

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

ACCESSPOINT CORP /NV/
Form 10QSB
December 10, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the QUARTERLY PERIOD ended SEPTEMBER 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 000-29217

ACCESSPOINT CORPORATION

(Name of Small Business Issuer in its Charter)

Nevada

95-4721385

(State or Other Jurisdiction of
Incorporation or Organization)

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

6171 W. Century Blvd.
Suite 200
Los Angeles, California

90045

(Address of Principle Executive Offices)

(Zip Code)

310 546 2500

(Issuer's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Exchange Act:

None

Securities Registered Pursuant to Section 12(g) of the Exchange Act:

Common Stock, \$0.001 Par Value

The number of the Company's shares of Common Stock outstanding as of September
30, 2003 was 24,163,965.

Transitional Small Business Disclosure Format (check one): Yes [] No [X]

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

Accesspoint Corporation
Form 10-QSB QUARTERLY Report
AS OF AND FOR THE QUARTER ENDED SEPTEMBER 30, 2003
TABLE OF CONTENTS

Forward-Looking Statements

PART I

- Item 1. Financial Statements
- Item 2. Management's Discussion and Analysis or Plan of Operation

PART II

- Item 1. Legal Proceedings
- Item 2. Changes in Securities
- Item 3. Defaults Upon Senior Securities
- Item 4. Submission of Matters to a Vote of Security Holders
- Item 5. Other Information
- Item 6. Exhibits and Reports on Form 8-K

Signatures

-2-

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-QSB contains forward-looking statements about the business, financial condition and prospects of the Company that reflect assumptions made by management and management's beliefs based on information currently available to it. We can give no assurance that the expectations indicated by such forward-looking statements will be realized. If any of management's assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, the Company's actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within the Company's control and that may have a direct bearing on operating results include, but are not limited to, the acceptance by customers of the Company's products and services, the Company's ability to develop new products and services cost-effectively, the ability of the Company to raise capital in the future, the development by competitors of products or services using improved or alternative technology, the retention of key employees and general economic conditions.

There may be other risks and circumstances that management is unable to predict. When used in this Form 10-QSB, words such as, "believes," "expects," "intends," "plans," "anticipates" "estimates" and similar expressions are intended to identify forward-looking statements, although there may be certain forward-looking statements not accompanied by such expressions. All forward-looking statements are intended to be covered by the safe harbor created by Section 21E of the Securities Exchange Act of 1934.

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ACCESSPOINT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

TABLE OF CONTENTS

Consolidated Balance Sheets	4
Consolidated Statements of Operations	6
Consolidated Statements of Cash Flow	7
Notes to Consolidated Financial Statements	8-17

-3-

ACCESSPOINT CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2003	December 31, 2002
	-----	-----
	(unaudited)	
Current Assets		
Cash	\$ 0	\$ 35,961
Accounts receivable, net	489,726	348,708
Receivable from a related party	92,055	157,172
Prepaid expenses	2,834	1,488
	-----	-----
Total Current Assets	584,615	543,329
	-----	-----
Fixed Assets		
Furniture and equipment (net)	21,704	178,139
	-----	-----
Total Fixed Assets	21,704	178,139
	-----	-----
Other Assets		
Deferred financing costs (net)	881,346	1,266,764
Portfolio Purchase	109,744	154,667
Deposits	285,108	280,108
	-----	-----
Total Other Assets	1,276,198	1,701,539

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

	-----	-----
Total Assets	\$1,882,517	\$2,423,007
	=====	=====

Refer to notes to the financial statements

-4-

ACCESSPOINT CORPORATION
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2003	December 31, 2002
	----- (unaudited)	-----
Current Liabilities		
Accounts payable	\$ 910,112	\$ 1,527,457
Bank overdraft	14,179	0
Accrued payroll taxes and penalties	1,328,139	1,412,432
Accrued liabilities	890,449	560,707
Merchant loss reserve	2,778	19,465
Lines of credit	1,360,365	1,364,761
Capitalized leases	600,388	419,460
Notes payable	565,000	565,000
	-----	-----
Total Current Liabilities	5,671,410	5,869,282
Total Liabilities	5,671,410	5,869,282
	-----	-----
Stockholders' Equity		
Preferred Stock, \$.001 par value, 5,000,000 shares authorized, 1,055,600 shares issued and outstanding, respectively	1,056	1,056
Common stock, \$.001 par value, 25,000,000 shares authorized, 24,163,965 issued and outstanding, respectively	24,164	24,164
Additional paid in capital	15,114,004	15,114,004
Retained (deficit)	(18,928,117)	(18,585,499)
	-----	-----
Total Stockholders' (Deficit)	(3,788,893)	(3,446,275)
	-----	-----
Total liabilities and Stockholders' Equity	\$ 1,882,517	\$ 2,423,007

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

=====
 Refer to notes to the financial statements
 =====

-5-

ACCESSPOINT CORPORATION
 CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended		Nine Months Ended
	September 30, 2003	September 30, 2002	
Sales, net	\$ 3,207,014	\$ 4,025,465	\$ 9,987,111
Cost of sales	2,534,496	3,377,684	7,681,711
Gross profit	672,518	647,781	2,305,400
Selling expenses	5,063	14,563	9,600
General and administrative expenses	600,583	985,074	2,109,700
Income (loss) from operations	66,872	(351,856)	185,900
Other (Income) Expense			
Interest income	(4,693)	0	(7,100)
Gain on sale of asset	0	0	0
Penalties	2,095	0	7,400
Impairment loss	0	45,333	0
Miscellaneous	(1,842)	(4,955)	(1,800)
Litigation expense	0	(195,069)	0
Amortization of deferred financing costs	128,473	316,319	385,400
Debt forgiveness	(63,157)	0	(63,100)
Bad Debt	0	215,876	0
Interest expense	113,593	43,579	207,900
Total Other (Income) Expense	174,469	421,083	528,500
Income (loss) before income taxes	(107,597)	(772,939)	(342,600)
Provision for income taxes	0	0	0

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

Net income (loss)	(\$ 107,597)	(\$ 772,939)	(\$ 342,6
	=====	=====	=====
Net loss per share			
Basic	(\$ 0.00)	(\$ 0.03)	(\$ 0.
Weighted average number of shares			
Basic	24,163,965	24,163,965	24,163,9

Refer to notes to the financial statements

-6-

ACCESSPOINT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended	
	September 30, 2003	September 30, 2002
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	(\$ 342,618)	(\$2,131,525)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	385,418	948,957
Depreciation	159,685	169,675
Impairment loss	0	45,333
Decrease in deferred compensation	0	(221,477)
Increase in receivables	(141,018)	(188,510)
Decrease (Increase) in inventory	0	6,366
Decrease in other current assets	65,117	(359,578)
Increase in prepaid expenses	(1,346)	(6,013)
Decrease (Increase) in deposits	(5,000)	461
(Decrease) Increase in accounts payable and accrued expenses	(123,363)	662,465
Increase in bank overdraft	14,179	140,237
Increase in clearing account	(109,744)	0
Decrease in accrued payroll taxes	(84,293)	(54,991)
Increase in merchants loss reserve	0	(80,000)
Increase in accrued liabilities	0	(180,200)
	-----	-----
Total adjustments	159,635	882,725
	-----	-----
Net cash contributed by (used in) operations	(182,983)	(1,248,800)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) reduction of portfolio	154,667	(200,000)
Purchase of fixed assets	0	(166,167)
	-----	-----
Net cash (used in) investing		

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

activities	154,667	(366,167)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases	(3,249)	(32,281)
Sale of stock	0	149,424
Line of credit	0	1,419,595
Payments on line of credit	(4,396)	0
	-----	-----
Net cash provided by financing activities	(7,645)	1,536,738
	-----	-----
Net change in cash	(35,961)	(78,229)
	-----	-----
Cash at beginning of period	35,961	78,229
	-----	-----
Cash at end of period	\$ 0	\$ 0
	=====	=====

Refer to notes to the financial statements

-7-

ACCESSPOINT CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
 SEPTEMBER 30, 2003 AND 2002

NOTE A - NATURE OF OPERATIONS

Accesspoint Corporation (subsequently referred to as "Accesspoint", the "Company" or "We") was incorporated as Accesspoint Corporation in Nevada in 1995 and is a provider of card- and web-based payment processing services to small businesses throughout the United States. The Company enables merchants to accept credit cards as payment for their products and services by providing card authorization, data capture, settlement, risk management, fraud detection and chargeback services. Our services also include transaction organization and retrieval, ongoing merchant assistance and support in connection with disputes with cardholders. We market and sell our services primarily through independent sales organizations ("ISOs") and registered sales agents ("RSAs").

Our payment processing services enable merchants to process both traditional swipe transactions, as well as card-not-present transactions. A card-not-present transaction occurs whenever a customer does not physically present a payment card at the point-of-sale and may occur over the Internet or by mail, fax or telephone. Our processing services include evaluation and acceptance of card numbers, detection of fraudulent transactions, receipt and settlement of funds and service and support. By outsourcing some of these services to third parties, including the evaluation and acceptance of card numbers and receipt and settlement of funds, we maintain an efficient operating structure, which allows us to easily expand our operations without significantly

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

increasing our fixed costs. We believe our experience and knowledge in providing payment processing services to merchants of all sizes gives us the ability to effectively identify, evaluate and manage the payment processing needs and risks that are unique to businesses of varying levels.

We market and sell our services primarily through our relationships with ISOs and RSAs. ISOs and RSAs act as a non-employee, external sales force in communities throughout the United States. By providing the same high level of service and support to our ISOs and RSAs as we do to our merchants, we maintain our access to an experienced sales force sales professionals who market our services, with minimal direct investment in sales infrastructure and management. After an agent refers a merchant to us and we execute a processing agreement with that merchant, we pay the referring ISO or RSAs a percentage of the revenues generated by that merchant. Although our relationships with agents are mutually non-exclusive, we believe that our understanding of the unique payment processing needs of merchants of all sizes enables us to develop compelling incentives for agents to continue to refer newly identified merchants to us.

-8-

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
SEPTEMBER 30, 2003 AND 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Information

The accompanying financial statements have been prepared by Accesspoint Corporation, ("Accesspoint", the "Company" or "We") pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") Form 10-QSB and Item 310 of regulation S-B, and generally accepted accounting principles for interim financial reporting. These financial statements are unaudited and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary for a fair presentation of the balance sheets, operations results, and cash flows for the periods presented. Operating results for the nine months ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003, or any future period, due to seasonal and other factors. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting policies have been omitted in accordance with the rules and regulations of the SEC. These financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes, included in the Company's Annual Report for the year ended December 31, 2002.

Revenues, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim consolidated financial statements may not be the same as those for the full year.

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

Revenue Recognition

The Company recognizes revenue from: settlement fees for electronic payment processing, credit and debit card payment settlement, check conversion and financial processing programs and transaction fees related to the use of its software and credit card processing products, licensing of its software products. Revenue from software and hardware sales and services are recognized as products are shipped, downloaded, or used.

The Company reports income and expenses on the accrual basis for both financial and income tax reporting purposes.

Principles of Consolidation

The consolidated financial statements include the accounts of Accesspoint Corporation, and its wholly owned subsidiaries Processing Source International, Inc. (PSI) and Black Sun Graphics, Inc. (BSG), collectively referred to within as the Company. All material intercompany accounts, transactions and profits have been eliminated in consolidation.

Risks and Uncertainties

The Company is subject to substantial risks from, among other things, intense competition from the providers of financial electronic payment processing, settlement services, software development and e-commerce service companies specifically and the technology industry in general, other risks associated with the Internet services industry, financing, liquidity requirements, rapidly changing customer requirements, limited operating history, and the volatility of public markets.

-9-

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
SEPTEMBER 30, 2003 AND 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material would be disclosed.

Loss contingencies considered to be remote by management are generally not disclosed unless they involve guarantees, in which case the guarantee would be disclosed.

Reserve for Merchant Credit Losses

The Company establishes reserves for merchant credit losses, which arise as a result of, among other things, cardholder dissatisfaction with merchandise quality or merchant services. Such disputes may not be resolved in the merchant's favor. In these cases, the transaction is "charged back" to the merchant and the purchase is refunded to the customer by the merchant. If the merchant is unable to grant a refund, the Company or, under limited circumstances, the Company and the processing bank, must bear the credit risk for the full amount of the transaction. The Company estimates its potential loss for chargebacks based primarily on historical experience. Obtaining collateral from merchants considered higher risk often mitigates the risk of loss. At September 30, 2003 and September 30, 2002, the Company had aggregate collateral classified as merchant loss reserves of \$2,778 and \$19,465 respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include collectibility of accounts receivable, accounts payable, sales returns and recoverability of long-term assets.

Allowance for Doubtful Accounts

The Company has made an allowance for doubtful accounts for trade receivables.

Fixed Assets

Property and equipment are stated at cost less accumulated depreciation. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance and repairs are charged to expense as incurred. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, or the remaining term of the lease, as follows:

Furniture and Fixtures	5 years
Equipment	5 years
Hardware and Software	3 years

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
SEPTEMBER 30, 2003 AND 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold Improvements

Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Capital Leases

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Depreciation is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

Concentration of Credit Risk

Concentration of credit risk with respect to trade accounts receivable is not diversified. As of September 30, 2003 87% of the trade receivables are from Chase Merchant Services, LLC. The loss of Chase Merchant Services to our Company would be severely detrimental and could result in the termination and liquidation of our Company. Our Company actively evaluates the creditworthiness of Chase Merchant Services, LLC and is confident that the failure of the firm is neither likely nor imminent.

Advertising

Advertising costs are expensed in the year incurred.

Earnings Per Share

Earnings per common share amounts are computed by dividing net income amounts by weighted-average common stock and common stock equivalents shares (when dilutive) outstanding during the period. Diluted earnings per share were not presented because they were considered to be anti-dilutive.

Stock-Based Compensation

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and complies with the disclosure provisions of Statement of Financial Accounting Standards ("SFAS") 123, "Accounting for Stock-Based Compensation." Under APB 25, compensation cost is recognized over the vesting period based on the difference, if any, on the date of grant between the fair value of the Company's stock and the amount an employee must pay to acquire the stock.

ACCESSPOINT CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
 SEPTEMBER 30, 2003 AND 2002

NOTE C - STOCK AND STOCK WARRANTS

The Company has two classes of capital stock: Preferred Stock and Common Stock. Holders of common stock are entitled to one vote for each share held. Preferred stock holders are not entitled to voting privileges and are convertible into Common Stock under certain circumstances on a share-for-share basis.

At September 30, 2003, the Company has 25,000,000 common shares authorized and 24,163,965 shares issued and outstanding. The Company had 5,000,000 preferred shares authorized and 1,055,600 shares issued and outstanding.

At September 30, 2003, the Company does not have enough common stock reserved for the possible exercise of options and warrants which could total:

Exercise of common stock warrants	482,223
Exercise of preferred stock	1,055,600
Exercise of employee stock options	1,776,445

	3,314,268
	=====

The Company intends to increase the authorized number of shares by proxy of its shareholders subsequent to September 30, 2003.

NOTE D - LOSS PER SHARE

Basic net loss per share is computed using the weighted average number of common shares outstanding. The dilutive effect of earnings per share were not presented because they were considered to be anti-dilutive. The computations of basic net loss per share as of September 30, 2003 and 2002 are as follows:

	2003 ----	2002 ----
Net (loss) from operations	\$ (342,618)	\$ (2,131,525)
	-----	-----
Basic weighted average shares	24,163,965	23,690,815
Net (loss) per share from continuing operations:		
Basic	(\$0.01)	(\$0.09)

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
SEPTEMBER 30, 2003 AND 2002

NOTE E - LITIGATION AND CONTINGENCIES

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Listed below are only those matters considered to be material to the Company by management and its counsel.

CITICORP - During 2001 the Company vacated office facilities it had leased under an operating lease agreement in Chicago, Illinois. The lessor subsequently filed suit against the Company for the remaining amount of unpaid rent and other various expenses. A judgment was filed against the Company in the amount of \$95,000. As of September 30, 2003 the Company has accrued for the liability in full on its Balance Sheet. No payments have been made.

ROYCAP - As of September 30, 2003 the Company was in default on its loan agreement with Roycap for repayment of a \$450,000 loan, plus accrued interest, which was due on October 16, 2001. In June 2002, Roycap filed formal suit on its claim. The Company has recently entered into a settlement agreement wherein it stipulated to a \$730,000 judgment. The entire settlement amount has been accrued.

BENTLEY PROMISSORY NOTES - Various family trusts related to James W. Bentley, a former Director of the Company, have filed three related actions seeking to collect in excess of \$500,000 in promissory notes allegedly due. The Company believes these claims were settled by the June 26, 2002 Settlement and in any event, believes the sums due are substantially less than claimed. The Company continues to fight these actions vigorously. These cases have been consolidated with the case of Bentley v. Barber, et al (see below) and are scheduled to go to trial on March 15, 2004

MERCHANTSWAREHOUSE.COM - This is a claim against PSI for breach of an independent sales agent agreement. The claim is disputed. The matter was submitted to arbitration and was heard by the arbitrator. The arbitrator made an interim award of \$296,720 and denied the Company's counterclaim. The Company is directed to pay the agent residuals according to the terms of the Company's agreement with the agent. The Company has made all payments to the agent since the date of the award. On November 7, 2003, Merchantswarehouse.com obtained a judgment consistent with the arbitrator's award. The Company is presently assessing the advisability of an appeal. The amount of the award has been accrued.

NORTHWEST SYSTEMS, LLC - Two inter-related claims, one lawsuit and one arbitration claim arising out of a dispute over a contract whereby PSI agreed to purchase certain merchant accounts from Northwest Systems, LLC ("NWS"). The first case (lawsuit) sought to recover damages of \$300,000 for alleged breach of the contract to purchase, while the second case (arbitration) claimed that NWS had not been paid all

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

residual payments due it under its agency contract with PSI. In May 2003, an award in the arbitration claim in the amount of \$149,000 was made for the benefit of the plaintiff. In mediation on July 2, 2003, the registrant settled both claims. The settlement calls for the Company to allow the conversion/transfer of all merchants accounts associated with NWS effective, July 1, 2003, and to pay \$40,000 for attorney costs, which have now been paid. While no accurate forecast can be made as to the amount and timing of the anticipated conversion, NWS merchants accounted for approximately 10% of the Company's gross processing revenue for the quarter ended March 31, 2003. The settlement also calls for a mutual release on both parties of all and any current or contemplated actions arising from their business relationship.

-13-

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
SEPTEMBER 30, 2003 AND 2002

NOTE E - LITIGATION AND CONTINGENCIES (CONTINUED)

MOCERI LEASING CO. - This is an action by an equipment lessor on a defaulted lease. . In August 2003 the Company entered into a structured settlement agreement for a total payout of \$30,000 payable in 20 installments through April of 2005.

CIT COMMUNICATIONS CO. ("CIT") - CIT, an equipment lessor, claims that we defaulted on an equipment lease. We are vigorously defending against this claim. The total amount of any potential judgment for the value of the equipment has been accrued.

GLOBAL ATTORNEYS NETWORK CO. - This is an action filed on behalf of an equipment lessor on a defaulted lease. In April 2003 the matter was settled for \$16,900. This amount has been accrued. No payments have been made.

BAS MULDER - This is a lawsuit filed by the former owner and employee of Black Sun Graphics, Inc. ("BSG"), claiming damages in excess of \$430,000 related to the purchase of BSG by the Company. The Company has entered into a structured settlement agreement calling for payments totaling \$45,000 payable over 20 months and has begun making these payments.

FOSTER TEPPER - This is an action recently brought by a former attorney for the Company for approximately \$63,000 in legal fees, which are allegedly due and payable.

ACCESS HOLDINGS LIMITED PARTNERSHIP - This is a lawsuit brought on behalf of two holders of Company stock who claim the Company has violated a prior settlement agreement and that they are therefore entitled to the return of approximately 4.1 million shares of Company stock, which they had previously surrendered, to the Company per that agreement. The Company denies both that it has breached the prior settlement agreement and that the plaintiffs are entitled to the relief they seek. Plaintiffs are not seeking monetary damages from the

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

Company, though they are seeking court costs and attorney fees. The Company is fighting this action vigorously. No trial date has been set.

BENTLEY V. WILLIAM R. BARBER, ET AL. - On March 22, 2002, James Bentley ("Plaintiff"), a shareholder of the Company, filed a shareholder derivative lawsuit against the Company and several individual defendants for breach of contract, breach of fiduciary duty, misappropriation of trade secret, recovery of personal property, imposition of a constructive trust, unfair competition in violation of Business and Profession Code Section 17200, conversion, unfair business practices, and usurpation of corporate opportunity. On several occasions, Plaintiff also sought provisional remedies with the Court, including multiple applications for preliminary injunction and the appointment of a receiver. To date, none of Plaintiff's requests for provisional relief have been granted. On June 26, 2002, the parties to the action executed a Settlement Agreement. Plaintiff purported to rescind the Settlement Agreement in early December 2002. Plaintiff thereafter filed an ex parte application for temporary restraining order, which the court denied on December 24, 2002. The Court set a hearing for Plaintiff's application for preliminary injunction in late January 2003. Plaintiff thereafter continued the hearing on the application for preliminary injunction on several occasions. Ultimately, after Defendant's; opposition to the preliminary injunction request was filed; Plaintiff took his application for preliminary injunction off calendar completely. A number of depositions and law and motion were conducted during January and February 2003. On July 3, 2003 in a special meeting of the Board of Directors, the Directors received, reviewed and considered the report of the findings of the Special Litigation Committee ("the Committee").

-14-

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
SEPTEMBER 30, 2003 AND 2002

NOTE E - LITIGATION AND CONTINGENCIES (CONTINUED)

BENTLEY V. WILLIAM R. BARBER, ET AL. (continued) - The Committee was formed in January 2003 for the purpose of investigating the allegations contained within the shareholder derivative action known as BENTLEY v. BARBER (" the Bentley matter"). Based on its investigation, which included the review of thousands of pages of documents, 1,200 pages of transcripts of depositions, reviews of the declarations of ten witnesses, and interviews of the Plaintiff, and his representatives, as well as of at least fifteen other witnesses, the Committee met on July 2, 2003 and unanimously agreed and found as follows:

- 1) The action was previously settled, after both the plaintiff and the court in the Bentley matter concluded the settlement agreement was in the best interests of the Company, so that the Committee likewise concludes that the best interests of the company are served by a dismissal of the action and the enforcement of the settlement agreement previously approved by the court:
- 2) That the allegations raised in the Bentley matter are without

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

- merit;
- 3) That it is not in the Company's interests to pursue the litigation, as the costs of prosecuting the litigation far exceed any possible recovery to the Company, particularly given the possible indemnity obligations of the Company;
 - 4) The balance of the Company's corporate interests, including its need to maintain its relationship with Chase, the need for and ability to focus on obtaining new accounts, the need to apply the Company's resources, management, and assets to the payment and resolution of outstanding debts and the need to repair the Company's reputation that has been damaged by this litigation, warrants dismissal of the action, regardless of the merits of the Bentley matter; and
 - 5) The Company has new management and has carefully reviewed the subject matter of the litigation and the accounting of the assets of the Company and the handling of related party transactions.

Based on the findings of the Committee, the Directors determined it to be in the best interests of the company to cause the Bentley matter to be dismissed. On July 3, 2003, the company's attorneys filed a motion for summary judgment with the Orange County Superior Court, the motion contends that: there is no merit to the charges, the suit is not being prosecuted for the benefit of the shareholders or the company, but is a vendetta by the a shareholder brought for its own purposes and that the burdens of litigation are largely responsible for the fall in the corporation's stock price since the case was filed. On July 3, 2003, the Company's attorneys concurrently filed a motion for an indefinite stay in discovery pending judgment on the motion for summary judgment. On July 25, 2003, the court granted the Company's request for stay pending ruling on the motion for summary judgment. On September 18, 2003, the Court denied the summary judgment motion, finding that there were triable issues of material fact as to the Committee's investigation. As of this writing, the Court has not entered a formal order on this motion. The Company believes the Court's ruling is incorrect and plans to seek further review once the written order is issued. The Court's ruling also ended the stay of proceedings which had been in effect since July 25, and the case - along with the Bentley Promissory Note cases (see above), with which it has been consolidated - is now set for trial on March 15, 2004. The Company continues to fight this action vigorously. The Company has recorded no liability for the potential of an adverse outcome of the action.

NOTE F - PAYROLL TAXES

The IRS has made formal demand of amounts due and unpaid for the period of January 1 - December 31, 2000, including interest and penalties, from the Company, and has appropriately filed tax liens against all assets of the Company. The Company filed requests for an "Offer in Compromise" for all amounts owed by the Company and its subsidiaries, Processing Source International and Black Sun Graphics, all of which are Awaiting a response from the IRS. The Company has recorded its liability in full to the IRS, including penalties and interest, on its balance sheet. As of September 30, 2003, the Company has accrued liability of approximately \$1,310,000 to the IRS.

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
SEPTEMBER 30, 2003 AND 2002

NOTE G - COMMITMENTS

In October 2002, the Company entered into a Master Support Services Agreement ("Agreement") with Merchants Billing Services ("MBS"). This Agreement called for the payment of \$180,000 per month for salaries, office space & utilities, travel & entertainment, telecommunications, professional services and a management fee, with a quarterly adjustment of the payment based on actual expenses for the preceding three months activity. The Agreement is for an initial period of one year. In March 2003, the Company received notification of MBS's intention to terminate the agreement effective June 30, 2003. The termination was subsequently amended to September 17, 2003 and includes a monthly reimbursement in the amount of \$130,000, due to a reduction in overhead costs. The disinterested members of the Board have accepted this amendment. While the Agreement remains in effect, the range of services provided by MBS no longer includes payments to the Company's vendors. Effective July 1, 2003, the Company resumed payments to vendors. There are no future minimum payments under the amended Agreement and the management fee has been discontinued.

Associated with the Agreement was the assignment of that certain Agreement of Sublease ("Sublease") dated as of August 2002 between Veridian and the Company. Veridian and the landlord Carlsberg Properties, Inc agreed upon the assignment of the Sublease.

Operating lease expense for the nine months ended September 30, 2003 was \$63,776.

NOTE H - DEFERRED FINANCING COSTS

In December 2001, the Company, in accordance with APB 21 and SAB 79 the Company recorded a deferred financing cost asset of \$6,326,381. This amount is based on the number of shares that three shareholders directly transferred to Net Integrated Systems, Inc. ("NIS") as an inducement for NIS to enter into the Revolving Line of Credit Agreement. In October 2002, the Revolving Line of Credit Agreement and related Management Agreement with NIS, was terminated. This resulted in the Company recording a write down on the deferred financing cost asset of \$3,756,927 in the year ended December 31, 2002.

The Company will amortize the remaining deferred financing cost over the life of the line of credit, which is five years. For the nine months ended September 30, 2003 and 2002 the Company recorded amortization expense of \$385,418 and \$948,957 respectively.

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
SEPTEMBER 30, 2003 AND 2002

NOTE I - RELATED PARTY TRANSACTIONS

The Company has entered into a number of relationships that fit the definition provided by Statement of Financial Accounting Standards No. 57, "Related Party Disclosures". An entity that can control or significantly influence the management or operating policies of another entity to the extent one of the entities may be prevented from pursuing its own interests. As of September 30, 2003, the following related party relationships existed between the Company, its shareholders, officers and directors:

MBS, is jointly owned by Becky Takeda, President and Chief Executive Officer of the Company and William R. Barber, ex President and ex Chief Executive Officer and currently a Director of the Company, is also an agent of the Company and sells the Company's products and services through its own network of subagents and sales personnel. As of September 30, 2003, under the terms of the agency agreement with MBS, the Company paid \$423,016 in residuals. Refer to Note H - Commitments for further discussion of the operating arrangement between the Company and MBS.

NOTE J - GOING CONCERN

The accompanying financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America, contemplates the continuation of the Company as a going concern. However, the Company has sustained significant recurring operating losses, has limited capital resources, is involved in several pending lawsuits and has been assessed by the Internal Revenue Service for unpaid payroll taxes. Continuation of the Company as a going concern is contingent upon the ability of the Company to expand its operations, generate increased revenues, secure additional sources of financing and sell a portion of the merchant portfolio. However, there is no assurance that the Company will realize the necessary capital expansion.

-17-

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the financial statements and related notes contained elsewhere in this document. The discussion contained herein relates to the financial statements, which have been prepared in accordance with GAAP.

THE DISCUSSION IN THIS SECTION AND OTHER PARTS OF THIS REGISTRATION STATEMENT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS SUCH AS STATEMENTS OF THE COMPANY'S PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS. THESE STATEMENTS INVOLVE RISKS AND UNCERTAINTIES. THEY ARE MADE AS OF THE DATE OF THIS REPORT, AND THE COMPANY

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

ASSUMES NO OBLIGATION TO UPDATE THEM.

A. PLAN OF OPERATION

Our primary software products consist of: Merchant Manager Enterprise, a complete and secure fully-hosted e-commerce solution for small to midsize businesses, which provides an on-line store, catalog and credit card processing abilities; Transaction Manager, an on-line credit card and ACH processing solution for small to midsize businesses; and Merchant Manager, a hosted e-commerce solution providing a simple-to-learn and simple-to-use set of tools derived from Merchant Manager Enterprise. We provide hosting services in conjunction with the software products.

During the coming twelve months, we will not be able to satisfy the cash requirements and have no financing alternatives to satisfy the obligations except for the sale of a portion of the merchant portfolio. The plans for the coming twelve months include the contemplation of a sale of the merchant portfolio for the purpose of recapitalizing the company and paying down debt. Should a portion of the merchant portfolio be sold, we will be forced to reduce the staffing levels in line with the reduction in revenue realized. During the coming twelve months, we will continue to pursue enhancements of the existing Merchant Manager and Transaction Manager products to meet the demands of an increasingly competitive marketplace. We do not anticipate the development of any products during the coming twelve-month period and will not expend significant resources on the research or development of new product lines.

-18-

B. RESULTS OF OPERATIONS

Nine Months Ended September 30, 2003 Compared With Nine Months Ended September 30, 2002.

Revenues for the nine months ended September 30, 2003 decreased to \$9,987,193 from \$10,436,498 for the nine months ended September 30, 2002. The decrease of \$449,306, 4% is due primarily to the decreased revenues associated with credit card processing which resulted in an overall decrease in sales.

Cost of sales for the nine months ended September 30, 2003 decreased to \$7,681,761 from \$8,431,244 for the nine months ended September 30, 2002. The decrease of \$749,483 or 9%, resulted primarily from lowered agent residual expenses and more attention focused on the profitability of each merchant's relationship.

Selling and marketing expenses for the nine months ended September 30, 2003 \$9,687 remained about the same as the \$9,518 for the nine months ended September 30, 2002.

General and administrative expenses for the nine months ended September 30, 2003 decreased to \$2,109,788 from \$2,919,083 for the nine months ended September 30, 2002. The decrease of \$809,295, or (28%), resulted primarily from a decrease of salaries and wages, occupancy costs, and other operating efficiencies realized through the consolidation of three offices into one.

Interest expense, net, for the nine months ended September 30, 2003 was \$207,940, as compared to \$154,036 for the nine months ended September 30, 2002. The increase resulted primarily from the Company's continued interest charges on indebtedness and borrowing costs.

Other (Income) Expense, net of Interest expense was \$320,635 for the nine

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

months ended September 30, 2003, as compared to \$1,051,742 for the nine months ended September 30, 2002. The decrease of \$731,107 resulted primarily from the lowered amortization expenses and reduced bad debt write offs, off set by a reduced gain on the sale of an asset, realized for the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002.

Net losses for the nine months ended September 30, 2003 were (\$342,618), as compared to (\$2,131,525) for the nine months ended September 30, 2002. The difference in loss of \$1,788,907 is due to a reduction of salaries, operating efficiencies, lowered residual expenses, increased transaction profitability and lowered amortization and bad debt expenses.

C. Liquidity and Capital Resources

The Company had an overdraft of \$14,179 at September 30, 2003, as compared to cash of \$35,961 at December 31, 2002.

The Company had negative working capital at September 30, 2003. We believe that cash generated from operations will not be sufficient to fund the current and anticipated cash requirements. The plans for the coming twelve months include the contemplation of a sale of the merchant portfolio for the purpose of recapitalizing the company and paying down debt. Should a portion of the merchant portfolio be sold, we will be forced to reduce the staffing levels in line with the reduction in revenue realized.

-19-

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of the business activities. We describe below only those matters that we consider to be material.

CITICORP - During 2001 the Company vacated office facilities it had leased under an operating lease agreement in Chicago, Illinois. The lessor subsequently filed suit against the Company for the remaining amount of unpaid rent and other various expenses. A judgment was filed against the Company in the amount of \$95,000. As of September 30, 2003 the Company has accrued for the liability in full on its Balance Sheet. No payments have been made.

ROYCAP - As of September 30, 2003 the Company was in default on its loan agreement with Roycap for repayment of a \$450,000 loan, plus accrued interest, which was due on October 16, 2001. In June 2002, Roycap filed formal suit on its claim. The Company has recently entered into a settlement agreement wherein it stipulated to a \$730,000 judgment. The entire settlement amount has been accrued.

BENTLEY PROMISSORY NOTES - Various family trusts related to James W. Bentley, a former Director of the Company, have filed three related actions seeking to collect in excess of \$500,000 in promissory notes allegedly due. The Company believes these claims were settled by the June 26, 2002 Settlement and in any event, believes the sums due are

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

substantially less than claimed. The Company continues to fight these actions vigorously. These cases have been consolidated with the case of Bentley v. Barber, et al (see below) and are scheduled to go to trial on March 15, 2004

MERCHANTSWAREHOUSE.COM - This is a claim against PSI for breach of an independent sales agent agreement. The claim is disputed. The matter was submitted to arbitration and was heard by the arbitrator. The arbitrator made an interim award of \$296,720 and denied the Company's counterclaim. The Company is directed to pay the agent residuals according to the terms of the Company's agreement with the agent. The Company has made all payments to the agent since the date of the award. On November 7, 2003, Merchantswarehouse.com obtained a judgment consistent with the arbitrator's award. The Company is presently assessing the advisability of an appeal. The amount of the award has been accrued.

NORTHWEST SYSTEMS, LLC - Two inter-related claims, one lawsuit and one arbitration claim arising out of a dispute over a contract whereby PSI agreed to purchase certain merchant accounts from Northwest Systems, LLC ("NWS"). The first case (lawsuit) sought to recover damages of \$300,000 for alleged breach of the contract to purchase, while the second case (arbitration) claimed that NWS had not been paid all residual payments due it under its agency contract with PSI. In May 2003, an award in the arbitration claim in the amount of \$149,000 was made for the benefit of the plaintiff. In mediation on July 2, 2003, the registrant settled both claims. The settlement calls for the Company to allow the conversion/transfer of all merchants accounts associated with NWS effective, July 1, 2003, and to pay \$40,000 for attorney costs, which have now been paid. While no accurate forecast can be made as to the amount and timing of the anticipated conversion, NWS merchants accounted for approximately 10% of the Company's gross processing revenue for the quarter ended March 31, 2003. The settlement also calls for a mutual release on both parties of all and any current or contemplated actions arising from their business relationship.

-20-

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
SEPTEMBER 30, 2003 AND 2002

NOTE E - LITIGATION AND CONTINGENCIES (CONTINUED)

MOCERI LEASING CO. - This is an action by an equipment lessor on a defaulted lease. . In August 2003 the Company entered into a structured settlement agreement for a total payout of \$30,000 payable in 20 installments through April of 2005.

CIT COMMUNICATIONS CO. ("CIT") - CIT, an equipment lessor, claims that we defaulted on an equipment lease. We are vigorously defending against this claim. The total amount of any potential judgment for the value of the equipment has been accrued.

GLOBAL ATTORNEYS NETWORK CO. - This is an action filed on behalf of an

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

equipment lessor on a defaulted lease. In April 2003 the matter was settled for \$16,900. This amount has been accrued. No payments have been made.

BAS MULDER - This is a lawsuit filed by the former owner and employee of Black Sun Graphics, Inc. ("BSG"), claiming damages in excess of \$430,000 related to the purchase of BSG by the Company. The Company has entered into a structured settlement agreement calling for payments totaling \$45,000 payable over 20 months and has begun making these payments.

FOSTER TEPPER - This is an action recently brought by a former attorney for the Company for approximately \$63,000 in legal fees, which are allegedly due and payable.

ACCESS HOLDINGS LIMITED PARTNERSHIP - This is a lawsuit brought on behalf of two holders of Company stock who claim the Company has violated a prior settlement agreement and that they are therefore entitled to the return of approximately 4.1 million shares of Company stock, which they had previously surrendered, to the Company per that agreement. The Company denies both that it has breached the prior settlement agreement and that the plaintiffs are entitled to the relief they seek. Plaintiffs are not seeking monetary damages from the Company, though they are seeking court costs and attorney fees. The Company is fighting this action vigorously. No trial date has been set.

BENTLEY V. WILLIAM R. BARBER, ET AL. - On March 22, 2002, James Bentley ("Plaintiff"), a shareholder of the Company, filed a shareholder derivative lawsuit against the Company and several individual defendants for breach of contract, breach of fiduciary duty, misappropriation of trade secret, recovery of personal property, imposition of a constructive trust, unfair competition in violation of Business and Profession Code Section 17200, conversion, unfair business practices, and usurpation of corporate opportunity. On several occasions, Plaintiff also sought provisional remedies with the Court, including multiple applications for preliminary injunction and the appointment of a receiver. To date, none of Plaintiff's requests for provisional relief have been granted. On June 26, 2002, the parties to the action executed a Settlement Agreement. Plaintiff purported to rescind the Settlement Agreement in early December 2002. Plaintiff thereafter filed an ex parte application for temporary restraining order, which the court denied on December 24, 2002. The Court set a hearing for Plaintiff's application for preliminary injunction in late January 2003. Plaintiff thereafter continued the hearing on the application for preliminary injunction on several occasions. Ultimately, after Defendant's; opposition to the preliminary injunction request was filed; Plaintiff took his application for preliminary injunction off calendar completely. A number of depositions and law and motion were conducted during January and February 2003. On July 3, 2003 in a special meeting of the Board of Directors, the Directors received, reviewed and considered the report of the findings of the Special Litigation Committee ("the Committee").

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
SEPTEMBER 30, 2003 AND 2002

NOTE E - LITIGATION AND CONTINGENCIES (CONTINUED)

BENTLEY V. WILLIAM R. BARBER, ET AL. (continued) - The Committee was formed in January 2003 for the purpose of investigating the allegations contained within the shareholder derivative action known as BENTLEY v. BARBER (" the Bentley matter"). Based on its investigation, which included the review of thousands of pages of documents, 1,200 pages of transcripts of depositions, reviews of the declarations of ten witnesses, and interviews of the Plaintiff, and his representatives, as well as of at least fifteen other witnesses, the Committee met on July 2, 2003 and unanimously agreed and found as follows:

- 1) The action was previously settled, after both the plaintiff and the court in the Bentley matter concluded the settlement agreement was in the best interests of the Company, so that the Committee likewise concludes that the best interests of the company are served by a dismissal of the action and the enforcement of the settlement agreement previously approved by the court:
- 2) That the allegations raised in the Bentley matter are without merit;
- 3) That it is not in the Company's interests to pursue the litigation, as the costs of prosecuting the litigation far exceed any possible recovery to the Company, particularly given the possible indemnity obligations of the Company;
- 6) The balance of the Company's corporate interests, including its need to maintain its relationship with Chase, the need for and ability to focus on obtaining new accounts, the need to apply the Company's resources, management, and assets to the payment and resolution of outstanding debts and the need to repair the Company's reputation that has been damaged by this litigation, warrants dismissal of the action, regardless of the merits of the Bentley matter; and
- 7) The Company has new management and has carefully reviewed the subject matter of the litigation and the accounting of the assets of the Company and the handling of related party transactions.

Based on the findings of the Committee, the Directors determined it to be in the best interests of the company to cause the Bentley matter to be dismissed. On July 3, 2003, the company's attorneys filed a motion for summary judgment with the Orange County Superior Court, the motion contends that: there is no merit to the charges, the suit is not being prosecuted for the benefit of the shareholders or the company, but is a vendetta by the a shareholder brought for its own purposes and that the burdens of litigation are largely responsible for the fall in the corporation's stock price since the case was filed. On July 3, 2003, the Company's attorneys concurrently filed a motion for an indefinite stay in discovery pending judgment on the motion for summary judgment. On July 25, 2003, the court granted the Company's request for stay pending ruling on the motion for summary judgment. On September 18, 2003, the Court denied the summary judgment motion, finding that there were triable issues of material fact as to the Committee's investigation. As of this writing, the Court has not entered a formal order on this motion. The Company believes the Court's ruling is incorrect and plans to seek further review once the written order is issued. The Court's ruling also ended the stay of proceedings which had been in effect since July 25, and the case - along with the Bentley Promissory Note cases (see above), with which it has been consolidated

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

- is now set for trial on March 15, 2004. The Company continues to fight this action vigorously. The Company has recorded no liability for the potential of an adverse outcome of the action.

For a similar discussion of Legal Proceedings, please refer to Note F, Litigation and Contingencies, attached as a part of the financial statements filed herewith and incorporated hereby.

-22-

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the quarter ended September 30, 2003.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

The following Exhibits are incorporated herein by reference or are filed with this report as indicated below.

Exhibit No.	Description
21.00	*List of Subsidiaries

* Incorporated by reference from the exhibit to the Annual Report on Form 10-KSB filed by us on April 16, 2001

B. REPORTS ON FORM 8-K

None.

-23-

SIGNATURES

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on the 27th day of June, 2003.

Dated: December 8, 2003

ACCESSPOINT CORPORATION

By /S/ WILLIAM R. BARBER

William R. Barber,
Chief Executive Officer, President

-24-

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
-----	-----	-----
/S/ GENE VALENTINE ----- Gene Valentine	Chairman of the Board of Directors	December 8, 2003
/S/ JOE BYERS ----- Joe Byers	Director	December 8, 2003
/S/ MIKE SAVAGE ----- Mike Savage	Director	December 8, 2003
/S/ WILLIAM R. BARBER ----- William R. Barber	Director	December 8, 2003
/S/ BECKY H. TAKEDA ----- Becky H. Takeda	Director	December 8, 2003

-25-

CERTIFICATION PURSUANT TO

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002

CERTIFICATIONS*

I, William R. Barber, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Accesspoint Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Edgar Filing: ACCESSPOINT CORP /NV/ - Form 10QSB

Date: December 8, 2003

/S/WILLIAM R. BARBER

William R. Barber

Chief Executive Officer, President

-26-