

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 8-K

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

Date of Report (Date of earliest event reported): June 23, 1997

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

Pennsylvania

33-70882

23-269963

(State or other jurisdiction  
of incorporation)

(Commission File Number)

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

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

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

## Item 5. Other Events

On July 3, 1997, the Company completed the private placement offering commenced in April 1997 pursuant to Rule 506 of Regulation D promulgated under the Act. Each Unit issued consisted of 2,000 shares of Series A Convertible Preferred Stock and 40,000 1997 Common Stock Purchase Warrants ("1997 Warrants"). Each 1997 Warrant is exercisable at \$.20 per share through August 31, 1997, and at \$.40 per share thereafter until the close of business on July 2, 2002. An aggregate of 40 Units were sold by the Company resulting in total gross proceeds of \$400,000.

In June 1997, the United States Patent Office granted the Company's patent entitled "Credit and Bank Issued Debit Card Operated System and Method For Controlling a Prepaid Card Encoding/Dispensing Machine" (United States Patent Number 5,637,845). This is the second patent application of the Company that has been granted.

## Item 9. Sales of Equity Securities Pursuant to Regulation S

On May 15, 1997, the Company entered into a letter of intent with GEM Advisors, Inc. ("GEMA") pursuant to which GEMA received the exclusive right to place with qualified purchasers an aggregate of \$500,000 of Convertible Debentures ("Debentures") to be issued by the Company. On June 23, 1997, the Company sold such Debentures to five qualified purchasers. The Debentures were issued by the Company pursuant to Regulation S promulgated under the Securities Act of 1933, as amended (the "Act").

The Debentures mature on June 22, 2002, and earn interest at the rate of 6% per year. Such interest is payable only at the time of conversion, redemption, or maturity, and is payable in either shares of Common Stock or cash at the option of the Company.

The Debentures are convertible by the holders thereof at any time after forty-five (45) days from issuance and through June 22, 2002. The Debentures are convertible into shares of Common Stock at a conversion price equal to the lesser of one hundred percent (100%) of the average closing bid price of the Common Stock for the five (5) trading days immediately preceding June 23, 1997, or sixty-five percent (65%) of the average closing bid price of the Common Stock for the five (5) trading days immediately preceding the date of conversion.

The Company has the right to redeem the Debentures at any time after one year from issuance and through June 22, 2002. Upon redemption, the Debentures would be exchanged for shares of Common Stock at a redemption price equal to the lesser of one hundred percent (100%) of the average closing bid price of the Common Stock for the five (5) trading days immediately preceding June 23, 1997, or sixty-five percent (65%) of the average closing bid price of the Common Stock for the five (5) trading days immediately preceding the date of redemption.

Upon maturity (unless converted or redeemed prior thereto), the Debentures would be automatically converted into shares of Common Stock at a conversion price equal to the lesser of one hundred percent (100%) of the average closing bid price of the Common Stock for the five (5) trading days immediately preceding June 23, 1997, or sixty-five percent (65%) of the average closing bid price of the Common Stock for the five (5) trading days immediately preceding the maturity date.

As a condition of the sales, the Company agreed to issue and place in escrow an aggregate of 2,500,000 shares of Common Stock ("Escrow Shares") in order to insure that such Escrow Shares would be available upon the conversion of the Debentures by the purchasers. Accordingly, the Company has issued a share certificate representing the Escrow Shares to Lurio & Associates as Escrow Agent. Lurio & Associates is the Company's counsel. The Escrow Shares are being held for each of the five purchasers in proportion to the amount of Debentures that each has purchased. Upon conversion by the purchasers, the Debentures and Escrow Shares will be canceled, and the appropriate number of shares of Common Stock will be issued to the purchasers as described above.

In connection with the sale of the Debentures, GEMA received 8% of the gross proceeds (i.e. \$40,000) as a management/documentation fee. In addition, affiliates and/or consultants to GEMA received non-redeemable warrants to purchase up to 2,000,000 shares of the Company's Common Stock at a price of \$.20 per share at any time through June 22, 2002. These warrants were issued by the Company pursuant to Regulation S promulgated under the Act.

SIGNATURES

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

USA TECHNOLOGIES, INC.

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

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

July 8, 1997

EXHIBIT INDEX

Exhibit Number -----	Description -----
10.1	Form of 6% Convertible Debenture
10.2	Form of Escrow Agreement
10.3	Form of Warrant Certificate

THIS DEBENTURE AND THE COMMON STOCK ("SHARES") ISSUABLE UPON CONVERSION OF THIS DEBENTURE (COLLECTIVELY THE "SECURITIES") HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES COMMISSION OF ANY STATE UNDER ANY STATE SECURITIES LAW. THEY ARE BEING OFFERED AND SOLD PURSUANT TO A SAFE HARBOR FROM REGISTRATION UNDER REGULATION S ("REGULATION S") PROMULGATED UNDER THE ACT. THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS (AS SUCH TERM IS DEFINED IN REGULATION S) DURING THE RESTRICTED PERIOD, AND THEREAFTER ONLY IF THESE SECURITIES ARE REGISTERED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS, OR SUCH OFFERS, SALES AND TRANSFERS ARE MADE PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THOSE LAWS.

Debenture Certificate No. \_\_\_\_\_ U.S. \$ \_\_\_\_\_

USA TECHNOLOGIES, INC.

6% CONVERTIBLE DEBENTURE DUE JUNE 22, 2002

FOR VALUE RECEIVED, USA Technologies, Inc., a Pennsylvania corporation (the "Company") promises to pay to \_\_\_\_\_ ("Purchaser"), or any subsequent registered holder hereof (the "Holder"), the principal sum of U.S. Dollars (U.S. \$ \_\_\_\_\_), together with interest on the principal sum outstanding at the rate of six (6%) percent per annum payable in U.S. Dollars. Accrual of interest on this Debenture shall commence on the date hereof and shall continue to accrue until the Maturity Date or if earlier, the Conversion Date or Redemption Date, as the case may be. This Debenture is being issued pursuant to the Regulation S Subscription Agreement between the Holder and the Company ("Subscription Agreement"), and this Debenture is subject to all of the terms and conditions thereof, all of which are hereby incorporated by reference.

Section 1. Payment of Debenture. Subject to all of the terms and conditions hereof, the Company shall pay to the Holder the entire principal amount hereof and all interest accrued thereon on June 22, 2002 (the "Maturity Date"). All interest or principal shall be paid to the person and at the address in whose name this Debenture is registered on the records of the Company on the business day immediately preceding the applicable payment date. As provided herein, the principal and interest due hereunder may be converted into or redeemed for shares of Common Stock, no par value, of the Company ("Shares"), and such Shares shall be in the name of and forwarded to the person and at the address in whose name this Debenture is registered on the business day immediately preceding the issuance date.

Section 2. Sale, Transfer or Exchange. This Debenture may be transferred, exchanged or converted only in compliance with the Act, including Regulation S and any applicable state securities laws. Any Holder of this Debenture, by acceptance hereof, agrees to the representations, warranties and covenants herein and in the Subscription Agreement. Prior to due presentment to the Company for transfer of this Debenture, the Company and any agent of the Company may treat the person in whose name this Debenture is duly recorded on the Company's records as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes.

Section 3. Holder Conversion.

A. Right to Convert; Conversion Rate. The Holder of this Debenture shall be entitled to convert the entire principal amount of this Debenture at any time during the period beginning forty-five (45) days after the date hereof and prior to the Maturity Date into that number of Shares calculated in accordance with the following formula:

Number of Shares issued upon Conversion =  $\frac{\text{Principal} (+ \text{Interest, if applicable})}{\text{Conversion Price}}$ , where  
Principal = The Principal amount of the Debenture.  
Interest =  $\text{Principal} \times (\text{N}/365) \times .06$ , where  
N = the number of days between the date hereof and the Conversion Date for the Debenture.  
Conversion Price = the lesser of (x) 100% of the average Closing Bid Price, as that term is defined below, of the Shares for the five (5) trading days immediately preceding the date hereof (the "Fixed Conversion Price"), or (y) 65% of the average Closing Bid Price, as that term is defined below, of the Shares for the five (5) trading days immediately preceding the day prior to the Conversion Date (the "Variable Conversion Price").

For purposes hereof, the term "Closing Bid Price" shall mean the closing bid price on the market as reported by the OTC Bulletin Board or NASDAQ's National Market System or Small Capitalization System (NASDAQ) or American Exchange Emerging Company Marketplace or if then traded on a different national securities exchange, the closing sales price on the principal national securities exchange on which it is so traded and if not available, the mean of the daily high and low sales prices on such securities exchange on which it is traded.

B. Mechanics of Conversion. In order to convert the Debenture into Shares, the Holder shall (i) fax a copy of an executed notice of conversion ("Notice of Conversion") to the Company at the office of the Company, which notice shall specify that the Debenture shall be converted and shall contain a calculation of the number of Shares to be issued in connection with the conversion, and (ii) surrender the original Debenture to a common courier for delivery to the office of the Company; provided, however, that the Company shall not be obligated to issue certificates evidencing the Shares issuable upon such conversion unless either the original Debenture is delivered to the Company, or the Holder notifies the Company that such Debenture have been lost, stolen or destroyed and the Holder has complied with Section 3.D. below. Upon receipt by the Company of a facsimile copy of a Notice of Conversion, the Company shall immediately send, via facsimile, confirmation of receipt of the Notice of Conversion to Holder which shall specify that the Notice of Conversion has been

received and the name of a contact person at the Company whom the Holder should contact regarding information related to the conversion. In the case of a dispute as to the calculation of the Conversion Price or any other issues related thereto, the Company shall promptly issue the number of Shares that are not disputed. The Company shall submit the disputed calculations to its independent auditors within two (2) business days of receipt of Holder's Notice of Conversion. The Company shall cause the auditors to perform the calculations and notify the Company and Holder of the results no later than five (5) business days from the time such accountant receives the disputed calculations. The auditor's calculation shall be deemed conclusive absent manifest error.

C. Interest. Upon receipt of the Notice of Conversion, the Company shall at its option either pay all interest accrued on the Debenture through the Conversion Date in U.S. Dollars, or shall issue Shares in full satisfaction of the accrued interest. The number of Shares to be issued shall be determined pursuant to the formula described in Section 3.A. The Company shall notify the Holder of its decision within two (2) business days following its receipt of the Notice of Conversion.

D. Lost or Stolen Debentures. Upon receipt by the Company of evidence of the loss, theft, destruction or mutilation of this Debenture, and (in case of loss, theft or destruction) indemnity or security reasonably satisfactory to the Company, and upon surrender and cancellation of the Debenture, if mutilated, the Company shall execute and deliver a new Debenture of like tenor and date without charge to Holder.

E. Delivery of Shares upon Conversion. The transfer agent or the Company (as applicable) shall, no later than the close of business on the fifth (5th) business day after delivery to the Company of the Debenture to be converted (or after provision for security or indemnification, if required), issue a certificate for the number of Shares to which the Holder shall be entitled as aforesaid and surrender such original certificate to a common courier for either overnight or (if delivery is outside the United States, then two (2) day delivery) to the Holder at the address of the Holder on the books of the Company.

F. No Fractional Shares. No fractional Shares shall be issued upon conversion of this Debenture. If any conversion of the Debenture would create a fractional share or a right to acquire a fractional share, such fractional shares, on an aggregate basis, shall be disregarded and the number of Shares issuable upon conversion shall be, on an aggregate basis, the next lower number of whole shares.

G. Date of Conversion. The date on which conversion occurs (the "Conversion Date") shall be deemed to be the date (utilizing Philadelphia, Pennsylvania time) the Notice of Conversion is faxed to the Company, and, provided, that the original Debenture is surrendered by depositing such Debenture with a common courier, as provided above, and received by the Company within three (3) business days from the Conversion Date. The person or persons entitled to receive the Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Shares on the Conversion Date. If the original Debenture is not received by the Company within three (3) business days after the Conversion Date, the Notice of Conversion, at the Company's option, may be declared null and void.



Section 4. Company Redemption. The Company may at its sole option, at any time following the first annual anniversary of the date hereof and prior to the Maturity Date, redeem this Debenture in full by notice to the Holder. Such notice shall state that the Debenture is being redeemed by the Company and shall contain a calculation of the number of Shares to be issued in connection with the redemption. The date on which such notice shall be delivered to the Holder shall be the effective date of the redemption ("Redemption Date"). The Company shall issue to Holder that number of Shares which would have been issued to Holder pursuant to Section 3.A. hereof, provided that the term Redemption Date shall be substituted for the term Conversion Date in such formula. The Shares shall be delivered to the Holder within five (5) business days following the receipt by the Company from the Holder of this Debenture or in the case of loss, theft, destruction, or mutilation hereof upon compliance with Section 3.D. hereof. All interest accrued on this Debenture through the Redemption Date shall be satisfied at the Company's option, either through the issuance of Shares pursuant to the formula set forth in Section 3.A. or by payment thereof by the Company to the Holder in U.S. Dollars. Such election shall be set forth in the notice of redemption delivered to the Holder.

Section 5. Automatic Conversion. If the Debenture has not been redeemed or converted prior to the Maturity Date pursuant to either Section 3 or Section 4 above, the entire principal amount of the Debenture shall be automatically converted into Shares on and as of such date. The number of Shares into which the Debenture shall be converted shall be calculated in accordance with the formula in Section 3.A. above as if the Maturity Date were the Conversion Date of the Debenture. All interest accrued on the Debenture through the Maturity Date shall be satisfied, at the Company's option, either through the issuance of Shares pursuant to the formula set forth in Section 3.A. or by payment thereof by the Company to the Holder in U.S. Dollars. The Company shall notify the Holder of such election within two (2) business days after the Maturity Date. The Company shall promptly deliver the Shares and, if applicable, the interest payment, within five (5) business days following receipt of this Debenture from the Holder.

Section 6. Reservation of Shares Issuable Upon Conversion or Redemption. The Company shall at all times reserve and keep available out of its unissued Shares, solely for the purpose of effecting the conversion or redemption of the entire principal amount of this Debenture, such number of its Shares as shall from time to time be sufficient to effect the conversion or redemption of this Debenture; and if at any time the number of authorized but unissued Shares shall not be sufficient to effect the conversion or redemption of this Debenture, the Company will immediately take such corporate action as may be necessary to increase its authorized but unissued Shares to such number of shares as shall be sufficient for such purpose. If such action shall not be taken within sixty (60) days after notice from the Holder, then the Company shall only at the option of the Holder deliver full payment in U.S. Dollars of the outstanding principal amount of this Debenture and all accrued interest thereon to the Holder within thirty (30) days following the expiration of such sixty (60) day period.

## Section 7. Adjustment to Conversion Price.

A. Adjustment to Fixed Conversion Price Due to Stock Split, Stock Dividend, Etc. If at any time when the Debenture is issued and outstanding, the number of outstanding Shares is increased by a stock split, stock dividend, or other similar event, the Fixed Conversion Price shall be proportionately reduced, or if the number of outstanding Shares is decreased by a combination or reclassification of shares, or other similar event, the Fixed Conversion Price shall be proportionately increased.

B. Adjustment to Variable Conversion Price. If, at any time when the Debenture is issued, the number of outstanding Shares is increased by a stock split, stock dividend, or other similar event, which event shall have taken place during the reference period for determination of the Conversion Price for any conversion or redemption of the Debentures, then the Variable Conversion Price shall be calculated giving appropriate effect to the stock split, stock dividend, combination, reclassification or other similar event for all five (5) trading days immediately preceding the date prior to Conversion Date, Redemption Date, or Maturity Date, as the case may be.

C. Adjustment Due to Merger, Consolidation, Etc. If at any time when the Debenture is issued, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which Shares shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Company or another entity or there is a sale of all or substantially all the Company's assets, then the Holder shall thereafter have the right to receive upon conversion or redemption of the Debenture, upon the basis and upon the terms and conditions specified herein and in lieu of the Shares immediately theretofore issuable upon conversion or redemption, such Common Stock, securities and/or other assets which the holder would have been entitled to receive in such transaction had the Debenture been converted and redeemed immediately prior to such transaction, and in such case appropriate provisions shall be made with respect to the rights and interests of the Holders to the end that the provisions hereof (including, without limitation provisions for adjustment of the Conversion Price and of the number of Shares issuable upon conversion or redemption of the Debenture) shall thereafter be applicable, as nearly as may be practicable in relation to any securities thereafter deliverable upon the exercise hereof. The Company shall not effect any transaction described in this subsection 7.C. unless it first gives fifteen (15) days prior notice of such merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event (during which time the Holder shall be entitled to convert its Debentures into Shares).

Section 8. Exercise. The Holder hereof acknowledges that the Debenture has been issued pursuant to Regulation S promulgated under the Act and neither the Debenture nor the Shares have been registered under the Act or under any state securities law. This Debenture may not be exercised by or on behalf of any U.S. Person unless the Shares are registered under the Act or an exemption from such registration is available. As required by Regulation S, at the time of any exercise hereof, the Holder must deliver to the Company a written certification that the Holder is not a U.S. Person and the Debenture is not being exercised on behalf of a U.S. Person, or a written opinion of counsel, which opinion is satisfactory to the Company, to the effect that the Debenture and the Shares delivered upon the exercise of the Debenture have been registered under the Act or are exempt from registration thereunder.

This Debenture may not be exercised within the United States and the Shares may not be delivered within the United States upon exercise, other than in connection with offerings deemed to meet the definition of Offshore Transactions pursuant to paragraph (i)(3) of Rule 902 of Regulation S, unless registered under the Act or an exemption from such registration is available. In this regard, as a condition of the issuance of Shares upon the conversion or redemption of the Debenture, the Holder shall execute and deliver to the Company 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 Shares. In addition, the certificates representing the Shares shall contain such legends, or restrictive legends, or be subject to such stop transfer instructions, as shall be required by applicable Federal or state securities laws, or as shall be reasonably required by the Company or its transfer agent.

It is the intent of Holder that upon the conversion of the Debenture by Holder pursuant to Section 3, the issuance of the Shares to Holder would be pursuant to Regulation S. If on the Conversion Date the issuance of the Shares by the Company to the Holder would have qualified under Regulation S as in effect on the date hereof but does not qualify thereunder on such date because of an amendment to Regulation S promulgated after the date hereof, the Company shall use its best efforts to register the Shares under the Act for resale by the Holder. Such registration shall be at the cost and expense of the Company. Except as specifically described in this paragraph, the Company shall have no obligations whatsoever to register the Shares under the Act.

Section 9. No Voting Rights. Except as specifically provided herein, this Debenture shall not entitle the Holder hereof to any of the rights of a stockholder of the Company, including without limitation, the right to vote, to receive dividends and other distributions, or to receive any notice of, or to attend, meetings of stockholders or any other proceedings of the Company.

Section 10. Status of Redeemed or Converted Debentures. Upon the first to occur of the Conversion Date, Redemption Date, or Maturity Date, as the case may be, this Debenture shall no longer be deemed to be outstanding and all rights hereof, shall forthwith terminate as of such date except only the right of the Holder hereof to receive Shares in exchange for such Debenture and, if applicable, a cash payment of any accrued interest.

Section 11. Events of Default. (i) Upon the occurrence of and during the continuation of an Event of Default (as defined below), the Company shall pay to the Holder an amount equal to the sum of (x) the unpaid principal amount of this Debenture plus (y) the accrued and unpaid interest on the unpaid principal amount of this Debenture to the date of payment, and such amounts shall immediately become due and payable, all without demand, presentment, or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, reasonable legal fees and expenses of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or equity.

If the Company fails to pay any amounts due pursuant to this Section 11 with five (5) business days of such amounts being due and payable, then the Holder shall have the right at any time, so long as the Company remains in default, to require the Company, upon written notice, to immediately issue, in lieu of such amounts, the number of Shares equal to the amounts owned divided by the Conversion Price then in effect.

The Company shall be required promptly upon its knowledge of an Event of Default hereunder to give notice of such Event of Default to the Holder hereof.

An "Event of Default" shall mean the following:

A. Conversion. If the Company fails to issue Shares to Holder upon conversion of this Debenture by the Holder in accordance with the terms of this Debenture, fails to transfer any certificate for Shares issued to the Holder upon conversion of this Debenture and when required by this Debenture or fails to remove any restrictive legend on any certificate or any stop transfer order on any Shares issued to the Holder upon conversion of this Debenture as and when required in accordance with applicable law and by this Debenture or any Subscription Agreement by and between Company and Holder, and any such failure shall continue uncured for five (5) business days;

B. Breach of Covenant. If the Company breaches any material or other material terms or condition of this Debenture (other than as specifically provided in subsection 11.A. hereof), or any Subscription Agreement by and between Company and Holder (including the failure to have enough Shares available for issuance upon conversion), and the breach of which would have a material adverse effect on the Company or the prospects of the Company or a material adverse effect on the Holder or the rights of the Holder with respect to this Debenture or the Shares issuable upon conversion of this Debenture, and such breach continues for a period of five (5) business days after written notice thereof to the Company from the Holder;

C. Breach of Representations and Warranties. Any representation or warranty of the Company made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith (including, without limitation, any Subscription Agreement by and between Company and Holder), shall be false or misleading in any material respect when made and the breach of which would have a material adverse effect on the Company or the prospects of the Company or a material adverse effect on the Holder or the rights of the Holder with respect to this Debenture or the Shares issuable upon conversion of this Debenture.

D. Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceeding for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Company.

Section 12. Governing Law. This Debenture shall be governed by and construed in accordance with the laws of the United States and the Commonwealth of Pennsylvania without giving effect to the principles of conflicts of laws.

Section 13. Business Day Definition. For purposes hereof, the term "business day" shall mean any day on which banks are generally open for business in the Commonwealth of Pennsylvania, USA excluding any Saturday and Sunday.

Section 14. Notices. Any notices or other communication required or permitted to be given hereunder shall be given as provided herein or delivered against receipt, if to (i) the Company at 200 Plant Avenue, Wayne, Pennsylvania 19087, Attn.: George R. Jensen, Jr., Chief Executive Officer, Telephone No. (610) 989-0340, Telecopy No. (610) 989-0344; or (ii) the Holder of this Debenture, to such holder at \_\_\_\_\_ (or to such other address as the party shall have furnished in writing as its new address in accordance with the provisions of this Section 13). Any notice or other communication may be made by facsimile and delivery shall be deemed given, except as otherwise required herein, at the time of transmission of said facsimile. Any notice given on a day that is not a business day shall be effective upon the next business day.

Section 15. Waiver of any Breach to be in Writing. Any waiver by the Company or the Holder hereof of a breach of any provision of the Debenture shall not operate as, or be construed to be a waiver of any breach of such provision or any breach of any other provision of the Debenture. The failure of the Company or the Holder hereof to insist upon strict adherence to any term of the Debenture on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any term of the Debenture. Any waiver must be in writing.

Section 16. Unenforceable Provisions. If any provision of this Debenture is invalid, illegal or unenforceable, the balance of this Debenture shall remain in effect, and if any provision is applicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances.

Section 17. Withholding. The Company shall be entitled to withhold all payments of principal and interest on this Debenture for any amounts required to be withheld under the applicable provisions of the Internal Revenue Code of the United States of America, or other applicable laws, at the time of such payments. Holder shall, prior to any transfer hereof, deliver to the Company, a fully completed Form W-8 for such transferee if required under applicable law. The Holder shall pay any other taxes, charges or levies in connection with the issuance and transfer thereof.

IN WITNESS WHEREOF, the Company has caused this Debenture to be duly executed by an officer thereunto duly authorized.

USA TECHNOLOGIES, INC.

Dated: June 23, 1997

By:

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George R. Jensen, Jr., Chief Executive Officer

## ESCROW AGREEMENT

This Escrow Agreement made as of this 23rd day of June, 1997, by and between USA TECHNOLOGIES, INC, a Pennsylvania corporation (the "Company"), \_\_\_\_\_, a \_\_\_\_\_ corporation ("Holder"), and LURIO & ASSOCIATES, a Pennsylvania Professional corporation, as escrow agent ("Escrow Agent").

### Background

Pursuant to a Regulation S Convertible Debenture Subscription Agreement dated of even date herewith, the Company has issued to Holder a Convertible Debenture in the principal amount of U.S. \$\_\_\_\_ (the "Debenture"). All capitalized terms utilized herein not otherwise defined herein shall have the meanings ascribed to such terms in the Debenture. Pursuant to Section 3 of the Debenture, the Debenture can be converted by Holder into shares of Common Stock of the Company. As more fully set forth herein, the Company has agreed to place in escrow an aggregate of \_\_\_\_\_ shares of Common Stock ("Escrow Shares") in order to insure that such Escrow Shares would be available upon the conversion of the Debenture by the Holder.

### Agreement

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

1. Escrow Shares. At the time of the execution and delivery of this Agreement, the Company has delivered to the Escrow Agent a certificate representing the Escrow Shares registered in the name of the "Lurio & Associates, as Escrow Agent". The certificate bears a restrictive legend required under applicable securities laws and states that the Escrow Shares are subject to all of the terms and conditions hereof. The Escrow Shares shall be

held by the Escrow Agent pursuant to all of the terms and conditions hereof. The Escrow Agent shall be the sole record owner of the Escrow Shares and Holder shall have no ownership rights in connection with the Escrow Shares whatsoever, including voting rights.

2. Conversion. If the Holder shall determine to convert the Debenture into shares of Common Stock pursuant to Section 3 of the Debenture, the Holder shall simultaneously forward to Escrow Agent a copy of the Notice of Conversion which is being delivered to the Company as well as a copy of the Debenture which has been surrendered to the Company. The Escrow Agent shall instruct the transfer agent of the Company to issue to the Holder such number of shares of Common Stock as shall be set forth in the Notice of Conversion (up to the number of Escrow Shares held by the Escrow Agent) and shall request the Company to have the certificate representing the Escrow Shares canceled on the books and records of the Company. Any issuance of Common Stock to Holder shall be subject to compliance with all applicable securities laws all as set forth in and required by Section 8 of the Debenture.

3. Dispute. Notwithstanding Section 2 hereof, if the Escrow Agent shall have received written notice from the Company within four business days following the date of delivery of the Notice of Conversion, instructing Escrow Agent not to request the cancellation of the Escrow Shares or the transfer agent to issue shares of Common Stock to the Holder, Escrow Agent shall continue to hold the Escrow Shares and shall not deliver any instructions to the Company or transfer agent until either (a) the Company and Holder shall have settled their differences, if any, as evidenced by a written notice delivered to the Escrow Agent signed by the Company and Holder, or (b) the matter is determined by a final nonappealable judgment by a court or arbitration panel of competent jurisdiction. Thereupon, the Escrow Agent shall act in accordance with such written notice or final nonappealable judgment.

4. Termination. This Escrow Agreement shall be terminated and the Escrow Agent shall have no further duties hereunder upon the earlier to occur of the following: (1) The conversion of the Debenture in accordance with Section 3 of the Debenture, or (2) the redemption by the Company of the Debenture in accordance with Section 4 of the Debenture, or (3) the conversion of the Debenture on the Maturity Date pursuant to Section 5 of the Debenture, or (4) the payment of the principal amount of the Debenture in cash by the Company pursuant to the Debenture, or (5) as otherwise provided herein.

5. Obligations and Liabilities of Escrow Agent.

(a) The duties and obligations of the Escrow Agent shall be determined solely by the express provisions of this Escrow Agreement and the Escrow Agent shall not be liable for the performance of such duties and obligations, except as specifically set forth in this Escrow Agreement.

(b) The Escrow Agent shall not be responsible in any manner whatsoever for any failure or inability of the Company, Holder, or any other third party, to perform or comply with any of the provisions of this Escrow Agreement.

(c) The Escrow Agent shall be bound by any modification, cancellation or rescission of this Escrow Agreement unless such modification, cancellation or rescission is in writing, signed by the Company, the Holder and the Escrow Agent.

(d) The Escrow Agent shall not be liable for any error of judgment, or any action taken or omitted to be taken hereunder, except in the case of its willful misconduct nor shall it be liable for the default or misconduct of any employee, agent or attorney appointed by it who shall have been selected with reasonable care.



(e) Delivery by the Escrow Agent of instructions to the Company to cancel the certificate representing the Escrow Shares and instructions to the transfer agent for the Company to issue shares of Common Stock to Holder pursuant to the provisions of this Agreement shall constitute a complete discharge and satisfaction of all obligations of the Escrow Agent hereunder.

(f) Nothing contained herein shall be deemed to preclude the Escrow Agent at any time or for any reason from depositing the Escrow Shares with a court of competent jurisdiction in the nature of an interpleader action and abiding by the determination of such court with respect thereto. In such event, such delivery shall constitute complete discharge and release of the Escrow Agent.

(g) The Escrow Agent shall be entitled to rely upon any written notice, waiver, receipt, or other document which the Escrow Agent in good faith believes to be genuine.

(h) In the event of any controversy or dispute under this Escrow Agreement or with respect to any questions as to the construction hereof or any action to be taken or omitted by the Escrow Agent, the Escrow Agent shall be entitled to consult with counsel of the Escrow Agent's own choosing. The Escrow Agent shall incur no liability or responsibility for any action taken or suffered, or omitted to be taken, in good faith, in accordance with the advice or opinion of such counsel.

(i) The parties acknowledge that the Escrow Agent is counsel for the Company. Nothing contained herein, nor the escrow contemplated, shall limit or restrict the right of the Escrow Agent to represent the Company with respect to any disputes which may arise in the Subscription Agreement, this Escrow Agreement, or any other matter whatsoever. The parties agree that the Escrow Agent's engagement as attorney as provided for herein is not and shall not be objectionable for any reason.

(j) Upon the performance of this Escrow Agreement, the Escrow Agent shall be deemed released and discharged of any further obligations hereunder.

6. Indemnification of Escrow Agent. The Company and Holder, jointly and severally, agree to indemnify the Escrow Agent and hold Escrow Agent harmless from any loss, liability and expenses incurred (including counsel fees) on the part of the Escrow Agent arising out of or in connection with the acceptance or administration by the Escrow Agent of its duties hereunder, including the fees, costs and expenses of defending itself against any claims of liability hereunder.

7. Successor Escrow Agent. In the event the Escrow Agent is no longer able or willing to serve, the Escrow Agent shall have the exclusive right to appoint a successor Escrow Agent who shall be bound by the terms and conditions set forth herein.

8. Binding Effect. This Escrow Agreement shall inure to the benefit of and shall be binding upon the respective heirs, personal representatives, successors and legal assigns of the parties hereto. The parties hereto covenant that they will execute all instruments and documents and will take all steps which may be necessary in order to implement the provisions of this Escrow Agreement.

9. Notices. All notices, request, demands, waivers, consents, approvals, or other communications which are required or permitted hereunder shall be in writing and shall be deemed given if sent by registered or certified mail, return receipt requested, postage prepaid, on the actual receipt of such notice as follows:

If to the Company:

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

Attn: George R. Jensen, Jr., President

If to Holder:

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If to Escrow Agent:

Lurio & Associates  
Suite 1300  
1760 Market Street  
Philadelphia, PA 19103  
Attn: Douglas M. Lurio, Esquire

or at such address as the party entitled to receive such notice may, from time to time, specify in writing to the other parties.

10. Choice of Law. The Escrow Agreement shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania, United States of America. Wherever possible each provision of the Escrow Agreement shall be interpreted in such manner as to be effective and valid, but if any provision shall be ineffective or invalid such ineffectiveness or invalidity shall extend only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Escrow Agreement.

11. Consent. Each of the undersigned hereby irrevocably consents that any legal action or proceeding arising out of or in any way connected with this Escrow Agreement, shall be instituted or brought solely and exclusively in the courts of the Commonwealth of Pennsylvania or any Federal Court of the United States of America located in Philadelphia County, Commonwealth of Pennsylvania,

and by execution and delivery of this Agreement, each of the undersigned hereby irrevocably submits the undersigned and accepts with regard to any such legal action or proceeding, and in respect of the undersigned's property, generally and unconditionally, to the jurisdiction of such courts. The Holder hereby irrevocably consents that any summons or legal process in any such legal action or proceeding may be served upon GEM Advisors, Inc., which has a current business address at 1330 Avenue of the Americas, 36th Floor, New York, New York 10019, and whom the undersigned hereby appoints as the undersigned's agent to receive such summons or legal process, such method of service to constitute, in every respect, sufficient and effective service of process in any such action or proceeding. It is understood that a copy of any such process served on said agent shall be promptly forwarded by mail to the Holder at the Holder's address but the failure of the Holder to receive such copy shall not effect in any way the service of such process as aforesaid. Each of the undersigned further irrevocably consents to service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified airmail, postage prepaid, to the undersigned, such service to become effective upon mailing. Nothing herein shall affect the right of the undersigned to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the undersigned and each of the undersigned further agrees that, to the extent permitted by law, final judgment against each of the undersigned in any such action or proceeding shall be conclusive and may be forced in any other jurisdiction within the United States of America by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the fact and of the amount of such judgement.

12. Venue. The undersigned hereby irrevocably waives, to the fullest extent permitted by law, any objection which the undersigned may now or hereafter have to the laying of the venue of any suit, action or proceeding

arising out of or relating to this Escrow Agreement, brought in the Commonwealth of Pennsylvania, and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in the Commonwealth of Pennsylvania, has been brought in an inconvenient forum.

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

HOLDER:

USA TECHNOLOGIES, INC.

By: -----

By: -----  
George R. Jensen, Jr., President

LURIO & ASSOCIATES

By: -----  
Douglas M. Lurio,  
President

THIS WARRANT AND THE COMMON STOCK ISSUABLE UPON THE EXERCISE OF THIS WARRANT ("COMMON STOCK") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"), OR ANY STATE SECURITIES LAW. THESE WARRANTS AND THE COMMON STOCK ARE BEING OFFERED PURSUANT TO A SAFE HARBOR FROM REGISTRATION UNDER REGULATION S ("REGULATION S") PROMULGATED UNDER THE ACT. THE WARRANTS OR COMMON STOCK MAY NOT BE OFFERED, SOLD, OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS (AS SUCH TERM IS DEFINED IN REGULATION S) DURING THE RESTRICTED PERIOD, AND THEREAFTER ONLY IF THESE SECURITIES ARE REGISTERED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS, OR SUCH OFFERS, SALES OR TRANSFERS ARE MADE PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION REQUIREMENTS OF THOSE LAWS.

WARRANT CERTIFICATE \_\_\_\_\_ COMMON STOCK PURCHASE WARRANTS

USA TECHNOLOGIES, INC.

COMMON STOCK PURCHASE WARRANTS

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

1. Warrants. Subject to the terms and conditions hereof, this certifies that \_\_\_\_\_ with an address of \_\_\_\_\_,

is the owner of \_\_\_\_\_ Common Stock Purchase Warrants (the "Warrants") of USA Technologies, Inc., a Pennsylvania corporation (the "Company"). Each Warrant entitles the holder hereof to purchase from the Company at any time prior to 6:00 p.m., Philadelphia, Pennsylvania time on June 22, 2002 (the "Termination Date"), one fully paid and non-assessable share of the Company's Common Stock, without par value (the "Common Stock"), subject to adjustment as provided in Section 7 hereof.

2. Exercise Price. The Warrants shall be exercised by delivery to the Company (prior to the Termination Date) of the exercise price for each share of Common Stock being purchased hereunder (the "Exercise Price"), this Certificate, the written certification or written opinion described in paragraph 3.a., and the completed Election To Purchase Form which is attached hereto. The Exercise Price shall be U.S. \$.20 per share of Common Stock. The Exercise Price shall be subject to adjustment as provided in Section 7 hereof. The Exercise Price is payable either in cash or by certified check or bank draft payable to the order of the Company.

3. Exercise.

a. Prior to exercising a Warrant, the holder of this Warrant Certificate is required to give a written certification that such holder is not a U.S. Person (as that term is defined in Rule 902(o) of Regulation S) and the Warrant is not being exercised on behalf of a U.S. Person, or a written

written opinion of counsel, in form and substance satisfactory to the Company, to the effect that the Warrant and the Common Stock delivered upon exercise thereof have been registered under the Act or are exempt from registration thereunder.

b. Upon the surrender of this Certificate, provision of the written certification or written opinion described in paragraph 3.a., and payment of the Exercise Price as aforesaid, the Company shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the registered holder of this Warrant and in such name or names as the registered holder may designate, a certificate or certificates for the number of full shares of Common Stock so purchased upon the exercise of any Warrant. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Common Stock on and as of the date of the delivery to the Company of this Certificate and payment of the Exercise Price as aforesaid. If, however, at the date of surrender of this Certificate, provision of the written certification or written opinion described in paragraph 3.a., and payment of such Exercise Price, the transfer books for the Common Stock purchasable upon the exercise of any Warrant shall be closed, the certificates for the Common Stock in respect to which any such Warrant are then exercised shall be issued and the owner of such Common Stock shall become a record owner of such Common Stock on and as of the next date on which such books shall be opened, and until such date the Company shall be under no duty to deliver any certificate for such Common Stock.

c. The holder acknowledges that the Company will implement procedures to ensure that the Warrant may not be exercised within the United States and that the Common Stock delivered upon exercise thereof may not be delivered within the United States, other than in connection with Offshore Transactions as defined in Regulation S, unless registered under the Act or an exemption from such registration is available.

d. It is the intent of Holder that upon the exercise of this Warrant, the issuance of the Shares would be pursuant to Regulation S. If on the date of exercise the issuance of the Shares by the Company to the holder would have qualified under Regulation S as in effect on the date hereof but does not qualify on such exercise date because of an amendment to Regulation S promulgated after the date hereof, the Company shall use its best efforts to register the Shares under the Act for resale by the holder. Such registration shall be at the cost and expense of the Company. Except as specifically described in this paragraph, the Company shall have no obligations whatsoever to register the Shares under the Act.

4. Partial Exercise. The rights of purchase represented by the Warrants shall be exercisable, at the election of the registered holder hereof, either as an entirety, or from time to time for any part of the Common Stock specified herein and, in the event that the Warrants are exercised with respect to less than all of the Common Stock specified herein at any time prior to the Termination Date, a new Certificate will be issued to such registered holder for the remaining number of Warrants not so exercised.

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

6. Lost, Mutilated Certificate. In case this Common Stock Purchase Warrant Certificate shall become mutilated, lost, stolen or destroyed, the Company shall issue in exchange and substitution for and upon cancellation of the mutilated certificate, or in lieu of and in substitution for the Certificate lost, stolen, or destroyed, a new Certificate of like tenor and representing an equivalent right or interest, but only upon receipt of evidence satisfactory to the Company of such loss, theft or destruction of such certificate and indemnity, if requested, also satisfactory to the Company.

7. Adjustments. Subject and pursuant to the provisions of this Section 7, the Exercise Price and number of shares of Common Stock subject to the Warrants shall be subject to adjustment from time to time only as set forth hereinafter:

a. In case the Company shall declare a Common Stock dividend on the Common Stock, then the Exercise 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 Exercise 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 Exercise Price immediately prior to such combination shall be proportionately increased. Any such adjustment to the Exercise Price shall become effective at the close of business on the record date for such subdivision or combination. The Exercise 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 Exercise Price as hereinabove provided, the number of shares of Common Stock issuable upon exercise of the Warrants remaining unexercised immediately prior to any such adjustment, shall be changed to the number of shares determined by dividing (i) the appropriate Exercise Price payable for the purchase of all shares of Common Stock issuable upon exercise of all of the Warrants remaining unexercised immediately prior to such adjustment by (ii) the Exercise Price per share of Common Stock in effect immediately after such adjustment. Pursuant to this formula, the total sum payable to the Company upon the exercise of the Warrants remaining unexercised immediately prior to such adjustment shall remain constant.

d. (i) If any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with another corporation, person, or entity, or the sale of all or substantially all of its assets to another corporation, person, or entity, shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities, cash, property, or assets with respect to or in



exchange for Common Stock, and provided no election is made by the Company pursuant to subsection (ii) hereof, then, as a condition of such reorganization, reclassification, consolidation, merger or sale, the Company or such successor or purchasing corporation, person, or entity, as the case may be, shall agree that the registered holder of the Warrants shall have the right thereafter and until the Termination Date to exercise such Warrants for the kind and amount of stock, securities, cash, property, or assets receivable upon such reorganization, reclassification, consolidation, merger, or sale by a holder of the number of shares of Common Stock for the purchase of which such Warrants might have been exercised immediately prior to such reorganization, reclassification, consolidation, merger or sale, subject to such subsequent adjustments which shall be equivalent or nearly equivalent as may be practicable to the adjustments provided for in this Section 7.

(ii) Notwithstanding subsection (i) hereof and in lieu thereof, if the Bid Price (as defined below) of the Common Stock is at least \$.50 for at least 30-days prior to the date of such written notice, the Company may elect by at least 45 days prior written notice to the registered holder hereof, to require such registered holder to exercise all of the Warrants remaining unexercised prior to any such reorganization, reclassification, consolidation, merger or sale. If the holder of this Warrant Certificate shall not exercise all or any part of the Warrants remaining unexercised prior to such event, such unexercised 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. 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 Exercise Price and number of shares of Common Stock subject to this Warrant Certificate is adjusted as herein provided, the Company shall promptly mail to the registered holder of this Warrant Certificate a statement signed by an officer of the Company setting forth the adjusted Exercise Price and the number of shares of Common Stock subject to this Warrant Certificate, determined as so provided.

f. This form of Certificate need not be changed because of any adjustment which is required pursuant to this Section 7. However, the Company may at any time in its sole discretion (which shall be conclusive) make any change in the form of this Certificate that the Company may deem appropriate and that does not affect the substance hereof; and any Certificate thereafter issued, whether in exchange or substitution for this Certificate or otherwise, may be in the form as so changed.

#### 8. Reservation.

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

B. Notwithstanding the Subsection A or C, if there shall at the time of any exercise of this Warrant not be sufficient authorized shares of Common Stock to provide for such exercise of this Warrant, the Company shall upon receipt of appropriate instructions from the holder of this Warrant issue to the holder of this Warrant that number of shares of Common Stock as determined by the following formula:

Number of Shares Issuable = Bid Price - \$.20 x 1,000,000/Bid Price

For purposes of the above formula, the "Bid Price" shall mean the average closing bid price for the Common Stock on the market as reported by the OTC Bulletin Board (or other trading market, if applicable) for the five trading days immediately prior to the date of exercise of this Warrant.

In connection with such issuance by the Company, no exercise price shall be payable by the holder of this Warrant and notwithstanding anything else contained herein, this Warrant shall be deemed to have been exercised in full and shall be null and void upon issuance of such shares of Common Stock.

Therefore, by way of example, if the holder exercises the Warrant and if the Company does not then have sufficient authorized shares of Common Stock available, and if the Bid Price is \$.50, the Company would issue 600,000 shares of Common Stock to the holder of the Warrant in full satisfaction of the Warrant at no cost to the holder.

C. Notwithstanding subsection A or B, if there shall at the time of any exercise of this Warrant not be sufficient authorized shares of Common Stock to provide for such exercise of this Warrant, the Company shall upon receipt of appropriate instructions from the holder of this Warrant, immediately take such corporate action as may be necessary to increase its authorized but unissued Shares to such number of shares as shall be sufficient for such exercise.

9. Fractional Shares. The Company shall not issue any fractional shares of Common Stock pursuant to any exercise of any Warrant and shall pay cash to the holder of any Warrant in lieu of any such fractional shares.

10. No Right. The holder of any Warrants shall not be entitled to any of the rights of a shareholder of the Company prior to the date of issuance of the Common Stock by the Company pursuant to an exercise of any Warrant.

11. Securities Laws. As a condition to the issuance of any Common Stock pursuant to the Warrants, the holder of such Common Stock shall execute and deliver such representations, warranties, and covenants, that may be required by applicable federal and state securities law, or that the Company determines is reasonably necessary in connection with the issuance of such Common Stock. In addition, the certificates representing the Common Stock shall

contain such legends, or restrictive legends, or shall be subject to such stop transfer instructions, as shall be required by applicable Federal or state securities laws including Regulation S, or as shall be reasonably required by the Company or its transfer agent.

12. Applicable Law. The Warrants and this Certificate shall be deemed to be a contract made under the laws of the United States and the Commonwealth of Pennsylvania and for all purposes shall be construed in accordance with the laws thereof regardless of its choice of law rules.

IN WITNESS WHEREOF, USA TECHNOLOGIES, INC., has executed and delivered this Warrant Certificate as of the date written below.

USA TECHNOLOGIES, INC.

By:

-----  
George R. Jensen, Jr.,  
Chief Executive Officer

Dated: June 23, 1997

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

ELECTION TO PURCHASE

The undersigned hereby irrevocably elects to exercise the right of purchase represented by the attached Warrant Certificate of the Company. The undersigned desires to purchase \_\_\_\_\_ shares of Common Stock provided for therein and tenders herewith full payment of the Exercise 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 Purchase Warrant Certificate for the balance remaining of the shares of Common Stock purchasable shall be issued to and registered in the name of, and delivered to, the undersigned at the address set forth above.

Dated: \_\_\_\_\_, 19\_\_\_\_ Signature: \_\_\_\_\_