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ACCESSPOINT CORP /NV/  
Form 10QSB/A  
July 23, 2002

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

FORM 10-QSB/A

AMENDMENT NO. 1

TO

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 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.)

21031 Ventura Boulevard, Suite 200  
Woodland Hills, California

91364

\_\_\_\_\_  
(Address of Principle Executive Offices)

\_\_\_\_\_  
(Zip Code)

(818) 737-3232

\_\_\_\_\_  
(Issuer's Telephone Number, Including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE EXCHANGE ACT:

None

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SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE EXCHANGE ACT:

Common Stock, \$0.001 Par Value

-1-

The number of the Company's shares of Common Stock outstanding as of March 31, 2002 was 23,533,271.

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

EXPLANATORY NOTE

This Quarterly Report on Form 10-QSB/A ("Form 10-QSB/A") is being filed as Amendment No. 1 to the Registrant's Quarterly Report on Form 10-QSB filed with the Securities and Exchange Commission on May 20, 2002 ("Form 10-QSB") for the purpose of amending Items 1 and 2 of Part I of Registrant's Form 10-QSB. We have no further changes to the previously filed Form 10-QSB. All information in this Form 10-QSB/A is as of March 31, 2002, and does not reflect, unless otherwise noted, any subsequent information or events other than the changes mentioned above.

ACCESSPOINT CORPORATION  
AMENDED FORM 10-QSB QUARTERLY REPORT  
AS OF AND FOR THE QUARTER ENDED MARCH 31, 2002  
TABLE OF CONTENTS

Forward-Looking Statements

PART I

Item 1. Financial Statements

Item 2. Management's Discussion and Analysis or Plan of Operation

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

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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 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 March 31, 2002 and March 31, 2001 are filed herewith.

-3-

#### ACCESSPOINT CORPORATION CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2002

##### TABLE OF CONTENTS

Independent Accountant's Report	2
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Cash Flow	5
Consolidated Statements of Changes in Stockholders' Equity	7
Notes to Consolidated Financial Statements	8

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors  
Accesspoint Corporation  
Los Angeles, California

Members of the Board:

We have reviewed the accompanying consolidated balance sheet of Accesspoint Corporation and its subsidiaries ("the Company") as of March 31, 2002 and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the three month periods ended March 31, 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 I to the financial statements, the Company's Notes Payable previously reported as \$1,110,250 should have been \$1,410,250. As discussed in Note K to the financial statements, the Company's Deferred Financing Costs should have been reported as \$6,326,381 and related amortization of \$316,319. This discovery was made subsequent to the issuance of the financial statements. The financial statements have been restated to reflect these corrections.

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May 16, 2002, except for Notes I and K, as to which the date is July 12, 2002.  
Los Angeles, California

-5-

ACCESSPOINT CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(unaudited)

ASSETS

	March 31, 2002	December, 2001
	<u>                    </u>	<u>                    </u>
Current Assets		
Cash and cash equivalents	\$ 194,467	\$ 78,2
Accounts receivable, net	384,768	255,8
Inventory	8,404	6,3
Other receivables	0	
Prepaid expenses	13,034	13,8
	<u>                    </u>	<u>                    </u>
Total Current Assets	600,673	354,2
	<u>                    </u>	<u>                    </u>
Fixed Assets		
Furniture and equipment (net)	332,994	401,6
	<u>                    </u>	<u>                    </u>
Total Fixed Assets	332,994	401,6
	<u>                    </u>	<u>                    </u>
Other Assets		
Deferred financing costs (net)	5,972,648	
Goodwill	500,000	
Deposits	291,597	292,0
	<u>                    </u>	<u>                    </u>
Total Other Assets	6,764,245	292,0
	<u>                    </u>	<u>                    </u>
Total Assets	\$ 7,697,912	\$ 1,048,0
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

March 31, 2002	December, 2001
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Current Liabilities		
Accounts payable and accrued expenses	\$ 1,649,014	\$ 1,467,6
Accrued payroll taxes and penalties	959,434	1,091,0
Accrued loss contingencies	373,233	338,2
Deferred compensation	0	221,4
Customer deposits	99,465	99,4
Line of credit	703,252	
	-6-	
Current portion, capitalized leases	289,941	303,1
Current portion, notes payable	1,410,250	1,111,5
Total Current Liabilities	5,484,589	4,632,6
Capital Lease obligations, net of current portion	0	
Notes payable, net of current portion	0	
Total Liabilities	5,484,589	4,632,6
Stockholders' Equity		
Common stock, \$.001 par value, 25,000,000 shares authorized, 23,533,271 and 23,375,208 issued and outstanding, respectively	23,533	23,3
Preferred Stock, no par value, 5,000,000 shares authorized, and 1,055,600 shares issued and outstanding	1,056	1,0
Additional paid in capital	14,475,251	8,092,5
Retained deficit	(12,286,517)	(11,701,5
Total Stockholders' Equity	2,213,323	(3,584,5
Total Liabilities and Stockholders' Equity	\$ 7,697,912	\$ 1,048,0

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

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CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

	Three Months Ended March 31, 2002	March 31, 2001
	<u>                    </u>	<u>                    </u>
Sales, net	\$ 2,981,487	\$ 899,1
Cost of sales	2,218,823	253,1
	<u>                    </u>	<u>                    </u>
Gross profit	762,664	646,0
Selling expenses	1,000	50,1
General and administrative expenses	1,016,869	1,626,5
	<u>                    </u>	<u>                    </u>
Income (loss) from operations	(255,205)	(1,030,6
	<u>                    </u>	<u>                    </u>
Other (Income) Expense		
Interest income	(3,964)	(
Penalties	295	71,9
Bad debt expense	143,357	23,6
Amortization financing costs	316,319	
Interest expense	55,434	55,2
	<u>                    </u>	<u>                    </u>
Total Other (Income) Expense	511,441	150,7
	<u>                    </u>	<u>                    </u>
Income (loss) before income taxes and extraordinary items	(766,646)	(1,181,4
Extraordinary items		
Gain on forgiveness of deferred compensation	221,477	
	<u>                    </u>	<u>                    </u>
Total extraordinary income	221,477	
	<u>                    </u>	<u>                    </u>
Income (loss) before income taxes	(545,169)	(1,181,4
	<u>                    </u>	<u>                    </u>
Provision for income taxes	2,400	4,5
	<u>                    </u>	<u>                    </u>
Net income (loss)	\$ (547,569)	\$ (1,185,9
	=====	=====

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Net loss per share (basic and diluted)			
Basic	\$	(0.02)	\$ (0.
Diluted	\$	(0.02)	\$ (0.
Weighted average number of shares			
Basic		23,454,240	17,149,4
Diluted		30,271,240	20,778,4

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

-9-

ACCESSPOINT CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

	Three Months Ended March 31, 2002	March 31, 2001
	_____	_____
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (loss)	\$ (547,569)	\$ (1,185,9
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	316,319	
Depreciation	83,785	80,9
Gain on forgiveness of deferred compensation	(221,477)	
Decrease (Increase) in receivables	(128,895)	(54,4
Decrease (Increase) in inventory	(2,038)	1,2
Decrease (Increase) in other receivables	0	2,1
Decrease (Increase) in prepaid expenses	773	(6,3
Decrease (Increase) in deposits	461	47,1
(Decrease) Increase in accounts payable and accrued expenses	181,326	91,5
(Decrease) Increase in accrued payroll taxes	(131,646)	135,2
(Decrease) Increase in accrued loss contingencies	35,000	
(Decrease) Increase in deferred compensation	0	(2,5
	_____	_____
Total Adjustments	133,608	294,9
	_____	_____
Net cash used in operations	(413,961)	(890,9
	_____	_____



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CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(15,095)	(35,3
	<hr/>	<hr/>
Net cash used in investing activities	(15,095)	(35,3
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of notes payable	703,252	
Payments on notes payable	(201,250)	
Payments on capital leases	(13,217)	(48,9
Sale of stock	56,509	1,072,1
	<hr/>	<hr/>
Net cash provided by financing activities	545,294	1,023,2
	<hr/>	<hr/>
-10-		
Net change in cash and cash equivalents	116,238	96,8
	<hr/>	<hr/>
Cash and cash equivalents at beginning of year	78,229	31,9
	<hr/>	<hr/>
Cash and cash equivalents at end of year	\$ 194,467	\$ 128,7
	=====	=====
Supplemental cash flows disclosures:		
Income tax payments	\$ 2,400	\$
	<hr/>	<hr/>
Interest payments	\$ 1,022	\$ 28,6
	<hr/>	<hr/>
Note issued on portfolio purchase	\$ 500,000	\$
	<hr/>	<hr/>

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

-11-

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	March 31, 2002	December 31, 2001
	<hr/>	<hr/>
Retained (deficits)		
Balance at beginning of period	\$ (11,738,947)	\$ (7,832,400)
Net income (loss)	(547,569)	(3,906,400)
	<hr/>	<hr/>
Balance at end of period	(12,286,517)	(11,738,900)
	<hr/>	<hr/>
Common stock, par value \$.001 (thousands of shares)		
Balance at beginning of period	23,375	16,500
Common stock issued	158	6,800
	<hr/>	<hr/>
Balance at end of period	23,533	23,300
	<hr/>	<hr/>
Preferred stock, no par value (thousands of shares)		
Balance at beginning of period	1,056	1,000
Preferred stock issued	0	1,000
	<hr/>	<hr/>
Balance at end of period	1,056	1,000
	<hr/>	<hr/>
Additional paid in capital		
Balance at beginning of period	14,418,900	5,390,000
Sale of common stock	56,350	2,702,500
Transfer of common stock	0	6,326,300
	<hr/>	<hr/>
Balance at end of period	14,475,251	14,418,900
	<hr/>	<hr/>
Total stockholders' equity at end of period	\$ 2,213,323 =====	\$ 2,704,300 =====

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

-12-

ACCESSPOINT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2002 AND 2001

NOTE A - NATURE OF OPERATIONS

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Incorporated in the State of Nevada, Accesspoint Corporation ("the Company") is a "C" Corporation as organized under the Internal Revenue Code. As of December 31, 2001, the Company has combined its mature Internet Application Services technology platform with its credit card 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.

-13-

ACCESSPOINT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2002 AND 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UNAUDITED INTERIM FINANCIAL INFORMATION

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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 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, 2002 and 2001 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, licensure 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.

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## ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2002 AND 2001

### 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

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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.

-15-

### ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 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 March 31, 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 Compensation." Under APB 25, compensation cost is recognized over the vesting period based on the difference, if any, on the date of grant

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between the fair value of the Company's stock and the amount an employee must pay to acquire the stock.

### IMPAIRMENT OF LONG-LIVED ASSETS AND GOODWILL

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value. There have been no such impairments to date.

-16-

### ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 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 March 31, 2002, the Company has 25,000,000 Common Shares authorized and 23,533,300 shares issued and outstanding. The Company had 5,000,000 Preferred Shares authorized and 1,055,600 issued and outstanding.

At March 31, 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	1,772,223
Exercise of employee stock options	3,486,000
	<hr/>
	5,258,223
	<hr/>

The Company intends to increase the authorized number of shares by proxy of its shareholders subsequent to March 31, 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 March 31, 2002 and 2001 are as follows:

March 31,	March 31,
2002	2001
<hr/>	<hr/>

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Net earnings (loss) from operations	\$ (547,569)	\$ (1,185,943)
	<hr/>	<hr/>
Basic weighted average shares	23,454,240	17,149,449
Effect of dilutive securities:		
Common stock options	3,629,000	3,629,000
Common stock warrants	1,772,000	0
Convertible debt	360,000	0
Convertible preferred stock	1,056,000	0
	<hr/>	<hr/>
Dilutive potential common shares	30,271,240	20,778,449
	<hr/>	<hr/>
Net earnings (loss) per share from continuing operations:		
Basic	\$ (0.02)	\$ (0.07)
Diluted	\$ (0.02)	\$ (0.06)

-17-

ACCESSPOINT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2002 AND 2001

NOTE E - LINE OF CREDIT

During the three months ended March 31, 2002 the Company borrowed \$703,252 against a \$5,000,000 line-of-credit that was established in December 2001 with Net Integrated Systems Ltd. The agreement calls for minimum monthly payments of interest only at the rate of six percent (6%) per annum.

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 March 31, 2002 the Company has accrued for the liability in full on its Balance Sheet. No payments have been made to date.

IRVINE - In February 2002, the Company vacated office space it had leased under an operating lease agreement in Irvine, California. The lessor subsequently filed a formal demand of payment for the remaining amount of unpaid rent. The Company entered into a settlement agreement



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with the lessor in the amount of \$75,000 less a security deposit being held by lessor. The Company has not paid this amount according to the terms of the agreement and is currently in default. As of March 31, 2002 the Company has recorded the full amount of the remaining payments due, less the security deposit, due to the default of the above agreement. This amount is approximately \$20,000.

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, be paid in \$5,000 monthly installments. The Company is currently in default under this agreement and has appropriately recorded all original amounts demanded under a Stipulation for the Entry of Judgment of \$92,000, less payments that were made, as a liability on the Balance Sheet as of March 31, 2002.

-18-

### ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2002 AND 2001

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

CAPITAL LEASES - As of March 31, 2002, 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. As of this date no new terms have been finalized. Only one lessor, GE Capital Leasing, has filed formal suit against the Company. The Company has appropriately recorded all amounts due for the remaining life of the leases as a current liability on its Balance Sheet at March 31, 2002.

ROYCAP - As of March 31, 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 is currently in negotiations with the lender on new loan terms. 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 as of March 31, 2002.

BENTLEY - In March 2002, a shareholder, former Officer and former Director of the Company 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.

The Plaintiff is seeking undetermined compensatory damages and special and resulting damages all to be determined at trial. Plaintiff is also

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seeking a temporary and permanent injunction on various matters.

An Ex Parte hearing was held on March 22, 2002 at which time the Judge did not grant the temporary or permanent injunctions that were being sought and did not put a receiver in place as the plaintiff requested. In a subsequent hearing the Judge did not grant a restraining order that was requested.

At this time it is not possible to determine the outcome of the case or to quantify possible damages. No amounts have been recorded in the financial statements regarding this matter. The Company does not believe the causes have merit and intends to vigorously defend itself.

DJOKOVICH - In February 2002, Tom Djokovich resigned as Chief Executive Officer of the Company, effective immediately. 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.

-19-

### ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2002 AND 2001

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

URCUYO - In January 2002, Alfred Urcuyo resigned as President of PSI, effective immediately. 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 of the Company filed a claim for payment of credit card debt he incurred on behalf of the Company to pay expenses and various loans he states were made to the Company. These items amount to approximately \$65,000. The Company is currently in negotiations with Mr. Mulder but has accrued as a liability on its Balance Sheet at March 31, 2002 the full amount of \$65,000.

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 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. No amounts have been accrued for this item, as the Company does not intend to return the amount invested.

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

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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 a 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 have filed a request for an "Offer and 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 and 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.

-20-

### ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 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.

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 and interest, its liability to the EDD as a liability on its Balance Sheet.

### 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 - MERCHANT PORTFOLIO PURCHASE AGREEMENT

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,

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payable in installments starting February 27, 2002 and ending November 25, 2002.

### NOTE J - SUBSEQUENT EVENTS

MERCHANTWAREHOUSE.COM - In April 2002, a former agent of the Company filed suit against the Company. The firm is claiming improper termination of agency agreement and has requested \$1,000,000. The Company has not had time to respond to the demand, however, it does not believe that the allegations have any merit. The claim asks for binding arbitration. It is not possible at this time to determine the outcome of the case or the possible loss. No amounts have been accrued in this matter.

### NOTE K - 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.

-21-

## ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2002 AND 2001

### NOTE K - DEFERRED FINANCING COSTS (CONTINUED)

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 year ended December 31, 2001 the Company recorded amortization expense of \$37,414. For the quarter ended March 31, 2002 the Company recorded amortization expense of \$316,319.

### NOTE L - GOING CONCERN

The Company has suffered recurring losses, cash deficiencies, loan and capital lease defaults, and current liabilities far in excess of current assets. 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:

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The Company has made substantial investments in the development of infrastructure to support its transaction processing and business automation services. These investments in both fixed assets and strategic banking agreements have provided the Company with expanded revenue generating capabilities.

The investment in these assets during the Company's transition from a third party software and web services provider to a primary provider of financial transaction underwriting, processing and business management services have in large part contributed to the Company's losses and cash deficiencies.

The purpose of these investments was to develop infrastructure necessary to position and prepare the Company and its wholly owned subsidiary, Processing Source International, Inc. (PSI), so that revenues could be generated as a primary processor and underwriter of electronic financial transactions. As a result of these investments, PSI became a member processor, under the sponsorship of Chase Manhattan Bank, within the Visa/MasterCard association for the processing of card transactions and the Company received sponsorship through First National Bank of Omaha for the processing of electronic checks and check conversion within the National Automated Clearing House Association (NACHA) network.

Prior to achieving this goal in November 2000, the Company typically generated revenues through the licensing of its business management and transaction processing software technologies and the monthly service fees for hosting these business applications. As of March 31, 2002, the Company generates revenues through the aforementioned services.

-22-

### ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2002 AND 2001

#### NOTE L - GOING CONCERN (CONTINUED)

In December 2001, the Company entered into a Management Agreement and related Revolving Line of Credit Agreement for up to \$5,000,000. In the first quarter of 2002 the Company has also significantly reduced its overhead by closing two office facilities and consolidating administrative and sales efforts. In addition, the Company is currently renegotiating its lease commitments, notes payable and accounts payable to further reduce its current liabilities and improve its cash flow.

-23-

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

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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 online 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 Months Ended March 31, 2002 Compared With Three Months Ended March 31, 2001

Revenues for the three months ended March 31, 2002 increased to \$2,981,487 from \$899,188 for the three months ended March 31, 2001. The increase of \$2,082,299, or 231.58%, is due primarily to our increased revenues associated with credit card processing which resulted in an overall increase in sales.

Cost of sales for the three months ended March 31, 2002 increased to \$2,218,823 from \$253,169 for the three months ended March 31, 2001. The increase of \$1,965,654 or 776.42% 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 months ended March 31, 2002 decreased to \$1,000 from \$50,150 for the three months ended March 31, 2002. This decrease of \$49,150, or 98.01%, 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 months ended March 31, 2002 decreased to \$1,016,869 from \$1,626,518 for the three months ended March 31, 2001. The decrease of \$609,649, or 37.48%, 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 months ended March 31, 2002 was \$51,470, as compared to \$55,206 for the three months ended March 31, 2001. The decrease of \$3,736, or 6.77% in interest expense resulted primarily from the Company's static cost of debt.

Other (Income) Expense, net of Interest expense was \$456,007 for the three months ended March 31, 2002, as compared to \$95,572 for the three months ended March 31, 2001. This increase of \$360,435, or 377.13%, resulted primarily from the increase of bad debt expense and amortization financing costs for the three months ended March 31, 2002 of \$142,766, as compared to \$23,612 for the three

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months ended March 31, 2001.

-24-

Net losses for the three months ended March 31, 2002 and March 31, 2001 were \$(547,569) and \$(1,185,943), respectively. The decrease in loss of \$638,374, or 53.83%, was primarily related to increased revenues and a reduction of development-related activities.

### C. LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at March 31, 2002 were \$194,467, compared to \$128,769 at March 31, 2001, an increase of \$65,698, which represented a growth of 51.02%.

Net Cash used in operations decreased from \$890,994 for the three months ended March 31, 2001 to \$413,961 for the three months ended March 31, 2002 or a resulted efficiency in cash of \$477,033 or 53.54%. This efficiency was primarily accomplished by increased effectiveness in operations.

Net Cash used in investing activities decreased from \$35,392 as of March 31, 2001 to \$15,095 as of March 31, 2002. This decrease of \$20,297, or 57.35%, was primarily due to a reduction of purchases in furniture and equipment.

During the three months ended March 31, 2002, the Company generated net cash of \$545,294 from financing activities as compared to \$1,023,201 for the three months ended March 31, 2001. The decrease of \$477,907, or 46.71%, resulted from a decrease in private placement fundraising activities.

As of March 31, 2002, we lease office space on a short-term twelve-month sub-lease basis and could be required to move after the expiration of the twelve-month period in June 2002. We may attempt to re-negotiate a longer term lease at its present location. If the Company moves, the major capital expenditures we could incur would be related to relocation of office computers, local area network hardware, office telephony and office equipment and furniture.

We had, at March 31, 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 Ltd. 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 March 31, 2002 and \$7,010,000, as of March 31, 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").

-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 22nd day of July, 2002.

Dated: July 22, 2002

ACCESSPOINT ORPORATION

By: /s/ MARCIA ALLEN

\_\_\_\_\_  
Marcia Allen,  
President and Director

By: /s/ CHRISTINE CROCKER

\_\_\_\_\_  
Christine Crocker,  
Secretary and Director

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/ MARCIA ALLEN _____ Marcia Allen	President & Director	July 22, 2002
_____ /s/ CHRISTINE CROCKER _____ Christine Crocker	Secretary & Director	July 22, 2002

-26-