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ACCESSPOINT CORP /NV/
Form 10QSB
November 19, 2002

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 SEPTEMBER 30, 2002

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.)

2533 N. Carson Street, Suite 5198
Carson City, Nevada

89706

(Address of Principle Executive Offices)

(Zip Code)

(310) 846-2500

(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:

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Common Stock, \$0.001 Par Value

The number of the Company's shares of Common Stock outstanding as of September 30, 2002 was 24,163,965.

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

-1-

ACCESSPOINT CORPORATION
FORM 10-QSB QUARTERLY REPORT
AS OF AND FOR THE QUARTER ENDED SEPTEMBER 30, 2002
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 our 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, our Company's actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within our Company's control and that may have a direct bearing on operating results include, but are not limited to, the acceptance by customers of our Company's products and services, our Company's ability to develop new products and services cost-effectively, the ability of

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our 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

Our reviewed consolidated financial statements for the periods ended September 30, 2002 and September 30, 2001 are filed herewith.

-3-

ACCESSPOINT CORPORATION CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2002 AND 2001

TABLE OF CONTENTS

Independent Accountant's Report	5
Consolidated Balance Sheets	6
Consolidated Statements of Operations	7
Consolidated Statements of Cash Flow	8
Consolidated Statements of Changes in Stockholders' Equity	9
Notes to Consolidated Financial Statements	10

-4-

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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
ACCESSPOINT CORPORATION
Los Angeles, California

We have reviewed the accompanying consolidated balance sheets of Accesspoint Corporation and its subsidiaries ("the Company") as of September 30, 2002 and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the nine month periods ended September 30, 2002 and 2001. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of inquiries of persons responsible for financial and accounting matters and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with generally accepted accounting principles in the United States of America.

We previously audited in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2001, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended (not presented herein), and in our report dated April 4, 2002 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2001 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

As discussed in Note O, certain conditions indicate that the Company may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments to the financial statements that might be necessary should the Company be unable to continue as a going concern.

November 4, 2002
Los Angeles, California

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ACCESSPOINT CORPORATION
CONSOLIDATED BALANCE SHEETS
(unaudited)

ASSETS

	September 30, 2002	Decemb 20
	<u> </u>	<u> </u>
Current Assets		
Cash and cash equivalents	\$ 0	\$ 0
Accounts receivable, net	444,383	2
Inventory	0	
Other assets	359,578	
Prepaid expenses	19,820	
Total Current Assets	<u>823,781</u>	<u>3</u>
Fixed Assets		
Furniture and equipment (net)	398,176	4
Total Fixed Assets	<u>398,176</u>	<u>4</u>
Other Assets		
Deferred financing costs (net)	5,340,010	6,2
Intangible asset	154,667	
Deposits	291,597	2
Total Other Assets	<u>5,786,274</u>	<u>6,5</u>
Total Assets	<u>\$ 7,008,231</u>	<u>\$ 7,3</u>
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2002	Decemb 20
	<u> </u>	<u> </u>
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,099,436	\$ 1,46
Bank overdraft	140,237	
Accrued payroll taxes and penalties	1,036,089	1,0
Accrued loss contingencies	158,033	3
Deferred compensation	0	2
Customer deposits	19,465	
Line of credit	1,419,595	
Current portion, capitalized leases	270,877	3
Current portion, notes payable	732,500	1,1
Total Current Liabilities	<u>5,876,232</u>	<u>4,6</u>
Capital Lease obligations, net of current portion	0	
Notes payable, net of current portion	0	
Total Liabilities	<u>5,876,232</u>	<u>4,6</u>

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Stockholders' Equity		
Common stock, \$.001 par value, 25,000,000 shares authorized, 24,163,965 and 23,375,208 issued and outstanding, respectively	24,164	
Preferred Stock, \$.001 par value, 5,000,000 shares authorized, 1,055,600 shares issued and outstanding, respectively	1,056	
Additional paid in capital	14,977,251	14,4
Retained deficit	(13,870,472)	(11,7
Total Stockholders' Equity	1,131,999	2,7
Total Liabilities and Stockholders' Equity	\$ 7,008,231	\$ 7,3
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements

-6-

ACCESSPOINT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended		Nin
	September 30, 2002	September 30, 2001	September 2002
Sales, net	\$ 4,025,465	\$ 1,690,498	\$10,436,49
Cost of sales	3,377,684	950,185	8,431,24
Gross profit	647,781	740,313	2,005,25
Selling expenses	14,563	85,573	9,51
General and administrative expenses	985,074	1,110,209	2,919,08
Income (loss) from operations	(351,856)	(455,469)	(923,34
Other (Income) Expense			
Interest income	0	(3,978)	(13,25
Gain on sale of asset	0	0	(100,00
Impairment loss	45,333	0	45,33
Bad debt expense	215,876	82,157	528,04
Miscellaneous	(4,955)	(9,216)	(2,34
Litigation expenses	(195,069)	0	(133,51
Amortization of deferred financing costs	316,319	0	948,95

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Debt forgiveness	0	(7,598)	
Interest expense	43,579	22,523	154,03
Total Other (Income) Expense	<u>421,083</u>	<u>83,888</u>	<u>1,427,25</u>
Income (loss) before income taxes and extraordinary items	(772,939)	(539,357)	(2,350,60)
Extraordinary items			
Gain on forgiveness of deferred compensation	0	0	(221,47)
Income (loss) before income taxes	<u>(772,939)</u>	<u>(539,357)</u>	<u>(2,129,12)</u>
Provision for income taxes	0	2,400	2,40
Net income (loss)	<u>(\$772,939)</u>	<u>(\$541,757)</u>	<u>(\$2,131,52)</u>
Net loss per share (basic and diluted)			
Basic	(\$0.03)	(\$0.03)	(\$0.0
Diluted	(\$0.03)	(\$0.02)	(\$0.0
Weighted average number of shares			
Basic	24,163,965	18,992,955	23,690,81
Diluted	30,747,706	26,377,178	30,274,55

The accompanying notes are an integral part of these consolidated financial statements

-7-

ACCESSPOINT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended	
	September 30, 2002	September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (loss)	(\$2,131,525)	(\$2,682,726)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	948,957	0
Depreciation	169,675	247,211
Impairment loss	45,333	0
Services paid by stock issuance	0	393,703
Decrease (Increase) in receivables	(188,510)	(31,848)

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Decrease (Increase) in inventory	6,366	(18,229)
Decrease (Increase) in other receivables	(359,578)	10,185
Decrease (Increase) in prepaid expenses	(6,013)	3,504
Decrease (Increase) in deposits	461	47,120
(Decrease) Increase in accounts payable and accrued expenses	662,465	81,058
(Decrease) Increase in bank overdraft	140,237	0
(Decrease) Increase in accrued payroll taxes	(54,991)	58,592
(Decrease) Increase in loss contingencies	(180,200)	0
(Decrease) Increase in customer deposits	(80,000)	113,428
(Decrease) Increase in deferred compensation	(221,477)	(2,500)
Total Adjustments	<u>882,725</u>	<u>902,224</u>
Net cash used in operations	<u>(1,248,800)</u>	<u>(1,780,502)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of portfolio	(200,000)	0
Purchase of fixed assets	(166,167)	(56,653)
Net cash used in investing activities	<u>(366,167)</u>	<u>(56,653)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of notes payable	0	74,000
Payments on notes payable	0	0
Payments on capital leases	(32,281)	(140,976)
Line of credit	1,419,595	0
Sale of stock	149,424	1,954,547
Net cash provided by financing activities	<u>1,536,738</u>	<u>1,887,571</u>
Net change in cash and cash equivalents	<u>(78,229)</u>	<u>50,416</u>
Cash and cash equivalents at beginning of year	<u>78,229</u>	<u>31,954</u>
Cash and cash equivalents at end of period	<u>\$ 0</u>	<u>\$ 82,370</u>
Supplemental cash flows disclosures:		
Income tax payments	\$ 2,400	\$ 2,400
Interest payments	\$ 3,194	\$ 73,806
Non cash investing and financing activities:		
Debt assumed by major shareholder	\$ 409,716	\$ 0
Stock issued for services	\$ 0	\$ 393,703

The accompanying notes are an integral part of these consolidated financial statements

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and check-processing platform to provide bundled payment acceptance, processing and business management services. These programs provide customers with multiple payment acceptance capabilities including credit card and check transaction, a fully operational e-commerce and business management Website, and a central Web based management system for servicing both the brick-and-mortar and web based sides to each business.

The Company focuses on specific markets that historically have been under served by the transaction processing industry. The Company's multi-application e-payment systems allow their growing national sales channel to market a single source solution to merchants and businesses. Clients enjoy the benefits of a versatile, multi-purpose system that provides a broad level of payment acceptance options and value-added business services without having to manage the multiple business relationships normally required for these functions.

The Accesspoint advantage is full transaction processing, settlement and software delivered as a bundled service for the cost of an industry standard transaction fee. Furthermore, as a result of the Company's systems, prospective clients can be approved in a short period, instead of the several-day time frame typically implemented by the Company's competition.

In November 2000, the Company launched its card processing division, managed by its wholly owned subsidiary, Processing Source International, Inc. and began earning card processing revenues in addition to its check processing revenues through the underwriting and processing of these electronic payment transactions in its growing merchant base.

The Company has targeted the Independent Sales Organization (ISO) and Independent Agent marketplace as a prime driver and sales channel for its services. The Company's operating systems makes it simple for these sale organizations to electronically submit a client's application, track the progress of that application, monitor merchant service, and even track commissions, all in real time via a private label portal provided by the Company. This program, called ISO Advantage, aims to establish a new standard for service and support in the merchant services industry and appears to present distinct marketplace advantages for those sales organizations who enter the program.

-10-

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2002 AND 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UNAUDITED INTERIM FINANCIAL INFORMATION

The accompanying financial statements have been prepared by Accesspoint Corporation, ("Accesspoint" or the "Company") 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

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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, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002, 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, 2001.

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.

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 and providing Internet access and hosting of Internet business services and web sites.

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 J.S.J. Capital III, Inc., 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.

-11-

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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.

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.

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

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.

INTANGIBLE ASSETS

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The Company evaluates intangible assets for impairment on an annual basis. If the estimated fair value based on generally accepted valuation methods is less than the carrying value, an impairment loss would be recorded to reduce the asset to its estimated fair value.

-12-

ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2002 AND 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

INVENTORY

Inventory is valued at the lower of cost or market. Cost is determined on the weighted average method. As of September 30, 2002 and 2001, inventory consisted only of finished goods.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with initial maturities of three months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK

Financial instruments, which subject the Company to credit risk, consist primarily of cash equivalents and trade accounts receivable. Concentration of credit risk with respect to trade accounts receivable is generally diversified to the large number of entities comprising the Company's customer base and their geographic dispersion. The Company actively evaluates the creditworthiness of the customers with which it conducts business.

ADVERTISING

Advertising costs are expensed in the year incurred.

EARNINGS PER SHARE

Earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during each period. Earnings per share are computed using the treasury stock method. The options to purchase common shares are considered to be outstanding for all periods presented but are not calculated as part of the earnings per share.

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

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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.

-13-

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2002 AND 2001

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, 2002, 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, 2002, 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	1,752,223
Exercise of stock options	3,715,916
	5,468,139

The Company intends to increase the authorized number of shares by proxy of its shareholders subsequent to September 30, 2002.

NOTE D - EARNINGS PER SHARE

Basic net earnings per share is computed using the weighted average number of common shares outstanding during the year. The dilutive effect of potential common shares outstanding is included in diluted net earnings per share. The computations of basic net earnings per share and diluted net earnings per share as of September 30, 2002 and 2001 are as follows:

	September 30, 2002	September 30, 2001
Net earnings (loss) from operations	\$(2,131,525)	\$(2,682,726)
Basic weighted average shares	23,690,800	18,401,000
Effect of dilutive securities:		
Common stock options	3,415,900	3,629,000

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Common stock warrants	1,752,200	1,460,000
Convertible debt	360,000	360,000
Convertible preferred stock	1,055,600	1,666,100
Dilutive potential common shares	30,274,500	25,516,100
Net earnings(loss) per share from continuing operations:		
Basic	(\$0.09)	(\$0.15)
Diluted	(\$0.07)	(\$0.11)

-14-

ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2002 AND 2001

NOTE E - LINE OF CREDIT

As of September 30, 2002, the Company had net borrowings due of \$1,419,595 against a \$5,000,000 line-of-credit that was established in December 2001 with Net Integrated Systems Ltd. (NIS). The agreement calls for minimum monthly payments of interest only at the rate of six percent (6%) per annum. NIS is a related party, see Note N.

NOTE F - 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. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Company. 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, 2002 the Company has accrued for the liability in full on its balance sheet. No payments have been made to date.

RUTTENBERG - During 2001 a former employee of the Company filed a formal demand for payment of remaining salary under an employment agreement, unreimbursed expenses and legal costs. In November 2001 the Company entered into a settlement agreement, which required a total sum of \$44,500, to be paid in \$5,000 monthly installments. The Company defaulted on this agreement after making some payments leaving a balance due of \$37,500. The Company appropriately recorded all original amounts demanded under a Stipulation for the Entry of Judgment of \$92,000, less payments that were made, due to the default.

In August 2002, the Company entered into a second settlement agreement regarding the unpaid original balance from the first settlement agreement. The terms stipulate that the unpaid balance is \$37,500,

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which is to be paid in monthly installments commencing in September 2002. The Company has adjusted its books to correctly reflect the amount due under this agreement.

CAPITAL LEASES - As of December 31, 2001, and subsequently, the Company has stopped making payments on all of its capital leases. Thus, under the lease agreements, the Company is in default. This default accelerates all future payments due and gives the lessor the right to obtain the property.

The Company is currently in negotiations with all lessors for revised terms for the remaining life of the leases. The Company renegotiated and paid-off two capital leases in June 2002. The Company has appropriately recorded all amounts due for the remaining capital leases as a current liability on its balance sheet as of September 30, 2002.

ROYCAP - As of September 30, 2002, 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. The Company has shown the \$450,000 loan in its liabilities as well as all accrued interest. In addition, the Company has accrued registration rights fees of \$108,000 related to this matter. In June 2002 Roycap filed formal suit on its claim in Orange County Superior Court.

-15-

ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2002 AND 2001

NOTE F - LITIGATION AND CONTINGENCIES (CONTINUED)

BENTLEY, DJOKOVICH - In March 2002, a shareholder of the Company, James M. Bentley filed a suit against the Company and other various officers, directors and entities. The suit contains eleven (11) Causes of Action including: Breach of Contract, Misappropriation, Unfair Competition, Unfair Business Practices and the imposition of a Constructive Trust.

On June 26, 2002, all parties entered into a settlement agreement. The substantive part of the agreement changes the term for releasing shares held by NIS pursuant to proxy rights (under a separate agreement entered into in December 2001) which are owned by Bentley and Djokovich, requires Djokovich to transfer to NIS 2,605,257 shares of stock of the Company and options to purchase an additional 2,000,000 shares of stock of the Company, provides for NIS's assumption of approximately \$409,000 in short-term loans owed to James W. Bentley by the Company and requires the Company to pay up to \$60,000 of Bentley's legal fees by March 31, 2003. Djokovich's shares are to be held in escrow as collateral until the above short-term loans are repaid.

According to the above terms of the settlement agreement the Company has removed the \$409,000 liability from its books and, accordingly, has recorded an increase in additional-paid-in-capital of \$409,000. See related party transactions Note M.

DJOKOVICH - In February 2002, Mr. Djokovich resigned as Chief Executive

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Officer of the Company. Mr. Djokovich gave up his employment contract, signed a mutual release and relieved the Company from paying deferred compensation owed to him and a related Promissory Note and Security Agreement. In June 2002, Mr. Djokovich resigned from the Board of Directors as part of the above settlement agreement.

URCUYO - In January 2002, Alfred Urcuyo resigned as President of PSI. Mr. Urcuyo gave up his employment contract and released the Company from paying any amounts owed to him for unreimbursed expenses. Mr. Urcuyo signed a Mutual Release.

MULDER - In 2002, a former employee filed a claim with the Company for payment of credit card debt he incurred on behalf of the Company and to pay expenses and various loans he states were made to the Company. These items amount to approximately \$65,000 and are recorded in the financial statements as a current liability.

In October 2002, Mr. Mulder filed a complaint in the Orange County Superior Court alleging breach of written and oral contracts and claiming damages of \$430,250 plus attorney fees. Management intends to vigorously defend itself against this claim and believes that the \$65,000 previously accrued is adequate. See subsequent events Note L.

PARISH - In 2002, a former Consultant of the Company filed a claim stating that he is owed 33,336 shares of common stock and 20,000 options to purchase shares of common stock at \$5 per share, for services rendered under a contract with the Company. The Company does not believe that this claim is valid under the contract terms and intends to defend itself in this matter. No action has been filed and no amounts have been accrued.

VERVE - In 2002, a shareholder of the Company submitted a letter of demand to recover their original investment of \$40,000. In July 2002 the Company settled with the shareholder and agreed to issue 40,000 new shares of restricted stock and 60,000 warrants to purchase additional stock at \$1 per share, exercisable in three years, to settle their demand. As of November 4, 2002 these shares and warrants have not been issued by the Company.

-16-

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2002 AND 2001

NOTE F - LITIGATION AND CONTINGENCIES (CONTINUED)

MERCHANTWAREHOUSE.COM - In April 2002, a former agent of the Company initiated arbitration against the Company. The firm is claiming improper termination of its agency agreement and has requested \$1,000,000. The Company intends to defend the claim vigorously. It is not possible at this time to determine the outcome of the case or the possible loss, but management does not believe that the outcome will have a material adverse effect on the Company. No amounts have been accrued in this matter.

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BIGGOTT - On May 29, 2002, Mr. Biggott filed a lawsuit against various entities including the Company, charging them with wrongfully terminating his employment with an unrelated company, and with unfair competition, negligence, intentional interference with prospective economic advantage and unfair business practices in connection with the use of a certain product. Mr. Biggott claims \$400,000 in actual damages plus interest and attorney fees. The action alleges that the Company is the alter ego of the other entities named and is therefore liable for their alleged wrongdoing. The Company denies the allegations and any wrongdoing and intends to vigorously defend the action. No amounts have been accrued in the financial statements.

ACCOUNTS PAYABLE - The Company is currently in arrears in payments to its vendors in the normal course of business. Management is currently working on negotiating compromised amounts with all vendors. The Company has recorded as a liability on its balance sheet the full value of amounts owed to the vendors. When and if amounts are compromised, a gain on forgiveness of debt will be recognized accordingly.

NOTE G - PAYROLL TAXES

The Company is currently in negotiations with the United States Department of the Treasury, Internal Revenue Service (IRS) in regards to unpaid employment taxes. The IRS has made formal demand of amounts due and unpaid, including interest and penalties, from the Company, and has appropriately filed tax liens against all assets of the Company. The Company entered into installment agreements with the IRS and made payments as required. The Company has hired independent accountants to assist them in this matter and has filed a request for an "Offer in Compromise" of all amounts owed by the Company. The IRS has recorded the request and halted all payment requirements under the installment agreements and any other collection activity until it has had time to review the matter. The Company has requested that the IRS look at Accesspoint Corporation and its Subsidiaries as one unit for terms of the Offer in Compromise. As of the date of this report the IRS has responded to the Company and is reviewing its offer and request to be treated as one unit.

-17-

ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2002 AND 2001

NOTE G - PAYROLL TAXES (CONTINUED)

The Company has always recorded its liability in full to the IRS, including penalties and interest, on its balance sheet. As of September 30, 2002, the Company has accrued liability of approximately \$1,028,700 to the IRS.

The Company also owes unpaid employment taxes to the California Employment Development Department (EDD). The Company has entered into installment agreements with the EDD and has been making all required payments. The Company has always recorded in full, including penalties

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and interest, its liability to the EDD as a liability on its balance sheet. As of September 30, 2002, the Company has accrued liability of approximately \$51,200 to the EDD.

NOTE H - EXTRAORDINARY INCOME

In February 2002, Tom Djokovich, former President of the Company, signed a release as part of his termination of employment (see Note F), relieving the Company from paying his deferred compensation. This amount totaled \$221,477. The Company reduced the liability recorded on its books and recorded extraordinary income for the total amount.

NOTE I - PORTFOLIO PURCHASE

On February 25, 2002, the Company purchased a portfolio of residual compensation identified as a merchant base held by Chase Merchant Services from another corporation. The purchase price was \$500,000, payable in installments starting February 27, 2002 and ending November 25, 2002.

In July 2002, the terms of the purchase agreement were amended changing the purchase price to \$200,000 to more accurately reflect the residual compensation revenue stream purchased. The Company has recorded the purchase as an intangible asset on its books and in accordance with FAS 142 "Goodwill and Other Intangible Assets" has subsequently written down the purchase price to its current estimated fair value of \$154,700.

NOTE J - PORTFOLIO SALE

On June 10, 2002, the Company sold to another corporation a residual compensation stream, identified as a merchant base held with Chase Merchant Services, for \$101,250. The Company received \$75,000 in June, 2002 and received the remaining \$26,250 in August 2002.

NOTE K - COMMITMENTS

In August 2002, the Company entered into an operating lease agreement for office facilities. The lease commences on October 1, 2002 and terminates on March 30, 2011. The basic terms of the lease require payments of \$12,289 per month for the first year. Every year thereafter the rent increases by approximately \$550 per month. See Subsequent Events Note L and Related Party Transactions Note N.

-18-

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2002 AND 2001

NOTE L - SUBSEQUENT EVENTS

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In October 2002, a former employee filed a claim in Orange County Superior Court for alleged damages of \$430,250. Please see Litigation and Contingencies Note F.

In October 2002, the Company entered into a Support Services Agreement with Merchants Billing Services, Inc. (MBS) (a related party). The terms of the agreement contracts MBS as the exclusive provider of underwriting, customer, technical and administrative support services. MBS agrees to provide all above services at its cost and is granted the right to use the Company's fixed assets, at no charge, as they are needed. The term of the agreement is for five years, with annual renewal clauses.

In November 2002, the Company assigned its rights under an operating lease (See Commitments Note K) for office facilities to Merchant Billing Services, Inc. See Related Party Transactions, Note N.

NOTE M - DEFERRED FINANCING COSTS

In accordance with APB 21 and SAB 79 the Company has 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 Ltd. (NIS) as an inducement for NIS to enter into the Revolving Line of Credit Agreement.

This amount is calculated by multiplying the 4,486,795 shares transferred by \$1.41 per share. The share price represents the closing market value of the Company's stock on December 20, 2001 reduced by a ten percent (10%) discount due to the Rule 144 stock restrictions on these shares.

The entry to record this transaction is to debit the deferred financing cost asset and to credit additional paid in capital. The Company is amortizing the deferred financing cost over the life of the line of credit, which is five years. For the nine months ended September 30, 2002 the Company recorded amortization expense of \$948,957.

NOTE N - RELATED PARTY TRANSACTIONS

As of September, 30, 2002, the following related party relationships existed between the Company, its shareholders, officers and directors:

Ameropa Ltd. serves as the agent for payment of funds against the line of credit which has been established with Net Integrated Systems Ltd. (NIS). Additionally, Ameropa provides cash management, liquidity and a source of financing for the Company. On a daily basis, all cash balances in bank accounts held by the Company, and its subsidiaries, are transferred to Ameropa. Ameropa transfers funds back to the operating accounts of the Company as items are presented for payment against its accounts. Due the inability of the Company to access or establish credit with vendors, leasing organizations or potential customers, Ameropa and its related entities, pay standard operating expenses on behalf of the Company and then invoice the Company for the goods or services paid on its behalf. There were a total of 166 cash management and operating expense transactions between the two companies for the nine months ended September 30, 2002. As of September 30, 2002, Ameropa has provided a total of \$1,419,595. The financing calls for minimum monthly payments of interest only, at the rate of six percent (6%) per annum. As of September 30, 2002, unpaid accrued interest totaled \$26,544. Ameropa Ltd. is a Bahamian registered foreign corporation. Ameropa Ltd.'s majority owner is Mr. William Barber, a major stockholder in Net Integrated Systems Ltd. and Merchants Billing

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Services, Inc. (see below) and the current CEO of Accesspoint Corporation.

-19-

ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2002 AND 2001

NOTE N - RELATED PARTY TRANSACTIONS (CONTINUED)

Merchants Billing Services, Inc. ("MBS"), a Nevada "C" corporation, has provided the Company with a source of liquidity by paying operating expenses on the Company's behalf. MBS is majority owned by Mr. William Barber, a major stockholder of NIS and Ameropa Ltd. and the current CEO of Accesspoint Corporation. As of September 30, 2002, approximately \$86,900 is owed to MBS for rent payments advanced on behalf of the Company and a \$73,375 standby letter of credit issued by MBS for the benefit of the lessor on behalf of the Company.

On June 26, 2002, a Settlement Agreement and Mutual Release was reached between Mr. Djokovich, former President and CEO of Accesspoint Corporation, James M. Bentley, former member of the Board of Directors, the Bentley Family Trusts et al and the Company, its officers and employees. The substantive part of the agreement changes the term for releasing shares held by NIS pursuant to proxy rights (under a separate agreement entered into in December 2001) which are owned by Bentley et al and Mr. Djokovich, requires Mr. Djokovich to transfer to NIS 2,605,257 shares of stock of the Company and options to purchase an additional 2,000,000 shares of stock of the Company, provides for NIS's assumption of approximately \$409,000 in short-term loans owed to James W. Bentley by the Company and requires the Company to pay up to \$60,000 of Bentley's legal fees by March 31, 2003. Mr. Djokovich's shares are to be held in escrow as collateral until the above short-term loans are repaid.

NOTE O - GOING CONCERN

The Company has suffered recurring losses, cash deficiencies, loan and capital lease defaults, and current liabilities far in excess of current assets. Additionally, the Company has payroll tax liabilities from prior years in excess of \$1,000,000. These issues raise substantial concern about its ability to continue as a going concern.

Management has prepared the following statement in order to address these and other concerns:

The Company has made substantial investments and significant changes in the development of the infrastructure which supports its transaction processing software and business automation services. The Company has restructured its risk management procedures, retained a Visa/MasterCard consultancy group to ensure regulation compliance, streamlined its merchant approval process to increase the success rate of boarding approved merchants, reassessed merchant pricing and terms to increase

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profitability and decrease risk, and sharpened its focus on merchant customer service. These changes have stabilized the Company's monthly recurring residual income stream by 48% and increased gross credit card processing revenue by 50%.

In the first two quarters of 2002, the Company significantly reduced its overhead by closing two office facilities and consolidating administrative and sales efforts. In addition, the Company has negotiated its lease commitments to reduce its monthly space rental by \$11,000. To address its ongoing tax issue, the Company has retained an experienced and respected tax attorney to present an offer in compromise with the IRS regarding its payroll tax liabilities. The attorney has advised the Company that significant progress has been achieved regarding the IRS debt.

As noted previously, in December 2001, the Company entered into a Management Agreement and related Revolving Line of Credit Agreement for up to \$5,000,000. The Company has used approximately \$1,500,000 of this credit facility as of September 30, 2002.

-20-

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.

A. OVERVIEW

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 our software products.

B. RESULTS OF OPERATIONS

Three and Nine Months Ended September 30, 2002 Compared With Three and Nine Months Ended September 30, 2001

Revenues for the three and nine months ended September 30, 2002 increased to \$4,025,465 and \$10,436,498 from \$1,690,498 and \$3,595,409 for the three and nine months ended September 30, 2001. The increases of \$2,334,967 and \$6,841,089, or 138% and 190%, respectively, are due primarily to our increased revenues associated with credit card processing which resulted in an overall

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increase in sales.

Cost of sales for the three and nine months ended September 30, 2002 increased to \$3,377,684 and \$8,431,244 from \$950,185 and \$1,716,086 for the three and nine months ended September 30, 2001. The increases of \$2,427,499 and \$6,715,158, or 255% and 391%, respectively, resulted primarily from our increase in cost of sales associated with credit card processing, which resulted in an overall increase in sales.

Selling and marketing expenses for the three and nine months ended September 30, 2002 decreased to \$14,563 and \$9,518 from \$85,573 and \$303,785 for the three and nine months ended September 30, 2001. These decreases of \$71,010 and \$294,267, or 83% and 96%, respectively, resulted primarily from the reduction of overhead costs, including the reduction in trade show expenses, advertising consulting costs, and printing costs for brochure and promotional materials during the development of our processing and underwriting platform.

General and administrative expenses for the three and nine months ended September 30, 2002 decreased to \$985,074 and \$2,919,083 from \$1,110,209 and \$3,919,258 for the three and nine months ended September 30, 2001. The decrease of \$125,135 and \$1,000,175 or 11% and 31% respectively, resulted primarily from a decrease of Salaries and Wages and related employee costs and a decrease in professional costs and other efficiencies.

Interest expense, net, for the three and nine months ended September 30, 2002 was \$43,579 and \$154,036, as compared to \$22,523 and \$132,411 for the three and nine months ended September 30, 2001. The increases of \$21,056 and \$21,625, or 93% and 16%, respectively, resulted primarily from the Company's static cost of debt.

Other (Income) Expense, net of Interest expense was \$377,504 and \$1,273,219 for the three and nine months ended September 30, 2002, as compared to \$61,365 and \$234,195 for the three and nine months ended September 30, 2001. These

-21-

increases of \$316,139 and \$1,039,024, or 515% and 444%, respectively, resulted primarily from the increases of amortization of deferred financing costs and bad debt expense for the three and nine months ended September 30, 2002, as compared to the three and nine months ended September 30, 2001.

Net losses for the three and nine months ended September 30, 2002 were \$(772,939) and \$(2,131,525), as compared to \$(541,757) and \$(2,682,726) for the three and nine months ended September 30, 2001. The difference in loss of \$231,182 and \$(551,201), or 43% and (21%), respectively, were primarily related to increased revenues and a reduction of development-related activities.

C. LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at September 30, 2002 were \$(140,237), compared to \$78,229 at September 30, 2001, a decrease of \$(218,466), which represented a decline of 279%.

Net Cash used in operations decreased from \$1,780,502 for the nine months ended September 30, 2001 to \$1,248,800 for the nine months ended September 30, 2002 or a resulted efficiency in cash of \$531,702 or 43%. This efficiency was primarily accomplished by increased effectiveness in operations.

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Net Cash used in investing activities increased from \$56,653 as of September 30, 2001 to \$366,167 as of September 30, 2002. This increase of \$309,514, or 546%, was primarily due to the purchase of a portfolio of residual compensation, which purchase was subsequently rescinded (see Note I, Portfolio Purchase, attached as a part of the financial statements prepared by our auditors filed herewith and incorporated hereby).

During the nine months ended September 30, 2002, the Company generated net cash of \$1,536,738 from financing activities as compared to \$1,887,571 for the nine months ended September 30, 2001. The decrease of \$350,833, or 19%, resulted from a decrease in private placement fundraising activities.

We had, at September 30, 2002, negative working capital. We believe that cash generated from operations will not be sufficient to fund our current and anticipated cash requirements. However, management believes that our Five Million Dollar (\$5,000,000) Secured Revolving Line of Credit through Net Integrated Systems should be sufficient to sustain Accesspoint's operations and activities for the foreseeable future. As such, we do not believe that our current operational plans for the next twelve months will be curtailed or delayed because of the lack of sufficient financing. While there can be no assurances that we will continue to have access to such additional financing, on terms acceptable to us and at the times required, or at all, we believe that we will have access to sufficient capital for the foreseeable future.

D. NET OPERATING LOSS

For federal income tax purposes, we have net operating loss carryforwards of approximately \$10,760,000 as of September 30, 2002 and \$7,010,000, as of September 30, 2001. These carryforwards will expire at various dates through the year 2015. The use of such net operating loss carryforwards to be offset against future taxable income, if achieved, may be subject to specified annual limitations (see "Risks of Our Business Limitations on Net Operating Loss Carry Forward").

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. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Company. Listed below are only those matters considered to be material to the Company by management and its counsel.

-22-

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, 2002, the Company has accrued for the liability in

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full on its balance sheet. No payments have been made to date.

RUTTENBERG - During 2001 a former employee of the Company filed a formal demand for payment of remaining salary under an employment agreement, unreimbursed expenses and legal costs. In November 2001 the Company entered into a settlement agreement, which required a total sum of \$44,500, to be paid in \$5,000 monthly installments. The Company defaulted on this agreement after making some payments leaving a balance due of \$37,500. The Company appropriately recorded all original amounts demanded under a Stipulation for the Entry of Judgment of \$92,000, less payments that were made, due to the default.

In August 2002, the Company entered into a second settlement agreement regarding the unpaid original balance from the first settlement agreement. The terms stipulate that the unpaid balance is \$37,500, which is to be paid in monthly installments commencing in September 2002. The Company has adjusted its books to correctly reflect the amount due under this agreement.

ROYCAP - As of September 30, 2002, 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. The Company has shown the \$450,000 loan in its liabilities as well as all accrued interest. In addition, the Company has accrued registration rights fees of \$108,000 related to this matter. In June 2002 Roycap filed formal suit on its claim in Orange County Superior Court.

BENTLEY, DJOKOVICH - In March 2002, a shareholder of the Company, James M. Bentley filed a suit against the Company and other various officers, directors and entities. The suit contains eleven (11) Causes of Action including: Breach of Contract, Misappropriation, Unfair Competition, Unfair Business Practices and the imposition of a Constructive Trust.

On June 26, 2002, all parties entered into a settlement agreement. The substantive part of the agreement changes the term for releasing shares held by NIS pursuant to proxy rights (under a separate agreement entered into in December 2001) which are owned by Bentley and Djokovich, requires Djokovich to transfer to NIS 2,605,257 shares of stock of the Company and options to purchase an additional 2,000,000 shares of stock of the Company, provides for NIS's assumption of approximately \$409,000 in short-term loans owed to James W. Bentley by the Company and requires the Company to pay up to \$60,000 of Bentley's legal fees by March 31, 2003. Djokovich's shares are to be held in escrow as collateral until the above short-term loans are repaid.

According to the above terms of the settlement agreement the Company has removed the \$409,000 liability from its books and, accordingly, has recorded an increase in additional-paid-in-capital of \$409,000. See related party transactions Note M.

MULDER - In 2002, a former employee filed a claim with the Company for payment of credit card debt he incurred on behalf of the Company and to pay expenses and various loans he states were made to the Company. These items amount to approximately \$65,000 and are recorded in the financial statements as a current liability.

In October 2002, Mr. Mulder filed a complaint in the Orange County Superior Court alleging breach of written and oral contracts and claiming damages of \$430,250 plus attorney fees. Management intends to vigorously defend itself against this claim and believes that the \$65,000 previously accrued is adequate. See subsequent events Note L.

PARISH - In 2002, a former Consultant of the Company filed a claim stating that he is owed 33,336 shares of common stock and 20,000 options to purchase shares of common stock at \$5 per share, for services rendered under a contract with the Company. The Company does not believe that this claim is valid under the

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contract terms and intends to defend itself in this matter. No action has been filed and no amounts have been accrued.

-23-

VERVE - In 2002, a shareholder of the Company submitted a letter of demand to recover their original investment of \$40,000. In July 2002 the Company settled with the shareholder and agreed to issue 40,000 new shares of restricted stock and 60,000 warrants to purchase additional stock at \$1 per share, exercisable in three years, to settle their demand. As of November 4, 2002 these shares and warrants have not been issued by the Company.

MERCHANTWAREHOUSE.COM - In April 2002, a former agent of the Company initiated arbitration against the Company. The firm is claiming improper termination of its agency agreement and has requested \$1,000,000. The Company intends to defend the claim vigorously. It is not possible at this time to determine the outcome of the case or the possible loss, but management does not believe that the outcome will have a material adverse effect on the Company. No amounts have been accrued in this matter.

BIGGOTT - On May 29, 2002, Mr. Biggott filed a lawsuit against various entities including the Company, charging them with wrongfully terminating his employment with an unrelated company, and with unfair competition, negligence, intentional interference with prospective economic advantage and unfair business practices in connection with the use of a certain product. Mr. Biggott claims \$400,000 in actual damages plus interest and attorney fees. The action alleges that the Company is the alter ego of the other entities named and is therefore liable for their alleged wrongdoing. The Company denies the allegations and any wrongdoing and intends to vigorously defend the action. No amounts have been accrued in the financial statements.

For a more detailed discussion of Legal Proceedings, please refer to Note F, Litigation and Contingencies, attached as a part of the financial statements prepared by our auditors filed herewith and incorporated hereby.

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, 2002.

ITEM 5. OTHER INFORMATION

Mr. Eric J. Odegard was terminated as President of Processing Source International, Inc. effective October 31, 2002 due to the elimination of his

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position, and he has since been removed from the Accesspoint Corporation Board of Directors. Mr. William R. Barber was elected Chief Executive Officer of Accesspoint Corporation by unanimous decision of the Board of Directors on November 4, 2002. In addition, Mr. Barber has been appointed to fill the vacancy on the Board of Directors. Mr. Barber is the majority shareholder of Ameropa Ltd. and Merchants Billing Services, Inc. and holds a major equity position in Net Integrated Systems Ltd.

In October 2002, Processing Source International, Inc. entered into a Support Services Agreement with Merchants Billing Services, Inc. whereby MBS was contracted to be the exclusive provider of underwriting, customer, technical and administrative support services for PSI. MBS has agreed to provide these services at its cost and is granted the right to use the Company's fixed assets, at no charge, as they are needed. The term of the agreement is for five years, with annual renewal clauses.

-24-

In November 2002, the Company assigned its rights under an operating lease for office facilities in Los Angeles, California to Merchants Billing Services, Inc. As of the date of this filing, Accesspoint has consolidated its corporate and operational offices and moved them to Carson City, Nevada.

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.

<u>Exhibit No.</u>	<u>Description</u>
9.0	**Form of Irrevocable Voting Proxy in favor of Net Integrated Systems, Ltd.
10.37	**Form of Stock Transfer Letter between shareholder and Net Integrated Systems, Ltd.
10.38	**Form of Stock Option Agreement between shareholder and Net Integrated Systems, Ltd.
10.39	**Form of First Amendment to Stock Option Agreement between shareholder and Net Integrated Systems, Ltd.
10.40	**Form of Stock Pledge Agreement between shareholder and Net Integrated Systems, Ltd.
10.41	**Management Agreement between Accesspoint Corporation, Processing Source International, Inc. and Net Integrated Systems, Ltd.
10.42	**Revolving Line of Credit Agreement
10.43	**Secured Loan Agreement

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- 10.44 *** Merchant Portfolio Purchase Agreement between Processing Source International, Inc. and Northwest Systems, LLC
- 21.00 *List of Subsidiaries
- 99.1 Certification-CEO
- 99.2 Certification-CFO

- * Incorporated by reference from the exhibit to the Annual Report on Form 10-KSB filed by us on April 16, 2001
- ** Incorporated by reference from the exhibit to the Current Report on Form 8-K filed by us on January 14, 2002
- *** Incorporated by reference from the exhibit to the Second Amended Quarterly Report on Form 10-QSB filed by us on August 2, 2002

B. REPORTS ON FORM 8-K

None.

-25-

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, thereunto duly authorized, in the City of Los Angeles, State of California, on the 18th day of November, 2002.

Dated: November 18, 2002

ACCESSPOINT CORPORATION

By: /s/ WILLIAM R. BARBER

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

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/ WILLIAM R. BARBER _____ William R. Barber	CEO, CFO & Director	November 18, 2002

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/s/ CHRISTINE CROCKER

Secretary

November 18, 2002

Christine Crocker

-26-

ACCESSPOINT CORPORATION

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 officers 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 we 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 auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- 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

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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.

DATED: NOVEMBER 18, 2002

ACCESSPOINT CORPORATION

(Registrant)

/s/ WILLIAM R. BARBER

William R. Barber
Chief Executive Officer

-27-

ACCESSPOINT CORPORATION

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 officers 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 we 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;

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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 auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

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.

DATED: NOVEMBER 18, 2002

ACCESSPOINT CORPORATION

(Registrant)

/s/ WILLIAM R. BARBER

William R. Barber
Chief Financial Officer