As filed with the Securities and Exchange Commission on September 17, 1996

Registration No. 333-98808

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 1
TO
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. [ ]

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.

PROSPECTUS

USA TECHNOLOGIES, INC.

COMMON STOCK

This Prospectus relates to up to 5,100,000 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 1995 Common Stock Purchase Warrants (the "1995 Warrants") from the Company. The 1995 Warrants were issued pursuant to a warrant agreement dated as of June 21, 1995, by and between the Company and American Stock Transfer & Trust Company, the warrant agent (the "1995 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 1995 Warrants. The Company issued 5,100,000 1995 Warrants to the Selling Shareholders in June and July 1995 pursuant to the 1995 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 1995 Warrant entitles the holder thereof to purchase one share of Common Stock for $.50 at any time through January 31, 2001. The exercise price of the 1995 Warrants may be reduced by the Company at any time, or from time to time. As more fully discussed below, to date all of the 1995 Warrants have been exercised at a reduced price. The 1995 Warrants are exercisable at any time through January 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 1995 Warrants for resale by the Selling Shareholders, and to register or qualify such Common Stock under applicable state securities laws. See "Description of Securities - 1995 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 1995 Warrants by tendering the per share exercise price required under the 1995 Warrant Agreement. Through June 30, 1996, the 1995 Warrants were exercised for a total of 3,686,000 shares of Common Stock for a total exercise price to the Company of $1,105,800. All of such 1995 Warrants were exercised at $.30 per share of Common Stock. If all of the remaining 1,414,000 1995 Warrants are exercised at $.30 per share, the Company would receive gross proceeds of $424,200. There is no assurance that any or all of the 1995 Warrants will be exercised by the Selling Shareholders, and if none of the 1995 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 September __ , 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. In addition, registration statements and certain other filings made with the Commission through its Electronic Data Gathering, Analysis and Retrieval system are publicly available through the Commission's site on the Internet's World Wide Web, located at http: //www.sec.gov.

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

The Company has also developed the Credit Card Computer ExpressTM 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 ExpressTM. See "Business - Credit Card Computer ExpressTM."

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 5,100,000 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 outstanding 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 accrued on August 1, 1996 which are 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 $.50 per 1995 Warrant exercised by the Selling Shareholders (or such lower exercise price as the Company may determine). Through June 30, 1996, a total of 3,686,000 1995 Warrants have been exercised by the Selling Shareholders at $.30 each, for an aggregate exercise price of $1,105,800. There is no assurance that any or all of the remaining 1995 Warrants will be exercised by the Selling Shareholders, and if none of the remaining 1995 Warrants are exercised, the Company would not receive any further 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 Common Stock underlying the 1995 Warrants. See "Description of Securities - 1995 Common Stock Purchase Warrants."

RECENT DEVELOPMENTS

The Company anticipates that for the three months ended June 30, 1996, it will incur an operating loss of approximately $755,000 and for the fiscal year ended June 30, 1996, losses are anticipated to be approximately $2,400,000.

In July 1996, the Company issued to an employee options to acquire up to 100,000 shares of Common Stock at $.65 per share, and in August 1996, granted to a consultant options to acquire up to 50,000 shares of Common Stock at $.50 per share.

In August 1996, the Company authorized the issuance of 265,000 shares of Common Stock to two consultants. The Company has agreed to register these shares under the Act and such shares will be freely tradeable thereunder.

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 OasisTM 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 ExpressTM 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 ExpressTM 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 ExpressTM 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 ExpressTM 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 $755,000 and for the year ended June 30, 1996, losses are anticipated to be approximately $2,400,000. 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 was increased 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 June 30, 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 year ended June 30, 1996, the compensatory charge to the Company's operations during the year ended June 30, 1996 would have been $2,837,250 (assuming the fair market value approximated $.65 per share on June 30, 1996). This charge would not have affected the Company's cash flow or total shareholders' equity. The net loss per share of Common Stock would have been ($.42). 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 net proceeds from the sales of the Common Stock. The Company would, however, receive $.50 (or such lower exercise price as the Company may determine) upon the exercise of each 1995 Warrant by a Selling Shareholder. From February 12, 1996 through June 30, 1996, the Company reduced the exercise price of the 1995 Warrants to $.30. See "Description of Securities - 1995 Common Stock Purchase Warrants." Through June 30, 1996, a total of 3,686,000 1995 Warrants were exercised at $.30, and gross proceeds to the Company were $1,105,800. There is no assurance that any or all of the remaining 1995 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 Common Stock underlying the 1995 Warrants. See "Description of Securities - 1995 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 discontinuance of the Golfer's OasisTM 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 OasisTM and the slower than anticipated introduction of the Credit Card Copy ExpressTM 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 discontinue the Golfer's OasisTM 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 OasisTM. All of the software and technology related to this control system has been incorporated into and will be marketed under the Credit Card Vending ExpressTM 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 $755,000 and generated nominal revenues. See "Recent Developments."

Plan of Operations

As of March 31, 1996 the Company's installation base consisted of the following: Credit Card Copy ExpressTM 84, Credit Card Debit ExpressTM 19, Credit Card Vending ExpressTM 11, and the Credit Card Computer ExpressTM 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 ExpressTM 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 ExpressTM 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 discontinuance of the Golfer's OasisTM 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 ExpressTM 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 ExpressTM, an unattended, credit card activated control system to be utilized with photocopying machines and computer printers known as the Credit Card Copy ExpressTM, 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 ExpressTM. The devices allow consumers to use credit cards to pay for those products and services.

The Company has also developed the Credit Card Computer ExpressTM 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 C3XTM 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 C3XTM 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 ExpressTM control systems, 24 Credit Card Debit ExpressTM control systems, and 21 Credit Card Computer ExpressTM 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 ExpressTM 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 ExpressTM 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 ExpressTM, 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 ExpressTM 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 C3XTM 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 ExpressTM

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 ExpressTM. 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 ExpressTM

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 ExpressTM, the attendant no longer needs to interact with the customers for these purposes.

The Credit Card Copy ExpressTM 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 ExpressTM

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 ExpressTM 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 ExpressTM 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 ExpressTM

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 ExpressTM. 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 C3XTM control device to locations which already have personal computers, or alternatively, either license or sell to the location a Credit Card Computer ExpressTM 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 C3XTM 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 C3XTM 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 ExpressTM 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 acounts 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 related to its cashless vending technology, and has applied for certain corresponding foreign letters patent in connection therewith. As of the date hereof, all of such applications are pending and have not been granted. See "Risk Factors - Dependence on Proprietary Technology; Patent Issues."

Employees

As of the date hereof, 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. Kapourelos	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. Kapourelos joined the Board of Directors of the Company in May 1993. Mr. Kapourelos 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. Kapourelos 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.,	1996	$90,000	$0
Chief Executive Officer,	1995	$90,000	$0
President	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. Kapourelos 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. Kapourelos, 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. Kapourelos 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. Kapourelos the amount of $24,000 for consulting services rendered by Mr. Kapourelos 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. Kapourelos 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%

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*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. Kapourelos. Includes 30,000 shares of Common Stock held on the date hereof by Mr. Kapourelos 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(l)
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. Kapourelos 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 8,603,675 shares of Common Stock beneficially owned by them as of the date hereof. 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 had 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. Kapourelos 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. Kapourelos, 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 - 1995 Common Stock Purchase Warrants." 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 1995 Warrants to acquire the number of shares of Common Stock set forth opposite such Selling Shareholder's name. The 1995 Warrants were issued by the Company to the Selling Shareholders in June and July 1995 pursuant to a transaction exempt from the registration requirements of the Act and various state securities laws. The 1995 Warrants are exercisable at any time through January 31, 2001, unless such period is extended by the Company.

Through June 30, 1996, the Selling Shareholders have exercised 1995 Warrants for a total of 3,686,000 shares of Common Stock for an aggregate exercise price of $1,105,800. All of such 1995 Warrants were exercised at $.30. The issuance by the Company of the Common Stock to the Selling Shareholders upon exercise of the 1995 Warrants is pursuant to the 1995 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
Vanda G. Adams	15,000		
George M. Ahrens	30,000		
Mr. and Mrs. James Allen, Jr.	30,000		
Eleanor S. Allshouse	30,000		
Mr. and Mrs. Gordon L. Angell	60,000		
Charles W.& Katherine K. Apple Trust	24,000		
Robert S. Appleby	60,000		
Richard M. Appleby	60,000		
John P. Ayers	24,000		
Jody Marjorie Baker	15,000		
Judy Ballard, IRA	15,000		
Alan A. Ballard	30,000		
Judith C. Ballard	37,500		
Mr. and Mrs. Charles M. Barclay	60,000		
Mr. and Mrs. Thomas B. Basile	30,000		
Robert R. Batt, Jr.	6,000		
William Bauder	31,500		
Dr. C. Gottfried Baumann	30,000		

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering (1)	
		Number	Percent
Peggy Longstreth Bayer	9,000		
Alexander R. Beard	6,000		
Robert E. Beck	3,000		
Wanda K. Benbow, IRA	9,000		
William E. Benbow, IRA	21,000		
Catherine M. Bigoney	30,000		
Kathlyne K. Birdsall	30,000		
Alexandra O. Bjorklund Trust	30,000		
Donald F. Blackburn	30,000		
Mr. & Mrs. Louis Bodo	60,000		
Frederick L. Bowden	7,500		
Edwin R. Boynton	15,000		
Dr. James R. Boynton, M.D., P.C., Pension Trust	60,000		
Paul J. Braun	30,000		
Dr. Kent D.W. Bream	12,000		
Carolyn C. Bream	12,000		
Gwen A. Brewster	15,000		
Mr. & Mrs. James H. Burdick	60,000		
Mr. & Mrs. David O. Burdick	30,000		
Mr. & Mrs. James H. Burdick, Jr.	30,000		
Dr. James A. Burke	3,000		
Steven Butler	30,000		
Natasha A. Canavarro	15,000		
Herman Canavarro	30,000		
Christian B. Canavarro	12,000		
Mr. & Mrs. Peter R. Canavarro	15,000		
Cindy Cannupp	3,000		
Mr. & Mrs. Henry C. Carlson	6,000		
Charles Abbott Carter, III	150,000		
Edward E. Chandlee, Jr.	10,500		
Chesapeake Bank - Custodian for G. Ebeling, IRA	30,000		
Mr. & Mrs. Gordon S. Clausen	7,500		
Mr. & Mrs. Craig R. Cook	15,000		
Mr. & Mrs. Frederick Cooper	18,000		
Mr. & Mrs. Andrew Cooper	30,000		
Jason Cooper	15,000		
Donald W. Cooper	15,000		
Mr. & Mrs. Mark A. Costanzo	3,000		
Marina Leigh Costanzo	6,000		
Sally S. Costanzo	9,000		
Susan B. Coughlin	45,000		
Richard G. Crecraft	18,000		
Rick Crecraft	66,000		
David Crockett	3,000		
Clifton B. Currin	39,000		
John D'Avico	6,000		
W. Corkran Darlington	15,000		

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering (1)	
		Number	Percent
F. Eugene Dixon, Jr.	30,000		
James M. Dorsey	15,000		
Mr. & Mrs. Gary G. Dougherty	6,000		
William P. Dunham	3,000		
Jean W. Eason	6,000		
Edmund H. Rogers, Jr., Trustee	60,000		
A. Mary Elder	15,000		
Barbara B. Elkin	18,000		
D. Diane Fiers	15,000		
Mr. & Mrs. Harry S. Finerfrock	24,000		
Ruth S. Flagg	15,000		
Susan C. Forhane	15,000		
Mr. Foss	6,000		
Mr. & Mrs. Richard Fradkin	30,000		
Robert Ross Frey	6,000		
Ronald V. Futerman	30,000		
Margaret R. Geddis	7,500		
Mr. & Mrs. John C. Gelhard	6,000		
Dr. George P. Glauner	15,000		
Harriet Glickstein	45,000		
Robert P. Gombar	4,500		
Mr. & Mrs. Wenpel C. Green	3,000		
Jacques C. Guequierre	15,000		
Joni Southard Guffey	3,000		
Ruth E. Hall	3,000		
Dianna Hall	3,000		
Thomas E. Hall	7,500		
Nancy S. Hallett	15,000		
Zelda S. Hansell	3,000		
Susan J. Hansen	9,000		
Gisela K. Harmelin	3,000		
William F. Harrity, Jr.	60,000		
Col. & Mrs. Russell D. Hartz	15,000		
Robert P. Hauptfuhrer Family Partnership	60,000		
Jack M. Heald	6,000		
Mr. & Mrs. Clifford J. Heath	30,000		
Emma K. Heed	225,750		
Austin B. Hepburn	30,000	1,205,400(2)	2.8%
Adele H. Hepburn	34,500	1,205,400(2)	2.8%
Patricia Austin Heppe	30,000		
A.D. Hodges	30,000		
Michael J. Hodges	30,000		
Julia B. Holloway	30,000		
David W. Hubbert	15,000		
Wilbur E. Hudson	30,000		
Christine F. Hughes	7,500		
Robert M. Ihrig	15,000		
Janney Montgomery Scott, Inc. FBO Judith N. Hemley, IRA	15,000		

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering (1)	
		Number	Percent
Janney Montgomery Scott, Inc. Custodian FBO R.E. Wagner, IRA	15,000		
John C. Jubin	6,000		
Hugo Kappler, Jr.	30,000		
Mr. & Mrs. Harold F. Kauffman	15,000		
William G. Kay, III	3,000		
Caroline W. Kay	3,000		
Sanford S. Kay	3,000		
Mr. & Mrs. Ralph Kiper	30,000		
Harriette D. Klann	30,000		
Wayne H. Klapp	15,000		
Edward M.K. Klapp	45,000		
Carlyle Klise	9,000		
Deborah A. Krull	15,000		
Frederick K. Langguth	30,000		
Mr. & Mrs. Gary E. Lasher	30,000		
John N. Lee	30,000		
Mr. & Mrs. Michael S. Lehnkering	15,000		
Lucia E. Lugton	7,500		
Mr. & Mrs. Albert Malischewski	30,000		
Mr. & Mrs. William B. Malischewski	15,000		
Alvan Markle	15,000		
D. Edward McAllister	30,000		
Elaine F. McGlone	1,500		
Mr. & Mrs. Robert G. Meeker	60,000		
James F. Merriman	30,000		
Alfred J. Migliaccio, Custodian for Ashlee C. Migliaccio, UGMA of Pennsylvania	30,000		
Harley E. Miller	7,500		
Bernard Millis	30,000		
Mr. & Mrs. James F. Mitchell, III	30,000		
Mr. & Mrs. A. Harry Moffett	6,000		
Wanda S. Moffitt	30,000		
Donald Moll	15,000		
Mr. & Mrs. Robert H. Montgomery	9,000		
Gordon E. Montgomery	30,000		
Mr. & Mrs. Milton K. Morgan, Jr.	30,000		
Charles R. Morrow	24,000		
Mr. & Mrs. Ronald L. Noll	6,000		
Paul Nordin	30,000		
David Gregory Nute	3,000		
Kay B. Otterstrom	30,000		
Sara Otterstrom	15,000		
Lisa Otterstrom	15,000		
Victor L. Pack	6,000		
Robert G. Padrick	30,000		
Eric Pagh	15,000		
Janet P. Patel	30,000		

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering (1)	
		Number	Percent
Walter C. Patterson	3,000		
Mary E. Petro	30,000		
George M. Pflaumer	60,000		
Robert L. Pollack	7,500		
Genevieve Pondo	15,000		
John W. Ponton, Jr.	30,000		
J. Steve Powell	12,000		
Charles E. Pusey, Jr.	6,000		
Mr. & Mrs. Ashok K. Rajpal	15,000		
Ernest L. Ransome, III	15,000		
Myradean A. Ransome	15,000		
McDonald & Co. FBO Rebecca A. Osleger, IRA	60,000		
Stephen D. Reim	30,000		
John B. Rettew, III	15,000		
Dr. & Mrs. John L. Reynolds	30,000		
Rosalind Robbins	30,000		
Mr. & Mrs. Eric J. Robbins	30,000		
Dr. Donald Robbins	30,000		
Ms. Noma Ann Roberts	15,000		
Mr. & Mrs. Gregg F. Robinson	30,000		
Dorothy S. Rodgers	30,000		
Thelma T. Romig	15,000		
Mr. & Mrs. John E. Roshelli	30,000		
Eric S. Rugart	30,000		
Robert T. Rugart	15,000		
Jacquiline Rugart	15,000		
Patricia E. Rugart	30,000		
Dr. Karl F. Rugart	15,000		
Cedric C. Scarlett	30,000		
Eloise R. Schaper	15,000		
Peter G. Schaper, Jr.	30,000		
Christine M. Schuler	30,000		
Candice Scialabbo	15,000		
Carissa Scialabbo	15,000		
Thomas V. Sedlacek	30,000		
Mr. & Mrs. Thomas A. Selders	15,000		
Mr. & Mrs. Frank R.S. Sellers	15,000		
Nicholas Sellers	9,000		
Nancy F. Sellers(3)	30,000		
William W. Sellers(3)	66,750	724,750	1.7%
Sellers Pension Plan(3)	60,000		
Sellers Process Equipment Company (3)	30,000		
Helen E. Seltzer	4,500		
Richard A. Shea	30,000		
Mr. & Mrs. Horace B. Spackman	30,000		
Carolyn Stallworth	3,000		
Clarence A. Sterling	30,000		

Selling Shareholder	Common Stock Offered Hereby	Beneficial Ownership After Offering (1)	
		Number	Percent
Edward B. Stokes	30,000		
Mr. & Mrs. Jack D. Stratton	30,000		
Mrs. Ruth M. Strock	15,000		
Sun Bank N.A. as Trustee for Ally, Meuss, Rogers and Lindsay PA, Profit Sharing 401(k) FBO Doyle Rogers	30,000		
Mr. & Mrs. John M. Taylor	6,000		
Judith Ann Taylor	4,500		
John M. Taylor	10,500		
Ruth L. Troster	15,000		
Roland G.E. Ullman, Jr.	3,000		
Varo Technical Services, Inc.- Pension Plan	30,000		
Ms. Sabine M. Weghtman	6,000		
Mr. & Mrs. Robert M. Whitbread	15,000		
Darry Withers	6,000		
Un-Jin Zimmerman	6,000		
Patricia P. Zimmerman	6,000		
Total..	5,100,000		

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(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 1,205,400 shares of Common Stock following the sale of all their Common Stock underlying their 1995 Warrants. Adele Hepburn is a Director of Public Relations of the Company.

(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 - 1995 Common Stock Purchase Warrants."

As of the date hereof, there are 5,200,000 shares of Common Stock issuable upon exercise of the outstanding 1996 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 the date hereof, no cash dividends have been declared on the Company's securities. No dividend may be paid on the Common Stock until all accumulated and unpaid dividends on the Preferred Stock have been paid. As of June 30, 1996, such accumulated unpaid dividends amounted to $1,758,490. See "Risk Factors - Cash Dividends Not Likely."

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 May 1996, the Company issued an aggregate of 5,200,000 1996 Common Stock Purchase Warrants ("1996 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 1996 Warrants for resale under the Act and appropriate state securities laws, and such Common Stock when and if issued will be freely tradeable thereunder. The 1996 Warrants entitle the holder thereof to purchase one share of Common Stock for $.40 through December 31, 1996, and $.50 thereafter until May 31, 2001. The exercise price of the 1996 Warrants may be reduced at any time or from time to time by the Company. As of the date hereof, none of the 1996 Warrants have been exercised. The 1996 Warrants are exercisable on or before May 31, 2001, or such later date as the Company may determine.

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.

In August 1996, the Company authorized the issuance of 265,000 shares of Common Stock to two consultants. The Company has agreed to register these shares under the Act and such shares will be freely tradeable thereunder.

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 accrued 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.

1995 Common Stock Purchase Warrants

Each 1995 Warrant entitles its holder to purchase one share of Common Stock from the Company at an exercise price of $.50, or such lower exercise price as may be determined by the Company from time to time. 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 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 at any time through January 31, 2001, or such later date as may be determined by the Company ("1995 Warrant Termination Date").

The 1995 Warrants have been issued pursuant to a 1995 Warrant Agreement dated as of June 21, 1995, by and between the Company and American Stock Transfer & Trust Company, the 1995 warrant agent (the "1995 Warrant Agreement").

As a condition to obtaining their Common Stock, the Selling Shareholders must exercise the 1995 Warrants by tendering the per share exercise price required under the 1995 Warrant Agreement. In the event all remaining 1995 Warrants are exercised at $.30, the Company would receive gross proceeds of $424,200. There is no assurance that any of the remaining 1995 Warrants will be exercised by the Selling Shareholders, and if none of the remaining 1995 Warrants are exercised, the Company would not receive any further gross proceeds. Any such exercise may occur through the 1995 Warrant Termination Date.

The Company has agreed, at its expense, to register for resale by the Selling Shareholders the Common Stock underlying the 1995 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 1995 Warrants and the number of shares of Common Stock issuable upon exercise of the 1995 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 1995 Warrant holders shall, at the option of the Company, be required to exercise the 1995 Warrants immediately prior to the closing of the transaction, or such 1995 Warrants shall automatically expire. Upon such exercise, the 1995 Warrant holders shall participate on the same basis as the holders of Common Stock in connection with the transaction.

The 1995 Warrants do not confer upon the holder any voting or any other rights of a shareholder of the Company. Upon notice to the 1995 Warrant holders, the Company has the right, at any time and from time to time, to reduce the exercise price or to extend the 1995 Warrant Termination Date.

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 8,603,675 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 and 5,200,000 shares of Common Stock issuable by the Company to the holders of the outstanding 1996 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)

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 1995	June 30 1994	March 31 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 -- 45,000,000 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 1995	Year ended June 30 1994	Nine months ended March 31 1996 (Unaudited)	Nine months ended March 31 1995 (Unaudited)	January 16, 1992 (Date of Inception) Through June 30 1995	January 16, 1992 (Date of Inception) Through March 31 1996 (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)				
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	Year ended June 30 1994	Nine months ended March 31 1996 (Unaudited)	Nine months ended March 31 1995 (Unaudited)	January 16, 1992 (Date of Inception) Through June 30 1995	January 16, 1992 (Date of Inception) Through March 31 1996 (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	1994	Nine months ended March 31 1996 (Unaudited)	1995 (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 licenser 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 ExpressTM control systems, 9 and 19 Credit Card Debit ExpressTM control systems, and at March 31, 1996 9 Credit Card Computer ExpressTM 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 ExpressTM 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 ExpressTM 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 ExpressTM 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

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.

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		March 31
	1995	1994	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

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 1995	June 30 1994	March 31 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

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.

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.

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).

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.

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	875,000	
Canceled	(100,000)	.25
Granted	2,290,000	.05 - .25
Balance at June 30, 1995	3,065,000	
Exercised (Unaudited)	(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

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 $99,000 was included in accounts payable in connection with this obligation. An additional $43,000 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.

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 550,000 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 three 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.

During July 1996, the Company issued options to acquire up to 100,000 shares of its common stock to an employee of the Company at $.65 per share, which was determined to be at or above the fair market value on the date of the grant. These options vest in quarterly intervals over a two year period.

During August 1996, the Company issued fully vested options to acquire up to 50,000 shares of its common stock to a consultant to the Company at $.50 per share, which was determined to be at or above the fair market value on the date of the grant.

During August 1996, the Company authorized the issuance of 250,000 shares of its common stock to a consultant. All of such shares are to be registered with the Securities and Exchange Commission on a Form S-8.

During August 1996, the Company authorized the issuance of 15,000 shares of its common stock to a consultant. All of such shares are to be registered with the Securities and Exchange Commission on a Form S-8.

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. Kapourelos	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. Kapourelos	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. Kapourelos, 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
3.1.6	Sixth Amendment to Articles of Incorporation of the Company filed on May 1, 1996 (Incorporated by reference to Exhibit 3.1.6 to Form SB-2 Registration Statement No. 333-09465)
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	1995 Warrant Agreement dated as of June 21, 1995 between the Company and American Stock Transfer and Trust Company
4.2	Form of 1995 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 (Incorporated by reference to Exhibit 10.1.2 to Form SB-2 Registration Statement No. 333-09465)
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 (Incorporated by reference to Exhibit 10.2.1 to Form SB-2 Registration Statement No. 333-09465)
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 (Incorporated by reference to Exhibit 10.3.1 to Form SB-2 Registration Statement No. 333-09465)
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 (Incorporated by reference to Exhibit 10.6.1 to Form SB-2 Registration Statement No. 333-09465)
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 (Incorporated by reference to Exhibit 10.7.1 to Form SB-2 Registration Statement No. 333-09465)
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 (Incorporated by reference to Exhibit 10.14.2 to Form SB-2 Registration Statement No. 333-09465)
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 (Incorporated by reference to Exhibit 10.15.1 to Form SB-2 Registration Statement No. 333-09465)
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 (Incorporated by reference to Exhibit 10.18.1 to Form SB-2 Registration Statement No. 333-09465)
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
10.26	Remarketer/Integrator Agreement between the Company and Dell Computer Corporation dated February 8, 1996 (Incorporated by reference to Exhibit 10.26 to Form SB-2 Registration Statement No. 333-09465)

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. 333-2614)
10.28	Employment And Non-Competition Agreement between the Company and Michael Lawlor dated June 7, 1996 (Incorporated by reference to Exhibit 10.28 to Form SB-2 Registration Statement No. 333-09465)
10.29	Michael Lawlor Common Stock Option Certificate dated as of June 7, 1996 (Incorporated by reference to Exhibit 10.29 to Form SB-2 Registration Statement No. 333-09465)
10.30	Employment And Non-Competition Agreement between the Company and Stephen P. Herbert dated April 4, 1996 (Incorporated by reference to Exhibit 10.30 to Form SB-2 Registration Statement No. 333-09465)
10.31	Stephen P. Herbert Common Stock Option Certificate dated April 4, 1996 (Incorporated by reference to Exhibit 10.31 to Form SB-2 Registration Statement No. 333-09465)
10.32	Letter between the Company and William W. Sellers dated July 17, 1996 (Incorporated by reference to Exhibit 10.32 to Form SB-2 Registration Statement No. 333-09465)
10.33	Letter between the Company and Peter G. Kapourelos dated July 17, 1996 (Incorporated by reference to Exhibit 10.33 to Form SB-2 Registration Statement No. 333-09465)
**23.1	Consent of Ernst & Young LLP, Independent Auditors
23.2	Consent of Lurio & Associates (included in Exhibit 5.1)

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** 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 Post-Effective Amendment No. 1 to Registration Statement on Form SB-2 to be signed on its behalf by the undersigned, thereunto duly authorized, in Wayne, Pennsylvania, on September 11, 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)	September 11, 1996
/s/ Edward J. Sullivan Edward J. Sullivan	Vice President and Chief Financial Officer (Principal Accounting Officer)	September 11, 1996
/s/ Stephen P. Herbert Stephen P. Herbert	Vice President, Director	September 11, 1996
/s/ Keith L. Sterling Keith L. Sterling	Vice President, Director	September 11, 1996
/s/ William W. Sellers William W. Sellers	Director	September 11, 1996
/s/ Peter G. Kapourelos Peter G. Kapourelos	Director	September 11, 1996
Henry B. duPont Smith	Director	September , 1996
William L. Van Alen, Jr.	Director	September , 1996

EXHIBIT INDEX

Exhibit Number	Description
23.1	Consent of Ernst & Young LLP, Independent Auditors

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Exhibit 23.1

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 Post-Effective Amendment No. 1 to the Registration Statement (Form SB-2 No. 333-98808) and related Prospectus of USA Technologies, Inc. dated September 17, 1996, for the registration of 5,100,000 shares of its common stock.

Ernst & Young LLP
/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
September 17, 1996