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ACCESSPOINT CORP /NV/
Form 10QSB
November 22, 2004

U.S. SECURITIES AND EXCHANGE COMMISSION W
ASHINGTON, D.C. 20549
FORM 10-QSB

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

For the QUARTERLY PERIOD ended September 30, 2004
OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 000-29217

ACCESSPOINT CORPORATION

(Name of Small Business Issuer in its Charter)

Nevada

95-4721385

(State or Other Jurisdiction of
Incorporation or Organization)

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

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

89102

(Address of Principle Executive Offices)

(Zip Code)

702 809 0206

(Issuer's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Exchange Act:
None

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

Common Stock, \$0.001 Par Value

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

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

Accesspoint Corporation
Form 10-QSB QUARTERLY Report
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2004
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ACCESSPOINT CORPORATION CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2004

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ACCESSPOINT CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30, 2004	December 31, 2003
	----- (unaudited)	-----
ASSETS -----		
Current Assets		
Cash	\$ --	\$ 28,393
Accounts receivable, net of allowance for doubtful accounts \$0 and \$80,000 for September 30, 2004 and December 31, 2003, respectively	273,276	446,870
Prepaid expenses	--	39,235
	-----	-----
Total Current Assets	273,276	514,498
	-----	-----
Fixed Assets		
Furniture and equipment (net)	--	91,099
	-----	-----
Total Fixed Assets	--	91,099
	-----	-----
Other Assets		
Deferred financing costs (net)	367,455	752,873
Deposits	200,730	285,108
	-----	-----
Total Other Assets	568,185	1,037,981
	-----	-----
Total Assets	\$ 841,461	\$ 1,643,578
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY -----		
Current Liabilities		
Accounts payable	\$ 788,934	\$ 939,851
Bank overdraft	19,563	--
Accrued payroll taxes and penalties	17,371	1,328,138
Accrued liabilities	965,855	504,014
Merchant loss reserve	2,778	2,778
Lines of credit	1,372,876	1,373,049
Capitalized leases	524,824	577,638
Notes payable	165,000	415,000
Financing obligation	617,251	--
Related party payables	261,428	--
	-----	-----
Total Current Liabilities	4,735,880	5,140,468
	-----	-----

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Total Liabilities	4,735,880	5,140,468
<hr/>		
Stockholders' Equity		
Preferred Stock, \$.001 par value, 5,000,000 shares authorized, 1,055,600 shares issued and outstanding, respectively	1,056	1,056
Common stock, \$.001 par value, 25,000,000 shares authorized, 18,971,230 issued and outstanding, respectively	18,971	18,971
Additional paid in capital	14,619,197	15,119,197
Accumulated (deficit)	(18,533,643)	(18,636,114)
<hr/>		
Total Stockholders' (Deficit)	(3,894,419)	(3,496,890)
<hr/>		
Total liabilities and Stockholders' Equity	\$ 841,461	\$ 1,643,578
<hr/>		

Refer to notes to the financial statements

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ACCESSPOINT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the nine months ended September 30, 2004	For the nine months ended September 30, 2003	For the three months ended September 30, 2004
	<hr/>	<hr/>	<hr/>
Sales, net	\$ 6,966,383	\$ 9,987,193	\$ 2,003,157
Cost of sales	5,968,609	7,681,761	1,734,957
Gross profit	<hr/> 997,774	<hr/> 2,305,432	<hr/> 268,200
Selling expenses	7,557	9,687	1,016
General and administrative expenses	1,244,428	2,109,788	362,571
Income (loss) from operations	<hr/> (254,211)	<hr/> 185,957	<hr/> (95,387)
Other (Income) Expense			
Sale of book of business	(87,708)	--	(2,708)
Forgiveness of debt	(754,884)	(63,157)	--
Interest income	(11,370)	(7,189)	--
Other (income) expense	(1,007)	(1,842)	11,176
Penalties	29,337	7,405	--
Amortization of deferred financing costs	385,418	385,418	128,473
Lawsuit settlement	5,000	--	3,000
Interest expense	78,532	207,940	9,517
	<hr/>	<hr/>	<hr/>

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Total Other (Income) Expense	(356,682)	528,575	149,458
	-----	-----	-----
Income (loss) before income taxes	102,471	(342,618)	(244,845)
Provision for income taxes	--	--	--
	-----	-----	-----
Net income (loss)	\$ 102,471	\$ (342,618)	\$ (244,845)
	=====	=====	=====
Net income (loss) per share-			
Basic	\$ 0.01	\$ (0.01)	\$ (0.01)
	=====	=====	=====
Weighted average number of shares-			
Basic	18,971,230	24,163,965	18,971,230
	=====	=====	=====

Refer to notes to the financial statements

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ACCESSPOINT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	COMMON STOCK			
	Number of Shares	Par value \$0.001	Additional Paid-in Capital	Preferred Stock
	-----	-----	-----	-----
Balance at December 31, 2001	23,375,208	\$ 23,375	\$ 14,418,900	\$ 1,056
Stock issued various dates for cash at \$1.50 per share	788,757	789	148,604	--
Conversion of notes payable	--	--	546,500	--
Net loss	--	--	--	--
	-----	-----	-----	-----
Balance at December 31, 2002	24,163,965	24,164	15,114,004	1,056
Stock returned by shareholders and cancelled			(5,192,735)	(5,193)
Net loss	--	--	--	--
	-----	-----	-----	-----
Balance at December 31, 2003	18,971,230	18,971	15,119,197	1,056
Notes payable converted in 2001 included in lawsuit settlement			(500,000)	
Net income				
	-----	-----	-----	-----
Balance at September 30, 2004	18,871,230	\$ 18,971	\$ 14,619,197	\$ 1,056
	=====	=====	=====	=====

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Refer to notes to the financial statements

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ACCESSPOINT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine months Ended	
	Sept. 30, 2004	Sept. 30, 2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 102,471	(\$ 342,618)
Adjustments to reconcile net income (loss) to net cash used or provided by operating activities:		
Amortization	385,418	385,418
Depreciation	50,844	159,685
Changes in current assets and current liabilities:		
(Increase) decrease in receivables	173,594	(141,018)
Decrease in other current assets	--	65,117
Increase in clearing account	--	(109,744)
Decrease in prepaid expenses	39,235	(1,346)
Decrease in deposits	84,378	(5,000)
Decrease in accounts payable and accrued expenses	(189,077)	(123,363)
Increase in bank overdraft	19,563	14,179
Decrease in accrued payroll taxes	(1,310,767)	(84,293)
Increase in merchants loss reserve	--	--
Increase in accrued liabilities	--	--
Total adjustments	(746,811)	159,635
Net cash provided by (used) in operations	(644,340)	(182,983)
CASH FLOW FROM INVESTING ACTIVITIES		
Disposition of fixed assets	40,255	--
Reduction of portfolio		154,667
Net cash provided by (used) in investing	40,255	154,667
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans from related parties	261,428	--
Proceeds from financing obligation	617,251	--
Payments on capital leases	(52,814)	(3,249)
Increase in (payments) on line of credit	(173)	(4,396)
Decrease in notes payable	(250,000)	--
Net cash provided (used in) financing activities	575,692	(7,645)

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Net change in cash	(28,393)	(35,961)
	-----	-----
Cash at beginning of period	28,393	35,961
	-----	-----
Cash at end of period	\$ --	\$ --
	=====	=====

NONCASH INVESTING AND FINANCING ACTIVITIES

Conversion of paid-in capital to notes payable	\$ 500,000	\$ --
--	------------	-------

Refer to notes to the financial statements

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ACCESSPOINT CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
 FOR THE NINE MONTHS ENDED SEPTEMBER 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 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

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refers a merchant to us and we execute a processing agreement with that merchant, we pay the referring ISO or RSAs a percentage of the revenues generated by that merchant. Although our relationships with agents are mutually non-exclusive, we believe that our understanding of the unique payment processing needs of merchants of all sizes enables us to develop compelling incentives for agents to continue to refer newly identified merchants to us.

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ACCESSPOINT CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) FOR THE NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 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. Subsequent to September 30, 2004 the Company had a wholly owned subsidiary Processing Source International, Inc. (PSI). During the past quarter PSI has been absorbed into the Company.

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 - 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 September 30, 2004 the Company has accrued for the liability in full on its Balance Sheet.

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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. These cases have been consolidated with the case of Bentley v. Barber, et al (see below) and have been settled as of August 30, 2004.

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

NOTE C - 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. 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 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. This case has been consolidated with the case of Bentley v. Barber, et al (see below) and was settled on August 30, 2004.

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

NOTE C - 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. The parties have settled this lawsuit as of August 30, 2004. The settlement amount reached is for \$750,000, discountable to \$500,000 if the Company pays Bentleys in strict accordance to the following schedule: \$250,000 paid from the Chase Merchant Services deposit and \$5,000 monthly, beginning August 30, 2004 thru November 30, 2005 with a balloon payment of \$170,000 due on December 30, 2005. The terms of the settlement include the dismissal of all lawsuits related to the Bentleys, recognition of the \$500,000 in promissory notes payable to Bentleys previously converted in the June 26, 2002 settlement agreement (included in the \$750,000 settlement amount), and in consideration for the forgiveness of the NIS line of credit due to Ameropa, the Bentleys agree to release any and all security, restrictions and limitations on their stock and cause the issuance of 52% of the Company's stock to Barber or his designate.

NOTE D - 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 nine months ended September 30, 2004 the Company made a settlement with the IRS for claims against the Company and its prior subsidiary Processing Source International (now merged with Accesspoint Corporation). (See Note E-Related Party Transactions)

NOTE E - RELATED PARTY TRANSACTIONS

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

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

During the nine months ended September 30, 2004, the Company settled outstanding IRS claims against the Company and its prior subsidiary

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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 and related billing software and host server, in exchange for \$702,000. The agreement allows the Company to repurchase the assets with stock equal in value to the purchase price at the Company's discretion within the first twelve months.

NOTE F - GOING CONCERN

The accompanying financial statements, which have been prepared in conformity with Accounting principals 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. 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.

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

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

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

RESULTS OF OPERATIONS

The nine months ended September 30, 2004 compared with the nine months ended September 30, 2003.

Revenues for the nine months ended September 30, 2004 decreased to \$6,966,383 from \$9,987,193 for the nine months ended September 30, 2003. The decrease of \$3,020,810 30% 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 nine months ended September 30, 2004 decreased to \$5,968,609 from \$7,681,761 for the nine months ended September 30, 2003. The decrease of \$1,713,152 22%, resulted primarily from lower sales volume off-set by increased processing fees.

Selling and marketing expenses for the nine months ended September 30, 2004 \$7,557 remained about the same as the \$9,687 for the nine months ended September

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30, 2003. The Company has held selling and marketing expenses down due to it being known in the market place.

General and administrative expenses for the nine months ended September 30, 2004 decreased to \$1,244,378 from \$2,109,788 for the nine months ended September 30, 2003. The decrease of \$865,410 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 nine months ended September 30, 2004 was \$78,532, as compared to \$207,940 for the nine months ended September 30, 2003. The decrease resulted primarily from the Company's continued reduction of debt.

Other (Income) Expense, net of Interest expense was (\$435,214) for the nine months ended September 30, 2004, as compared to \$320,635 for the nine months ended September 30, 2003. The increase in income of \$755,749 resulted primarily from the forgiveness of debt income \$754,884 and the sale of a book of business occurring in the first nine months of September 30, 2004, as compared to the nine months ended September 30, 2003.

Net income for the nine months ended September 30, 2004 was \$102,471, as compared to a loss of (\$342,618) for the nine months ended September 30, 2003. The difference, a gain of \$445,089 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.

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LIQUIDITY AND CAPITAL RESOURCES

The Company had cash overdraft of \$19,563 at September 30, 2004, as compared to cash of \$28,393 at December 31, 2003.

The Company had negative working capital at September 30, 2004. We believe that cash generated from operations will not be sufficient to fund the current and anticipated cash requirements. During the nine months ended September 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 significant deficiencies and material weaknesses.

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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 September 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. These cases have been consolidated with the case of Bentley v. Barber, et al (see below) and have been settled as of August 30, 2004.

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

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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. This case has been consolidated with the case of Bentley v. Barber, et al (see below) and was settled August 30, 2004.

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. The parties have settled this lawsuit as of August 30, 2004. The settlement amount reached is for \$750,000, discountable to \$500,000 if the Company pays Bentleys in strict accordance to the following schedule: \$250,000 paid from the Chase Merchant Services deposit and \$5,000 monthly, beginning August 30, 2004 thru November 30, 2005 with a balloon payment of \$170,000 due on December 30, 2005. The terms of the settlement include the dismissal of all lawsuits related to the Bentleys, recognition of the \$500,000 in promissory notes payable to Bentleys previously converted in the June 26, 2002 settlement agreement (included in the \$750,000 settlement amount), and in consideration for the forgiveness of the NIS line of credit due to Ameropa, the Bentleys agree to release any and all security, restrictions and limitations on their stock and cause the issuance of 52% of the Company's stock to Barber or his designate.

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ITEM 2. CHANGES IN SECURITIES
None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES
None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the quarter ended September 30, 2004.

ITEM 5. OTHER INFORMATION
None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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 7.01 filed 8/30/04
2. Item 8.01 filed 8/30/04

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: November 22, 2004

ACCESSPOINT CORPORATION

By /S/ Gene Valentine

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	November 22, 2004
----- /S/ JOE BYERS ----- Joe Byers	Director	November 22, 2004
----- /S/ MIKE SAVAGE ----- Mike Savage	Director	November 22, 2004
-----	Director	November 22, 2004