

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

ACCESSPOINT CORP /NV/  
Form 10QSB  
August 23, 2004

U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-QSB  
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the QUARTERLY PERIOD ended June 30, 2004  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number: 000-29217

ACCESSPOINT CORPORATION

-----  
(Name of Small Business Issuer in its Charter)

Nevada

95-4721385

-----  
(State or Other Jurisdiction of  
Incorporation or Organization)

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

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

89102

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

-----  
(Zip Code)

(702) 809 0206

-----  
(Issuer's Telephone Number, Including Area Code)

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

None

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

Common Stock, \$0.001 Par Value

The number of the Company's shares of Common Stock outstanding as of June  
30, 2004 was 18,971,230.

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

Accesspoint Corporation  
Form 10-QSB QUARTERLY Report  
FOR THE FIRST QUARTER ENDED JUNE 30, 2004  
TABLE OF CONTENTS

Forward-Looking Statements

PART I

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

Item 1. Financial Statements	3
Item 2. Management's Discussion and Analysis or Plan of Operation	11
Item 3. Controls and Procedures	12

### PART II

Item 1. Legal Proceedings	12
Item 2. Changes in Securities	14
Item 3. Defaults Upon Senior Securities	
Item 4. Submission of Matters to a Vote of Security Holders	14
Item 5. Other Information	14
Item 6. Exhibits and Reports on Form 8-K	14

Signatures

2

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

### PART I FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

ACCESSPOINT CORPORATION  
CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2004

#### TABLE OF CONTENTS

Consolidated Balance Sheets	4
-----------------------------	---

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

Consolidated Statements of Operations	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-10

ACCESSPOINT CORPORATION  
CONSOLIDATED BALANCE SHEETS

	June 30, 2004 (unaudited)	December 31, 2003
	-----	-----
ASSETS		
-----		
Current Assets		
Cash	\$ 115,195	\$ 28,393
Accounts receivable, net of allowance for doubtful accounts \$0 for June 30, 2004 and \$80,000 for December 31, 2003, respectively	314,318	446,870
Prepaid expenses	--	39,235
	-----	-----
Total Current Assets	429,513	514,498
	-----	-----
Fixed Assets		
Furniture and equipment, net	12,772	91,099
	-----	-----
Total Fixed Assets	12,772	91,099
	-----	-----
Other Assets		
Deferred financing costs, net	495,928	752,873
Deposits	287,659	285,108
	-----	-----
Total Other Assets	783,587	1,037,981
	-----	-----
Total Assets	\$ 1,225,872	\$ 1,643,578
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
-----		
Current Liabilities		
Accounts payable	863,491	939,851
Accrued payroll taxes and penalties	17,371	1,328,138
Accrued liabilities	475,855	504,014
Merchant loss reserve	2,778	2,778
Lines of credit	1,364,699	1,373,049
Capitalized leases	547,574	577,638
Notes payable	165,000	415,000
Financing obligations	617,251	--
Related party payables	321,428	--
	-----	-----
Total Current Liabilities	4,375,447	5,140,468
	-----	-----
Total Liabilities	4,375,447	5,140,468
	-----	-----

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

Stockholders' Equity		
Preferred Stock, \$.001 par value, 5,000,000 shares authorized, 1,055,600 shares issued and outstanding at June 30, 2004 and December 31, 2003, respectively	1,056	1,056
Common stock, \$.001 par value, 25,000,000 shares authorized, 18,971,230 issued and outstanding at June 30, 2004 and December 31, 2003, respectively	18,971	18,971
Additional paid in capital	15,119,197	15,119,197
Accumulated (deficit)	(18,288,799)	(18,636,114)
	-----	-----
Total Stockholders' (Deficit)	(3,149,575)	(3,496,890)
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 1,225,872	\$ 1,643,578
	=====	=====

Refer to notes to the financial statements

4

ACCESSPOINT CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	For the six months ended June 30, 2004	For the six months ended June 30, 2003	For the three months ended June 30, 2004
	-----	-----	-----
Sales, net	\$ 4,963,226	\$ 6,780,179	\$ 2,287,447
Cost of sales	4,233,652	5,147,265	2,222,091
	-----	-----	-----
Gross profit	729,574	1,632,914	65,356
Selling expenses	6,541	4,624	580
General and administrative expenses	881,857	1,509,205	529,850
	-----	-----	-----
Income (loss) from operations	(158,824)	119,085	(465,074)
Other (Income) Expense			
Sale of book of business	(85,000)	--	(85,000)
Forgiveness of debt	(754,884)	--	(318,852)
Interest income	(22,546)	(2,496)	(14,997)
Other income	(1,007)	--	(1,007)
Penalties	29,337	5,310	1,734
Amortization of deferred financing costs	256,946	256,945	128,473
Lawsuit settlement	2,000	--	2,000
Interest expense	69,015	94,347	7,120
	-----	-----	-----

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

Total Other (Income) Expense	(506,139)	354,106	(280,529)
Income (loss) before income taxes	347,315	(235,021)	(184,545)
Provision for income taxes	--	--	--
Net income (loss)	\$ 347,315	\$ (235,021)	\$ (184,545)
Net income (loss) per share- Basic and Diluted	\$ 0.02	\$ (0.01)	\$ (0.01)
Weighted average number of shares- Basic and Diluted	18,971,230	24,163,965	18,971,230

Refer to notes to the financial statements

5

ACCESSPOINT CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Six Months Ended	
	June 30, 2004	June 30, 2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 347,315	\$ (235,021)
Adjustments to reconcile net income (loss) to net cash used or provided by operating activities:		
Amortization	256,946	256,945
Depreciation	38,072	104,283
(Increase) decrease in receivables	132,552	(76,906)
Decrease in other current assets	--	40,803
Increase in clearing account	(2,551)	--
Decrease in prepaid expenses	39,235	1,488
Decrease in accounts payable and accrued expenses	(104,517)	(164,294)
Decrease in accrued payroll taxes	(1,310,767)	(74,100)
Increase in merchants loss reserve	--	13,163
Increase in accrued liabilities	--	91,467
Total adjustments	(951,030)	192,849
Net cash provided by (used) in operations	(603,715)	(42,172)
CASH FLOW FROM INVESTING ACTIVITIES		
Disposition of fixed assets	40,252	--
Net cash provided by investing activities	40,252	--

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

	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans from related parties	321,428	--
Proceeds from financing obligations	617,251	--
Payments on capital leases	(30,064)	(5,000)
Increase in (payments) on line of credit	(8,350)	36,658
Decrease in notes payable	(250,000)	--
	-----	-----
Net cash provided (used in) financing activities	650,265	31,658
	-----	-----
Net change in cash	86,802	(10,514)
	-----	-----
Cash at beginning of period	28,393	35,961
	-----	-----
Cash at end of period	\$ 115,195	\$ 25,447
	=====	=====

Refer to notes to the financial statements

6

ACCESSPOINT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

NOTE A - NATURE OF OPERATIONS

-----

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

Our payment processing services enable merchants to process both traditional swipe transactions, as well as card-not-present transactions. A card-not-present transaction occurs whenever a customer does not physically present a payment card at the point-of-sale and may occur over the Internet or by mail, fax or telephone. Our processing services include evaluation and acceptance of card numbers, detection of fraudulent transactions, receipt and settlement of funds and service and support. By outsourcing some of these services to third parties, including the evaluation and acceptance of card numbers and receipt and settlement of funds, we maintain an efficient operating structure, which allows us to easily expand our operations without significantly increasing our fixed costs. We believe our experience and knowledge in providing payment processing services to merchants of all sizes gives us the ability to effectively identify, evaluate and manage the payment processing needs and risks that are unique to businesses of varying

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

levels.

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

7

ACCESSPOINT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
-----

Unaudited Interim Financial Information  
-----

The accompanying financial statements have been prepared by Accesspoint Corporation, ("Accesspoint", the "Company" or "We") pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") Form 10-QSB and Item 310 of regulation S-B, and generally accepted accounting principles for interim financial reporting. These financial statements are unaudited and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary for a fair presentation of the balance sheets, operations results, and cash flows for the periods presented. Operating results for the six months ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004, or any future period, due to seasonal and other factors. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting policies have been omitted in accordance with the rules and regulations of the SEC. These financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes, included in the Company's Annual Report for the year ended December 31, 2003. In July 2004, the Company dissolved Processing Source International Inc. (PSI), its wholly owned subsidiary. This had no effect on the income for any of the periods presented.

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

NOTE C - GOING CONCERN  
-----

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

The accompanying financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America, contemplates the continuation of the Company as a going concern. However, the Company has sustained significant recurring operating losses, has limited capital resources, and is involved in several pending lawsuits raising significant doubts as to the Company's ability to continue as a going concern. Continuation of the Company as a going concern is contingent upon the ability of the company to expand its operations, generate increased revenues, secure additional sources of financing and sell a portion of the merchant portfolio. However, there is no assurance that the Company will realize the necessary capital expansion. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE D - LITIGATION AND CONTINGENCIES

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

CITICORP - During 2001 the Company vacated office facilities it had leased under an operating lease agreement in Chicago, Illinois. The lessor subsequently filed suit against the Company for the remaining amount of unpaid rent and other various expenses. A judgment was filed against the Company in the amount of \$95,000. As of June 30, 2004 the Company has accrued for the liability in full on its Balance Sheet. No payments have been made.

BENTLEY PROMISSORY NOTES - Various family trusts related to James W. Bentley, a former Director of the Company, have filed three related actions seeking to collect in excess of \$500,000 in promissory notes allegedly due. The Company believes these claims were settled by the June 26, 2002 Settlement and in any event, believes the sums due are substantially less than claimed. The Company continues to fight these actions vigorously. These cases have been consolidated with the case of Bentley v. Barber, et al (see below) and are scheduled to go to trial beginning on January 3, 2005. The parties are negotiating a global settlement of all of the consolidated cases

ACCESSPOINT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

NOTE D - LITIGATION AND CONTINGENCIES (CONTINUED)

-----  
MERCHANTSWAREHOUSE.COM - This is a claim against PSI for breach of an independent sales agent agreement. The claim is disputed. The matter was submitted to arbitration and was heard by the arbitrator. The arbitrator made an interim award of \$296,720 and denied the Company's counterclaim. The Company is directed to pay the agent residuals according to the terms of the Company's agreement with the agent. The Company has made all payments to the agent since the date of the award.



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

On November 7, 2003, Merchantswarehouse.com obtained a judgment consistant with the arbitrator's award. The Company is presently assessing the advisability of an appeal. The amount of the award has been accrued.

CIT COMMUNICATIONS CO. ("CIT") - CIT, an equipment lessor, claims that we defaulted on an equipment lease. A request for entry of default was submitted on 7/8/04. It is expected that a default judgment against the Company will be entered soon. The total amount of any potential judgment for the value of the equipment has been accrued.

FOLEY HOAG - This is a claim against PSI by a Boston law firm which worked on the MerchantWarehouse.com case for fees it says remain unpaid. The firm is seeking \$48,000 in principal, plus interest, fees and costs. The firm has advised the Company that it has filed suit in Massachusetts, but the Company has yet to be served.

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

FOSTER TEPPER - This is an action recently brought by a former attorney for the Company for approximately \$63,000 in legal fees, which are allegedly due and payable. The Company has accrued \$37,000 for this matter. Trial is scheduled to start August 30, 2004

ACCESS HOLDINGS LIMITED PARTNERSHIP - This is a lawsuit brought on behalf of two holders of Company stock who claim the Company has violated a prior settlement agreement and that they are therefore entitled to the return of approximately 4.1 million shares of Company stock, which they had previously surrendered to the Company per that agreement. The Company denies both that it has breached the prior settlement agreement and that the plaintiffs are entitled to the relief they seek. Plaintiffs are not seeking monetary damages from the Company, though they are seeking court costs and attorney fees. This case has been consolidated with the case of Bentley v. Barber, et al (see below) and is scheduled for trial beginning on January 3, 2005. The parties are negotiating a global settlement of all of the consolidated cases.

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

NOTE D - LITIGATION AND CONTINGENCIES (CONTINUED)

-----

BENTLEY V. WILLIAM R. BARBER, ET AL. - On March 22, 2002, James Bentley ("Plaintiff"), a shareholder of the Company, filed a shareholder derivative lawsuit against the Company and several individual defendants for breach of contract, breach of fiduciary duty, misappropriation of trade secret, recovery of personal property, imposition of a constructive trust, unfair competition in violation of Business and Profession Code Section 17200, conversion, unfair business practices, and usurpation of corporate opportunity. On several

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

occasions, Plaintiff also sought provisional remedies with the Court, including multiple applications for preliminary injunction and the appointment of a receiver. To date, none of Plaintiff's requests for provisional relief have been granted. The parties are currently in negotiations to settle this claim and the other cases with which the Bentley case had been consolidated, including the Access Holdings matter and the Bentley Promissory Notes case, discussed above. In light of these negotiations, a stay of proceedings is in effect until August 27, 2004. Trial is currently scheduled for January 3, 2005. The Company has recorded no liability for the potential of an adverse outcome of the action.

### NOTE E - PAYROLL TAXES

-----

The IRS had made formal demand of amounts due and unpaid for the period of January 1 - December 31, 2000, including interest and penalties, from the Company, and had appropriately filed tax liens against all assets of the Company. The Company filed requests for an "Offer in Compromise" for all amounts owed by the Company and its subsidiaries. During the six months ended June 30, 2004 the Company made a settlement with the IRS for claims against the Company and its prior subsidiary Processing Source International and recorded a forgiveness of debt of \$754,883 (See Note F-Related Party Transactions).

### NOTE F - RELATED PARTY TRANSACTIONS

-----

The Company has entered into a number of relationships that fit the definition provided by Statement of Financial Accounting Standards No. 57, "Related Party Disclosures". An entity that can control or significantly influence the management or operating policies of another entity to the extent one of the entities may be prevented from pursuing its own interests. As of June 30, 2004, the following related party relationships existed between the Company, its shareholders, officers and directors:

MBS, majority owned by William R. Barber, Secretary of the Company and currently a Director of the Company, is also an agent of the Company and sells the Company's products and services through its own network of subagents and sales personnel.

During the six months ended June 30, 2004, the Company settled outstanding IRS claims against the Company and its prior subsidiary Processing Source International in the amount of approximately \$1,311,000. The funds necessary to settle the claims were obtained in April when the Company concluded a funding agreement with MBS that called for the sale and exchange of certain e-commerce accounts in exchange for \$382,118. The agreement for the sale of e-commerce accounts for \$382,118 allows the Company to repurchase the assets with stock equal in value to the purchase price at the Company's discretion within the first twelve months. The sale has been recorded as a financing obligation on the financial statements at June 30, 2004.

During the six months ended June 30, 2004, the Company sold miscellaneous merchant accounts to MBS in exchange for \$15,133. The sale agreement allows the Company to repurchase the assets at a 20% price premium. This sale has been recorded as a financing obligation on the financial statements at June 30, 2004.

The company has entered into several merchant portfolio sales agreements with unrelated third parties for a total sales price of

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

\$305,000, in which MBS is the seller acting as the legal agent for the Company. These agreements allow the buyers to sell back the portfolios for a price equal to the sales price less all prior residual payments received from the portfolios for up to twelve months after the purchase date. Additionally, any increase in the volume and residual growth of the portfolios would serve as cause for price negotiations above the original sales price. As of June 30, 2004, agreements totaling \$85,000 have passed the twelve month period without being repurchased and, therefore, have been recorded as a sale of a book of business. The remaining agreements have been recorded as financing obligations in the financial statements at June 30, 2004.

As of April 1, 2004 the Company completed an agreement with 2C Processor USA, LLC (2CP) to manage its business for the period April 1, 2004 through April 1, 2005 at a fee of \$65,000 per month. In addition, any net profits of 2CP will be assigned to the Company in exchange for stock. For the six months ended June 30, 2004 there had been no assignable profits.

10

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

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

THE DISCUSSION IN THIS SECTION AND OTHER PARTS OF THIS REGISTRATION STATEMENT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS SUCH AS STATEMENTS OF THE COMPANY'S PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS. THESE STATEMENTS INVOLVE RISKS AND UNCERTAINTIES. THEY ARE MADE AS OF THE DATE OF THIS REPORT, AND THE COMPANY ASSUMES NO OBLIGATION TO UPDATE THEM.

#### RESULTS OF OPERATIONS

-----

The six months ended June 30, 2004 compared with the six months ended June 30, 2003.

Revenues for the six months ended June 30, 2004 decreased to \$4,963,226 from \$6,780,179 for the six months ended June 30, 2003. The decrease of \$1,817,000 27% is due primarily to the decreased revenues associated with credit card processing which resulted in an overall decrease in sales and the sale of certain e-commerce accounts and related billing software and host server.

Cost of sales for the six months ended June 30, 2004 decreased to \$4,233,652 from \$5,147,265 for the six months ended June 30, 2003. The decrease of \$913,000 18%, resulted primarily from lower sales volume off-set by increased processing fees.

Selling and marketing expenses for the six months ended June 30, 2004 \$6,541 remained about the same as the \$4,624 for the six months ended June 30, 2003. The Company has held selling and marketing expenses down due to it being

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

known in the market place.

General and administrative expenses for the six months ended June 30, 2004 decreased to \$881,857 from \$1,509,205 for the six months ended June 30, 2003. The decrease of \$627,000 41%, resulted primarily from a decrease of salaries and wages, occupancy costs, Chase clearing and other operating efficiencies realized through the consolidation of two offices into one and the outsourcing of jobs to contractors.

Interest expense, net, for the six months ended June 30, 2004 was \$46,469, as compared to \$91,851 for the six months ended June 30, 2003. The decrease resulted primarily from the Company's continued reduction of debt.

Other (Income) Expense, net of interest income and expense was (\$552,608) for the six months ended June 30, 2004, as compared to \$262,255 for the six months ended June 30, 2003. The increase in income of \$814,863 resulted primarily from the forgiveness of debt income \$754,884 and the sale of a book of business occurring in the first six months of June 30, 2004, as compared to the six months ended June 30, 2003.

Net income for the six months ended June 30, 2004 was \$347,315, as compared to a loss of (\$235,021) for the six months ended June 30, 2003. The difference, a gain of \$582,336 is due to the forgiveness of debt, the sale of a book of business and reduction of general and administrative expenses due to increased efficiency in operations, off-set by lower gross profit.

11

### LIQUIDITY AND CAPITAL RESOURCES

-----

The Company had cash of \$115,195 at June 30, 2004, as compared to cash of \$28,393 at December 31, 2003.

The Company had negative working capital at June 30, 2004. We believe that cash generated from operations will not be sufficient to fund the current and anticipated cash requirements. During the six months ended June 30, 2004 the Company sold off a book of business (e-commerce accounts and related billing software and host server) in order to pay down IRS claims against it and its previously held subsidiary Processing Source International, Inc. The Company is continuing its efforts to settle accounts with other creditors.

### ITEM 3. CONTROLS AND PROCEDURES

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

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

significant deficiencies and material weaknesses.

### PART II OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

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

CITICORP - During 2001 the Company vacated office facilities it had leased under an operating lease agreement in Chicago, Illinois. The lessor subsequently filed suit against the Company for the remaining amount of unpaid rent and other various expenses. A judgment was filed against the Company in the amount of \$95,000. As of June 30, 2004 the Company has accrued for the liability in full on its Balance Sheet. No payments have been made.

BENTLEY PROMISSORY NOTES - Various family trusts related to James W. Bentley, a former Director of the Company, have filed three related actions seeking to collect in excess of \$500,000 in promissory notes allegedly due. The Company believes these claims were settled by the June 26, 2002 Settlement and in any event, believes the sums due are substantially less than claimed. The Company continues to fight these actions vigorously. These cases have been consolidated with the case of Bentley v. Barber, et al (see below) and are scheduled to go to trial beginning on January 3, 2005. The parties are negotiating a global settlement of all of the consolidated cases.

12

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

CIT COMMUNICATIONS CO. ("CIT") - CIT, an equipment lessor, claims that we defaulted on an equipment lease. A request for entry of default was submitted on 7/8/04. It is expected that a default judgment against the Company will be entered soon. The total amount of any potential judgment for the value of the equipment has been accrued.

FOLEY HOAG - This is a claim against PSI by a Boston law firm which worked on the MerchantWarehouse.com case for fees it says remain unpaid. The firm is seeking \$48,000 in principal, plus interest, fees and costs. The firm has advised the Company that it has filed suit in Massachusetts, but the Company has yet to be served.

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

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

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

FOSTER TEPPER - This is an action recently brought by a former attorney for the Company for approximately \$63,000 in legal fees, which are allegedly due and payable. The Company has accrued \$37,000 for this matter. Trial is scheduled to start August 30, 2004

ACCESS HOLDINGS LIMITED PARTNERSHIP - This is a lawsuit brought on behalf of two holders of Company stock who claim the Company has violated a prior settlement agreement and that they are therefore entitled to the return of approximately 4.1 million shares of Company stock, which they had previously surrendered, to the Company per that agreement. The Company denies both that it has breached the prior settlement agreement and that the plaintiffs are entitled to the relief they seek. Plaintiffs are not seeking monetary damages from the Company, though they are seeking court costs and attorney fees. This case has been consolidated with the case of Bentley v. Barber, et al (see below) and is scheduled for trial beginning on January 3, 2005. The parties are negotiating a global settlement of all of the consolidated cases. .

BENTLEY V. WILLIAM R. BARBER, ET AL. - On March 22, 2002, James Bentley ("Plaintiff"), a shareholder of the Company, filed a shareholder derivative lawsuit against the Company and several individual defendants for breach of contract, breach of fiduciary duty, misappropriation of trade secret, recovery of personal property, imposition of a constructive trust, unfair competition in violation of Business and Profession Code Section 17200, conversion, unfair business practices, and usurpation of corporate opportunity. On several occasions, Plaintiff also sought provisional remedies with the Court, including multiple applications for preliminary injunction and the appointment of a receiver. To date, none of Plaintiff's requests for provisional relief have been granted. The parties are currently in negotiations to settle this claim and the other cases with which the Bentley case had been consolidated, including the Access Holdings matter and the Bentley Promissory Notes case, discussed above. In light of these negotiations, a stay of proceedings is in effect until August 27, 2004. Trial is currently scheduled for January 3, 2005. The Company has recorded no liability for the potential of an adverse outcome of the action.

13

### 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 June 30, 2004.

ITEM 5. OTHER INFORMATION None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

- a. Exhibit 31 CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
AND CHIEF FINANCIAL OFFICER PURSUANT  
TO SECTION 302 OF THE SARBANES-OXLEY ACT
- Exhibit 32 CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
AND CHIEF FINANCIAL OFFICER PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT
- b. Reports on 8-K during the quarter:
1. Item 5 filed 4/8/04
  2. Item 5 filed 5/28/04

14

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: August 17, 2004

ACCESSPOINT CORPORATION

By /S/ WILLIAM R. BARBER

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

15

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

Signature	Title	Date
----- /S/ GENE VALENTINE ----- Gene Valentine	Chairman of the Board of Directors	August 17, 2004
----- /S/ JOE BYERS ----- Joe Byers	Director	August 17, 2004
----- /S/ MIKE SAVAGE ----- Mike Savage	Director	August 17, 2004

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

/S/ WILLIAM R. BARBER

Director

August 17, 2004

-----  
William R. Barber