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ACCESSPOINT CORP /NV/
Form 10QSB/A
August 02, 2002

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

FORM 10-QSB/A

AMENDMENT NO. 2

TO

(MARK ONE)

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

For the QUARTERLY PERIOD ended MARCH 31, 2002

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.)

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

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

Common Stock, \$0.001 Par Value

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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. 2 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 Part I, Item 1 and Part II, Item 6 of Registrant's Form 10-QSB. Specifically, we have made the following three changes: 1) on the Balance Sheet, the asset (merchant portfolio purchased from Northwest Systems, LLC) previously referred to as "Goodwill" has been renamed "Intangible Asset"; 2) on the Notes to Consolidated Financial Statements, Notes I and J have been updated; and 3) as an Exhibit, we have attached the Northwest Systems Merchant Portfolio Purchase Agreement. 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.

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.

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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.

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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 has corrected for various errors discovered on its March 31, 2002 financial statements. As discussed in Note K to the financial statements, the Company's Deferred Financing Costs should have been reported as \$6,326,381 with related amortization of \$316,319. These discoveries were made subsequent to the issuance of the financial statements. The financial statements have been restated to reflect these corrections. Note J discusses a subsequent event that occurred subsequent to May 16, 2002.

May 16, 2002, except for Notes I and K, as to which the date is July 29, 2002.
Los Angeles, California

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

NOTE I - CORRECTIONS TO FINANCIAL STATEMENTS

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. This transaction was not originally reported in the Company's financial statements. The merchant base is now recorded as an intangible asset at a cost of \$500,000 with a related remaining liability of \$300,000 added to the current portion of notes payable. An initial \$200,000 down payment was made through an advance on the company's line of credit, which resulted in an equal increase to the amount originally reported for the line of credit. Subsequent to March

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31, 2002 this purchase was rescinded (see Note J).

The Company corrected an amount owed from a customer for clearing costs which resulted in an increase in accounts receivable and an equal decrease in cost of sales of \$57,734.

The Company corrected its residual payment accruals for an error on a vendor account which resulted in a reduction in the accrual and in cost of sales of \$48,653.

The Company corrected its cash balances for checks it voided that resulted in an increase in the cash balance and a decrease to general and administrative expenses of \$31,059.

The Company made additional immaterial corrections to various accounts as of March 31, 2002 that included interest, general and administrative, selling, and bad debt expenses and line of credit, cash, accounts receivable and accounts payable.

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.

PORTFOLIO PURCHASE - In July 2002, the Company rescinded its purchase agreement related to the purchase of a portfolio of residual compensation identified as a merchant base held by Chase Merchant Services from another corporation (see Note I). Accordingly the Company will book a receivable for its initial \$200,000 payment under the terms of the agreement and reverse its original entry to record the purchase

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PART II OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

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

| Exhibit No. | Description |
|-------------|--|
| 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. |

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

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

B. REPORTS ON FORM 8-K

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on the 31st day of July, 2002.

Dated: July 31, 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

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/s/ Marcia Allen

President & Director

July 31, 2002

Marcia Allen

/s/ Christine Crocker

Secretary & Director

July 31, 2002

Christine Crocker