building replacement products. If Dell repairs a product, its warranty term is not extended; if Dell replaces a product, the replacement is warranted for the remainder of the original term or 60 days, whichever is longer.

Limited Warranty Coverage During Years 2 and 3

During the second and third years of this limited warranty, Dell will provide on an exchange basis replacement parts for the Dell hardware product covered under this limited warranty when a part requires replacement. You must report each instance of hardware failure to Dell technical support in advance to obtain Dell's concurrence that a part should be replaced and to have Dell ship the replacement part. Dell will ship parts using next business day delivery, shipping prepaid if you use an address in the United States (excluding Puerto Rico and U.S. possessions). Shipments to other locations will be made freight collect. Dell will include a prepaid shipping container with each part for your use in returning the replaced part to Dell. Spare parts are new or reconditioned. Dell may provide spare parts made by various manufacturers when supplying parts to you. The warranty term for a replaced part is the remainder of the limited warranty term.

You will pay Dell for replacement parts when the replaced part is not returned to Dell within 30 days of the date the replacement was shipped by Dell, and for parts used to repair systems not covered by this limited warranty. Parts will be priced at Dell's then-current standard prices. Payment terms are net 30 days from date of invoice. You accept full responsibility for your software and data. Dell is not required to advise or remind you of appropriate backup and other procedures.

General

DELL MAKES NO EXPRESS WARRANTIES BEYOND THOSE STATED HERE. DELL DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. SOME STATES DO NOT ALLOW LIMITATIONS ON IMPLIED WARRANTIES, SO THIS LIMITATION MAY NOT APPLY TO YOU.

DELL'S RESPONSIBILITY FOR MALFUNCTIONS AND DEFECTS IN HARDWARE IS LIMITED TO REPAIR AND REPLACEMENT AS SET FORTH ABOVE. THESE WARRANTIES GIVE YOU SPECIFIC LEGAL RIGHTS AND YOU MAY ALSO HAVE OTHER RIGHTS WHICH VARY FROM STATE TO STATE.

DELL DOES NOT ACCEPT LIABILITY BEYOND THE REMEDIES SET FORTH IN THIS WARRANTY STATEMENT OR LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION ANY LIABILITY FOR PRODUCTS NOT BEING AVAILABLE FOR USE OR FOR LOST DATA OR SOFTWARE.

SOME STATES DO NOT ALLOW THE EXCLUSION OR LIMITATION OF INCIDENTAL OR CONSEQUENTIAL DAMAGES, SO THE ABOVE EXCLUSION OR LIMITATION MAY NOT APPLY TO YOU.

These provisions apply to Dell's return-to-factory warranty only. For provisions of any on-site service contract covering your system, refer to the separate on-site service contract that you will receive.

If you chose one of the available options instead of the basic Three Year Limited Warranty described above, the option you chose will be listed on your invoice.

Note

This Schedule applies to Dell's return-to-factory warranty only. For the provisions relating to on-site service, see the section titled On-site Service in Schedule A and the terms of any applicable service contract.

EMPLOYMENT AND NON-COMPETITION AGREEMENT

Agreement made this 7th day of June, 1996, by and between MICHAEL LAWLOR, an individual residing at 3447 Mimosa Way, Sugarland, Texas 77479 ("Lawlor"), and USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USA"), with a place of business at 3 Glenhardie Corporate Center, 1265 Drummers Lane, Suite 306, Wayne, Pennsylvania 19087.

BACKGROUND

USA is in the principal business of owning and licensing credit card activated control systems for the vending, copying, debit card and personal computer industries. USA desires to engage Lawlor and Lawlor desires to be engaged by USA as Director of Sales and Marketing of USA. Because of, among other matters, the decreased value of the business of USA that will result if Lawlor would compete with USA or use or divulge certain confidential information, Lawlor has further agreed that he will be subject to certain restrictions during and after his being an employee of USA.

AGREEMENT

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

SECTION 1. Employment.

A. USA shall employ Lawlor for a one year period commencing on July 8, 1996 and continuing through July 7, 1997 (the "Employment Period") and Lawlor hereby accepts such employment.

Unless terminated by either party hereto upon at least 30-days notice prior to end of the original Employment Period ending July 7, 1997, 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. During the Employment Period, Lawlor shall devote his full time, energy, skills, and attention to the business of USA, and shall not be engaged or employed in any other business activity whatsoever, whether or not such activity is pursued for gain, profit or other pecuniary advantage. During the Employment Period, Lawlor shall perform and discharge well and faithfully such executive management duties for USA as shall be necessary and as otherwise may be directed by the executive officers of USA.

SECTION 2. Compensation and Benefits

A. In consideration of his services rendered, USA shall pay to Lawlor a base salary of \$60,000 per year during the Employment Period, subject to any withholding required by law.

B. In addition to the base salary provided for in subparagraph A., Lawlor shall be eligible to receive a 100% annual bonus, payable quarterly, based on performance. Any such quarterly bonus would be based upon the percentage of the placement target achieved by Lawlor in Lawlor's assigned sales channel. The precise performance targets will be established by USA from time to time as appropriate.

C. Lawlor shall be entitled to be reimbursed by USA for all reasonable expenses reasonably incurred by Lawlor in connection with his employment duties hereunder. Such expenses shall include but not be limited to all reasonable business travel expenses such as tolls, gasoline and mileage. Lawlor shall reasonably document all requests for expense reimbursements.

D. At the commencement of the Employment Period, USA will issue to Lawlor nonvested options to acquire up to 100,000 shares of Common Stock, no par value, of the Company ("Common Stock") for an exercise price of \$.65 per share. The vesting schedule of such options as well as all the other terms and conditions thereof are set forth in the Option Certificate evidencing such options which will be delivered to Lawlor by the Company at the commencement of the Employment Period. The form of such Option Certificate is attached hereto as Exhibit "A".

Lawlor acknowledges that such options are not incentive stock options as such term is defined in Section 422 of the Internal Revenue Code of 1986, as amended, and such options, if and when vested, may constitute taxable compensation to Lawlor. Lawlor also acknowledges that neither the options nor the Common Stock underlying the options have been registered under the Securities Act of 1933, as amended (the "Act"), or under any state securities laws, and neither the options nor the Common Stock underlying the options can be sold or transferred unless such options or Common Stock have been registered under the Act or such state securities laws, or unless the Company has received an opinion of counsel that such registration is not required.

SECTION 3. Termination. Notwithstanding anything else contained herein, USA may terminate the employment of Lawlor at any time upon notice delivered to Lawlor in the event that (i) Lawlor commits any criminal or fraudulent act; or (ii) Lawlor breaches any term or condition of this Agreement; or (iii) Lawlor willfully abandons his duties hereunder. Upon such termination neither party hereto shall have any further duties or obligations hereunder whatsoever; provided, however, that Lawlor's obligations under Sections 5 and 6 hereof shall survive any such termination.

SECTION 4. Death and Disability.

A. If Lawlor shall die during the Employment Period, this Agreement shall terminate as of the date of such death and except for any base salary or bonuses accrued as of such date USA shall have no further duties or obligations hereunder whatsoever.

B. If USA determines in good faith that Lawlor is incapacitated by accident, sickness or otherwise so as to render him mentally or physically incapable of performing the services required of him hereunder for an aggregate of ninety (90) consecutive days, upon the expiration of such period or at any time thereafter, by action of USA, Lawlor's employment hereunder may be terminated immediately, upon giving him notice to that effect, and upon such termination except for any base salary or bonuses accrued as of such date neither party hereto shall have any further duties or obligations hereunder; provided, however, that Lawlor's obligations under Sections 5 and 6 hereof shall survive any such termination. USA shall be entitled to rely upon the advice and

opinion of any physician of its choosing in making any determination with respect to any such disability.

SECTION 5. Business Secrets.

A. Except in connection with his duties hereunder, Lawlor shall not, directly or indirectly, at any time from and after the date hereof, and for a one (1) year period following the termination of the Employment Period, or for a one (1) year period following the termination of Lawlor's employment hereunder if earlier, 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 (i.e. not already otherwise disseminated to or available to the public) information concerning the business or policies of USA, that Lawlor learned as a result of, in connection with, through his employment with, or through his affiliation with USA, whether or not pursuant to this Agreement.

B. From and after the date hereof, except in connection with his duties hereunder, and for a one (1) year period following the termination of the Employment Period, or for a one (1) year period following the termination of Lawlor's employment hereunder if earlier, Lawlor shall not solicit, or divert business from, or serve, or sell to, any customer or account of USA of which Lawlor is or becomes aware, or with which Lawlor has had personal contact as a result of, in connection with, through his employment with, or through his affiliation with USA, whether or not pursuant to this Agreement.

C. All documents, data, know-how, designs, inventions, names, marketing information, method or means, materials, software programs, hardware, configurations, information, data processing reports, lists and sales analyses, price lists or information, or any other materials or data of any kind furnished to Lawlor by USA, or developed by Lawlor on behalf of USA or at USA's direction or for USA's use, or otherwise devised, developed, created, or invented in connection with Lawlor's employment hereunder or his affiliation with USA, are and shall remain the sole and exclusive property of USA, and Lawlor shall have no right or interest whatsoever thereto, including but not limited to any copyright or patent interest whatsoever. If USA requests the return of any such items (including all copies) at any time whatsoever, Lawlor shall immediately deliver the same to USA.

SECTION 6. Restrictive Covenant. From and after the date hereof, and for a one (1) year period following the termination of the Employment Period, or for a one (1) year period following the termination of Lawlor's employment hereunder if earlier, Lawlor shall be prohibited from competing in the United States with the business of USA as presently or as hereinafter conducted, including but not limited to the ownership and licensing of credit card activated control systems in the vending, copying, debit card, or personal computer industries. For the purposes hereof, the term "competing" shall mean acting, directly or indirectly, as a partner, principal, stockholder, joint venturer, associate,

independent contractor, creditor of, consultant, trustee, lessor to, sublessor to, employee or agent of, or to have any other involvement with, any person, firm, corporation, or other business organization which is engaged in the businesses described in this Section.

SECTION 7. Remedies. Lawlor acknowledges that any breach by him of the obligations set forth in Sections 5 or 6 hereof would substantially and materially impair and irreparably harm USA's business and goodwill; that such impairment and harm would be difficult to measure; and, therefore, total compensation in solely monetary terms would be inadequate. Consequently, Lawlor agrees that in the event of any breach or any threatened breach by Lawlor of any of the provisions of Section 5 or 6 hereof, USA shall be entitled in addition to monetary damages or other remedies, to equitable relief, including injunctive relief, and to the payment by Lawlor of all costs and expenses incurred by USA in enforcing the provisions thereof, including attorneys' fees. In connection with any such injunctive relief, Lawlor agrees that USA shall not be required to post a bond or any other security with the Court. The remedies granted to USA in this Agreement are cumulative and are in addition to remedies otherwise available to USA at law or in equity.

SECTION 8. Waiver of Breach. The waiver by USA of a breach of any provision of this Agreement by Lawlor shall not operate or be construed as a waiver of any other or subsequent breach by Lawlor of such or any other provision.

SECTION 9. Notices. All notices required or permitted hereunder shall be in writing and shall be sent by certified or registered mail, return receipt requested, postage prepaid, as follows:

To USA:

USA Technologies, Inc.
3 Glenhardie Corporate Center
1265 Drummers Lane, Suite 306
Wayne, Pennsylvania 19087
Attn: Mr. George R. Jensen, Jr., President

To Lawlor:

Mr. Michael Lawlor
3447 Mimosa Way
Sugarland, Texas 77479

or to such other address as either of them may designate in a written notice served upon the other party in the manner provided herein. All notices required or permitted hereunder shall be deemed duly given and received on the second day next succeeding the date of mailing.

SECTION 10. Severability. If any term or provision of this Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of any such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. If any of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, scope, activity or subject, it

shall be construed by limiting and reducing it, so as to be valid and enforceable to the extent compatible with the applicable law.

SECTION 11. Governing Law. The implementation and interpretation of this Agreement shall be governed by and enforced in accordance with the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws rules.

SECTION 12. Binding Effect and Assignability. The rights and obligations of both parties under this Agreement shall inure to the benefit of and shall be binding upon their personal representatives, heirs, successors and assigns. This Agreement, or any part thereof, may not be assigned by Lawlor.

SECTION 13. Entire Agreement. This Agreement constitutes the entire agreement with respect to the subject matter hereof between the parties hereto and except as provided herein there are no other agreements between the parties relating to the subject matter

hereof. This Agreement completely replaces and supersedes the letter dated May 23, 1996, between Lawlor and USA, and such letter shall be void and of no further force or effect. This Agreement may only be modified by an agreement in writing executed by both USA and Lawlor.

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

USA TECHNOLOGIES, INC.

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

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

/s/ Michael Lawlor

MICHAEL LAWLOR

THESE OPTIONS 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 OPTIONS 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 OPTIONS AND THE COMMON STOCK ISSUABLE UPON THE EXERCISE HEREOF, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

OPTION CERTIFICATE
NO. 144

100,000 COMMON STOCK OPTIONS

USA TECHNOLOGIES, INC.

COMMON STOCK OPTIONS

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

1. Options. Subject to the terms and conditions hereof, this certifies that MICHAEL LAWLOR is the owner of 100,000 Options (the "Options") of USA Technologies, Inc. (the "Company"), a Pennsylvania corporation. Each Option, when vested in accordance with Section 3 hereof, entitles the owner hereof to purchase from the Company at any time prior to 5:00 p.m. on the fifth annual anniversary of the vesting of such Option (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 8 hereof.

2. Option Price. The Options, when vested, shall be exercised by delivery to the Company (prior to the Termination Date for such Options) of the option price for each share of Common Stock being purchased hereunder (the "Option Price"), this Certificate, and the completed Election To Purchase Form which is attached hereto. The Option Price shall be \$.65 per share of Common Stock to be purchased pursuant to each Option issued pursuant hereto. The Option Price shall be subject to adjustment as provided in Section 8 hereof. The Option Price is payable either in cash or by certified check or bank draft payable to the order of the Company.

3. Vesting of Options.

I. Notwithstanding anything contained herein to the contrary, the Options represented by this Certificate shall only become vested and exercisable by LAWLOR in accordance with the terms and conditions set forth in this Section 3. If LAWLOR is employed by the Company as of the date set forth in Column "A" below, the number of Options set forth in Column "B" below shall on such date become irrevocably and absolutely vested and exercisable.

Column "A"	Column "B"
----- Vesting Date -----	----- Options Vested -----
October 7, 1996	12,500
January 7, 1997	12,500
April 7, 1997	12,500
July 7, 1997	12,500
October 7, 1997	12,500
January 7, 1998	12,500
April 7, 1998	12,500
July 7, 1998	12,500
Total	100,000

The Employment And Non-Competition Agreement dated June 7, 1996 between LAWLOR and the Company, including any and all supplements, amendments, or modifications thereto (the "Employment Agreement"), is hereby incorporated herein by reference. The terms and conditions thereof shall be used to determine whether LAWLOR is employed by the Company on any particular vesting date. Therefore, and as set forth in the Employment Agreement, LAWLOR's employment would be considered terminated upon his death or disability under Section 4 thereof, or upon notice given to LAWLOR by the Company under Section 3 thereof, or upon notice given by the Company or LAWLOR under Section 1(a) thereof.

If pursuant hereto LAWLOR shall not become vested in any particular Option or Options, he shall only forfeit the Option or Options not so vested. Any Option or Options previously vested pursuant hereto shall nevertheless remain fully vested and exercisable all in accordance with the terms hereof.

4. Exercise. Upon the surrender of this Certificate and payment of the Option 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 Option 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 Option. 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 Option Price as aforesaid. If, however, at the date of surrender of this Certificate and payment of such Option Price, the transfer books for the Common Stock purchasable upon the exercise of any Option shall be closed, the certificates for the Common Stock in respect to which any such Option 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.

5. Partial Exercise. The rights of purchase represented by the Options 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 Options 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 Options not so exercised.

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

7. Lost, Mutilated Certificate. In case this Common Stock Option 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 Option Price and number of shares of Common Stock subject to the Options 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 Option 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 Option 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 Option Price immediately prior to such combination shall be proportionately increased. Any such adjustment to the Option Price shall become effective at the close of business on the record date

for such subdivision or combination. The Option 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 Option Price as hereinabove provided, the number of shares of Common Stock issuable upon exercise of the Options remaining unexercised immediately prior to any such adjustment, shall be changed to the number of shares determined by dividing (i) the appropriate Option Price payable for the purchase of all shares of Common Stock issuable upon exercise of all of the Options remaining unexercised immediately prior to such adjustment by (ii) the Option 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 Options remaining unexercised immediately prior to such adjustment shall remain constant.

(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 Options shall have the right thereafter and until the Termination Date to exercise such Options 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 Options 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.

(ii) Notwithstanding subsection (i) hereof and in lieu thereof, the Company may elect by written notice to the registered holder hereof, to require such registered holder to exercise all of the Options remaining unexercised prior to any such reorganization, reclassification, consolidation, merger or sale. If the holder of this Option shall not exercise all or any part of the Options remaining unexercised prior to such event, such unexercised Options shall automatically become null and void upon the occurrence of any such event, and of no further force and effect. The Common Stock issued pursuant to any such exercise

shall be deemed to be issued and outstanding immediately prior to any such event, and shall be entitled to be treated as any other issued and outstanding share of Common Stock in connection with such event. If an election is not made by the Company pursuant to this subsection (ii) in connection with any such event, then the provisions of subsection (i) hereof shall apply to such event.

d. Whenever the Option Price and number of shares of Common Stock subject to this Option is adjusted as herein provided, the Company shall promptly mail to the registered holder of this Option a statement signed by an officer of the Company setting forth the adjusted Option Price and the number of shares of Common Stock subject to this Option, determined as so provided.

e. 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 Options. The Company agrees that all shares of Common Stock issued upon exercise of the Options 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 Option and shall pay cash to the holder of any Option in lieu of any such fractional shares.

11. No Right. The holder of any Options 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 Option.

12. Securities Laws. As a condition to the issuance of any Common Stock pursuant to the Options, 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. Applicable Law. The Options 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/ Keith L. Sterling

Keith L. Sterling, Secretary

Dated: July 8, 1996

USA TECHNOLOGIES, INC.
3 Glenhardie Corporate Center
1265 Drummers Lane, Suite 306
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 Option Certificate No. _____ of the Company. The undersigned desires to purchase _____ shares of Common Stock provided for therein and tenders herewith full payment of the Option 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 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 Option 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 above.

Dated: _____, 19__

Signature: _____

EMPLOYMENT AND NON-COMPETITION AGREEMENT

Agreement made this 4th day of April, 1996, by and between STEPHEN P. HERBERT, an individual residing at 21 Creamery Lane, Ridgefield, Connecticut 06877 ("Herbert"), and USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USA"), with a place of business at 3 Glenhardie Corporate Center, 1265 Drummers Lane, Suite 306, Wayne, Pennsylvania 19087.

BACKGROUND

USA is in the principal business of owning and licensing credit card activated control systems for the vending, copying, debit card and personal computer industries. USA desires to engage Herbert and Herbert desires to be engaged by USA as Executive Vice President of Sales and Marketing of USA. Because of, among other matters, the decreased value of the business of USA that will result if Herbert would compete with USA or use or divulge certain confidential information, Herbert has further agreed that he will be subject to certain restrictions during and after his being an employee of USA.

AGREEMENT

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

SECTION 1. Employment.

(a) USA shall employ Herbert for a one year period commencing on April 15, 1996 and continuing through April 14, 1997

(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 April 14, 1997, 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) During the Employment Period, Herbert shall devote his full time, energy, skills, and attention to the business of USA, and shall not be engaged or employed in any other business activity whatsoever, whether or not such activity is pursued for gain, profit or other pecuniary advantage. During the Employment Period, Herbert shall perform and discharge well and faithfully such executive management duties for USA as shall be necessary and as otherwise may be directed by the President or Board of Directors of USA.

(c) Nothing contained in subparagraph (b) hereof shall be construed as preventing Herbert from investing his personal assets in businesses which do not compete with USA, (i) where the form or manner of such investments will not require any management duties or time, or any other substantial services or time, on the part of Herbert in connection with the businesses in which such investments are made, or (ii) in which his participation is solely that of a passive investor.

(d) The Board of Directors of USA shall nominate and recommend to its stockholders the election of Herbert to the Board

of Directors of USA at USA's next Annual Meeting of Stockholders which is presently scheduled for April 10, 1996.

SECTION 2. Compensation and Benefits

(a) In consideration of his services rendered, USA shall pay to Herbert a base salary of \$81,000 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, and in any event, shall at all times during the Employment Period (or any extension thereof) be no less than 90% of the base salary of the Chairman and Chief Executive Officer of USA.

(b) In addition to the base salary provided for in subparagraph (a), Herbert shall be eligible to receive such bonus or bonuses as the Board of Directors of USA may, in their discretion, pay to Herbert from time to time.

(c) Herbert shall be entitled to be reimbursed by USA for all reasonable expenses reasonably incurred by Herbert in connection with his employment duties hereunder. Such expenses shall include but not be limited to all reasonable business travel expenses such as tolls, gasoline and mileage. Herbert shall reasonably document all requests for expense reimbursements.

(d) At the commencement of the Employment Period, USA will issue to Herbert nonvested options to acquire up to 400,000 shares of Common Stock, no par value, of the Company ("Common Stock") for an exercise price of \$.65 per share. The vesting schedule of such options as well as all the other terms and

conditions thereof are set forth in the Option Certificate evidencing such options which will be delivered to Herbert by the Company at the commencement of the Employment Period. The form of such Option Certificate is attached hereto as Exhibit "A". Herbert acknowledges that such options are not incentive stock options as such term is defined in Section 422 of the Internal Revenue Code of 1986, as amended, and such options, if and when vested, may constitute taxable compensation to Herbert. Herbert also acknowledges that neither the options nor the Common Stock underlying the options have been registered under the Securities Act of 1933, as amended (the "Act"), or under any state securities laws, and neither the options nor the Common Stock underlying the options can be sold or transferred unless such options or Common Stock have been registered under the Act or such state securities laws, or unless the Company has received an opinion of counsel that such registration is not required.

(e) USA shall pay Herbert's reasonable moving expenses up to the amount of \$5,000. The expenses to be paid by USA will be for the actual charges of Herbert's moving company in connection with Herbert's move to the Philadelphia, Pennsylvania area.

SECTION 3. Termination. Notwithstanding anything else contained herein, USA may terminate the employment of Herbert at any time upon notice delivered to Herbert in the event that (i) Herbert commits any criminal or fraudulent act; or (ii) Herbert breaches any term or condition of this Agreement; or (iii) Herbert willfully abandons his duties hereunder. Upon such termination

neither party hereto shall have any further duties or obligations hereunder whatsoever; provided, however, that Herbert's obligations under Sections 5 and 6 hereof shall survive any such termination.

SECTION 4. Death and Disability.

(a) If Herbert shall die during the Employment Period, this Agreement shall terminate as of the date of such death and except for any base salary or bonuses accrued as of such date USA shall have no further duties or obligations hereunder whatsoever.

(b) If USA determines in good faith that Herbert is incapacitated by accident, sickness or otherwise so as to render him mentally or physically incapable of performing the services required of him hereunder for an aggregate of ninety (90) consecutive days, upon the expiration of such period or at any time thereafter, by action of USA, Herbert's employment hereunder may be terminated immediately, upon giving him notice to that effect, and upon such termination except for any base salary or bonuses accrued as of such date neither party hereto shall have any further duties or obligations hereunder; provided, however, that Herbert's obligations under Sections 5 and 6 hereof shall survive any such termination. USA shall be entitled to rely upon the advice and opinion of any physician of its choosing in making any determination with respect to any such disability.

SECTION 5. Business Secrets.

(a) Except in connection with his duties hereunder, Herbert shall not, directly or indirectly, at any time from and after the date hereof, and for a one (1) year period following the

termination of the Employment Period, or for a one (1) year period following the termination of Herbert's employment hereunder if earlier, 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 (i.e. not already otherwise disseminated to or available to the public) information concerning the business or policies of USA, that Herbert learned as a result of, in connection with, through his employment with, or through his affiliation with USA, whether or not pursuant to this Agreement.

(b) From and after the date hereof, except in connection with his duties hereunder, and for a one (1) year period following the termination of the Employment Period, or for a one (1) year period following the termination of Herbert's employment hereunder if earlier, Herbert shall not solicit, or divert business from, or serve, or sell to, any customer or account of USA of which Herbert is or becomes aware, or with which Herbert has had personal contact as a result of, in connection with, through his employment with, or through his affiliation with USA, whether or not pursuant to this Agreement. Notwithstanding the prior sentence, following the termination of Herbert's employment with USA, Herbert shall be permitted to sell products to customers or accounts of USA, provided such products are not competitive with, or similar to, any products of USA, whether such products are offered now or at any time in the future by USA.

(c) All documents, data, know-how, designs, inventions, names, marketing information, method or means, materials, software programs, hardware, configurations, information, data processing reports, lists and sales analyses, price lists or information, or any other materials or data of any kind furnished to Herbert by USA, or developed by Herbert on behalf of USA or at USA's direction or for USA's use, or otherwise devised, developed, created, or invented in connection with Herbert's employment hereunder or his affiliation with USA, are and shall remain the sole and exclusive property of USA, and Herbert shall have no right or interest whatsoever thereto, including but not limited to any copyright or patent interest whatsoever. If USA requests the return of any such items (including all copies) at any time whatsoever, Herbert shall immediately deliver the same to USA.

SECTION 6. Restrictive Covenant. From and after the date hereof, and for a one (1) year period following the termination of the Employment Period, or for a one (1) year period following the termination of Herbert's employment hereunder if earlier, Herbert shall be prohibited from competing in the United States with the business of USA as presently or as hereinafter conducted, including but not limited to the ownership and licensing of credit card activated control systems in the vending, copying, debit card, or personal computer industries. For the purposes hereof, the term "competing" shall mean acting, directly or indirectly, as a partner, principal, stockholder, joint venturer, associate, independent contractor, creditor of, consultant, trustee, lessor

to, sublessor to, employee or agent of, or to have any other involvement with, any person, firm, corporation, or other business organization which is engaged in the businesses described in this Section.

SECTION 7. Remedies. Herbert acknowledges that any breach by him of the obligations set forth in Sections 5 or 6 hereof would substantially and materially impair and irreparably harm USA's business and goodwill; that such impairment and harm would be difficult to measure; and, therefore, total compensation in solely monetary terms would be inadequate. Consequently, Herbert agrees that in the event of any breach or any threatened breach by Herbert of any of the provisions of Section 5 or 6 hereof, USA shall be entitled in addition to monetary damages or other remedies, to equitable relief, including injunctive relief, and to the payment by Herbert of all costs and expenses incurred by USA in enforcing the provisions thereof, including attorneys' fees. The remedies granted to USA in this Agreement are cumulative and are in addition to remedies otherwise available to USA at law or in equity.

SECTION 8. Waiver of Breach. The waiver by USA of a breach of any provision of this Agreement by Herbert shall not operate or be construed as a waiver of any other or subsequent breach by Herbert of such or any other provision.

SECTION 9. Notices. All notices required or permitted hereunder shall be in writing and shall be sent by certified or registered mail, return receipt requested, postage prepaid, as follows:

To USA:

USA Technologies, Inc.
3 Glenhardie Corporate Center
1265 Drummers Lane, Suite 306
Wayne, Pennsylvania 19087
Attn: George R. Jensen, Jr., President

To Herbert:

Mr. Stephen P. Herbert
21 Creamery Lane
Ridgefield, Connecticut 06877

or to such other address as either of them may designate in a written notice served upon the other party in the manner provided herein. All notices required or permitted hereunder shall be deemed duly given and received on the second day next succeeding the date of mailing.

SECTION 10. Severability. If any term or provision of this Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of any such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. If any of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, scope, activity or subject, it shall be construed by limiting and reducing it, so as to be valid and enforceable to the extent compatible with the applicable law.

SECTION 11. Governing Law. The implementation and interpretation of this Agreement shall be governed by and enforced

in accordance with the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws rules.

SECTION 12. Binding Effect and Assignability. The rights and obligations of both parties under this Agreement shall inure to the benefit of and shall be binding upon their personal representatives, heirs, successors and assigns. This Agreement, or any part thereof, may not be assigned by Herbert.

SECTION 13. Entire Agreement. This Agreement constitutes the entire agreement with respect to the subject matter hereof between the parties hereto and except as provided herein there are no other agreements between the parties relating to the subject matter hereof. This Agreement completely replaces and supersedes the letter dated March 1, 1996, between Herbert and USA, and such letter shall be void and of no further force or effect. This Agreement may only be modified by an agreement in writing executed by both USA and Herbert.

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

USA TECHNOLOGIES, INC.

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

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

/s/ Stephen P. Herbert

STEPHEN P. HERBERT

THESE OPTIONS 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 OPTIONS 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 OPTIONS AND THE COMMON STOCK ISSUABLE UPON THE EXERCISE HEREOF, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

OPTION CERTIFICATE
NO. 140

400,000 COMMON STOCK OPTIONS

USA TECHNOLOGIES, INC.

COMMON STOCK OPTIONS

(This Option will be void if not exercised
by the date provided below.)

1. Options. Subject to the terms and conditions hereof, this certifies that STEPHEN P. HERBERT is the owner of 400,000 Options (the "Options") of USA Technologies, Inc. (the "Company"), a Pennsylvania corporation. Each Option, when vested in accordance with Section 3 hereof, entitles the owner hereof to purchase from the Company at any time prior to 5:00 p.m. on the fifth annual anniversary of the vesting of such option (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 8 hereof.

1. Option Price. The Options, when vested, shall be exercised by delivery to the Company of the option price for each share of Common Stock being purchased hereunder (the "Option Price"), this Certificate, and the completed Election To Purchase Form which is attached hereto. The Option Price shall be \$.75 per share of Common Stock to be purchased pursuant to each Option. The Option Price shall be subject to adjustment as provided in Section 8 hereof. The Option Price is payable either in cash or by certified check or bank draft payable to the order of the Company.

2. Vesting of Options.

a. Notwithstanding anything contained herein to the contrary, the Options represented by this Certificate shall only become vested and exercisable by HERBERT in accordance with the terms and conditions set forth in this Section 3. If HERBERT is employed by the Company as of the date set forth in Column "A" below, the number of Options set forth in Column "B" below shall on such date become irrevocably and absolutely vested and exercisable.

Column "A" -----	Column "B" -----
Vesting Date -----	Options Vested -----
July 14, 1996	50,000
October 14, 1996	50,000
January 14, 1997	50,000
April 14, 1997	50,000
July 14, 1997	25,000
October 14, 1997	25,000
January 14, 1998	25,000
April 14, 1998	25,000
July 14, 1998	25,000
October 14, 1998	25,000
January 14, 1999	25,000
April 14, 1999	25,000

Total	400,000

b. The Employment And Non-Competition Agreement dated March 8, 1996 between HERBERT and the Company, including any and all supplements, amendments, or modifications thereto (the "Employment Agreement"), is hereby incorporated herein by reference. The terms and conditions thereof shall be used to determine whether HERBERT is employed by the Company on any particular vesting date. Therefore, and as set forth in the Employment Agreement, HERBERT's employment would be considered terminated upon his death or disability under Section 4 thereof, or upon notice given to HERBERT by the Company under Section 3 thereof, or upon notice given by the Company or HERBERT under Section 1(a) thereof.

c. If pursuant hereto HERBERT shall not become vested in any Option or Options, he shall only forfeit the Option or Options not so vested. Any Option or Options previously vested pursuant hereto shall nevertheless remain fully vested and exercisable all in accordance with the terms hereof.

3. Exercise. Upon the surrender of this Certificate and payment of the Option 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 Option 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 Option. 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 Option Price as aforesaid. If, however, at the date of surrender of this Certificate and payment of such Option Price, the transfer books for the Common Stock purchasable upon the

exercise of any Option shall be closed, the certificates for the Common Stock in respect to which any such Option 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 Options 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 Options 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 Options not so exercised.

5. Termination Date. All of the Options 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 the Options shall without any action on behalf of the Company become null and void.

6. Lost, Mutilated Certificate. In case this Common Stock Option 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 8, the Option Price and number of shares of Common Stock subject to the Options 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 Option 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 Option 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 Option Price immediately prior to such combination shall be proportionately increased. Any such adjustment to the Option Price shall become effective at the close of business on the record date for such subdivision or combination. The Option 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 Option Price as hereinabove provided, the number of shares of Common Stock issuable upon exercise of the Options remaining unexercised immediately prior to any such adjustment, shall be changed to the number of shares determined by dividing (i) the appropriate Option Price payable for the purchase of all shares of Common Stock issuable upon exercise of all of the Options remaining unexercised immediately prior to such adjustment by (ii) the Option 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 Options 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 Options shall have the right thereafter and until the Termination Date to exercise such Options 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 Options 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.

(ii) Notwithstanding subsection (i) hereof and in lieu thereof, the Company may elect by written notice to the registered holder hereof, to require such registered holder to exercise all of the Options remaining unexercised prior to any such reorganization, reclassification, consolidation, merger or sale. If the holder of this Option shall not exercise all or any part of

the Options remaining unexercised prior to such event, such unexercised Options shall automatically become null and void upon the occurrence of any such event, and of no further force and effect. The Common Stock issued pursuant to any such exercise shall be deemed to be issued and outstanding immediately prior to any such event, and shall be entitled to be treated as any other issued and outstanding share of Common Stock in connection with such event. If an election is not made by the Company pursuant to this subsection (ii) in connection with any such event, then the provisions of subsection (i) hereof shall apply to such event.

e. Whenever the Option Price and number of shares of Common Stock subject to this Option is adjusted as herein provided, the Company shall promptly mail to the registered holder of this Option a statement signed by an officer of the Company setting forth the adjusted Option Price and the number of shares of Common Stock subject to this Option, 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.

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 Options. The Company agrees that all shares of Common Stock issued upon exercise of the Options 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 Option and shall pay cash to the holder of any Option in lieu of any such fractional shares.

10. No Right. The holder of any Options 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 Option.

11. Securities Laws. As a condition to the issuance of any Common Stock pursuant to the Options, 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.

12. Applicable Law. The Options 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/ Keith L. Sterling

Keith L. Sterling, Secretary

Dated: April 15, 1996

USA TECHNOLOGIES, INC.
3 Glenhardie Corporate Center
1265 Drummers Lane, Suite 306
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 Option Certificate No.____ of the Company. The undersigned desires to purchase _____ shares of Common Stock provided for therein and tenders herewith full payment of the Option 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 in the name of _____

_____ and be delivered to _____

_____. If said number of shares of Common Stock shall not be all the shares purchasable under the Certificate, then a new Certificate for the balance remaining of the shares of Common Stock purchasable shall be registered in the name of, and delivered, to the undersigned at the following

address:_____.

Dated: _____, 19____

Signature:_____

USA Technologies, Inc.
3 Glenhardie Corporate Center
1265 Drummers Lane, Suite 306
Wayne, Pennsylvania 19087

July 17, 1996

Mr. William W. Sellers
394 East Church Road
King of Prussia, PA 19406

Re: Consulting Arrangement

Dear Bill:

This letter will confirm the consulting arrangement between you and the Company which existed during the fiscal year ended June 30, 1996. In exchange for the substantial and valuable services performed by you for the Company during the fiscal year, the Company has agreed to pay to you the sum of \$80,000 (i.e., \$6,666.66 per month), of which \$76,600 has been paid to you to date. This compensation, as well as your services, were in addition to and exclusive of your dedicated and loyal service since May 1993 as a Director of the Company. I look forward to your continued service on the Board of Directors for many years.

During the fiscal year, you provided assistance and advice to, and consulted with the Company and myself, as its Chief Executive Officer, in connection with a variety of business matters. In this regard, your extensive technical background (including your being awarded several United States patents) and business operations experience was valuable to the Company. Your contributions included consulting with the Company and myself in connection with the general operation of the business of the Company, expansion of its product line, and identification of new business directions for the Company's technology. You also reviewed and advised the Company regarding the Company's overall progress, needs and financial condition. During the fiscal year and with your assistance and valuable guidance, the Company completed the development of the Credit Card Computer Express and the C3X, and considerably strengthened the Company's marketing capabilities.

You have also been very helpful and valuable to the Company in connection with investor and public relations. In this regard, I appreciate the many friends you introduced me to, many of which became shareholders in the Company. In addition, during the fiscal year, you answered many questions regarding the Company from our shareholders, and assisted the Company in its overall public relations efforts. Finally, your assistance to me in connection with various written materials which were distributed to our shareholders was much appreciated.

This will confirm that at no time did you act as a "broker" under the applicable securities laws, and at no time did you solicit the sale of, or offer to sell, or negotiate the sale of, any securities of the Company. Your efforts consisted solely of introducing the Company to your many friends and contacts in the community, and any discussions concerning the sale or purchase of securities were conducted solely by other Company employees.

In addition, your actions fall within the "safe harbor" contained in Rule 3a4-1 promulgated under the Securities Exchange Act of 1934 and, therefore, you did not act as a "broker". During the fiscal year, you performed substantial duties for the Company otherwise than in connection with your introduction efforts, you were not associated with any broker-dealer, and you have not participated in selling securities for any issuer more than once every twelve months. Finally, your compensation during the fiscal year was not based either directly or indirectly on the amount of securities sold by the Company or on any transaction in securities.

Bill, in connection with your consultancy, you served as an independent contractor to the Company, and you will be responsible for payment of all applicable taxes in connection with the compensation paid to you by the Company.

Thank you again for your dedicated service and advice and I look forward to having you on our team for many years to come. The Company appreciates your support and confidence. Please confirm that this letter sets forth our prior understanding and arrangement by signing below where indicated, and returning it to me.

Sincerely,

USA TECHNOLOGIES, INC.

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

George R. Jensen, Jr.,
President

AGREED TO:

/s/ William W. Sellers

William W. Sellers

USA Technologies, Inc.
3 Glenhardie Corporate Center
1265 Drummers Lane, Suite 306
Wayne, Pennsylvania 19087

July 17, 1996

Mr. Peter G. Kapourellos
1515 Richard Drive
West Chester, PA 19380

Re: Consulting Arrangement

Dear Pete:

This letter will confirm the consulting arrangement between you and the Company which existed during the fiscal year ended June 30, 1996. In exchange for the substantial and valuable services performed by you for the Company during the fiscal year, the Company has agreed to pay to you the sum of \$24,000 (i.e., \$2,000 per month), of which \$22,000 has been paid to you to date. This compensation, as well as your services, were in addition to and exclusive of your dedicated and loyal service since May 1993 as a Director of the Company. I look forward to your continued service on the Board of Directors for many years.

You have been very helpful and valuable to the Company in connection with investor and public relations. In this regard, I appreciate the friends you introduced me to, many of which became shareholders in the Company. In addition, during the fiscal year, you answered many questions regarding the Company from our shareholders, and assisted the Company in its overall public relations efforts. Finally, your assistance to me in connection with various written materials which were distributed to our shareholders was much appreciated.

This will confirm that at no time did you act as a "broker" under the applicable securities laws in connection with any offer or sales of the Company's securities, and at no time did you solicit the sale of, or offer to sell, or negotiate the sale of, any securities of the Company to any person introduced to us by you. Your efforts consisted solely of introducing the Company to your friends, and any discussions concerning the sale or purchase of securities were conducted solely by other Company employees.

Pete, in connection with your consultancy, you served as an independent contractor to the Company, and you will be responsible for payment of all applicable taxes in connection with the compensation paid to you by the Company.

Thank you again for your dedicated service and advice and I look forward to having you on our team for many years to come. The Company appreciates your support and confidence. Please confirm that this letter sets forth our prior understanding and arrangement by signing below where indicated, and returning it to me.

Sincerely,

USA TECHNOLOGIES, INC.

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

George R. Jensen, Jr.,
President

AGREED TO:

/s/ Peter G. Kapourellos

Peter G. Kapourellos

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated August 21, 1995 in the Registration Statement (Form SB-2 No. 33-XXXXX) and related Prospectus of USA Technologies, Inc. dated August 2, 1996, for the registration of 5,200,000 shares of its common stock.

Ernst & Young LLP
/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
August 2, 1996