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ACCESSPOINT CORP /NV/  
Form 10QSB  
May 17, 2004

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

FORM 10-QSB

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

For the QUARTERLY PERIOD ended MARCH 31, 2004

OR

☐ TRANSITION REPORT PUSUANT 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.)

3030 S. VALLEY BLVD. SUITE 190  
LAS VEGAS, NEVADA, 89102

89102

-----  
(Address of Principle Executive Offices)

(Zip Code)

702 809 0206

-----  
(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 March  
31, 2004 was 18,971,230.

Transitional Small Business Disclosure Format (check one): Yes ☐ No ☒

Accesspoint Corporation

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Form 10-QSB QUARTERLY Report  
FOR THE FIRST QUARTER ENDED MARCH 31, 2004  
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Forward-Looking Statements

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## 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.

## PART I FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

ACCESSPOINT CORPORATION  
CONSOLIDATED FINANCIAL STATEMENTS

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MARCH 31, 2004

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## ACCESSPOINT CORPORATION CONSOLIDATED BALANCE SHEETS

### ASSETS

	March 31, 2004  (unaudited)	December 31, 2003
Current Assets		
Cash	\$ 0	\$ 28,393
Accounts receivable, net of allowance for doubtful accounts \$80,000 for March 31, 2004 and December 31, 2003, respectively	574,825	446,870
Prepaid expenses	63,032	39,235
	-----	-----
Total Current Assets	637,857	514,498
	-----	-----
Fixed Assets		
Furniture and equipment (net)	72,063	91,099
	-----	-----
Total Fixed Assets	72,063	91,099
	-----	-----
Other Assets		
Deferred financing costs (net)	624,400	752,873
Deposits	312,104	285,108
	-----	-----
Total Other Assets	936,504	1,037,981
	-----	-----
Total Assets	\$ 1,646,424	\$ 1,643,578
	=====	=====

### LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Bank overdraft	\$ 46,138	\$ 0

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Accounts payable	825,819	939,851
Accrued payroll taxes and penalties	903,505	1,328,138
Accrued liabilities	477,102	504,014
Merchant loss reserve	2,778	2,778
Lines of credit	1,355,611	1,373,049
Capitalized leases	570,368	577,638
Notes payable	430,133	415,000
	-----	-----
Total Current Liabilities	4,611,454	5,140,468
Total Liabilities	4,611,454	5,140,468
	-----	-----
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, 18,971,230 issued and outstanding, respectively	18,971	18,971
Additional paid in capital	15,119,197	15,119,197
Accumulated (deficit)	(18,104,254)	(18,636,114)
	-----	-----
Total Stockholders' (Deficit)	(2,965,030)	(3,496,890)
	-----	-----
Total liabilities and Stockholders' Equity	\$ 1,646,424	\$ 1,643,578
	=====	=====

Refer to notes to the financial statements

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## ACCESSPOINT CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended	
	March 31, 2004	March 31, 2003
	-----	-----
Sales, net	\$ 2,675,779	\$ 3,390,275
Cost of sales	1,966,561	2,616,291
	-----	-----
Gross profit	709,218	773,984
Selling expenses	5,961	4,624
General and administrative expenses	352,007	774,595

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	-----	-----
Income (loss) from operations	351,250	(5,235)
	-----	-----
Other (Income) Expense		
Forgiveness of debt	(436,032)	0
Interest income	(7,549)	(1,943)
Penalties	27,603	2,141
Amortization of deferred financing costs	128,473	128,473
Miscellaneous expense	45,000	0
Bad Debt	0	36,912
Interest expense	61,895	49,979
	-----	-----
Total Other (Income) Expense	(180,610)	215,562
	-----	-----
Income (loss) before income taxes	531,860	(220,797)
Provision for income taxes	0	0
	-----	-----
Net income (loss)	\$ 531,860	(\$ 220,797)
	=====	=====
Net income (loss) per share		
Basic	\$ 0.03	(\$ 0.01)
Weighted average number of shares		
Basic	18,971,230	24,163,965
Refer to notes to the financial statements		

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ACCESSPOINT CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended	
	March 31,	March 31,
	2004	2003
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 531,860	(\$220,797)
Adjustments to reconcile net income (loss) to net cash used or provided by operating activities:		
Amortization	128,473	128,473
Depreciation	19,036	52,131
Increase in receivables	(127,955)	(23,167)
Decrease (increase) in other current assets	(4,555)	91,775
Increase in clearing account	(26,996)	0
Decrease (increase) in prepaid expenses	(19,242)	744
(Decrease) increase in accounts payable and accrued expenses	(140,943)	75,045

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Decrease in accrued payroll taxes	(424,634)	(69,003)
Increase in bank overdraft	46,138	0
	-----	-----
Total adjustments	(550,678)	255,998
	-----	-----
Net cash provided by (used) in operations	(18,818)	35,201
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases	(7,270)	(5,999)
Payments on line of credit	(17,438)	(46,877)
Increase in notes payable	15,133	0
	-----	-----
Net cash (used in) financing activities	(9,575)	(52,876)
	-----	-----
Net change in cash	(28,393)	(17,675)
	-----	-----
Cash at beginning of period	28,393	35,961
	-----	-----
Cash at end of period	\$ 0	\$ 18,286
	=====	=====

Refer to notes to the financial statements

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## ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003

### NOTE A - NATURE OF OPERATIONS

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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,

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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 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.

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### ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003

#### 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 three months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004, 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, 2003.

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.

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### NOTE C - 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 March 31, 2004 the Company has accrued for the liability in full on its Balance Sheet. No payments have been made.

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 July 25, 2004

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### ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003

### NOTE C - LITIGATION AND CONTINGENCIES (CONTINUED)

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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, Merchantwarehouse.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.

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.

FOSTER TEPPER - This is an action recently brought by a former attorney



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for the Company for approximately \$63,000 in legal fees, which are allegedly due and payable. The Company has accrued \$37,000 for this matter. Trial is scheduled to start August 30, 2004

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.

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### ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003

#### NOTE C - LITIGATION AND CONTINGENCIES (CONTINUED)

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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").

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

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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;

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### ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003

#### NOTE C - LITIGATION AND CONTINGENCIES (CONTINUED)

- 
- 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

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- is now set for trial on July 26, 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.

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### ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003

#### NOTE D - 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. During the three months ended March 31, 2004 the Company made a settlement with the IRS for claims against the Company and its subsidiary Processing Source International. (See Note E-Related Party Transactions)

#### NOTE E - 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 March 31, 2004, the following related party relationships existed between the Company, its shareholders, officers and directors:

MBS, partially owned by William P. Barber, President and Chief Executive Officer of the Company 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.

During the three months ended March 31, 2004, the Company settled debt in excess of \$1,510,000. The settlements included outstanding IRS claims against the Company and its subsidiary Processing Source International, Inc. and funds necessary to settle an approximate \$800,000 legal judgment obligation to Roycap, Inc.

#### NOTE F - SUBSEQUENT EVENT -----

In April the Company concluded a funding agreement with MBS that calls for the sale and Exchange of certain e-commerce accounts and related billing software and host server, in exchange for \$545,000. The agreement allows the Company to repurchase the assets with stock equal in value to the purchase price at the Company's discretion within the first twelve months.

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### 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 ASSUMES NO OBLIGATION TO UPDATE THEM.

#### RESULTS OF OPERATIONS

-----

The three months ended March 31, 2004 compared with the three months ended March 31, 2003.

Revenues for the three months ended March 31, 2004 decreased to \$2,675,779 from \$3,390,275 for the three months ended March 31, 2003. The decrease of \$714,496, 21% 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 three months ended March 31, 2004 decreased to \$1,966,561 from \$2,616,291 for the three months ended March 31, 2003. The decrease of \$649,730 or 25%, 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 three months ended March 31, 2004 \$5,961 remained about the same as the \$4,624 for the three months ended March 31, 2003.

General and administrative expenses for the three months ended March 31, 2004 decreased to \$352,007 from \$774,595 for the three months ended March 31, 2003. The decrease of \$422,000, or (55%), resulted primarily from a decrease of salaries and wages, occupancy costs, reversal of allowance for doubtful accounts Chase clearing and other operating efficiencies realized through the consolidation of two offices into one.

Interest expense, net, for the three months ended March 31, 2004 was \$61,895, as compared to \$49,979 for the three months ended March 31, 2003. The increase resulted primarily from the Company's continued interest charges on indebtedness and borrowing costs.

Other (Income) Expense, net of Interest expense was \$(242,505) for the three months ended March 31, 2004, as compared to \$165,583 for the three months ended March 31, 2003. The increase in income of \$418,088 resulted primarily from the forgiveness of debt income \$436,032 occurring in the first three months of March 31, 2004, as compared to the three months ended March 31, 2003.

Net income for the three months ended March 31, 2004 \$531,860, as compared to a loss of (\$220,797) for the three months ended March 31, 2003. The difference, a gain of \$752,657 is due to the forgiveness of debt and reduction of general and administrative expenses due to increased efficiency in operations.

# LIQUIDITY AND CAPITAL RESOURCES -----

The Company had an overdraft of \$46,138 at March 31, 2004, as compared to cash of \$28,393 at December 31, 2003.

The Company had negative working capital at March 31, 2004. We believe that cash generated from operations will not be sufficient to fund the current and anticipated cash requirements. Subsequent to March 31, 2004 the Company sold off a book of business (merchant portfolio) in order to pay down IRS claims against its subsidiary Processing Source International, Inc. and Roycap settlement.

## ITEM 3. CONTROLS AND PROCEDURES.

Our President and Treasurer/Chief Financial Officer (the "Certifying Officer") is responsible for establishing and maintaining disclosure controls and procedures and internal controls and procedures for financial reporting for the Company. The Certifying Officer has designed such disclosure controls and procedures and internal controls and procedures for financial reporting to ensure that material information is made known to him, particularly during the period in which this report was prepared. The Certifying Officer has evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls and procedures for financial reporting as of March 31, 2004 and believes that the Company's disclosure controls and procedures and internal controls and procedures for financial reporting are effective based on the required evaluation. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

## PART II OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS-

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 March 31, 2004 the Company has accrued for the liability in full on its Balance Sheet. No payments have been made.

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

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on July 25, 2004

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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.

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.

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. The Company has accrued \$37,000 for this matter. Trial is scheduled to start August 30, 2004

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

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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").

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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;
- 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.

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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 July 26, 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.

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### 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

Exhibit 31	CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT
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Exhibit 32	CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT
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#### b. Reports on Form 8-K.

8-K filed February 10, 2004 Item 5. Other events and regulation FD



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disclosure  
8-K filed March 26, 2004 Item 5. Other events and regulation FD  
disclosure  
8-K filed March 29, 2004 Item 5. Other events and regulation FD  
disclosure

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SIGNATURES

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 hereunto duly authorized.

Dated: May 17, 2004

ACCESSPOINT CORPORATION

By /S/ WILLIAM R. BARBER

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William R. Barber,  
Chief Executive Officer, Chief  
Officer and President

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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
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/S/ GENE VALENTINE ----- Gene Valentine	Chairman of the Board of Directors	May 17, 2004
/S/ JOE BYERS ----- Joe Byers	Director	May 17, 2004
/S/ MIKE SAVAGE ----- Mike Savage	Director	May 17, 2004
/S/ WILLIAM R. BARBER ----- William R. Barber	Director	May 17, 2004

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