

REGISTRATION NO. 333-35579

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO  
FORM SB-2  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

DYNAMICWEB ENTERPRISES, INC.  
(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

|          |   |     |   |
|----------|---|-----|---|
| <TABLE>  |   |     |   |
| <S>      | NEW JERSEY  | <C> | 7372  |
|          | (STATE OR OTHER JURISDICTION OF<br>INCORPORATION OR ORGANIZATION) |     | (PRIMARY STANDARD INDUSTRIAL<br>CLASSIFICATION CODE NUMBER) |
| </TABLE> |   | <C> | 22-2267658  |
|          |   |     | (I.R.S. EMPLOYER<br>IDENTIFICATION NUMBER)                  |

DYNAMICWEB ENTERPRISES, INC.  
271 ROUTE 46 WEST  
BUILDING F, SUITE 209  
FAIRFIELD, NEW JERSEY 07004  
(973) 244-1000  
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,  
INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

STEVEN L. VANECHANOS, JR.  
CHIEF EXECUTIVE OFFICER  
DYNAMICWEB ENTERPRISES, INC.  
271 ROUTE 46 WEST  
BUILDING F, SUITE 209  
FAIRFIELD, NEW JERSEY 07004  
(973) 244-1000  
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,  
INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

|          |  |  |
|----------|--|--|
| <TABLE>  |  |  |
| <S>      | STEPHEN F. RITNER, ESQUIRE<br>SCOTT H. SPENCER, ESQUIRE<br>STEVENS & LEE<br>ONE GLENHARDIE CORPORATE CENTER<br>1275 DRUMMERS LANE<br>P.O. BOX 236<br>WAYNE, PENNSYLVANIA 19087<br>(610) 964-1480 | <C>  |
| </TABLE> |  | JAMES M. JENKINS, ESQUIRE<br>CRAIG S. WITTLIN, ESQUIRE<br>HARTER, SECREST & EMERY<br>700 MIDTOWN TOWER<br>ROCHESTER, NEW YORK 14604-2070<br>(716) 232-6500 |

Approximate date of commencement of proposed sale to the public:  
AS SOON AS PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective registration statement filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434 please check the following box. [X]

CALCULATION OF REGISTRATION FEE

|         |     |     |     |     |
|---------|-----|-----|-----|-----|
| <TABLE> |     |     |     |     |
| <S>     | <C> | <C> | <C> | <C> |

| TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED                 | AMOUNT TO BE REGISTERED (2) | PROPOSED MAXIMUM OFFERING PRICE PER UNIT (2) | PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2) | AMOUNT OF REGISTRATION FEE |
|--|-----------------------------|--|---|----------------------------|
| Common Stock, \$.0001 par value.....                               | 2,012,500 shares(1)         | \$4.00 per share(2)                          | \$8,050,000(2)                                | \$2,439.40                 |
| Common Stock, \$.0001 par value.....                               | 175,000 shares(3)           | \$4.80 per share(2)                          | \$840,000(2)                                  | \$254.55                   |
| Warrant to Purchase Common Stock, \$.0001 par value per share..... | One Warrant(4)              | \$10 per warrant                             | \$10  | --                         |

</TABLE>

- (1) Based upon the maximum number of shares of the Registrant's Common Stock that may be issued under this Registration Statement, including 262,500 shares of Common Stock that may be issued to cover over-allotments, if any.
- (2) Estimated pursuant to Rule 457(a) solely for purposes of calculating the Registration Fee.
- (3) Reflects the shares issuable to H.J. Meyers & Co. Inc., the Representative of the Underwriters, pursuant to the Representative's Warrant. See "UNDERWRITING."
- (4) To be issued to H.J. Meyers & Co., Inc., the Representative of the Underwriters.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

CROSS REFERENCE TABLE

LOCATION IN PROSPECTUS OF INFORMATION REQUIRED BY PART I OF FORM SB-2

<TABLE>

<CAPTION>

| ITEM NO. | CAPTION  | LOCATION IN PROSPECTUS   |
|----------|--|--|
| <C>      | <S>  | <C>  |
| 1        | Front of the Registration Statement and Outside Front Cover Page of Prospectus       | Outside Front Cover Page   |
| 2        | Inside Front and Outside Back Cover Pages of Prospectus                              | Inside Front Cover Page and Outside Back Cover Pages, Additional Information                           |
| 3        | Summary Information and Risk Factors   | Prospectus Summary, The Company, Risk Factors  |
| 4        | Use of Proceeds  | Use of Proceeds  |
| 5        | Determination of Offering Price  | Underwriting   |
| 6        | Dilution   | Dilution   |
| 7        | Selling Security Holders   | Not Applicable   |
| 8        | Plan of Distribution   | Underwriting   |
| 9        | Legal Proceedings  | Business   |
| 10       | Directors, Executive Officers, Promoters and Control Persons                         | Management   |
| 11       | Security Ownership of Certain Beneficial Owners and Management                       | Principal Stockholders   |
| 12       | Description of Securities  | Description of Securities  |
| 13       | Interests of Named Experts and Counsel   | Not Applicable   |
| 14       | Disclosure of Commission Position on Indemnification for Securities Act Liabilities  | Management   |
| 15       | Organization Within Last Five Years  | Not Applicable   |
| 16       | Description of Business  | Business   |
| 17       | Management's Discussion and Analysis or Plan of Operation                            | Management's Discussion and Analysis of Financial Condition and Results of Operations                  |
| 18       | Description of Property  | Business   |
| 19       | Certain Relationships and Related Transactions                                       | Certain Transactions   |
| 20       | Market for Common Equity and Related Transactions                                    | Market for Common Stock and Related Stockholder Matters, Dividend Policy, Description of Capital Stock |
| 21       | Executive Compensation   | Management   |
| 22       | Financial Statements   | Index to Consolidated Financial Statements   |
| 23       | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | Not Applicable   |

</TABLE>

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE

SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED NOVEMBER , 1997

PRELIMINARY PROSPECTUS

[LOGO GOES HERE]

DYNAMICWEB ENTERPRISES, INC.  
 1,750,000 SHARES OF COMMON STOCK  
 \$ PER SHARE

DynamicWeb Enterprises, Inc., a New Jersey corporation (the "Company" or "DynamicWeb"), hereby offers 1,750,000 shares (the "Shares") of its common stock, \$.0001 par value per share (the "Common Stock"). See "DESCRIPTION OF SECURITIES."

Prior to this Offering, there has been a limited public market for the Common Stock, and no assurance can be given that a public market will develop or, if developed, that it will be sustained. The Company intends to apply for listing of the shares of Common Stock offered hereby on the National Association of Securities Dealers, Inc.'s Automated Quotation System ("NASDAQ") SmallCap Market System under the symbol "DWEB."

It is currently estimated that the initial public offering price for the Common Stock will be \$4.00 per share. The offering price of the Common Stock will be determined by negotiation between the Company and H.J. Meyers & Co., Inc., the representative (the "Representative") of the several underwriters (the "Underwriters") and is not related to the Company's asset value or any other established criterion of value. For the method of determining the public offering price of the Common Stock, see "RISK FACTORS" and "UNDERWRITING."

THE SECURITIES OFFERED HEREBY ARE SPECULATIVE AND INVOLVE A SUBSTANTIAL DEGREE OF RISK. PERSONS WHO PURCHASE THESE SECURITIES WILL INCUR IMMEDIATE AND SUBSTANTIAL DILUTION. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FACTORS SET FORTH UNDER "RISK FACTORS," AT PAGE 6.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>

| <S>                 | <C>             | <C>  | <C>                     |
|---------------------|-----------------|--|-------------------------|
|                     | PRICE TO PUBLIC | UNDERWRITING DISCOUNTS AND COMMISSIONS (1) | PROCEEDS TO COMPANY (2) |
| Per Share.....      | \$              | \$   | \$                      |
| Total Share(3)..... | \$              | \$   | \$                      |

</TABLE>

- Does not reflect additional compensation to be received by the Representative in the form of (a) a non-accountable expense allowance of \$ (or \$ if the Underwriters' over-allotment option described in Footnote (3) is exercised in full) and other compensation payable to the Representative, and (b) warrants to purchase up to 175,000 shares of Common Stock at a purchase price of \$ per share (that being 120% of the initial public offering price, exercisable over a period of four years, commencing one year from the date of this Prospectus (the "Representative's Warrant"). In addition, the Company has agreed to indemnify the Underwriters against certain civil liabilities under the Securities Act of 1933, as amended (the "Securities Act"). See "UNDERWRITING."
- Before deducting additional expenses of the Offering payable by the Company, estimated at \$718,000, excluding the Representative's non-accountable expense allowance.
- The Company has granted the Underwriters an option, exercisable within 45 days, to purchase up to an additional 262,500 shares of Common Stock on the

same terms and conditions as set forth above, solely to cover overallotments, if any. If the overallotment option is exercised in full, the total "Price to Public," "Underwriting Discount," and "Proceeds to Company" will be \$ , \$ , and \$ , respectively. See "UNDERWRITING."

The shares are being offered on a "firm commitment basis" by the Underwriters, when, as, and if delivered to and accepted by the Underwriters and subject to prior sale, withdrawal or cancellation of the offer without notice. It is expected that delivery of certificates representing the shares of Common Stock will be made at the offices of H. J. Meyers & Co., Inc., 1895 Mount Hope Avenue, Rochester, New York 14620, on or about , 1997.

H. J. MEYERS & CO., INC.

The date of this Prospectus is , 1997.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SHARES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED THROUGH THE NATIONAL ASSOCIATION OF SECURITIES DEALERS AUTOMATED QUOTATION SYSTEM SMALL CAP MARKET, OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. (FOR A DESCRIPTION, SEE "UNDERWRITING.")

#### PROSPECTUS SUMMARY

The following information does not purport to be complete and is qualified in its entirety by and should be read in conjunction with the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. Prospective investors should consider carefully the factors discussed below under "Risk Factors." Unless otherwise indicated, the information in this Prospectus does not give effect to the issuance of (i) up to 297,367 shares of Common Stock which may be issuable to a certain shareholder as a result of the acquisition by the Company of all of the stock of Software Associates, Inc. in the event certain conditions are met (See "CERTAIN TRANSACTIONS"); (ii) up to 175,000 shares of Common Stock which are issuable upon the exercise of the Representative's Warrant in connection with this Offering (See "UNDERWRITING"); (iii) up to 262,500 shares of Common Stock issuable in this Offering to cover over-allotments, if any (See "UNDERWRITING"); (iv) up to 234,764 shares issuable to employees under the Company's 1997 Employee Stock Option Plan (See "MANAGEMENT -- Stock Option Plans"); or (v) up to 78,254 shares issuable to non-employee directors under the Company's 1997 Stock Option Plan for Outside Directors (See "MANAGEMENT -- Stock Option Plans").

Except for the description of historical facts contained herein, this Prospectus and the Exhibits attached hereto contain certain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Reference is made in particular to the descriptions of the Company's plans and objectives for future operations, assumptions underlying such plans and objectives and other forward-looking statements included in this Prospectus under "Use of Proceeds," "Business" and "Risk Factors." Such statements are based on management's current expectations and are subject to a number of factors and uncertainties which could cause actual results to differ materially from those described in such forward-looking statements. Factors which could cause such results to differ materially from those described in the forward-looking statements include those set forth under "RISK FACTORS" below.

#### THE COMPANY

The Company is engaged in the business of developing, marketing and supporting Year 2000-compliant software products and services that enable businesses to engage in electronic commerce utilizing the Internet and traditional Electronic Data Interchange ("EDI") technologies.

Electronic commerce ("EC") involves the automation of business transactions using telecommunications and computers to exchange and process commercial information and transactional documents. As broadly defined, electronic commerce is generally considered by information technology industry analysts to represent a growing, potentially multi-billion dollar market. EDI, a form of EC, is the application-to-application transmission of business documents such as purchase orders and invoices using industry-standard formats. Businesses utilizing electronic commerce have found EDI to be a vital component of their enterprises. EDI differs from more elementary forms of communication because it provides for truly integrated information flow. For example, manufacturers of goods can create electronic catalogues of their products and prices such that their customers will have the ability to electronically enter purchase orders and complete the purchase, payment and other documentation of a purchase transaction. The Internet is a worldwide communications system that allows users to transmit and receive messages and information over telephone and other communications lines using terminals and computers.

Electronic commerce has traditionally involved the use of a third-party or

private value-added computer network ("VAN") to perform EDI, e-mail, and electronic funds transfers and to provide services related to electronic forms, bulletin board and electronic catalogues. Users of private or third-party VANs may also have access through the VAN to directories or on-line information services. A VAN is, in effect, an electronic post office which electronically receives and delivers mail, in this case commercial documents, to the intended recipient. The major operators of VANs include Harbinger Corporation, GEIS, Sterling Commerce, IBM/Advantis, MCI, AT&T and Kleinschmidt. The Company's products and services work with all major VAN providers.

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EDI can create commercial advantages for its users, including one-time data entry, reduced clerical workload and the elimination of paper records. EDI also allows for the rapid, accurate and secure exchange of business data, and reduced operating and inventory carrying costs. EDI facilitates uniform communications with different trading partners, including customers, suppliers, common carriers, and banks or other financial institutions.

The Company's present business strategy is to focus upon the following types of markets and customers:

- EDI-enabled suppliers of goods, such as manufacturers, that want to engage in electronic commerce with customers which are not EDI-enabled.
- EDI-enabled purchasers, such as retailers or distributors of goods, that want to engage in electronic commerce with suppliers which are not EDI-enabled.
- Any businesses that want to engage outside service providers to manage or to assist in the management of their EDI function ("EDI outsourcing").
- Businesses or groups of businesses that want to create "electronic storefronts" for goods and services on the "World Wide Web." The World Wide Web or "Web" is a series of computers called servers, which allow individuals, groups and businesses to publish and exchange information over the Internet to the general public.

The Company has four principal software and service packages for the markets and customers described above:

ECBRIDGENET SERVICE(SM) -- ECbridgeNET is the Company's electronic commerce service bureau. ECbridgeNET is a service provided by the Company that allows for the transfer of information between trading partners. The service includes EDI mapping and the translation and routing of business documents between third party EDI (VAN) networks, the Internet and the private computer networks maintained by the parties to the business transaction. Generally referred to as "EDI outsourcing," this service offers businesses cost-effective alternatives to investing in an in-house EDI System.

EDIEXCHANGE PROGRAM(SM) -- The Company's EDIExchange Program is a combination of ECbridgeNET service and NetCat(TM) software. NetCat is the Company's software program which allows a seller of goods to create an electronic catalogue on the World Wide Web to offer and sell products electronically. NetCat allows a customer to browse through the catalogue, to place an order, and to be billed for, or to pay for, the order. The EDIExchange Program provides a seamless and cost effective way for EDI-enabled suppliers or retailers to conduct electronic commerce with their non-EDI trading partners. EDIExchange bridges the Internet with traditional EDI networks such as VANs by using the Company's service bureau, ECbridgeNET. This product allows businesses which do not have in-house EDI capability to communicate electronically with EDI-enabled business partners, using only Internet access and a standard Web browser. A Web browser, such as Netscape or Internet Explorer, allows Internet users to access various Web Sites on the Internet.

SHIPTRAC(TM) -- ShipTrac is the Company's Windows-based software application designed for manufacturers and suppliers of goods. It electronically creates a shipping manifest or list of products that are being shipped to a particular customer or distribution center. The ShipTrac software receives an electronic purchase order into a database, and the shipper then can print bar-coded shipping compliance labels. ShipTrac generates EDI-standard advanced shipping notice documents (the "manifest") which are sent electronically to a supplier's customers. When the goods are received, the bar codes on the products can be verified against the advanced shipping notice which has been electronically forwarded by ShipTrac.

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ECINTEGRATOR(TM) -- The Company has developed application interface modules for two third party mid-range accounting software systems, RealWorld and Synchronics. Designed for businesses using those systems, EC Integrator

allows a business to import and export business documents electronically from those software applications. Generally, the Company sells this product through distributors of Real World and Synchronics software.

As of November 1, 1997, the Company's EDIexchange customers include Linens N' Things (an EDI-enabled purchaser), and Great American Knitting Mills, makers of Goldtoe socks, and ICXpress (both EDI-enabled sellers). Customers using the Company's ECbridgeNET Service include Church & Dwight, manufacturers of Arm & Hammer baking soda, Royal Dalton, makers of fine china, and Kings Supermarket, a supermarket chain located in the Northeast United States.

The Company was initially incorporated in the State of New Jersey on July 26, 1979 under the name Seahawk Oil International, Inc. The Company's executive offices are located at 271 Route 46 West, Building F, Suite 209, Fairfield, New Jersey 07004 and its telephone number is (973) 244-1000.

The discussion of the Company in this Prospectus relates to the combined operations of the Company's present subsidiaries: DynamicWeb Transaction Systems, Inc. ("DWTS") and Megascrore, Inc. ("Megascrore"), for all periods presented, and Software Associates, Inc. ("Software Associates") (which was acquired by the Company on November 30, 1996) from December 1, 1996. For a description of the prior history of the Company, including discontinued operations, see "BUSINESS -- Background of the Company."

#### THE OFFERING

|  |  |
|--|--|
| <TABLE>                                    |  |
| <S>  | <C>  |
| Securities Offered by the Company.....     | 1,750,000 shares of Common Stock.  |
| Shares of Common Stock Presently           |  |
| Outstanding, Net of Treasury Stock.....    | 2,074,710 shares (1)   |
| Shares of Common Stock to be Outstanding   |  |
| After Offering, Net of Treasury Stock...   | 3,824,710 shares (1)   |
| Use of Proceeds.....                       | The net proceeds of the Offering will be used for selling and marketing expenses; the support of its technical operations; purchase or lease of capital equipment; repayment of indebtedness; and working capital and general corporate purposes. See "USE OF PROCEEDS." |
| Proposed NASDAQ Small Cap Market Symbol... | DWEB   |
| </TABLE>                                   |  |

- 
- (1) Excludes (a) up to 297,367 shares of Common Stock which may be issuable to a certain shareholder as a result of the acquisition by the Company of Software Associates, Inc. (See "CERTAIN TRANSACTIONS"); (b) up to 175,000 shares of Common Stock which are issuable upon the exercise of warrants granted to the Representatives in connection with this Offering (See "UNDERWRITING"); (c) up to 262,500 shares of Common Stock issuable in this Offering to cover over-allotments, if any (See "UNDERWRITING"); (d) up to 234,764 shares issuable to employees under the Company's 1997 Employee Stock Option Plan (See "MANAGEMENT -- Stock Option Plans"); or (e) up to 78,254 shares issuable to non-employee directors under the Company's 1997 Stock Option Plan for Outside Directors (See "MANAGEMENT -- Stock Option Plans"). Includes an additional 74,760 shares of Common Stock issued on October 31, 1997 in respect of the April 1997 Financing and 66,660 shares of Common Stock issued on October 31, 1997 in respect of the August 1997 Financing, and also reflects 66,660 shares contributed to the Company and held as Treasury Stock. See "INTERIM FINANCINGS."

#### RECENT DEVELOPMENTS

##### INTERIM FINANCINGS

On April 30, 1997, the Company completed a \$600,000 private placement in which H.J. Meyers & Co., Inc., the Representative, acted as the Company's placement agent on a "best efforts" basis (the "April 1997 Financing"). That private placement involved the sale of 24 units, each consisting of a subordinated unsecured 8% promissory note of the Company having a principal amount of \$25,000 and 3,115 shares of Common Stock. Also, on August 27, 1997, the Company completed a \$500,000 private placement in which H.J. Meyers & Co., Inc. acted as placement agent on a "best efforts" basis (the "August 1997 Financing"). The August 1997 Financing involved the sale of 20 units, each consisting of a subordinated unsecured 8% promissory note of the Company with a principal amount of \$25,000 and 3,333 shares of Common Stock. See "INTERIM FINANCINGS."

##### REVERSE STOCK SPLIT

At the Company's Annual Meeting held on June 12, 1997, the Company's shareholders approved an Amendment and Restatement of the Company's Certificate of Incorporation (the "Amendment and Restatement") which, among other things, effected a 0.2608491-for-one reverse stock split of the Company's Common Stock (the "Reverse Stock Split"). The Amendment and Restatement was filed with the New Jersey Secretary of State and became effective on November , 1997. Pursuant to the Reverse Stock Split, each share of Common Stock outstanding on the filing date was converted into 0.2608491 of one share, except that no fractional shares were issued and shareholders who would otherwise have received a fractional share as a result of the Reverse Stock Split received cash in lieu thereof. Unless otherwise noted, all references to the Company's Common Stock contained in this Prospectus give effect to the Reverse Stock Split.

The effect of the Reverse Stock Split on the aggregate number of shares of the Common Stock as of the effective date of the reverse split is set forth in the table below.

<TABLE>  
<CAPTION>

|                                   | PRIOR TO<br>REVERSE STOCK SPLIT | AFTER<br>REVERSE STOCK SPLIT |
|-----------------------------------|---------------------------------|------------------------------|
| <S>                               | <C>                             | <C>                          |
| Number of Shares of Common Stock: |                                 |                              |
| Authorized.....                   | 50,000,000                      | 50,000,000                   |
| Issued and Outstanding.....       | 7,953,917                       | 2,074,710                    |
| Available for issuance.....       | 42,046,083                      | 47,925,290                   |
| Par value per share.....          | \$0.0001                        | \$0.0001                     |

</TABLE>

Effect on the Market for the Common Stock. At the time of the Reverse Stock Split, the Common Stock was quoted on the National Association of Securities Dealers ("NASD") Over-The-Counter ("OTC") Bulletin Board Service. The bid price of the Common Stock on November , 1997, immediately prior to the Reverse Stock Split, was \$ ; and the bid price of the Common Stock on November , 1997, the date after the Reverse Stock Split, was \$ . See "MARKET FOR COMMON STOCK AND RELATED STOCKHOLDER MATTERS."

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#### SUMMARY FINANCIAL INFORMATION

[The following table sets forth selected consolidated financial data of the Company. The Statement of Operations Data for the two years ended September 30, 1997, and the Balance Sheet Data as of September 30, 1997 have been derived from the Company's Financial Statements, which have been audited by Richard A. Eisner & Company, LLP, independent auditors, whose report thereon is included elsewhere in this Prospectus.] [To be issued when 1997 audit is completed. All 1997 figures presented are unaudited as of filing of Amendment No. 1.]

[To be removed upon filing of audited statements] [The selected consolidated financial data as at and for the year ended September 30, 1997, are derived from the unaudited Consolidated Financial Statements of the Company. In the opinion of management, the unaudited Consolidated Financial Statements have been prepared on the same basis as the audited Consolidated Financial Statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations for such period.]

<TABLE>  
<CAPTION>

|  | YEAR ENDED<br>SEPTEMBER 30, |            |
|--|-----------------------------|------------|
|  | 1997                        | 1996       |
| <S>  | <C>                         | <C>        |
| STATEMENT OF OPERATIONS DATA                                 |                             |            |
| Revenues.....  | \$ 637,177                  | \$ 460,067 |
| Cost of sales and services.....                              | 253,503                     | 152,399    |
| Other expenses.....  | 2,056,494                   | 748,433    |
| Purchased research and development.....                      | 713,710                     | --         |
| Net (loss).....  | (3,129,803)                 | (455,230)  |
| Net (loss) per share(1).....                                 | (1.58)                      | (.27)      |
| Weighted average number of common shares outstanding(1)..... | 1,984,507                   | 1,667,202  |

</TABLE>

<TABLE>  
<CAPTION>

SEPTEMBER 30, 1997

|  | ACTUAL         | AS ADJUSTED (2) (3) |
|--|----------------|---------------------|
| <S>  | <C>            | <C>                 |
| BALANCE SHEET DATA                             |                |                     |
| Working capital (deficit).....                 | \$ (1,043,923) | 4,407,419           |
| Total assets.....                              | 887,716        | 5,517,431           |
| Short-term debt.....                           | 990,010        | 7,925               |
| Long-term debt.....                            | 185,811        | 185,811             |
| Total liabilities.....                         | 1,539,167      | 581,131             |
| Accumulated deficit.....                       | (3,544,989)    | (3,855,489)         |
| Stockholders' equity (capital deficiency)..... | (651,451)      | 4,620,349           |

</TABLE>

- 
- (1) Gives retroactive effect to the .2608491-for-one Reverse Stock Split, which took effect November , 1997. See Note J[5] to the Company's Financial Statements and "RECENT DEVELOPMENTS."
  - (2) Reflects subsequent borrowings of \$72,851 from the Company's available credit lines and expected repayment of \$97,000 from this Offering.
  - (3) Gives effect to the sale of the Common Stock offered hereby, including the anticipated application of the estimated net proceeds and the repayment of certain indebtedness. See "USE OF PROCEEDS."

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#### RISK FACTORS

An investment in the Common Stock offered hereby involves a high degree of risk and should not be made by persons who cannot afford the loss of their entire investment. Prospective investors, prior to making an investment decision, should consider carefully, in addition to the other information contained in this Prospectus (including the financial statements and notes thereto), the following factors. This Prospectus contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below, as well as those discussed elsewhere in this Prospectus.

Continuous Net Losses; Auditors' Report Going Concern Considerations. The Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. The Company has incurred continuous and substantial net losses. No assurance can be made that the Company will become profitable in the near future, if at all. The Company's prospects are subject to all of the risks encountered by a company in an early stage of development, particularly in light of the uncertainties relating to the new and evolving markets in which the Company intends to operate. To address these risks, the Company must, among other things: further develop or acquire rights to supporting software from third parties; commercially offer its services; successfully implement its marketing strategy; respond to competitive developments; attract, retain and motivate qualified personnel; and develop, upgrade, and protect its technology. No assurance can be given that the Company will succeed in addressing any or all of these issues; and the failure to do so would have a material adverse effect on the Company's business, prospects, financial condition and operating results. The auditors' opinion on the Company's financial statements as of September 30, 1996, a copy of which is attached to this Prospectus, calls attention to substantial doubts as to the ability of the Company to continue as a going concern as of the date of those financial statements. As of September 30, 1997, the Company had an accumulated deficit of \$3,544,989.

Anticipated Operating Losses. The Company anticipates realizing only limited revenue for the foreseeable future. The Company's ability to generate meaningful revenue thereafter is subject to substantial uncertainty. The Company anticipates that its operating expenses will increase substantially in the foreseeable future as it hires a substantial number of additional employees and makes other significant expenditures to further develop its technology, increase its marketing activities, create and expand the distribution channels for its products and services, and broaden its customer support capabilities. Accordingly, the Company expects to incur losses for the foreseeable future. No assurance can be given that the Company's products and services will be developed, marketed, expanded, or rendered successfully or on a timely basis, if at all, or that the Company will be successful in obtaining market acceptance of its products and services. No assurance can be given that the Company will ever be able to achieve or sustain operating profitability.



Early Stage of Market Development; Unproven Acceptance of the Company's Products and Services. The Company's products and services are designed to facilitate electronic commerce. A major focus of the Company's products and services is the Internet, which is a worldwide communications system that allows computer users to transmit and receive messages and information over telephone and other communications lines using terminals or computers. See "Dependence on the Internet and on Internet Infrastructure Development" below. The market for the Company's products and services is at an early stage of development, is evolving rapidly, and is characterized by an increasing number of market entrants who have introduced or are developing competing products and services. As is typical for a new and rapidly evolving industry, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty. Market acceptance will depend, in large part, upon the ability of the Company to demonstrate the advantages and cost effectiveness of its products and services over existing products and services. There can be no assurance that the Company will be able to market its products and services successfully or that its current or future products and services will be accepted in the marketplace. As a result of the Company's recent introduction of its products and services into the market and their limited use to date, there can be no assurance that the Company's products and services will achieve market acceptance or will produce substantial revenues.

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Dependence on the Internet and on Internet Infrastructure Development. The use of the Company's products and services is dependent upon the continued development of an industry and infrastructure for providing Internet access and carrying Internet traffic. The commercial market for products and services for use with the Internet and the World Wide Web has only recently begun to develop. The Internet may not prove to be a viable commercial marketplace or communications network because of many factors, including inadequate development of the necessary capacity, problems with reliability, lack of acceptable levels of security, or lack of timely development of complementary products, such as high speed modems. The Internet suffers from many problems related to performance, reliability, congestion and delay. Customers may experience frustration waiting for transactions to be processed. Consequently, they may forego using the Company's products and services.

Further, there can be no assurance that the Internet will retain its current pricing structure, which is generally flat-rate, independent of volume, and independent of the time of day. Federal regulation of access fees to the Internet may cause an increase in costs to the businesses utilizing the Company's products and services.

The adoption of the Internet for commerce and as a means of communication, particularly by those individuals and enterprises that historically have relied upon traditional means of commerce and communication, will require a broad acceptance of new methods of conducting business and exchanging information. Enterprises that already have invested substantial resources in other methods of conducting business may be reluctant or slow to adopt a new strategy that may limit or compete with their existing business. Individuals with established patterns of purchasing goods and services and effecting payments may be reluctant to alter those patterns.

Thus far, significant commercial use of the Internet has not developed, in part, because of the lack of security and verification processes. Although the Company's products and services are compatible with existing and apparently emerging security and verification products, there can be no assurance that widespread commercial use of the Internet for electronic commerce will develop, or that even if such use does develop, that the Company's products and services will achieve market acceptance. If the Company's market fails to develop or develops more slowly than expected, or if the infrastructure for the Internet is not adequately developed, or if the Company's products and services do not achieve market acceptance by a significant number of individuals and businesses, the Company's business, financial condition, prospects and operating results will be materially and adversely affected. See "BUSINESS -- Electronic Commerce and Electronic Data Interchange" and "Risks Associated with Encryption Technology."

Ability to Respond to Rapid Change. The Company's future success will depend significantly on its ability to enhance its current products and services and develop or acquire and market new products and services which keep pace with technological developments and evolving industry standards as well as respond to changes in customer needs. The market for EDI products and Internet software products is characterized by rapidly changing technology, evolving industry standards and customer demands, and frequent new product introductions and enhancements. The Company will be required to manage effectively its strategic position in a rapidly changing environment. There can be no assurance that the Company will be successful in developing or acquiring product or service enhancements or new products or services to address changing technologies and customer requirements adequately, that it will introduce such products or services on a timely basis, if at all, or that any such product or service enhancements will be successful in the marketplace. The Company's delay or failure to develop or acquire technological improvements or to adapt its products or services to technological change would have a material adverse effect on the Company's business, financial condition, prospects, and operating results. The failure of the Company's management team to respond effectively to and manage rapidly changing technological and business conditions as well as the growth of its own business, should it occur, could have material adverse impact

on the Company's business, financial condition, prospects, and operating results. See "Reliance on Limited Number of Products."

Need for Substantial Additional Capital. The Company presently believes that the net proceeds of this Offering should be sufficient to permit the Company to execute its present business plan. Whether the Company will generate earnings and cash flows from its operations before these proceeds have been used is

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uncertain. If the Company does not generate sufficient earnings and cash flow from its operations before such time, the Company may have a need to raise substantial additional capital. In particular, some of the Company's major competitors have raised significant amounts of capital, and, even if the Company achieves profitability, the Company may need, or want, to raise substantial additional capital in order to be competitive. Without additional capital, the Company may be forced to cease to operate. If any additional capital is raised in equity offerings, the interests of investors who purchase the Common Stock in this Offering may be diluted.

Control by Existing Management. As of November 1, 1997, the existing management of the Company controls approximately 56% of the shares of Common Stock eligible to vote and is therefore able to elect all of the members of the Board of Directors and control the outcome of any issues which may be subject to a vote of the Company's stockholders. After giving effect to this Offering, existing management will control approximately 30% of the shares of Common Stock eligible to vote.

Benefits of the Offering to Management. A portion of the net proceeds of this Offering will be used to repay approximately \$117,000 in short term officers' loans made to the Company by Steve Vanechanos, Sr. and Steven L. Vanechanos, Jr. and to repay approximately \$97,000 expected to be owing under the Company's bank lines of credit, which are personally guaranteed by Steve Vanechanos, Sr., Steven L. Vanechanos, Jr., and Kenneth Konikowski. See "USE OF PROCEEDS." In addition, portions of the net proceeds of the Offering will be used to pay operating expenses of the Company, which will include the compensation of Steve Vanechanos, Sr., Steven L. Vanechanos, Jr., Kenneth Konikowski, and James Conners, the executive officers of the Company. See "USE OF PROCEEDS" and "MANAGEMENT." Except for the repayment of the officers' loans and the relief from the personal guarantees under the lines of credit, none of the executive officers of the Company and none of the five percent shareholders of the Company (See "PRINCIPAL STOCKHOLDERS"), will receive any special benefit from this Offering other than their pro rata benefit as any other shareholder or employee of the Company.

Uncertain Public Market for the Company's Common Stock. Upon completion of this Offering, the Company intends to apply to list the Common Stock on the NASDAQ Small Cap Market System. There can be no assurance that such listing will be approved, or that a market for the Common Stock will develop or be sustained. The investment community could show little or no interest in the Company in the future. As a result, purchasers of the Company's securities may have difficulty in selling such securities should they desire to do so. The Company's Common Stock is currently traded on the NASD's OTC Bulletin Board Service. It is substantially more difficult for investors to dispose of securities or to obtain accurate quotations as to securities in the OTC Bulletin Board Service. If the Company's Common Stock is approved for listing on the NASDAQ Small Cap Market System, the Company will have to meet certain maintenance requirements for continued listing. Such maintenance requirements include, among other things, a minimum of \$2,000,000 in net tangible assets and a minimum bid price of \$1.00 on the Company's Common Stock. Although the Company forecasts that it will be able to meet the NASDAQ Small Cap Market System maintenance requirements, the Company expects to continue to accrue substantial losses before profitability is achieved, if such profitability is ever achieved. In the event the Company's net tangible assets falls below \$2,000,000, the bid price of the Company's Common Stock falls below \$1.00 per share or the Company is unable to meet NASDAQ's other maintenance requirements, the Company's Common Stock could be delisted from the NASDAQ Small Cap Market System. In the event the Company's Common Stock is not approved for listing on the NASDAQ Small Cap Market System or the Company's Common Stock is subsequently delisted from the NASDAQ Small Cap Market System, the Company's Common Stock would continue to trade on the OTC Bulletin Board Service.

Common Stock Eligible for Resale. Of the 3,824,710 shares of Common Stock to be outstanding after the consummation of this Offering, over 1,807,000 shares are "restricted securities" and under certain circumstances may be sold in compliance with Rule 144 adopted under the Securities Act. Future sales of such shares are likely to depress the market price of the Company's Common Stock.

Reliance on Limited Number of Products and Services. The Company expects

that substantially all of its revenues will be derived from its EDIExchange product and service, its ECbridgeNet service, and (to a lesser extent) its ECIntegrator product. If these products and services are not successful, whether as a result of

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technological change, competition or any other factors, the Company's business, financial condition, prospects and operating results will be adversely affected. Although the Company is continuing to develop its existing products, it presently has no plans to develop or produce additional products and services for the foreseeable future. See "BUSINESS -- Introduction."

**Technological Change.** The market for the Company's proposed services is characterized by rapidly changing technology and evolving industry standards. The Company will likely be required to design, develop, test, introduce and support new services and enhancements on a timely basis that meet changing customer needs and respond to technological developments and emerging industry standards. The Company's proposed services are now designed around certain technical standards. While the Company intends to provide compatibility with the standards promulgated by leading industry participants and groups, widespread adoption of a proprietary or closed standard could preclude the Company from effectively marketing or developing its products or services. No assurance can be given that the Company will be able to respond to technological changes or evolving industry standards in a timely manner, if at all; or that the standards upon which the Company's services are or will be based will be accepted by the industry. In addition, no assurance can be given that services or technologies developed by others will not render the Company's services noncompetitive or obsolete. In the event that services or technologies developed by others render the services of the Company impracticable, noncompetitive or obsolete, or the industry in which the Company hopes to compete develops and adopts a proprietary standard to which the Company does not have access, or the Company is not able to respond to technological developments or emerging industry standards, there could be a material adverse effect on the Company's business, financial condition, prospects and operating results.

**Risks of Defects and Development Delays.** The Company has not sold a material amount of its services or products. Products and services based on sophisticated software and computing systems often encounter development delays and the underlying software most often contains undetected errors, bugs, or failures when introduced or when the volume of services provided increases. The Company may experience delays in the development of the software and computing systems underlying the Company's proposed products and services. In addition, there can be no assurance that, despite testing by the Company and potential customers, errors will not be found in the underlying software, or that the Company will not experience development delays, which could result in delays in the market acceptance of its products and services and could have a material adverse effect on the Company's business, financial condition, prospects and operating results. See "BUSINESS -- Product Development."

**Competition.** The EC and EDI markets are intensely competitive and subject to rapid technological change and evolving industry standards. The Company does and will compete with many companies that have substantially greater financial, marketing, technical and human resources than the Company. Among the principal competitors in EDI and specifically in the delivery of EDI over the Internet are, at present, Harbinger Corporation, Sterling Commerce, GEIS, Netscape, Actra (which is a joint venture of GEIS and Netscape), Open Market, Premenos, Icat, Interworld Technology Ventures, Elcom International, Broadvision, Connect, IBM, Microsoft, EDS, and MCI, each of which has announced plans to design and develop software products and to provide services that facilitate electronic commerce over the Internet. Some of those competitors operate VANS. Several of these companies utilize the same encryption technology from RSA that the Company incorporates in its products. Virtually all of the Company's current and potential competitors have longer operating histories, greater name recognition, larger installed customer bases and significantly greater financial, technical and marketing resources than the Company. Such competitors may be able to undertake more extensive marketing campaigns, adopt more aggressive pricing policies and make more attractive offers to potential customers. In addition, many of the Company's current or potential competitors, such as Netscape, Microsoft and AT&T, have broad distribution channels that may be used to bundle competing products directly to end-users or purchasers. If such competitors were to bundle products that compete with the Company for sale to their customers, any demand the Company is able to create for its products and services may be substantially reduced, and the ability of the Company to broaden the utilization of its products and services would be substantially diminished. No assurance can be given that the Company will be able to compete effectively with current or future competitors or that such competition will not have a

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material adverse effect on the Company's business, financial condition, prospects and operating results. See "BUSINESS -- Competition."

**New Market Entrants.** In addition to existing competitors, there are many companies that may enter the market in the future with new technologies, products and services that may be competitive with services offered or to be offered by the Company. Because there are many potential entrants to the field, many of which are likely to have substantially greater resources than the

Company, it is extremely difficult to assess which companies are likely to offer competitive products and services in the future, and in some cases it is difficult to discern whether an existing product or service is competitive with the Company's services. The Company expects competition to persist and intensify in the future. It should be noted that companies that historically have produced text, audio, video, graphics, art and animation ("multimedia" companies), and companies that historically have owned various forms of communication media such as cable, broadcasting, and telecommunications ("cross-media" companies) are encroaching upon and entering into each other's historic businesses. This may signal a further expansion by those integrated companies into the EDI and related fields. If the market becomes congested with competition, the Company may not be able to compete effectively in its intended marketplace.

Dependence on Third-Party Intellectual Property Rights. The Company currently licenses certain proprietary and patented technology from third parties. Most of the Company's planned services incorporating data encryption and authentication is based on proprietary software of RSA Data Security ("RSA"). The RSA software is incorporated in certain other software licensed to the Company from Community Connexion related to the Web server utilized by the Company. The RSA software is available on a non-exclusive basis. No assurance can be given that the encryption software presently available to the Company will continue to be available to the Company on commercially reasonable terms, or at all. Additionally, there is no assurance that if a new encryption technology develops, that it will be available to the Company on commercially acceptable terms, if at all.

The Company also licenses Cybercash software, which is credit card verification software, on a non-exclusive basis. No assurance can be given that Cybercash will continue to be available to the Company on commercially reasonable terms, if at all. The lack of availability of credit card verification software could have a material adverse effect on the Company's business, financial condition, prospects, and operating results.

No assurance can be given that the Company's third party licenses will continue to be available to the Company on commercially reasonable terms, if at all. The Company bears the risk that all third party technology supplied to the Company is actually owned by the party supplying the technology and does not infringe upon the rights of others. Any threat of infringement or misappropriation against these third parties may in turn cause substantial interference with the Company's right to utilize that technology. The loss of or inability to maintain any of those software licenses could result in delays in introduction of the Company's products and services until equivalent software, if available, is identified, licensed and integrated into the Company's planned services, which could have a material adverse effect on the Company's business, financial condition, prospects and operating results. See "BUSINESS -- Intellectual Property Rights."

Because certain of the Company's products incorporate software developed and maintained by third parties, the Company is dependent upon such third parties' ability to enhance their current products, to develop new products on a timely and cost-effective basis and to respond to emerging industry standards and other technological changes. There can be no assurance that the Company would be able to replace the functionality provided by the third party software currently offered in conjunction with the Company's products in the event that such software becomes obsolete or incompatible with future versions of the Company's products or is otherwise not adequately maintained or updated. The absence of or any significant delay in the replacement of that functionality could have a material adverse effect on the Company's business, financial condition, prospects and operating results. See "BUSINESS -- Competitive Strategy."

Reliance on PERL. The Company's proprietary software is written in Practical Extraction and Reporting Language ("PERL"), which is the computer programming language utilized for Internet applications. Because the Internet is not controlled or supervised by any one person or group, the evolution and continued utilization of PERL cannot be controlled or predicted. Changes in or the elimination of PERL could cause the

Company to have to assume responsibility for support and development of PERL, which could have a material adverse effect on the Company's business, financial condition, prospects, and operating results.

Dependence on Distribution and Marketing Relationships. The Company has few sales and marketing employees and does not have established distribution channels for its services. In order to generate substantial revenue, the Company must achieve broad distribution of its services to businesses and individuals and secure general adoption of its services and technology. A key element of the Company's current business and its future business strategy is to maintain and develop relationships with leading companies that market software products and EDI-related services.

The Company has entered into value added-reseller ("VAR"), distribution, co-marketing and other agreements with a number of companies. See "BUSINESS -- Sales and Marketing." Many of these agreements are nonexclusive, and many of the companies with which the Company has agreements also have similar agreements with the Company's competitors or potential competitors. Those agreements do not require the distributors to purchase minimum quantities. The Company believes that its success in penetrating markets for its EDI products and services depends in large part on its ability to maintain these relationships, to add the Company's EDIexchange products and services to such arrangements, to cultivate additional relationships and to cultivate alternative relationships if distribution channels change. There can be no assurance that the Company's VAR partners, distributors or co-marketers will not develop and market products in competition with the Company in the future, discontinue their relationships with the Company or form additional competing arrangements with the Company's competitors, all of which could have a material adverse effect on the Company's ability to successfully compete. See "BUSINESS -- Sales and Marketing."

Dependence on Intellectual Property Rights; Risk of Infringement. The Company's success and ability to compete are dependent in part upon its proprietary technology relating to its NetCat software. The Company has applied for a patent with the United States Patent and Trademark Office covering that software, but to date no patent has been granted. There can be no assurance that the applied-for patent will be granted, or, if granted, will be effective to protect the Company's rights in its NetCat technology. The Company's patent, if issued by the United States Patent and Trademark Office, would offer no protection outside of the United States. The Company's patent, if issued, may be subsequently challenged. If the patent is challenged the counsel and other fees in defending the patent, together with loss of management's time, could be substantial. Those adverse consequences also could occur with respect to the trademarks, trade secrets, or other intellectual property rights of the Company.

In addition, the software and electronic commerce industries are characterized by the existence of a large number of patents, and litigation based on allegations of patent infringement is common. From time to time, third parties may assert exclusive patent, copyright, trademark and other intellectual property rights to technologies that are important to the Company. Although the Company believes that it is not infringing on the rights of any third parties, there can be no assurance that third parties will not assert infringement claims against the Company, that any such assertion of infringement will not result in litigation or that the Company would prevail in such litigation or be able to license any valid and infringed patents of third parties on commercially reasonable terms. See "BUSINESS -- Proprietary Information."

Risks Associated with Encryption Technology. A significant barrier to Internet commerce are the problems and risks associated with exchanging financial information securely over public networks. The Company relies on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect the secure exchange of financial information over the Internet, including public key cryptography technology licensed from RSA. No assurance can be given that advances in computer capabilities, new discoveries in the field of cryptography or other events or developments will not result in a compromise or breach of the RSA cryptography technology or other algorithms used by the Company to protect customer transaction data. If any such compromise of the Company's security were to occur, it could have a material adverse effect on the Company's business, financial condition, prospects and operating results. In addition, no assurance can be given that existing security systems of others will not be penetrated or breached, which could have a material adverse effect on the market acceptance of Internet security services,

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which in turn could have a material and adverse effect on the Company's business, financial condition, prospects and operating results.

Liability and Availability of Insurance. The Company is responsible for the electronic transmission of commercial transaction data for its customers, including, but not limited to, purchase orders, payments, invoices, and advance ship notices. If the Company were unable to fulfill its contractual obligations to its customers, whether due to failure of its software, to failure of the Internet, EDI or telecommunications services to function properly, to failure of its employees, contractors, agents or representatives, or for any other reason, the Company could be subject to claims for the value of the lost business to its customers. The liability could be substantial. If the Company incurs substantial liability to its customers due to its breach, it may materially and adversely affect the Company's ability to complete its plan of operation. The Company's standard agreements with its customers contain provisions which attempt to limit the liability of the Company for such matters, including the customer's lost data, lost profits, or other incidental or consequential damages arising out of, or in connection with, the customer's use or inability to use the Company's software or services, or the negligence of the Company. In addition, in May, 1997 the Company purchased general liability and professional liability insurance policies that are intended to cover the foregoing liabilities. The general liability policy provides coverage of \$1 million per claim and \$2

million in the aggregate; and the Company has an additional \$1 million umbrella liability policy. The professional liability policy provides coverage of \$1 million per claim and \$1 million in the aggregate. The Company intends to maintain such coverage and to evaluate increasing it from time to time, subject to availability on commercially reasonable terms.

**Fluctuating Results; Cyclical Business.** The Company's future revenues and operating results may fluctuate materially as a result of, among other things, the timing of the introduction of, or enhancements to, the Company's products and services, demand for the Company's products and services, the timing of introduction of products or services by the Company's competitors, market acceptance of Internet commerce, the timing and rate at which the Company increases its expenses to support projected growth, the budgeting and purchasing practices of its customers, the length of the customer product evaluation process for the Company's products, the size and timing of customer orders, competitive conditions in the industry, and other factors inherent in a new, developing business. Fluctuations in revenues and operating results may cause volatility in the Company's stock price. See "Possible Volatility of Stock Price."

**Dependence Upon Key Personnel.** The Company's success will depend in part upon the retention of key senior management and technical personnel, particularly Steven L. Vanechanos, Jr., co-founder of the Company and Chairman of the Board, James D. Connors, President of the Company, and Kenneth R. Konikowski, Executive Vice President of the Company. The loss of the services of any of the Company's key personnel could have a material adverse effect on the Company's business, prospects, financial condition and operating results. The Company has a policy that all of the Company's employees must sign confidentiality agreements, and that certain of its employees also sign non-competition agreements. The Company presently maintains key man life insurance on Steven L. Vanechanos, Jr. in the amount of \$3,000,000. There can be no assurance that the Company will be able or willing to continue to maintain such insurance at present coverage levels.

**Ability to Attract Qualified Personnel.** The Company believes that its future success also depends upon its ability to attract and retain additional highly skilled technical, professional services, management and sales and marketing personnel. The market for skilled computer programmers and other technically skilled employees is highly competitive and other companies with greater resources can provide higher salaries and greater benefits. To attract quality personnel, the Company may be required to offer Common Stock or stock options, which will dilute investors' interests. The market for these individuals has historically been, and the Company expects that it will continue to be, intensely competitive. The Company's inability to attract and retain qualified employees could have a material adverse effect on the Company's business, financial condition, prospects, and operating results.

**Management of Growth.** If the Company experiences a period of rapid growth, a significant strain may be placed on the Company's financial, management and other resources. The Company's future performance will depend in part on its ability to manage change in its operations and will require the Company to hire additional management and technical personnel, particularly in areas of marketing and customer support. In

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addition, the Company's ability to manage its growth effectively will require it to continue to improve its operational and financial control systems and infrastructure and management information systems, and to attract, train, motivate, manage and retain key employees. If the Company's management were unable to manage growth effectively, there could be a material adverse effect on the Company's business, financial condition, prospects, and operating results.

**Ability to Issue Blank Check Preferred Stock; New Jersey Anti-Takeover Provisions.** Under the Company's Certificate of Incorporation, the Board of Directors has the authority to issue up to 5,000,000 shares of preferred stock and to determine the price, rights, preferences and privileges of those shares without any further vote or action by the stockholders. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of shares of preferred stock, while potentially providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of the outstanding voting stock of the Company. The Company has no present intention to issue shares of preferred stock. In addition, the Company has, pursuant to the Underwriting Agreement, agreed with the Representative that the Company will not sell or otherwise issue any shares of preferred stock for two years following this Offering, without the Representative's prior written consent.

In addition, the Company is subject to the anti-takeover provisions of the New Jersey Shareholder Protection Act, which, among other things, prohibits it from engaging in a "business combination" with an "interested stockholder" for a period of five years after the date of the transaction in which the person became an interested stockholder (the "Stock Acquisition Date"), unless the

business combination is approved by the Company's Board of Directors prior to the Stock Acquisition Date. The application of such Act also could have the effect of delaying or preventing a change in control of the Company.

Furthermore, certain provisions of the Certificate of Incorporation and the Company's Bylaws, including provisions that provide for the Board of Directors to be divided into three classes to serve for staggered three-year terms, as well as certain contractual provisions, could limit the price that certain investors might be willing to pay in the future for shares of the Common Stock and may have the effect of delaying or preventing a change in control of the Company. These provisions may also reduce the likelihood of an acquisition of the Company at a premium price by another person or entity.

Government Regulation and Legal Uncertainties. The Company is not currently subject to direct regulation by any federal or state governmental agency, other than regulations applicable to businesses generally. The laws generally applicable to business will also be applicable to doing business over the Internet. Laws relating to advertising, buying and selling goods and services, contracts, payments, privacy, obscenity, defamation, taxation, export controls, unfair competition and deceptive trade practices, among other things, will likely apply to online activities as well, and numerous criminal statutes may apply. There are currently few laws or regulations directly applicable to access to, or commerce on, the Internet. If the Internet becomes more generally accepted, it is possible that a number of laws and regulations may be adopted with respect to the Internet. Such laws may address user privacy, pricing and characteristics and quality of products and services, among other things. The adoption of any laws or regulations governing commerce on the Internet may result in decreased growth or use of the Internet, which could have an adverse effect on the Company's business, financial condition, prospects and operating results. Moreover, the applicability to the Internet of existing laws governing issues such as property ownership, libel and personal privacy is uncertain.

Possible Volatility of Stock Price. The market price of the Company's Common Stock is likely to be highly volatile and could be subject to wide fluctuations in response to quarterly variations in operating results, announcements of technological innovations or new software or services by the Company or its competitors, changes in financial estimates by securities analysts, or other events or factors, many of which are beyond the Company's control. In addition, the stock market has experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many high technology companies and that often have been unrelated to the operating performance of such companies. These broad market fluctuations may adversely affect the market price of the Company's Common Stock. In the past, following periods of volatility in the market price for a company's securities, securities class action litigation has often been instituted. Such litigation could result in substantial costs and a diversion of management attention and

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resources, which could have a material adverse effect on the Company's business, financial condition, prospects or operating results.

Substantial Options Reserved. Under the Company's 1997 Employee Stock Option Plan, the Company may issue options to purchase up to an aggregate of 234,764 shares of Common Stock to employees and officers, and, as of the date of this Prospectus, options to purchase 203,392 shares have been granted under that plan. Further, under the Company's Stock Option Plan for Outside Directors, the Company may issue options to purchase up to an aggregate of 78,254 shares of Common Stock to its outside directors, including certain mandatory grants, and, as of the date of this Prospectus, options to purchase 15,648 shares have been granted under that plan. The exercise of such options may further dilute the net tangible book value of the Common Stock and an investor's interest in the Company. Further, the holders of such options may exercise them at a time when the Company would otherwise be able to obtain additional equity capital on terms more favorable to the Company.

Difficulty of Trading "Penny Stocks." The Company's Common Stock may be subject to rules that impose additional sales practice requirements on broker-dealers who sell lower-priced securities to persons other than established customers (as defined in such rules) and accredited investors (generally, institutions and, for individuals, an investor with assets in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with such investor's spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchaser and must have received the purchaser's written consent to the transaction prior to the purchase. Consequently, many brokers may be unwilling to engage in transactions in the Company's securities because of the added disclosure requirements, thereby making it more difficult for purchasers in this Offering to resell the Common Stock in the secondary market.

Dilution. This Offering involves immediate and substantial dilution of

\$2.82 per share (or 70.5%) between the net tangible book value per share of Common Stock after this Offering and the per share public offering price. Based upon the public offering price, new investors in this Offering will be paying \$7 million, or \$4.00 per share, for approximately 46% of the shares of the Common Stock to be outstanding after completion of this Offering, for a corporation with a net tangible book value of approximately \$4,515,208, or \$1.18 per share, after giving effect to this Offering. See "DILUTION." Also, the Company has a contingent obligation to issue up to 297,367 additional shares to one of its shareholders in connection with the Company's previous acquisition of Software Associates. See "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS -- Acquisition of Software Associates and Megascor."

Non-Cash Charges to Earnings. The Company intends to use a portion of the net proceeds of this Offering to repay its outstanding indebtedness from its April 1997 Financing and its August 1997 Financing. Because those financings involve a material amount of debt discount and deferred financing fees, the Company has amortized and charged to operations \$720,000 through September 30, 1997, and will incur approximately \$310,500 of additional non-cash expense through the date of, and upon the repayment of, those financings. See "INTERIM FINANCINGS."

Broad Discretion in Use of Proceeds. Management of the Company has broad discretion to utilize the proceeds of this Offering, and the presently-anticipated uses may be materially changed, in management's discretion. For example, management could elect to utilize proceeds to pursue a significant acquisition opportunity, should one arise, or could shift expenditures among the marketing, technical operations, and purchase or lease of capital equipment or software categories to respond to market needs and opportunities or other needs of the Company which arise in the future. See "USE OF PROCEEDS."

Arbitrary Determination of Offering Price; Possible Volatility of Stock Price. The initial public offering price and terms of the Common Stock have been determined by negotiation between the Company and the Underwriter and are not necessarily related to the Company's asset value, net worth or results of operation. One consideration in determining the initial public offering price was the recent public trading price of the Common Stock, reflecting the effect of the Reverse Stock Split. The market prices for securities of development stage companies have historically been highly volatile. Future announcements concerning the Company or its competitors, including the results of testing, technological innovations, new commercial products, developments concerning proprietary rights or litigation may have a significant impact on the market price of the Company's securities. See "UNDERWRITING."

USE OF PROCEEDS

Based upon an assumed initial public offering price of \$4.00 per share, the net proceeds to be received by the Company from the sale of the Common Stock offered hereby, after deducting underwriting commissions and other estimated expenses of the Offering are estimated to be approximately \$5,582,000 (\$6,495,500 if the Underwriters' overallotment option is exercised in full). The Company intends to use the net proceeds of the Offering approximately as follows:

<TABLE>  
<CAPTION>

|                                     | AMOUNT      | PERCENTAGE |
|-------------------------------------|-------------|------------|
| <S>                                 | <C>         | <C>        |
| Selling and Marketing.....          | \$1,723,000 | 31%        |
| Technical Operations.....           | 1,343,000   | 24         |
| Purchase or Lease of Equipment..... | 363,000     | 7          |
| Repayment of Indebtedness.....      | 1,352,000   | 24         |
| Working Capital.....                | 801,000     | 14         |
|                                     | -----       | ---        |
| Totals.....                         | \$5,582,000 | 100%       |
|                                     | =====       | ===        |

</TABLE>

In general, the Company plans to hire additional personnel in sales and in technical operations in order to implement the Company's plan of expanding its core EDI business. The salaries, benefits and other expenses associated with the Company's present employees and those additional employees are expected to cause the Company to operate at a deficit on a monthly basis for approximately 24 months, at which time the Company's management believes that the Company's sales should increase sufficiently to cover those expenses. The Company believes that its current and anticipated future revenue should be sufficient to pay its expected general and administrative expenses and a portion of its other expenses. The Company has attributed its expected operating deficits to its activities in sales and marketing and in technical operations; and a material amount of the net proceeds of this Offering will be used to fund such deficits,



as described below.

#### SELLING AND MARKETING

The Company intends to use approximately \$1,723,000 of the net proceeds of the Offering to fund selling and marketing activities. Approximately \$1,050,000 of that total will be used to fund the salaries and benefits of the Company's marketing personnel including eight additional salespeople intended to be hired; and the Company also intends to develop and implement an advertising program and to attend trade shows and conventions. The Company expects to use approximately \$673,000 of the net proceeds for those costs. See "BUSINESS -- Selling and Marketing."

#### TECHNICAL OPERATIONS

The Company intends to use approximately \$1,343,000 of the net proceeds from the Offering for the salaries and benefits for personnel involved in technical operations, customer service, and research and development activities. The Company intends to hire up to 11 new technical staff to provide ongoing systems support and four new programmers to develop and enhance the Company's software. A portion of the net proceeds attributed to technical operations will also support the cost of the Company's existing technical staff. The Company has budgeted \$475,000 to complete five present product development initiatives. See "BUSINESS -- Product Development."

#### PURCHASE OR LEASE OF CAPITAL EQUIPMENT AND SOFTWARE

The Company intends to use approximately \$363,000 of the net proceeds of the Offering to purchase or lease additional equipment and software, including work stations for new hires (\$53,000), computer servers for internal and external use (\$120,000), communications equipment (\$72,000), software licenses (\$61,000), and facilities management equipment (\$57,000).

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#### REPAYMENT OF INDEBTEDNESS

The Company intends to use approximately \$600,000 plus accrued interest of approximately \$28,000 of the proceeds from the Offering to repay the promissory notes issued in the April 1997 Financing, and up to \$500,000 plus accrued interest of approximately \$10,000 of the proceeds to repay the promissory notes issued in the August 1997 Financing. See "INTERIM FINANCINGS." Further, the Company intends to use approximately \$117,000 to repay short-term loans made by the officers of the Company, see "CERTAIN TRANSACTIONS -- Officer Loans," and approximately \$97,000 to repay amounts borrowed under its bank lines of credit.

The April 1997 Financing matures and is required to be repaid upon the later of the consummation of this Offering or March 31, 1999. The effective interest rate applicable to the April 1997 Financing is 191 percent. The net proceeds of the April 1997 Financing were \$492,000, and were used in the manner described below under "INTERIM FINANCINGS." The August 1997 Financing matures and is required to be repaid upon the later of the consummation of this Offering or September 30, 1999. The effective interest rate applicable to the August 1997 Financing is 525 percent. The net proceeds of the August 1997 Financing were \$427,500, and were used in the manner described below under "INTERIM FINANCINGS."

The officers' loans are payable on demand. The interest rate on all the officers' loans is 8% per annum. The proceeds of the officers' loans were used as follows: Approximately \$105,000 was used to pay accounts payable, approximately \$7,000 was used for trade show expenses, and approximately \$5,000 was used to purchase equipment and furniture.

The bank lines of credit are also payable on demand. The interest rates on the lines of credit are 10.5% per annum and 13.25% per annum. The proceeds of the advances under the lines of credit were used to pay payroll expenses. See "INTERIM FINANCINGS."

#### WORKING CAPITAL

The Company intends to use \$801,000 of the net proceeds for working capital and general corporate purposes.

The allocation of the net proceeds of this Offering set forth above represents the Company's best estimate based upon its present plans and certain assumptions regarding general economic and industry conditions and the Company's future revenues and expenditures. The Company reserves the right to reallocate the proceeds within the above-described categories or to other purposes in

response to, among other things, changes in its plans, industry conditions, and the Company's future revenues and expenditures. It is possible that a portion of the net proceeds may also be used, in part, to fund strategic joint ventures or acquisitions. The Company presently has no commitments with respect to any joint venture or acquisition.

Based on the Company's operating plan, management believes that the proceeds from this Offering and anticipated cash flow from operations will be sufficient to meet the Company's anticipated cash needs and finance its plans for expansion for at least 24 months from the date of this Prospectus. Thereafter, the Company anticipates that it may require additional financing to meet its current or future plans for expansion. No assurance can be given that the Company will be successful in obtaining such financing on favorable terms, or at all. If the Company is unable to obtain additional financing, its ability to meet its current plans for expansion could be adversely affected. See "RISK FACTORS -- Future Capital Needs; Uncertainty of Additional Financing."

Proceeds not immediately required for the purposes described above will be invested principally in U.S. government securities, short-term certificates of deposit, money market funds, collateralized investment agreements with commercial banks or investment banks, or other high-grade, short-term, interest-bearing investments.

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#### MARKET FOR COMMON STOCK AND RELATED STOCKHOLDER MATTERS

As of the date of this Prospectus, a portion of the Company's Common Stock which is not restricted is traded on the National Association of Securities Dealers ("NASD") Over the Counter ("OTC") Bulletin Board Service under the symbol "DWEB."

The range of high and low bid quotations for the Company's Common Stock for the two most recently completed fiscal years and the current fiscal year to date were obtained from the NASD and are provided below. The volume of trading in the Company's Common Stock has been limited and the bid prices reported may not be indicative of the value of the Common Stock or the existence of an active trading market. These over-the-counter market quotations reflect interdealer prices without retail markup, markdown or commissions and do not necessarily represent actual transactions. On November , 1997, the Company effectuated a 0.2608491-for-one Reverse Stock Split whereby each share of Common Stock became 0.2608491 of a share. The information in the table below has not been retroactively adjusted on account of that combination of shares.

<TABLE>  
<CAPTION>

| QUARTER ENDED              | BID   |        |
|----------------------------|-------|--------|
|                            | HIGH  | LOW    |
| <S>                        | <C>   | <C>    |
| December 31, 1995.....     | 0.01  | 0.01   |
| March 31, 1996(1).....     | 5     | 4 1/2  |
| June 30, 1996.....         | 4 1/2 | 4 3/8  |
| September 30, 1996.....    | 4 1/8 | 3 7/8  |
| December 31, 1996.....     | 3 3/4 | 3      |
| March 31, 1997.....        | 3 3/8 | 3 1/8  |
| June 30, 1997.....         | 3 1/4 | 1 1/16 |
| September 30, 1997(2)..... | 1 3/4 | 1      |

</TABLE>

(1) On March 5, 1996, the Company effectuated a one-for-100 reverse stock split whereby each 100 shares of Common Stock were combined into one share of Common Stock. The information in the above table which relates to the period prior to March 5, 1996, was not retroactively adjusted to reflect that combination of shares.

(2) On November , 1997, the Company effectuated the .2608491-for-one Reverse Stock Split. The information in the above table was not retroactively adjusted to reflect the Reverse Stock Split. The last bid price on , 1997, after effectuation of the Reverse Stock Split, was \$ per share. See "RECENT DEVELOPMENTS -- Reverse Stock Split."

At November 1, 1997, there were 2,074,710 shares of the Company's common stock outstanding, held by approximately 3,255 holders of record.

The Company did not declare or pay cash dividends on the Common Stock during 1995 or 1996. The Company currently intends to retain any earnings for use in the business and does not anticipate paying any cash dividends in the foreseeable future.

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CAPITALIZATION

The table below sets forth the capitalization of the Company as of September 30, 1997: (i) on an actual basis, and (ii) as adjusted to reflect the sale and issuance of the Common Stock offered hereby at an assumed initial offering price of \$4.00 per share and the receipt of the estimated net proceeds of this Offering as set forth in "USE OF PROCEEDS." The information set forth below should be read in conjunction with the Company's financial statements and notes thereto.

<TABLE>  
<CAPTION>

|  | SEPTEMBER 30, 1997 |              |
|--|--------------------|--------------|
|  | ACTUAL             | AS ADJUSTED  |
| <S>  | <C>                | <C>          |
| Long-term debt.....  | \$ 185,811         | \$ 185,811   |
| Stockholders' equity (capital deficiency):   |                    |              |
| Preferred stock, assignable par value, 5,000,000 shares authorized; no shares issued and outstanding   |                    |              |
| Common Stock, \$.0001 par value, 50,000,000 shares authorized; 2,141,370 issued and outstanding(1) (2); as adjusted 3,891,370 issued and outstanding(1) (2)..... | 214                | 389          |
| Additional paid in capital.....  | 3,293,324          | 8,875,449    |
| Accumulated deficit.....   | (3,508,989)        | (3,855,489)  |
| Total.....   | (251,451)          | 5,020,349    |
| Treasury stock, at cost -- 66,660 shares.....  | (400,000)          | (400,000)    |
| Total stockholders' equity (capital deficiency).....   | (651,451)          | 4,620,349    |
| Total capitalization.....  | \$ (465,640)       | \$ 4,806,160 |

</TABLE>

(1) Gives effect to the .2608491-for-one reverse stock split on November , 1997.

(2) Excludes (a) up to 297,367 shares of Common Stock which may be issuable to a certain shareholder as a result of the acquisition by the Company of Software Associates, Inc. (See "CERTAIN TRANSACTIONS"); (b) up to 175,000 shares of Common Stock which are issuable upon the exercise of warrants granted to the Representatives in connection with this Offering (See "UNDERWRITING"); (c) up to 262,500 shares of Common Stock issuable in this Offering to cover over-allotments, if any (See "UNDERWRITING"); (d) up to 234,764 shares issuable to employees under the Company's 1997 Employee Stock Option Plan (See "MANAGEMENT -- Stock Option Plans"); or (e) up to 78,254 shares issuable to non-employee directors under the Company's 1997 Stock Option Plan for Outside Directors (See "MANAGEMENT -- Stock Option Plans").

DILUTION

At September 30, 1997, the negative net tangible book value of the Company was approximately \$(936,124) or \$(.45) per share. Net tangible book value per share represents the Company's total tangible assets less total liabilities divided by the total number of shares of Common Stock outstanding. Net tangible book value dilution per share represents the difference between the amount per share paid by the purchasers of Common Stock in this Offering and the pro forma net tangible book value per share of Common Stock immediately after completion of this Offering. After giving effect to the sale by the Company of the 1,750,000 shares of Common Stock offered hereby, at the assumed initial public offering price of \$4.00 per share, and receipt by the Company of the estimated net proceeds therefrom, the pro forma net tangible book value of the Company at September 30, 1997, would have been approximately \$4,515,208, or \$1.18 per share. This represents an immediate increase in net tangible book value of \$1.63 per share to existing holders of Common Stock and an immediate dilution of \$2.82 per share to purchasers of shares of Common Stock in this Offering, as illustrated by the following:

<TABLE>

|  |          |        |
|--|----------|--------|
| <S>  | <C>      | <C>    |
| Assumed initial public offering price per share(1).....              |          | \$4.00 |
| Negative net tangible book value per share at September 30, 1997.... | \$ (.45) |        |
| Increase per share attributable to this Offering.....                | \$ 1.63  |        |

|  |        |
|--|--------|
| Pro forma net tangible book value per share after this Offering..... | \$1.18 |
| Dilution per share to new investors(2).....                          | \$2.82 |

</TABLE>

- (1) Before deducting the estimated underwriting discounts, commissions and expenses of this Offering.
- (2) Excludes (a) up to 297,367 shares of Common Stock which may be issuable to a certain shareholder as a result of the acquisition by the Company of Software Associates, Inc. (See "CERTAIN TRANSACTIONS"); (b) up to 175,000 shares of Common Stock which are issuable upon the exercise of warrants granted to the Representatives in connection with this Offering (See "UNDERWRITING"); (c) up to 262,500 shares of Common Stock issuable in this Offering to cover over-allotments, if any (See "UNDERWRITING"); (d) up to 234,764 shares issuable to employees under the Company's 1997 Employee Stock Option Plan (See "MANAGEMENT -- Stock Option Plans"); or (e) up to 78,254 shares issuable to non-employee directors under the Company's 1997 Stock Option Plan for Outside Directors (See "MANAGEMENT -- Stock Option Plans").

The above discussions and table assume no exercise of the over-allotment option, the exercise of which in full would reduce the dilution to investors in this Offering to \$2.63 per share as the pro forma net tangible book value per share after this Offering would increase from \$1.18 to \$1.37.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the Financial Statements and the Notes thereto and the Selected Financial Data included in this Prospectus, and the description of the Company's business located elsewhere in this Prospectus. This discussion contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed in "RISK FACTORS" as well as those discussed elsewhere in this Prospectus. Historical operating results and percentage relationships among any amounts included in the Financial Statements are not necessarily indicative of trends in operating results.

The following discussion relates to the combined operations of DWTS and Megascor for all periods presented, plus Software Associates, Inc. which was acquired by the Company on November 30, 1996 from December 1, 1996. See "BUSINESS -- Background of the Company."

SUMMARY

The following table summarizes the Results of Operations of the Company that are discussed below:

RESULT OF OPERATIONS  
SELECTED FINANCIAL DATA

<TABLE>  
<CAPTION>

|  | YEAR ENDED<br>SEPTEMBER 30,<br>1997 |       | YEAR ENDED<br>SEPTEMBER 30,<br>1996 |       |
|--|-------------------------------------|-------|-------------------------------------|-------|
|  |                                     | %     |                                     | %     |
| <S>                                      | <C>                                 | <C>   | <C>                                 | <C>   |
| Net Sales:                               |                                     |       |                                     |       |
| Systems.....                             | 116,106                             | 18.2% | \$ 147,337                          | 32.0% |
| Services.....                            | 521,071                             | 81.8  | 312,730                             | 68.0  |
| Total.....                               | 637,177                             | 100.0 | 460,067                             | 100.0 |
| Cost of Sales:                           |                                     |       |                                     |       |
| Systems.....                             | 40,323                              | 6.3   | 71,205                              | 15.5  |
| Services.....                            | 213,180                             | 33.5  | 81,194                              | 17.6  |
| Total.....                               | 253,503                             | 39.8  | 152,399                             | 33.1  |
| Expenses:                                |                                     |       |                                     |       |
| Selling, general and administrative..... | 1,821,686                           | 285.9 | 719,443                             | 156.3 |
| Research and development.....            | 234,808                             | 36.9  | 28,990                              | 6.3   |
| Total.....                               | 2,056,494                           | 322.8 | 748,433                             | 162.6 |

|   |                |          |              |         |
|---|----------------|----------|--------------|---------|
| Purchased research and development..... | 713,710        | 112.0    | --           |         |
| Interest expense.....                   | 770,041        | 120.8    | 23,271       | 5.1     |
| Interest income.....                    | (5,068)        | (0.8)    | (8,806)      | (1.9)   |
|   | -----          | -----    | -----        | -----   |
| Total expenses.....                     | 3,788,680      | 594.6    | 915,237      | 198.9   |
|   | -----          | =====    | -----        | =====   |
| Loss before income taxes.....           | \$ (3,151,503) | (494.6)% | \$ (455,230) | (98.9)% |
|   | =====          | =====    | =====        | =====   |

</TABLE>

-----  
\* Expense percentages are based upon a percentage of Total Net Sales.

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#### MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATION

#### RESULTS OF OPERATION

THE YEAR ENDED SEPTEMBER 30, 1997 COMPARED TO THE YEAR ENDED SEPTEMBER 30, 1996

Net sales increased by \$177,110, or 38%, from \$460,067 for the fiscal year ended September 30, 1996 ("fiscal 1996"), to \$637,177 for the fiscal year ended September 30, 1997 ("fiscal 1997"). The increase in net sales was attributable primarily to sales of EDI outsourcing services offered through Software Associates, which was acquired by the Company on November 30, 1996, as well as to increased sales of the Company's EDI/Internet products and royalty payments the Company received for licensing a propriety list of internet domain names. Software Associates' EDI outsourcing revenues totaled \$179,650. Net sales from the Company's EDI/Internet products increased by \$52,696 or 85% from \$61,832 in fiscal 1996 to \$114,528 in fiscal 1997. The Company's royalty revenue was \$33,828 in fiscal 1997 compared to \$13,963 in fiscal 1996.

Overall system sales declined \$31,231, or 21%, from \$147,337 in fiscal 1996 to \$116,106 in fiscal year 1997. The decline was attributable to ongoing efforts to migrate away from some of the Company's historical system integration and software consulting activities and to focus on the Company's electronic commerce services. Computer hardware and computer software sales associated with the Company's system integration business declined by \$47,943, or 53%. This decline was offset by an increase of \$21,712 in system sales associated with the Company's EDI products.

Service sales increased \$208,341 or 67%, from \$312,730 in fiscal 1996 to \$521,071 in fiscal 1997. The increase was due largely to new revenues of approximately \$115,000 derived from transaction processing through the Company's new EDI Service Bureau, additional revenues of \$71,775 from EDIexchange and ECbridgeNet, and \$19,865 in increased royalty payments for licensing of the Company's internet domain list.

Cost of system sales was \$40,323 for fiscal 1997 for a gross profit percentage of approximately 65%. This compares to cost of system sales of \$71,205 for a gross profit percentage of 51% for fiscal 1996. The increase in gross profit percentage on system sales is attributable to sales of higher margin customized EDI software as part of EDIexchange and ECbridgeNet.

Cost of services was \$213,180 for fiscal 1997, for gross profit percentage of approximately 59%. This compares to cost of services of approximately \$81,194, for a gross profit percentage of approximately 74% fiscal 1996. The decrease in profit margins on service sales is attributable to increased costs associated with the hiring of additional employees to increase the Company's EDI/Internet capabilities, in anticipation of the growth in demand for the Company's EDI/Internet services. These additional employees are two programmers acquired through the purchase of Software Associates, and an additional programmer and an operator for its EDI/Internet services hired in fiscal 1997.

Selling, general, and administrative expenses increased by \$1,102,243, from \$719,443 for fiscal 1996 to \$1,821,686 for fiscal 1997, an increase of approximately 153%; \$518,604 of the increase, or 47% is attributable to the higher marketing expenses, salaries and office expenses associated with the Company's increased effort to market its EDI/Internet services; \$257,000, or 23% of the increase is attributable to a charge for compensation expense in connection with granting options to employees under the 1997 Employee Plan in which the fair value of the stock exceeded the exercise price; \$155,481, or 14% of the increase is attributable to the overhead expenses associated with maintaining eight new employees, \$127,206, or 12% of the increase is

attributable to legal, accounting and consulting fees, and \$43,952, or 4%, is attributable to write off of non-performing receivables. The \$518,604 increase in marketing expenses is composed of the expansion of the Company's marketing and sales staff by three employees, development of a marketing program with assistance from outside consultants, attendance at nine trade shows, and implementation of an outreach program consisting of public relations and services directed at the electronic commerce community. Management expects the outreach program to provide the Company with access and introductions to talent and expertise within the electronic commerce community, with a goal of assisting the Company in its marketing, recruiting, and operations. There is no assurance that the outreach program will be successful.

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Research and development expense increased \$205,818 or 710% for fiscal 1997, from \$28,990 in fiscal 1996 to \$234,808 in fiscal 1997. The increase is attributable to expanded development of existing services and increased expenses in the ongoing development of the Company's product development initiatives. See "BUSINESS -- Product Development." The Company restructured its research and development staff and hired three full time programmers in fiscal 1997 for its software development program.

Purchased research and development for fiscal 1997 of \$713,710 resulted from the allocation of a portion of the purchase price for Software Associates.

Interest expense increased from \$23,271 for fiscal 1996 to \$770,041 for fiscal 1997. The increase is primarily attributable to the amortization of debt discount and deferred financing fees of \$720,000 and interest expense of \$23,726. Both are related to the April and August 1997 financings.

#### LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 1997, the Company had cash of \$188,270, total current assets of \$318,521 and a working capital deficit of \$1,043,923.

The Company had a net loss of \$3,129,803 for the year ended September 30, 1997, and negative operating cash flow of \$1,083,279 for that period. The Company funded that negative cash flow exclusively through its financing activities. Those consisted of a \$250,000 private placement of common stock that closed in November, 1996, the April 1997 Financing of \$600,000, the August 1997 Financing of \$500,000, loans from officers of \$117,000, and loans under the Company's two lines of credit of \$14,049. The terms of the April 1997 Financing, the August 1997 Financing, and the lines of credit are discussed below under "INTERIM FINANCINGS." The terms of the officers' loans are discussed below under "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS."

The capital resources presently available to the Company includes approximately \$73,000 available under the Company's lines of credit. Those resources are not adequate to finance the Company's activities beyond November, 1997. The Company needs capital to fund its operations, as fully set forth under "USE OF PROCEEDS." As discussed under that caption, the Company believes that the net proceeds of this Offering should be sufficient to support the anticipated funding needs of the Company for approximately 24 months. Accordingly, the Company believes that consummation of this Offering should be sufficient to eliminate the doubt about the Company's ability to continue as a going concern as expressed in the Company's financial statements for the year ended September 30, 1997.

#### IMPACT OF INFLATION

Although no assurance can be given, increases in the inflation rate are not expected to materially adversely affect the Company's business.

#### NEW ACCOUNTING STANDARDS

Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," issued by the Financial Accounting Standards Board ("FASB"), is effective for financial statements for fiscal years beginning after December 15, 1995. The new standard establishes new guidelines regarding when impairment losses on long-lived assets, which include plant and equipment and certain identifiable intangible assets and goodwill, should be recognized and how impairment losses should be measured. The adoption of this standard did not have a material effect on the Company's financial position or results of operations.

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." The Company has determined that it will continue to account for stock-based compensation for employees under Accounting Principles Board Opinion No. 25 and elect the disclosure-only alternative under SFAS No. 123. The Company will be required to disclose the pro forma net income or loss and per share amounts in the notes

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to the financial statements using the fair-value-based method beginning in the year ending September 30, 1997. The Company has not determined the impact of these pro forma adjustments.

In March 1997, the FASB issued SFAS No. 128, "Earnings per Share." SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997. It will replace primary earnings per share with "basic" earnings per share, and contains definitions of "basic" and diluted earnings per share. SFAS No. 128 will apply to the Company's financial statements beginning with the first fiscal quarter ending December 31, 1997. The Company does not expect the adoption of this standard to have a material effect on its calculation of earnings per share.

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## BUSINESS

### BACKGROUND OF THE COMPANY

The Company is a New Jersey corporation. It currently operates through three separate wholly-owned subsidiaries: DynamicWeb Transaction Systems, Inc., a Delaware corporation ("DWTS"), Software Associates, Inc., a New Jersey corporation ("Software Associates"), and Megascor, Inc., a Delaware corporation ("Megascor"). Present management joined the Company on March 26, 1996, when the Company acquired all of the outstanding stock of DWTS and began, through DWTS, to engage in the computer and electronic commerce business.

The Company was incorporated in 1979 under the name Seahawk Oil International, Inc. Based upon Company records available to present management of the Company, it appears that the Company initially engaged, or attempted to engage, in the oil exploration business. In November, 1989 the Company changed its name to Seahawk Capital Corporation. According to the Company's public filings with the Commission, during the period from approximately 1992 through 1994, the Company engaged in two activities: First, the Company, through a subsidiary named Eurohawk Corporation, owned an interest in a business that was primarily engaged in production and marketing of frozen potato products through a processing facility located in Scotland. Second, the Company owned approximately 73% of the stock of Seahawk Overseas Exploration Corporation. The Company disposed of its stock in Seahawk Overseas Exploration Corporation on December 31, 1994, and disposed of its stock in Eurohawk Corporation in February of 1996. Upon the disposition of the Eurohawk Corporation stock in February of 1996, the Company had no business operations. Then, on March 26, 1996, the Company acquired DWTS.

Because in March of 1996 the Company had no operations but was a publicly-traded reporting company, Messrs. Vanechanos, who then controlled DWTS, concluded it would be advantageous for DWTS to be acquired by the Company. Although structured legally as an acquisition of DWTS by the Company, after the acquisition the former DWTS shareholders owned approximately 80% of the Company's Common Stock, the management of DWTS assumed exclusive control of the Company's Board of Directors and executive offices, and the sole business of the Company became that of DWTS.

Later in 1996, the new management of the Company decided it would be advantageous to combine with Megascor. Megascor had an established business in the accounting software field. Megascor, like DWTS, had been founded by Steve Vanechanos, Sr. and Steven L. Vanechanos, Jr. and was controlled by them. It was believed that the Megascor business would provide a foundation on which to attempt to build the EC software business that now is the Company's primary emphasis. Accordingly, in November 1996 the Company acquired all of the outstanding stock of Megascor in exchange for the issuance of additional shares of the Company's Common Stock to Megascor's shareholders.

At that same time, the Company became acquainted with the owner of Software Associates, Kenneth Konikowski. Software Associates was actively conducting an electronic commerce service bureau. Management believed that the business of Software Associates would be a natural complement to the software product -- NetCat -- that had been developed by DWTS. Accordingly, in November 1996 the Company acquired all of the outstanding stock of Software Associates in exchange for the issuance of additional shares of the Company's Common Stock to Kenneth Konikowski. See "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS -- Acquisition of Software Associates and Megascor" for additional information regarding the terms of those acquisitions.

The description of the Company's business contained in this Prospectus relates exclusively to the electronic commerce software and service business conducted through DWTS, Software Associates, and Megascore. Further, the financial information contained elsewhere in this Prospectus represents the combined operations of DWTS and Megascore for all periods presented and those of Software Associates (which was acquired by the Company on November 30, 1996) from December 1, 1996. The basis for such presentation is discussed in Note A to the Company's financial statements.

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## INTRODUCTION

The Company is engaged in the business of developing, marketing and supporting year 2000-compliant software products and services that enable businesses to engage in electronic commerce utilizing the Internet and traditional Electronic Data Interchange ("EDI") technologies.

Electronic commerce ("EC") involves the automation of business transactions using telecommunications and computers to exchange and process commercial information and transactional documents. As broadly defined, electronic commerce is generally considered by information technology analysts to represent a growing, potentially multi-billion dollar market. EDI, a form of EC, is the application-to-application transmission of business documents such as purchase orders and invoices using industry-standard formats. Businesses utilizing electronic commerce have found EDI to be a vital component of their enterprises. EDI differs from more elementary forms of communication because it provides for truly integrated information flow. For example, manufacturers of goods can create electronic catalogues of their products and prices such that their customers will have the ability to electronically enter purchase orders and complete the purchase, payment and other documentation of a purchase transaction. The Internet is a worldwide communications system that allows users to transmit and receive messages and information over telephone and other communications lines using terminals and computers.

Electronic commerce has traditionally involved the use of a third-party or private value-added computer network ("VAN") to perform EDI, e-mail, and electronic funds transfers and to provide services related to electronic forms, bulletin board and electronic catalogues. Users of private or third-party VANS may also have access through the VAN to directories or on-line information services. A VAN is, in effect, an electronic post office which electronically receives and delivers mail, in this case commercial documents, to the intended recipient. The major operators of VANS include Harbinger Corporation, GEIS, Sterling Commerce, IBM/Advantis, MCI, AT&T and Kleinschmidt. The Company's products and services work with all major VAN providers.

EDI can create commercial advantages for its users, including one-time data entry, reduced clerical workload and the elimination of paper records. EDI also allows for the rapid, accurate and secure exchange of business data, and reduced operating and inventory carrying costs. EDI facilitates uniform communications with different trading partners, including customers, suppliers, common carriers, and banks or other financial institutions.

The Company's present business strategy is to focus upon the following types of markets and customers:

- EDI-enabled suppliers of goods, such as manufacturers, that want to engage in electronic commerce with customers which are not EDI-enabled.
- EDI-enabled purchasers, such as retailers or distributors of goods, that want to engage in electronic commerce with suppliers which are not EDI-enabled.
- Any businesses that want to engage outside service providers to manage or to assist in the management of their EDI function ("EDI outsourcing").
- Businesses or groups of businesses that want to create "electronic storefronts" for goods and services on the "World Wide Web." The World Wide Web or "Web" is a series of computers called servers, which allow individuals, groups and businesses to publish and exchange information over the Internet to the general public.

The Company has four principal software and service packages for the markets and customers described above:

ECBRIDGENET SERVICE (SM) -- ECbridgeNET is the Company's electronic commerce service bureau. ECbridgeNET is a service provided by the Company that allows for the transfer of information between trading partners. The service includes EDI mapping and the translation and routing of business documents between third party EDI (VAN) networks, the Internet and the private computer networks maintained by the parties to the business transaction. Generally referred to as "EDI outsourcing," this service offers businesses cost-effective alternatives to investing in an in-house



EDIXCHANGE PROGRAM(SM) -- The Company's EDIexchange Program is a combination of ECbridgeNET service and NetCat(TM) software. NetCat is the Company's software program which allows a seller of goods to create an electronic catalogue on the World Wide Web to offer and sell products electronically. NetCat allows a customer to browse through the catalogue, to place an order, and to be billed for, or to pay for, the order. The EDIexchange Program provides a seamless and cost effective way for EDI-enabled suppliers or retailers to conduct electronic commerce with their non-EDI trading partners. EDIexchange bridges the Internet with traditional EDI networks such as VANS by using the Company's service bureau, ECbridgeNET. This product allows businesses which do not have in-house EDI capability to communicate electronically with EDI-enabled business partners, using only Internet access and a standard Web browser. A Web browser, such as Netscape or Internet Explorer, allows Internet users to access various Web Sites on the Internet.

SHIPTRAC(TM) -- ShipTrac is the Company's Windows-based software application designed for manufacturers and suppliers of goods. It electronically creates a shipping manifest or list of products that are being shipped to a particular customer or distribution center. The ShipTrac software receives an electronic purchase order into a database, and the shipper then can print bar-coded shipping compliance labels. ShipTrac generates EDI standard advanced shipping notice documents (the manifest) which are sent electronically to a supplier's customers. When the goods are received, the bar codes on the products can be verified against the advanced shipping notice which has been electronically forwarded by ShipTrac.

ECINTEGRATOR(TM) -- The Company has developed application interface modules for two third party mid-range accounting software systems, RealWorld and Synchronics. Designed for businesses using those systems, EC Integrator allows a business to import and export business documents electronically from those software applications. Generally, the Company sells this product through distributors of Real World and Synchronics software.

All of the foregoing products and services currently have somewhat limited applications and are continuing to be developed by the Company, although there can be no assurance that such development will be successful. See "Product Development."

#### OVERVIEW OF ELECTRONIC COMMERCE AND ELECTRONIC DATA INTERCHANGE

Trading Communities. Groups of companies that regularly trade with each other generate significant repetitive business transactions. These existing trading communities are natural prospects for implementation of EDI. Certain trading communities are defined by trading standards, protocols, rules or procedures adopted through trade organizations. The adoption of EDI as an accepted means of transmitting business documents and data is occurring, in part, because many trade organizations or groups and many large companies within a trading community increasingly recommend or require their member organizations or trading partners to adopt and use EDI as the primary method of transmitting business documents. Large companies within a trading community often are described as "hubs" and their trading partners as "spokes." A hub company and its trading partners communicate through electronic networks, generally either third party networks or a private network owned and operated by the hub company. Hub companies decide to implement EDI generally for one or more of the following reasons:

- To enable a reduction in inventories by reducing the time required to notify vendors and replenish stocks.
- To reduce the administrative handling costs of documents that they send or receive from their suppliers or customers by requiring that information be manually entered only once.
- To improve customer support and service levels by reducing data entry errors by requiring that information be manually entered only once.

For the above stated reasons, a hub company often adopts as a stated business objective that all of its trading partners use EDI as the principal means of transferring business documents. Spoke companies, in turn, often expand the electronic commerce community by acting as hub companies with their trading partners, requesting or requiring that they transmit business documents using EDI.

Typical EDI Transactions. In a typical EDI transaction, a trading partner (the "sending partner") first creates with its computer, either manually or electronically, the business data used for the completion of a particular set of documents, described by EDI standards as a "transaction set." Transaction sets include requests for quotes, quotes, purchase orders, invoices, shipping notices, and other related documents and messages. Second, a translation software program on the sending partner's computer converts the document or transaction set into a standard EDI format. Third, this information is

electronically transmitted through telecommunications links from the sending partner's computer to either the receiving partner's computer or to a central computer system (similar to a mailbox at a post office) that serves as a value-added network shared by many trading partners.

Value Added Networks. VANs receive documents for subsequent delivery to the intended trading partner (the "receiving partner"), connect many types of computer hardware and communications devices, convert multiple transaction sets from one industry standard to another, and maintain security by reducing the possibility of one trading partner accessing another's computer. EDI partners use VAN services because it eases the burden of having to install and maintain communication configurations for each trading partner. The connection to a VAN is a single connection no matter how many trading partners the recipient has. The VAN "normalizes" the issues of protocols, time zones, hardware and software differences in that all participants in the EDI transaction do not need the same software applications or hardware.

EDI Industry Standards. EDI has been further promoted through the adoption of EDI standards within various industries and trading communities. These standards define the content and format of business documents, such as the data required to be included in purchase orders, invoices, shipping notices, and other business documents. Before these standards were adopted, electronic document transmission was based on various proprietary formats agreed to by trading partners. However, incompatible computer systems and differing proprietary formats limited widespread adoption of EDI.

Existing VAN Services. The Company does not operate a VAN and does not intend to operate a VAN. The Company's products and services are designed both to interface with existing VAN's and also to operate without a VAN (point to point EDI over the Internet without the need for a VAN as a midpoint), thereby permitting EDI-enabled trading partners to conduct electronic commerce with their non-EDI-enabled trading partners.

#### INTERNET STRATEGY

The Company's Internet strategy focuses on using the Internet to complement existing VANs and proprietary EDI networks, or possibly to replace the use of VANs and proprietary EDI networks with point to point EDI over the Internet. The Company believes that EDI-enabled companies can reach a much wider range of their trading partners by using an Internet-based approach, as a result of the increasing availability and general use of the Internet and the cost advantages of an Internet-based approach over VANs and proprietary EDI networks. The success of that strategy will depend, among other things, upon continued and expanded acceptance of the Internet as an accepted vehicle for electronic commerce and communication among businesses.

The Internet is an interconnected global network of computer networks linked together through a common protocol. Unlike other public telecommunications networks, the Internet is not managed by a single corporation, government agency or other entity. The market for software to access the Internet and related services is rapidly emerging and standards and technologies for communicating information over the Internet are constantly evolving. Businesses can exchange documents and electronic mail, access a wide range of commercial information, and establish a presence on the World Wide Web. The Web is the part of the Internet where information and documents reside in a standard format thereby enabling them to be easily displayed and linked for access by other Internet users on the Web. By using a special programming language called hypertext markup language (HTML), a user can establish a presence on the Web known as a Web Page or Home Page and can link with other users of the Web. To date, the Internet has not been accepted as a medium for processing routine business transactions between organizations, in part due to perceived or actual security and reliability issues. See "RISK FACTORS -- Risks Associated with Encryption Technology."

#### CUSTOMERS AND MARKETS

EDI has been used since the mid-1970's. Nevertheless, the Company believes that the electronic commerce market is still in its early stages, in that relatively few companies engage in EC. The Company believes that a significant barrier for businesses to join the electronic commerce network has been the cost of maintaining standard translation software, modifications to those businesses' computer systems, dedicated proprietary VANs, and resources required to maintain EDI. The industry, and more importantly, EDI-enabled suppliers and retailers, have continued to look for solutions to lower existing EDI-related costs and at the same time spawn increased EDI utilization.

To date, the Company has had a limited number of customers using these new EDI/Internet technologies. The types of customers on which the Company intends to focus are discussed below.

THE EDI-ENABLED SUPPLIER. The Company believes that a significant number of suppliers now using EDI would like to increase the utilization of EDI with their customers. However, a significant investment in hardware and software at each customer location is required in the proprietary equipment and software

necessary for a customer to link with the supplier either directly or through a VAN. A smaller customer may not have the resources to make such an investment, or the investment may not be cost-justified based upon the customer's transaction volume with the supplier.

The Company's EDIexchange software provides a cost-effective solution for this situation. The Company can assist the supplier to create a secure Web-enabled Internet site with an electronic system for customer orders and development of an electronic catalog by use of NetCat, all using the supplier's existing EDI system and documents. The system will allow non-EDI customers to view the supplier's product catalogs, place orders on-line, and send an EDI-standard purchase order to the supplier. The customer will need only Internet access and a Web browser to engage in those transactions.

THE HUB MODEL. The Hub Model is similar to the EDI-Enabled Supplier Model, but is targeted at the purchaser rather than the supplier. The Company believes that a significant number of wholesalers and retailers which are now using EDI would like to increase the utilization of EDI with their suppliers, by expanding the number of "spoke" companies. This can be accomplished primarily by reaching a Hub company's smaller suppliers with a cost-justified mechanism for electronic commerce transactions.

In the Hub Model, the Company's EDIexchange Suite can be configured for a retailer, effectively reversing the functions of the Supplier Model described above. The Company can assist the retailer or other purchaser to create a secure Web-enabled Internet site with NetCat, again using the purchaser's existing EDI system and documents. The system will allow non-EDI-enabled suppliers to receive purchase orders electronically using only a Web browser and Internet access.

THE ELECTRONIC COMMERCE SERVICE BUREAU. The Company believes that a significant number of businesses may want to "outsource" all or a part of their electronic commerce functions. That outsourcing is one of the services historically provided by Software Associates and which the Company intends to market. This market includes presently EDI-enabled businesses, as well as businesses that do not presently conduct electronic commerce. Using Software Associates' experience in that area, combined with the Company's software products, the Company offers its services as an EC service bureau through its EDIbridgeNET Program.

SUPPLIERS REQUIRED TO SEND ADVANCE SHIPPING NOTICES. ShipTrac is marketed to EDI-capable suppliers, which become mandated by their customers to use bar-coded shipping labels and to send EDI standard documents such as advance shipping notices. This process is complex and cumbersome for suppliers to integrate into their existing systems, and the Company believes ShipTrac will reduce the complexity for implementing this requirement and complying with the requests of such trading partners.

BUSINESSES USING REALWORLD OR SYNCHRONICS ACCOUNTING SYSTEMS. A significant number of businesses use RealWorld or the Synchronics accounting systems software products, but are not EDI capable. The Company will target those businesses to use the Company's existing products to begin electronic commerce.

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To date, the above target markets are undeveloped and largely untested. Due to the limited sales by the Company to date, there can be no assurance as to the degree, if any, that these markets and target customers will develop generally or will be receptive to the Company's products and services.

As of November 1, 1997, the Company's EDIexchange customers include Linens N' Things (an EDI-enabled purchaser), and Great American Knitting Mills, makers of Goldtoe socks, and ICXpress (both EDI-enabled sellers). Customers using the Company's ECbridgeNET Service include Church & Dwight, manufacturers of Arm & Hammer baking soda, Royal Dalton, makers of fine china, and Kings Supermarket, a supermarket chain in the Northeast United States.

During the fiscal year ended September 30, 1997, one customer accounted for approximately 13% of the Company's sales. The Company provided systems integration services to that customer, Unique Music, a retailer of recorded music. If the Company were to lose that customer, it would not be expected to have a material adverse effect on the Company, because the Company's business plan focuses on its EDI business rather than on the general computer consulting business.

#### SALES AND MARKETING

The Company's goal is to establish and expand the number of trading partners using the Company's service bureau and complimentary electronic commerce software solutions. To reach this goal, the Company plans to market and sell its electronic commerce business solutions to enterprises which are EDI-capable, and whose trading partners lack EDI capability. Additionally, the Company will focus its marketing efforts for EDI outsourcing on EDI-capable suppliers, which the Company believes often do not have sufficient resources in their management information system ("MIS")/EDI group to respond to customers' requests on a sufficiently timely basis.

Certain of the Company's marketing strategies are discussed below.

IDENTIFY KEY BUSINESS PARTNERS -- The Company has introduced its Business Partners Program to establish alliances between the Company and key business partners who specialize in business automation and electronic commerce. Those key business partners are expected to be VANs, EDI software companies, EC consultant groups, Web content developers, business re-engineering consultants, and accounting software providers.

The objective of the Business Partners Program is to integrate the Company's products and services with those of its business partners and to promote Company services along with products and services sold by its business partners.

EXPAND MARKETING AND SALES EFFORTS NATIONALLY -- As of November 1, 1997, the Company employs four people in sales and marketing, two of whom directly sell the Company's software and services. Compensation of sales personnel is in the form of a base salary and commissions. To reach a broader market, the Company plans to expand the number of sales people it employs, by adding up to six additional sales people through the end of fiscal 1998, and possibly more thereafter.

Lead generation and advertising will focus on national electronic commerce/EDI trade shows, journal advertisements in national electronic commerce publications, and public speaking engagements in EDI/Internet forums. The Company will also evaluate which industry specific trade shows/journals warrant participation. The Company has recently joined national electronic commerce/EDI trade groups such as CommerceNet and DISA, which represent both users and providers of EDI-related services.

Expansion of sales efforts will be implemented in stages, as market trends indicate acceptance of the emerging electronic commerce marketplace and as the Company's capital availability allows.

The Company is a party to several co-marketing and strategic alliances. EMJ ("EMJ"), located in Apex, North Carolina, is an Internet Web content developer working with many large businesses in the Raleigh/Durham Research Triangle Park area. The Company was chosen as the exclusive Internet-EDI solution provider for EMJ Internet, a division of EMJ. Further, the Company has developed a strategic relationship with ER Enterprises of Columbus, Ohio, an EDI consulting group that assists retailers in implementing

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electronic commerce strategies; with AFTEC Corporation of Livingston, New Jersey, a developer of a manufacturing and distribution software package, which plans to build an electronic commerce interface into their application and offer the Company's Service Bureau as a turnkey EC solution for their clients; and with ID2000, of Berlin, New Jersey, which is a management information consulting firm offering turnkey information systems solutions to its clients.

At present, the Company's alliances have not produced a material amount of revenue for the Company. Those alliances presently consist of agreements to cross-market one another's services from time to time when the appropriate situation presents itself. All agreements presently in effect may be cancelled upon 30 days' notice by either party.

#### PRODUCT DEVELOPMENT

The Company presently has several product development initiatives. One initiative involves "point-to-point EDI." This technology would permit electronic document interchange directly over the Internet, avoiding the use of a VAN. The Company is working on modifications to its NetCat software and the EDIExchange System, which would allow these products to interface with the Templar product from Premenos Technology Corp. and permit point-to-point EDI.

Another initiative involves an upgrade of NetCat to a "Version 3.0." Presently, NetCat can use only ASCII files and HTML. The Company is working on making NetCat compatible with SQL databases (such as Oracle and Sybase), which would allow NetCat to function with a larger group of customer databases. Also, the Company is working on making NetCat capable of creating a wider variety of presentation graphics, and on increasing the efficiency of NetCat's order processing.

Another initiative involves an upgrade of the Company's EDIExchange Program suite to permit the creation of an "Integrated UPC Catalogue." Presently, under the Company's EDIExchange Program suite, as utilized in the Hub Model, the Hub company/purchaser is required to input manually its suppliers' catalogues on the Hub company's Web Site. The Company is working on an upgrade to that software which would allow suppliers to maintain their own catalogue information, including the UPC (Universal Product Code) information, electronically on the Hub company's Web Site, thus permitting the Hub company to browse that database or catalogue for purchasing.

Another initiative involves the upgrade of the Company's ECIntegrator. Presently, that software allows for the electronic import and export of business documents from RealWorld and Synchronics accounting systems only. The Company is

working on an upgrade which would permit interface with additional accounting systems. The new product would be Windows-based and would function with the Company's EDI service bureau ECbridgeNET.

The Company's final major initiative at present involves an upgrade of the Company's ECbridgeNET communications network. Presently, the Company administers its own communications network relating to ECbridgeNET, such as the modems and other hardware necessary to communicate with its EDI customers. The Company is evaluating the feasibility of outsourcing that core communication function to a telecommunications company.

The Company has budgeted \$475,000 to complete the above five product development initiatives, to be funded from the proceeds of this Offering. Each of the foregoing product development initiatives is subject to risk. The Company cannot predict when any of them will be completed, if at all. There is no assurance that the Company will develop successfully or in a cost-effective manner any of the products, services, or product enhancements discussed, or that they will find market acceptance if developed. The Company's cost estimates to complete the above product development initiatives are subject to the risks and uncertainties of complex technical development projects.

#### COMPETITION

The electronic commerce and EDI network services and computer software markets are highly competitive. The principal competitors in EDI and specifically in the delivery of EDI over the Internet are, at present, Harbinger Corporation, Sterling Commerce, GEIS, Netscape, Open Market, Premenos, Icat,

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Interworld Technology Ventures, Elcom International, Broadvision, Connect, IBM, Microsoft, EDS, and MCI, each of which has announced plans to design and develop software products and to provide services that facilitate electronic commerce over the Internet.

Aside from the Internet, numerous companies supply electronic commerce network services, and several competitors target specific vertical markets such as the pharmaceutical, agribusiness, retail and transportation industries. Competitors provide software designed to facilitate electronic commerce and EDI communications. Existing VANS provide network services and related software products and services. Other competitors provide PC-based computer programs and network services specifically targeted to facilitate electronic banking transactions. These competitors include banks and financial institutions that operate privately-owned computer networks that link directly to their commercial customers. The Company believes that many of its competitors have significantly greater financial and personnel resources than the Company.

Competition from Internet-based competitors is also significant. The market for Internet software and services is emerging and highly competitive, ranging from small companies with limited resources to large companies with substantially greater financial, technical and marketing resources than the Company. The Company believes that existing competitors are likely to expand the range of their electronic commerce services to include Internet access, and that new competitors, which may include telephone companies and media companies, are likely to increasingly offer services which utilize the Internet to provide business-to-business data transmission services. A group of computer companies including some competitors of the Company, and the Company itself, have formed CommerceNet, a consortium which has announced an intention to explore the use of the Internet for commercial applications. Additionally, several competitive network service providers allow their subscribers access to the Internet, and several major software and telecommunications companies, including Sprint, MCI, AT&T and Microsoft, either have or are expected to have Internet access services. Similarly, the major on-line service companies, such as America On-Line, Compuserve and Prodigy, also offer Internet services, and the Company expects them to enhance their services in the future to include certain aspects of electronic commerce.

#### COMPETITIVE STRATEGY

The Company's competitive strategy is to offer electronic commerce solutions using Internet and EDI technology through designs that can be customized to fit a customer's specific needs.

The Company intends to apply its Internet and EDI technology products, its development efforts, and its marketing efforts, at the "application layer" of electronic commerce. The application layer addresses the customers' immediate need to work with product catalogues and to exchange useful business documents. The application layer is distinguished from the "core" or "infrastructure" layer, which addresses the basic elements of transmitting an EDI document over the Internet. At the application layer, one assumes that a properly-formatted EDI document can be securely transmitted over the Internet.

The Company intends to avoid competing at the EC core or basic infrastructure technology layer. In that regard, it does not intend to compete in technical and product categories such as encryption and authentication

schemes, secure transport methods, EDI mailboxing services, secure browsers and servers, or low-level communication protocols.

Further, the Company intends to market products that require the EDI trading partners to have only a standard Web browser with standard enhancements or "plug-ins" (like Adobe Acrobat and Sun's Java). The Company will centralize EDI translation and mapping from its application interface to the EDIbridgeNet outsource service bureau.

The Company hopes to differentiate itself in the marketplace for Internet/EDI solutions with NetCat. The Company believes that its existing competition currently offers generic, form-based software solutions with limited functionality. In contrast, EDIexchange provides both product catalog and order facilitation. When combined with the Company's service bureau, the Company can offer customers a complete, turnkey electronic commerce solution that is compatible with their existing EDI system.

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The Company may, in order to acquire new technology, additional products, market share or other business opportunity, enter into strategic joint ventures or mergers or make strategic acquisitions. Such transactions may be funded by using the proceeds of this Offering, issuing stock of the Company, incurring debt, or any combination of the foregoing. The Company is not presently negotiating any such transactions, nor does it have any commitments to do so.

There can be no assurance that the Company will be successful in its effort or that it will not be materially adversely affected by competitive factors.

#### INTELLECTUAL PROPERTY RIGHTS

The Company relies primarily on a combination of copyright, patent and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights. The Company has filed an application for a patent covering its NetCat software, which is presently pending before the United States Patent and Trademark Office ("PTO"). The Company also has filed federal trademark registration applications for its DynamicWeb, NetCat, and EDIexchange trademarks. Those trademark registration applications are presently pending before the PTO. The Company is presently preparing a federal trademark registration application for its ECbridgeNET product, which it expects to file by November 15, 1997.

Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company's products or to obtain and use information that the Company regards as proprietary. There can be no assurance that the Company's means of protecting its proprietary rights will be adequate or that competitors will not independently develop similar or superior technology. The Company believes that, due to the rapid pace of innovation within the electronic commerce, EDI and related software industries, factors such as the technological and creative skills of its personnel are more important in establishing and maintaining a leadership position within the electronic commerce industry than are the various legal protections of its technology. The Company does not believe that any of its products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim infringement by the Company with respect to current or future products. From time to time, the Company has received notices which allege, directly or indirectly, that the Company's products or services infringe the rights of others. The Company generally has been able to address these allegations without material cost to the Company. The Company expects that software product developers will increasingly be subject to infringement claims as the number of products and competitors in electronic commerce grows and the functionality of products in different industry segments overlaps. Any such claims, irrespective of their merit, could be time-consuming, result in costly litigation, cause product shipment delays, require the Company to enter into royalty or licensing agreements, or prevent the Company from using certain technologies. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company or at all, which could have a material adverse effect on the Company.

The Company currently has in place confidentiality and non-competition agreements with certain of its employees. The Company has adopted a policy of requiring that all future employees sign appropriate confidentiality agreements and, where appropriate, non-competition agreements.

The Company currently licenses proprietary data encryption and authentication software of RSA Data Security ("RSA"). The RSA software is incorporated in certain other software licensed to the Company from Community Connexion related to the Web server utilized by the Company. The RSA software is available on a non-exclusive basis. No assurance can be given that the encryption software presently available to the Company will continue to be available to the Company on commercially reasonable terms, or at all. Additionally, there is no assurance that if a new encryption technology develops, that it will be available to the Company on commercially acceptable terms, if at all.

The Company also licenses Cybercash software, which is credit card verification software, on a non-exclusive basis.

The Company's proprietary software is written in Practical Extraction and Reporting Language ("PERL"), which is the computer program language utilized for

Internet applications. Because the Internet is not controlled or supervised by any one person or group, the evolution and continued utilization of PERL

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cannot be controlled or predicted. Changes in or the elimination of PERL could cause the Company to have to assume responsibility for support and development of that software.

#### GOVERNMENTAL REGULATIONS

The Company's network services are transmitted to its customers over dedicated and public telephone lines. These transmissions are governed by regulatory policies establishing charges and terms for communications. Changes in the legislative and regulatory environment relating to on-line services, EDI or the Internet access industry, including regulatory or legislative changes which directly or indirectly affect telecommunication costs or increase the likelihood of competition from regional telephone companies or others, could have an adverse effect on the Company's business; as could potential governmental actions outside of the United States. Management believes that the Company is in material compliance with all applicable regulations.

#### EMPLOYEES

As of November 1, 1997, the Company had 21 employees, of whom 17 were full-time employees. Approximately seven are technical personnel engaged in maintaining or developing the Company's products or performing related services, approximately four are marketing and sales personnel, approximately five are engaged in customer support and operations, and approximately five are involved in administration and finance. None of the Company's employees are represented by a union.

#### FACILITIES

The Company's corporate offices are located at 271 Route 46 West, Building F, Suite 209, Fairfield, New Jersey. The Company has entered into two leases for approximately 5,400 square feet for its executive and administrative staff at an aggregate monthly rental of approximately \$6,600. The Company believes that such space will be sufficient for its needs for the foreseeable future and that alternative space is available at rental rates which would not materially adversely affect the Company. See "CERTAIN TRANSACTIONS -- Office Lease."

The Company owns its former offices (at 1033 Route 46 East, Clifton, New Jersey, which it acquired in its acquisition of Software Associates in November of 1996). It has vacated those premises, which are listed for sale. Those premises are mortgaged with an approximately \$190,000 mortgage.

#### LEGAL PROCEEDINGS

The Company is not a party to any material pending litigation.

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#### MANAGEMENT

##### DIRECTORS AND EXECUTIVE OFFICERS.

The following table contains certain information with respect to the Board of Directors and the executive officers of the Company.

<TABLE>

<CAPTION>

| NAME                          | AGE | POSITION  |
|-------------------------------|-----|---|
| <S>                           | <C> | <C>   |
| Steven L. Vanechanos, Jr. (1) | 43  | Chairman of the Board and Chief Executive Officer |
| James D. Connors              | 58  | President and Chief Operating Officer             |
| Steve Vanechanos, Sr. (1)     | 67  | Director, Vice President, Treasurer and Secretary |
| Kenneth R. Konikowski         | 50  | Director and Executive Vice President             |
| F. Patrick Ahearn, Jr. (2)    | 49  | Director  |
| Denis Clark                   | 53  | Director  |
| Frank T. DiPalma (3)          | 51  | Director  |
| Robert Droste (2) (3)         | 43  | Director  |

</TABLE>

(1) Steve Vanechanos, Sr. is the father of Steven L. Vanechanos, Jr. and Michael Vanechanos. As of September 1, 1997, Michael Vanechanos beneficially owns approximately 8% of the Company's outstanding Common Stock. See "PRINCIPAL STOCKHOLDERS" and "CERTAIN TRANSACTIONS -- Significant Shareholder."

(2) Member of the Audit Committee of the Board of Directors. The Audit Committee recommends an outside auditor for the year and reviews the financial

statements and progress of the Company. This Committee was formed in 1997.

(3) Member of the Compensation Committee. The Compensation Committee meets on an as-needed basis between meetings of the Board of Directors to discuss compensation related matters. This Committee was formed in 1997.

STEVEN L. VANECHANOS, JR. became President and Chairman of the Board of Directors of the Company on March 26, 1996. On August 26, 1997, he assumed the office of Chief Executive Officer and Mr. Conners became the President. Mr. Vanechanos has been President of DynamicWeb Transaction Systems, Inc. ("DWTS"), a wholly-owned subsidiary of the Company, since its incorporation in October 1995. He also was a co-founder of Megascore, Inc. ("Megascore"), a wholly-owned subsidiary of the Company, in 1981 and has served as its President since April 1985. He has a Bachelor of Science Degree in Finance and Economics from Fairleigh Dickinson University, Rutherford, New Jersey Campus. In 1981, he received a Certificate in Computer Programming and in 1982, he received a Certificate in Data Processing from The Institute for the Certification of Computer Professionals.

JAMES D. CONNERS became President and Chief Operating Officer of the Company on August 26, 1997. Prior to joining the Company, Mr. Conners served as the Vice President of Strategic Planning of Sterling Commerce in 1996 and the Vice President of its Internet Business Unit in 1997. Prior to joining Sterling Commerce, Mr. Conners spent 15 years at General Electric Information Services (GEIS) in various sales and marketing positions, most recently as the General Manager in charge of the Ameritech Alliance. Mr. Conners graduated from the University of Detroit with a BS degree in Mathematics with a minor in Physics.

STEVE VANECHANOS, SR. became Vice President, Secretary, Treasurer and a Director of the Company on March 26, 1996. He was a co-founder of Megascore in 1981 and of DWTS in 1995. He has served as a Vice President of Megascore since April 1985 and of DWTS since October 1995. He attended Newark College of Engineering in Newark for two years. He continued his education with certifications from PSI Programming Institute in New York City and with courses in principles of accounting at ABA Institute, Hudson County Chapter.

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KENNETH R. KONIKOWSKI became the Executive Vice President and a Director of the Company on December 1, 1996. Prior to that date, Mr. Konikowski was President of Software Associates, which he founded in 1985. Software Associates is currently a wholly-owned subsidiary of the Company. See "CERTAIN TRANSACTIONS."

F. PATRICK AHEARN, JR. became a Director of the Company on March 26, 1996. Mr. Ahearn has served as a director of Megascore since 1985 and of DWTS since February 1996. Since 1993, Mr. Ahearn has served as the Chairman of the Board of E.C.M. Group, Inc., White Plains, New York. From 1992 to 1995, Mr. Ahearn served as Managing Director for Continental Bank and the President of 22 of its subsidiaries. He is also a Colonel in the United States Marine Corps. Mr. Ahearn has a Bachelor of Arts Degree from the College of Holy Cross.

DENIS CLARK became a Director of the Company on June 12, 1997. Mr. Clark has served as Vice President of Sterling Commerce, Inc. from 1993 to 1996 and was employed by IBM Corporation as a Director of Consulting from 1991 to 1992 and as a Director of Software Marketing from 1989 to 1991.

FRANK T. DIPALMA became a Director of the Company on March 26, 1996. Since January 1997, Mr. DiPalma has been employed as Vice President of Operations and Engineering for Energy Corporation of America, Mountaineer Gas Division. Prior to that time, and during the past five years, he held various management positions for Public Service Electric and Gas, a public utility located in Newark, New Jersey. In 1995 and 1996, he was the owner of Palmer Associates, a management consulting company. Mr. DiPalma graduated from New Jersey Institute of Technology with a Bachelor of Science in Mechanical Engineering, Fairleigh Dickinson University with a Masters in Business Administration, and the University of Michigan's Executive Development Program.

ROBERT DROSTE became a Director of the Company on March 26, 1996. Mr. Droste has served as a director of Megascore since 1985 and of DWTS since February 1996. During the past five years, Mr. Droste has been the Director of Administration and Manager of Internal Audit for Russ Berrie & Co., Inc., Oakland, New Jersey. He has a Bachelor of Science Degree in Accounting from Fairleigh Dickinson University, Rutherford, New Jersey.

Pursuant to the Company's Amended and Restated Certificate of Incorporation, the Board of Directors is divided into three classes which shall be as nearly equal in number as possible. The Directors in each class will hold office following their initial appointment to office for terms of one year, two years and three years, respectively and, upon reelection, will serve for terms of three years thereafter. Each Director will serve until his or her successor is elected and qualified. Presently, Directors Ahearn, DiPalma and Clark are Class I Directors to hold office until the annual shareholder election of Directors in 1998; Directors Konikowski and Vanechanos, Sr. are Class II Directors to hold office until the annual shareholder election of Directors in 1999; and Directors Droste and Vanechanos, Jr., are Class III Directors to hold office until the annual shareholder election of Directors in 2000.

Pursuant to the Company's Amended and Restated Certificate of Incorporation, a Director may be removed by shareholders only upon the affirmative vote of at least a majority of the votes which all shareholders would be entitled to cast. The Board of Directors shall have the exclusive power



to fill any vacancy occurring in the Board of Directors, including a vacancy created by an increase in the number of Directors, by a majority vote of the Directors then in office. Any Director so elected shall serve until the next annual meeting of shareholders.

Although Michael Vanechanos is the owner of approximately eight percent of the presently-outstanding Common Stock and is related to Steven L. Vanechanos Jr. and Steve Vanechanos, Sr., Michael Vanechanos does not participate in the business affairs of the Company, including its operations, financing and strategy.

EXECUTIVE COMPENSATION

General

There were no executive officers of the Company or any of its subsidiaries whose salary and bonus exceeded \$100,000 for the fiscal year ended September 30, 1996. The following table sets forth the compensation paid to Steven L. Vanechanos, Jr., the Company's President from March 26, 1996 to August 26, 1997 (when he continued in the role of Chief Executive Officer, and James Conners became President). Jonathan B. Lassers served as the Company's President and Chief Executive Officer from May 1995 until March 26, 1996.

SUMMARY COMPENSATION TABLE

<TABLE>  
<CAPTION>

| NAME AND PRINCIPAL POSITION  | YEAR            | SALARY                  | OTHER ANNUAL COMPENSATION   |
|--|-----------------|-------------------------|-----------------------------|
| -----  | ----            | -----                   | -----                       |
| <S>  | <C>             | <C>                     | <C>                         |
| Steven L. Vanechanos, Jr.<br>Chief Executive Officer                   | 1997<br>1996(2) | \$61,000<br>\$58,762(3) | \$ 4,750(1)<br>\$ 10,300(4) |
| Jonathan B. Lassers<br>Former President and Chief Executive<br>Officer | 1996(5)<br>1995 | \$ 0(6)<br>\$ 0(6)      | \$ 0(6)<br>\$ 0(6)          |

</TABLE>

- 
- (1) Consists of lease payments totalling \$4,750 made by the Company for an automobile used by Mr. Vanechanos, Jr.
  - (2) Mr. Vanechanos, Jr. commenced his employment with the Company on March 26, 1996, the date upon which Seahawk Oil International, Inc. acquired DynamicWeb Transaction Systems, Inc. and changed its name to DynamicWeb Enterprises, Inc. Prior to such time, he had been President of DWTS.
  - (3) This amount includes salary paid by Megascore during the year ended September 30, 1996. Megascore was acquired by the Company on September 30, 1996.
  - (4) Consists of (a) lease payments totaling \$4,300 made by the Company for an automobile used by Mr. Vanechanos, Jr., and (b) travel and entertainment expenses of approximately \$6,000 paid by the Company. Mr. Vanechanos, Jr. did not receive any long-term compensation.
  - (5) Mr. Lassers terminated his employment with the Company on March 26, 1996, the date upon which Seahawk Oil International, Inc. acquired DynamicWeb Transaction Systems, Inc. and changed its name to DynamicWeb Enterprises, Inc.
  - (6) Mr. Lassers commenced his employment with the Company in May 1995. Mr. Lassers has represented to management that he was paid no salary or other compensation prior to March 26, 1996. The Company did not pay any amounts to Mr. Lassers after that date.

Stock Options

There were no executive officers of the Company or any of its subsidiaries who received or exercised stock options, stock appreciation rights or other

stock awards from the Company during the fiscal year ended September 30, 1996. As of September 30, 1996, except for the Company's 1992 Stock Option Plan, the Company did not have in place any stock option, stock appreciation right, or similar compensation plan, nor were any options or stock appreciation rights outstanding and exercisable as of such date under the 1992 Stock Option Plan or otherwise. On March 7, 1997, the Company terminated the 1992 Stock Option Plan. On June 12, 1997, the shareholders of the Company approved the 1997 Employee Stock Option Plan and the 1997 Stock Option Plan for Outside Directors (collectively, the "1997 Plans").

#### EMPLOYMENT AGREEMENTS

On December 1, 1996, Kenneth R. Konikowski, Executive Vice President of the Company, entered into an Employment Agreement with the Company (the "Konikowski Agreement"). Under the terms of the Konikowski Agreement, Mr. Konikowski serves as Executive Vice President and a member of the Company's Board of Directors and is entitled to an annual salary of \$135,600. The Konikowski Agreement provides that

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this amount may be increased based on annual performance reviews pursuant to the Company's policies and practices. Mr. Konikowski is also eligible to be paid an annual bonus based on the Company's to-be-established incentive bonus plan. Mr. Konikowski also receives certain employee benefits, including \$500,000 of life insurance, disability and health insurance, vacation days, and use of an automobile. He is also eligible to participate in the Company's 1997 Employee Stock Option Plan.

The Konikowski Agreement provides that if Mr. Konikowski's employment is terminated by the Company other than for "Cause," "Disability" or "Material Breach," each as defined therein, or if he terminates his employment for "Good Reason," as defined therein, Mr. Konikowski is entitled to a lump sum amount equal to the commuted value of his base salary in effect or authorized at the time of termination for the period remaining until November 30, 2001 (determined by discounting all payments at a rate equal to the bond equivalent yield of the latest two-year Treasury Bill auction). The Company is also required to maintain in full force and effect certain of Mr. Konikowski's employee benefits.

On August 26, 1997, the Company hired James D. Connors as President, and the Company and Mr. Connors entered into an Employment Agreement (the "Connors Agreement"). The Connors Agreement provides that he shall serve as President of the Company for a term of 3 years, with automatic renewal unless either party gives timely notice of its intent not to renew. The Connors Agreement provides for a base salary of \$160,000, and obligates the Company to grant options to purchase 104,338 shares of the Company's Common Stock during his employment period for a price of \$3.83 per share, 45,648 of such shares to vest at August 25, 1998, 32,606 to vest at August 25, 1999, and the remaining 26,084 to vest at August 25, 2000. On September 11, 1997, Mr. Connors was granted 104,338 options under the 1997 Employee Plan. Further, Mr. Connors is entitled to a \$1,000 per month housing allowance and a \$500 per month leased automobile allowance. He is eligible to participate in the 1997 Employee Plan and the Company's other employee benefit plans as may be implemented from time to time.

The Connors Agreement provides that if Mr. Connors employment is terminated other than for "Cause" as defined therein, Mr. Connors is entitled to receive his base salary, incentive compensation and options for the balance of his employment period.

#### STOCK OPTION PLANS

##### 1997 Employee Stock Option Plan

On June 12, 1997, the shareholders of the Company approved the Company's 1997 Employee Stock Option Plan (the "1997 Employee Plan"). The 1997 Employee Plan authorizes the Compensation Committee (the "Committee") of the Board of Directors to grant options for the purchase of up to 234,764 shares of Common Stock. Any shares as to which an option expires, lapses unexercised, or is terminated or canceled may be subject to a new option.

Under the 1997 Employee Plan, both "Incentive Stock Options" (as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code")), which qualify for certain tax benefits, and options which do not qualify for such tax benefits ("Nonqualified Stock Options") may be granted to eligible employees of the Corporation and its subsidiaries. All current employees of the Company are eligible to participate in the 1997 Employee Plan.

The Committee has the authority to grant options to employees under the 1997 Employee Plan, based upon the recommendation of the Corporation's Chief Executive Officer and subject to the approval of a majority of the disinterested members of the Board. Option grants to employees are anticipated to be made annually. Eligible employees generally include all key employees of the Corporation and its subsidiaries. This would include the executive officers.

Recent Grants. On August 8, 1997, the Committee made an initial grant of options to purchase a total of approximately 99,054 shares to employees under the 1997 Employee Plan, and on September 11, 1997, the Committee granted options to purchase 104,338 shares to James Connors in connection with his commencing employment with the Company.

## 1997 Stock Option Plan for Outside Directors

Also on June 12, 1997, the shareholders of the Company approved the 1997 Stock Option Plan for Outside Directors (the "1997 Director Plan"). Each person (i) who is a director of the Company and (ii) who is not, as of the grant date, an employee of the Company shall, on the earlier of (a) the date on which this Offering is completed, or (b) September 30, 1997, and thereafter on the date of each succeeding annual meeting of shareholders at which directors are elected, automatically be granted an option to purchase 3,912 shares of the Common Stock. Future directors elected by the Board to fill a vacancy will also receive such a grant on the date of such initial election as a director. Accordingly, Messrs. Ahearn, Clark, DiPalma and Droste will each receive, on the earlier of (a) the date on which this Offering is completed, or (b) September 30, 1997, options under the 1997 Director Plan to purchase an aggregate of 3,912 shares of the Common Stock.

In addition to the automatic grants described above, the 1997 Director Plan further authorizes the Committee to grant options for the purchase of an aggregate amount up to 78,254 shares of the Common Stock. Any shares as to which an option expires, lapses unexercised, or is terminated or canceled may be subject to a new option. Only Nonqualified Stock Options may be granted under the 1997 Director Plan. The exercise price for options granted under the 1997 Director Plan will be equal to the fair market value of the stock underlying the option on the date the option is granted.

LIMITATION OF OFFICERS' AND DIRECTORS' LIABILITIES AND INDEMNIFICATION;  
DISCLOSURE OF COMMISSION POSITION OR INDEMNIFICATION OF SECURITIES ACT  
LIABILITIES

In accordance with New Jersey law, the Company's Amended and Restated Certificate of Incorporation eliminates in certain circumstances the liability of directors of the Company for monetary damages for breach of their fiduciary duty as directors. This provision does not eliminate the liability of a director (i) for a breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions by the director not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for a willful or negligent declaration of an unlawful dividend, stock purchase or redemption or (iv) for transactions from which the director derived an improper personal benefit.

In addition, the Company's Bylaws include provisions to indemnify its officers and directors and other persons against expenses, judgments, fines and amounts incurred or paid in settlement in connection with civil or criminal claims, actions, suits or proceedings against such persons by reason of serving or having served as officers, directors, or in other capacities, if such person acted in good faith, and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company and, in a criminal action or proceeding, if he had no reasonable cause to believe that his/her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation or that he or she had reasonable cause to believe his or her conduct was unlawful. Indemnification as provided in the Bylaws shall be made only as authorized in a specific case and upon a determination that the person met the applicable standards of conduct.

Insofar as limitation of, or indemnification for, liabilities arising, under the Securities Act may be permitted to directors, officers, or persons controlling the Company pursuant to the foregoing, or otherwise, the Company has been advised that, in the opinion of the Commission, such limitation or indemnification is against public policy as expressed in the Securities Act, and is therefore unenforceable.

## DIRECTORS' COMPENSATION

The non-employee directors and the employee directors do not receive a fee for attending meetings or other fees or retainers for serving on the board.

## PRINCIPAL STOCKHOLDERS

The following table sets forth, as of November 1, 1997, for (i) each person who owns of record or is known by the Company to be the beneficial owner of more than five percent (5%) of the Common Stock, (ii) each of the Company's current Directors, (iii) each person named in the Summary Compensation Table set forth above under "MANAGEMENT," and (iv) all current directors and executive officers of the Company as a group, such person's name and address, the number of shares of Common Stock beneficially owned by such person, and the percentage of the outstanding Common Stock so owned. Unless otherwise indicated in a footnote, each of the following persons holds sole voting and investment power over the shares listed as beneficially owned.

<TABLE>  
<CAPTION>

| NAME AND ADDRESS OF BENEFICIAL OWNER  | AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (1) (2) | PERCENT OF CLASS (3) | PERCENT OF CLASS (4) |
|---|---|----------------------|----------------------|
| <S>   | <C>   | <C>                  | <C>                  |
| Steven L. Vanechanos, Jr.....<br>92 Clarcken Drive<br>West Orange, New Jersey 07052         | 443,670   | 21.38%               | 11.55%               |
| Steven Vanechanos, Sr.....<br>96 Union Avenue<br>Rutherford, New Jersey 07082               | 442,289   | 21.32%               | 11.52%               |
| Kenneth R. Konikowski (5).....<br>36 Pinebrook Road<br>TowCO, New Jersey 07082              | 224,330   | 11.78%               | 6.36%                |
| Michael Vanechanos.....<br>129 S. Telegraph Hill Road<br>Holmdel, New Jersey 07703          | 170,224   | 8.20%                | 4.43%                |
| Sierra Growth & Opportunity.....<br>551 Fifth Avenue, Suite 605<br>New York, New York 10017 | 119,990 (6)                                       | 5.78%                | 3.12%                |
| James D. Conners.....<br>5506 Carnoustie Court<br>Dublin, Ohio 43017                        | 0 (7)   | 0%                   | 0%                   |
| F. Patrick Ahearn, Jr.....<br>107 Maple Street<br>Rutherford, New Jersey 07070              | 7,504 (8)   | 0.36%                | 0.20%                |
| Frank T. DiPalma.....<br>179 Claremont Road<br>Ridgewood, New Jersey 07450                  | 15,221 (8) (9)                                    | 0.73%                | 0.40%                |
| Robert Droste.....<br>24 Summit Road<br>Clifton, New Jersey 07012                           | 7,505 (8)   | 0.36%                | 0.20%                |
| Denis Clark.....<br>8417 Greenside Drive<br>Dublin, Ohio 43017                              | 3,912 (8)   | 0.19%                | 0.10%                |
| All directors and executive officers as a group<br>(8 in number).....                       | 1,164,431   | 56.13%               | 30.32%               |

</TABLE>

(1) The securities "beneficially owned" by an individual are determined in accordance with the definitions of "beneficial ownership" set forth in the General Rules and Regulations of the Securities and Exchange Commission ("SEC") and may include securities owned by or for the individual's spouse and minor children and any other relative who has the same home, as well as securities to which the individual has or shares voting or investment power or has the right to acquire beneficial ownership within sixty (60) days of the date of this Prospectus. Beneficial ownership may be disclaimed as to certain of the securities. Steven L. Vanechanos, Jr. and Michael Vanechanos are brothers, and are the sons of Steve Vanechanos, Sr. See "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS -- Significant Shareholder." Each of the foregoing disclaims beneficial ownership of the shares of Common Stock owned by the others.

- (2) Information furnished by the directors and executive officers of the Company. All numbers of shares reflect the 0.2608491-for-one Reverse Stock Split. See "RECENT DEVELOPMENTS."
- (3) Percentages based upon (a) 2,074,710 shares outstanding on November 1, 1997, plus (b) an additional 15,648 shares issuable within 60 days of the date of this Prospectus to the named outside directors under the 1997 Director Plan. See Footnote (8) below.
- (4) Percentages based upon 3,824,710 shares to be outstanding at the completion of this Offering, plus the additional 15,648 shares currently issuable under the 1997 Director Plan.
- (5) Does not include additional shares of Common Stock that may be issuable in connection with the prior acquisition of Software Associates. See "CERTAIN TRANSACTIONS -- Acquisition of Software Associates and Megascore."
- (6) Based upon information available to the Company, it is believed that a Mr. John Figliolini exercises sole voting and investment powers over the Company's Common Stock on behalf of Sierra Growth & Opportunity.
- (7) Mr. Conners has been granted options to purchase 104,338 shares on September 11, 1997 under the 1997 Employee Plan, none of which can be acquired within 60 days of this Prospectus. See "MANAGEMENT -- Employment Agreements."

(8) Includes options to purchase 3,912 shares granted in 1997 under the 1997 Director Plan.

(9) All of such shares are held jointly by Mr. DiPalma and his spouse.

#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

##### ACQUISITION OF SOFTWARE ASSOCIATES AND MEGASCORE

On November 30, 1996, pursuant to a Stock Purchase Agreement dated such date among the Company, Software Associates and Kenneth R. Konikowski, the sole shareholder of Software Associates (the "SA Agreement"), the Company exchanged 860,000 shares with Mr. Konikowski (adjusted to 224,330 shares as a result of the 0.2608491-for-one Reverse Stock Split) of the Company's Common Stock for all of the issued and outstanding capital stock of Software Associates. Accordingly, Software Associates is presently a wholly owned subsidiary of the Company.

Pursuant to the SA Agreement, Kenneth R. Konikowski was named Executive Vice President and a director of the Company and his Employment Agreement was executed. Pursuant to the SA Agreement, as amended by a letter agreement dated April 17, 1997, between the Company and Mr. Konikowski, the Company is obligated to issue to Mr. Konikowski up to 297,367 additional shares of its Common Stock in the event the average closing bid price of the Common Stock does not equal \$12.939 per share for the five trading days immediately prior to January 30, 1999. If any such additional shares are issued, the ownership interest of all other holders of Common Stock will be diluted in favor of Mr. Konikowski. On a pro forma basis assuming all of such shares were issued to Mr. Konikowski as of the date of the Closing of this Offering, Mr. Konikowski would own approximately 13.0% of the outstanding Common Stock, and each of Steven L. Vanechanos, Jr. and Steve Vanechanos, Sr. would own approximately 11.5% of the outstanding Common Stock, respectively.

On September 30, 1996, pursuant to a Stock Purchase Agreement dated such date among the Company, Megascor and Megascor's shareholders, the Company acquired all of the issued and outstanding capital stock of Megascor in exchange for 50,000 shares of Common Stock (adjusted to 13,042 shares as a result of the 0.2608491-for-one Reverse Stock Split). Prior to such acquisition, Steven L. Vanechanos, Jr. and Steve Vanechanos, Sr. were the President and Vice President, Treasurer and Secretary, respectively, and collectively owned of record approximately 86% of the outstanding capital stock of Megascor. Megascor is presently a wholly-owned subsidiary of the Company. Megascor is a full-service systems integrator specializing in distribution, accounting and point-of-sale computer software consulting services for suppliers and retailers. The consideration paid to the Megascor shareholders was determined by the Company's Board of Directors, which was at that time composed of Mr. Vanechanos Sr., Mr. Vanechanos, Jr., Robert Droste, and Patrick Ahearn. The Board of Directors ascribed a value of \$100,000 to Megascor, based upon the Board's evaluation

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of the fair value of Megascor's assets. Also, the Board of Directors ascribed a value of \$2 per share to the shares of Common Stock of the Company to be issued to the shareholders of Megascor in that transaction, meaning that the 50,000 shares issued in the transaction had a total value of \$100,000. The Board of Directors made its determination that the shares of the Company's Common Stock had a value of \$2 per share by considering the following principal factors: (a) those shares were not registered under the Securities Act, and therefore would not be freely tradable, (b) the quoted bid price for the Company's publicly traded Common Stock during the quarter ended September 30, 1996 was in the range of \$3 7/8 to \$4 1/8 per share, and (c) in April of 1996 the Company sold 343,511 shares of Common Stock (such number being prior to the Reverse Stock Split) in a private placement transaction at the price of \$1.45 per share. Each of Mr. Vanechanos Sr. and Mr. Vanechanos, Jr. received 15,000 shares (such number being prior to the Reverse Stock Split) of Common Stock in the Megascor transaction.

##### SIGNIFICANT SHAREHOLDER

As of September 1, 1997, Michael Vanechanos is the beneficial owner of 170,224 shares of Common Stock representing 8% of the issued and outstanding Common Stock of the Company as of such date. He received 85,448 of those shares from the Company in March, 1996 in exchange for shares he owned in DWTS, as part of the Company's acquisition of DWTS, and received 71,734 of those shares as a finder's fee from Berkshire Financial Corp. in connection with the Company's acquisition of DWTS. He purchased 13,042 of those shares in an open market transaction on April 30, 1997. Mr. Vanechanos is presently employed as a securities trader at H.J. Meyers & Co., Inc., the Representative in this Offering and the placement agent in the Interim Financings. Michael Vanechanos is the brother of Steven L. Vanechanos, Jr., the Company's Chairman of the Board and Chief Executive Officer, and is the son of Steve Vanechanos, Sr., the Company's Vice President, Treasurer, Secretary and a director. See "PRINCIPAL

STOCKHOLDERS." Each of the foregoing individuals disclaims beneficial ownership of the shares of Common Stock owned by the others.

#### OFFICE LEASE

The Company leases a portion of its office facility from the Mask Group, a partnership in which Kenneth R. Konikowski, the Executive Vice President of the Company and a director, and his wife are partners. The annual rent under such lease is \$37,500, subject to fixed annual increases of 3%, plus the payment of condominium maintenance fees. The lease expires on December 31, 2002. The Company believes that the rent charged by the Mask Group approximates fair market rents in the area. The Company is jointly obligated with the Mask Group on approximately \$246,000 of indebtedness (as of September 1, 1997) to a third party lender to the Mask Group relating to a mortgage loan on those premises. The Mask Group is making the payments on that loan, and has informed the Company that the loan is current.

#### OFFICER LOANS

Steven L. Vanechanos, Jr. has loaned \$77,000 to the Company, \$23,000 of which was advanced on July 11, 1997, \$35,000 of which was advanced on July 28, 1997, \$500 of which was advanced on August 1, 1997, \$17,000 of which was advanced on August 11, 1997 and \$2,000 of which was advanced on September 26, 1997. Steve Vanechanos, Sr. has loaned \$40,000 to the Company, \$7,000 of which was advanced on July 23, 1997, \$30,000 of which was advanced on July 28, 1997, and \$3,000 of which was advanced on August 20, 1997. These loans bear interest at 8% per annum, and will be repaid from the proceeds of this Offering. See "USE OF PROCEEDS."

#### FUTURE TRANSACTIONS

All future transactions between the Company and its officers, directors, principal shareholders and affiliates will be approved by a majority of the Board of Directors, including a majority of the independent and disinterested outside directors on the Board of Directors, and will have terms no less favorable to the Company than could be obtained from unrelated third parties.

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#### SHAREHOLDINGS OF CERTAIN PRINCIPALS

In connection with August 1997 Financing, the placement agent, H.J. Meyers & Co., Inc., required that Steven L. Vanechanos, Jr. and Steve Vanechanos, Sr. make a contribution to the capitalization of the Company. That contribution was in the form of a relinquishment of a portion of their previously outstanding Common Stock. In particular, on October 31, 1997, Steven L. Vanechanos, Jr. and Steve Vanechanos, Sr. each contributed to the Company, for a total of \$1.00 paid to each, 33,330 shares of Common Stock of the Company owned by them.

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#### DESCRIPTION OF SECURITIES

##### GENERAL

The Company's authorized capital stock consists of 50,000,000 shares of Common Stock, \$.0001 par value per share, and 5,000,000 shares of undesignated Preferred Stock. As of the date of this Prospectus (and giving effect to the Reserve Stock Split described in this Prospectus), there were issued and outstanding 2,074,710 shares of Common Stock and no shares of Preferred Stock. As of November 1, 1997, the Common Stock is held of record by approximately 3,255 stockholders.

##### COMMON STOCK

Holder of Common Stock have the right to cast one vote, in person or by proxy, for each share owned of record on the record date (as defined in the Company's by-laws) on all matters submitted to a vote of the holders of Common Stock, including the election of directors. Holders of Common Stock do not have cumulative voting rights, which means that holders of more than 50% of the outstanding shares voting for the election of the class of directors to be elected by the Common Stock can elect all of such directors, and, in such event, the holders of the remaining shares of Common Stock will be unable to elect any of the Company's directors.

Holder of the Common Stock are entitled to share ratably in such dividends as may be declared by the Board of Directors out of funds legally available therefor, when, as and if declared by the Board of Directors and are also entitled to share ratably in all of the assets of the Company available for distribution to holders of shares of Common Stock upon the liquidation, dissolution or winding up of the affairs of the Company. Holders of Common Stock do not have preemptive, subscription or conversion rights. All outstanding shares of Common Stock are, and those shares of Common Stock offered hereby will

be, validly issued, fully paid and non-assessable.

#### REPRESENTATIVE'S WARRANTS

In connection with this Offering, the Company issued to the Representative warrants to purchase an aggregate of 175,000 shares of Common Stock. See "UNDERWRITING" for a description of the material terms of the Representative's Warrant.

#### STOCK OPTION PLANS

The Company has adopted a 1997 Employee Stock Option Plan pursuant to which it may issue options to purchase up to 234,764 shares of Common Stock. The Company has granted 203,392 options under the 1997 Employee Plan. The Company also has adopted the 1997 Stock Option Plan for Outside Directors, pursuant to which it may issue options to purchase up to 78,254 shares of Common Stock. The Company has granted 15,648 options under the 1997 Director Plan. See "MANAGEMENT -- Stock Option Plans."

#### PREFERRED STOCK

The Company is authorized to issue up to 5,000,000 shares of undesignated Preferred Stock ("Undesignated Preferred Stock"). The Undesignated Preferred Stock may be issued in series, and shares of each series will have such rights and preferences as are fixed by the Board of Directors in the resolutions authorizing the issuance of that particular series. In designating any series of Undesignated Preferred Stock, the Board of Directors may, without further action by the holders of Common Stock, fix the number of shares constituting that series and fix the dividend rights, dividend rate, conversion rights, voting rights (which may be greater or lesser than the voting rights of the Common Stock), rights and terms of redemption (including any sinking fund provisions), and the liquidation preferences of the series of Undesignated Preferred Stock. The holders of any series of Undesignated Preferred Stock, when and if issued, are expected to have priority claims to dividends and to any distributions upon liquidation of the Company, and they may have other preferences over the holders of the Common Stock.

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The Board of Directors may issue series of Undesignated Preferred Stock without action by the stockholders of the Company. Accordingly, the issuance of Undesignated Preferred Stock may adversely affect the rights of the holders of the Common Stock. In addition, the issuance of Undesignated Preferred Stock may be used as an "anti-takeover" device without further action on the part of the stockholders. Issuance of Undesignated Preferred Stock may dilute the voting power of holders of Common Stock (such as by issuing Undesignated Preferred Stock with super-voting rights) and may render more difficult the removal of current management, even if such removal may be in the shareholders' best interest. The Company has no present intention to issue any shares of Undesignated Preferred Stock. In addition, the Company has, pursuant to the Underwriting Agreement, agreed with the Representative that the Company will not sell or otherwise issue any shares of preferred stock for two years following this Offering, without the Representative's prior written consent.

#### CERTAIN ANTI-TAKEOVER PROVISIONS IN THE CERTIFICATE OF INCORPORATION AND BYLAWS

##### Classified Board of Directors and Related Provisions

The Company's Certificate of Incorporation provides that the Board of Directors is to be divided into three classes which shall be as nearly equal in number as possible. The directors in each class will hold office following their initial appointment to office for terms of one year, two years and three years, respectively and, upon reelection, will serve for terms of three years thereafter. Each director will serve until his or her successor is elected and qualified.

The Company's Certificate of Incorporation provides that a director may be removed by shareholders only upon the affirmative vote of at least a majority of the votes which all shareholders would be entitled to cast. The Company's Certificate of Incorporation further provides that the Board of Directors shall have the exclusive power to fill any vacancy occurring in the Board of Directors, including a vacancy created by an increase in the number of directors, by a majority vote of the directors then in office. Any director so elected shall serve until the next annual meeting of shareholders.

A classified board of directors makes it more difficult for shareholders, including those holding a majority of the outstanding shares of Common Stock, to force an immediate change in the composition of a majority of the Board of Directors. Because the terms of only one-third of the incumbent directors expire each year, it requires at least two annual elections for the shareholders to change a majority, whereas a majority of a non-classified board may be changed in one year. In the absence of the provisions of the Company's Certificate of Incorporation classifying the Board, all of the directors would be elected each year.

##### Other Antitakeover Provisions

The Company's Certificate of Incorporation contains certain other

provisions that may also have the effect of deterring or discouraging, among other things, a non-negotiated tender or exchange offer for the Common Stock, a proxy contest for control of the Company, the assumption of control of the Company by a holder of a large block of the Common Stock and the removal of the Company's management. These provisions: (i) empower the Board of Directors, without shareholder approval, to issue preferred stock, the terms of which, including voting power, are set by the Board; (ii) restrict the ability of shareholders to remove directors; (iii) require that shareholders with at least 80% of total voting power approve mergers and other similar transactions if the transaction is not approved, in advance, by the Board of Directors; (iv) prohibit shareholders' actions without a meeting; (v) require that shareholders with at least 80%, or in certain instances a majority, of total voting power approve the repeal or further amendment of the Certificate of Incorporation; (vi) limit the right of a person or entity to vote more than 10% of the Corporation's voting stock; and (vii) require that shares with at least 66 2/3% of total voting power approve any repeal or amendment of the Bylaws.

#### TRANSFER AGENT

The Company has appointed American Stock Transfer & Trust Company, 40 Wall Street, New York, New York, 10005 as Transfer Agent for its Common Stock.

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#### SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Offering, the Company will have 3,824,710 shares of Common Stock outstanding. Of those shares, a total of 2,055,438 shares, including the 1,750,000 shares offered hereby will be freely tradeable without further registration under the Securities Act.

Up to 175,000 additional shares of Common Stock may be purchased by the Representative after the first anniversary date of this Prospectus through the exercise of the Representative's Warrant. Any and all shares of Common Stock purchased upon exercise of the Representative's Warrant will be freely tradeable, provided that the Company satisfies certain securities registration and qualification requirements in accordance with the terms of the Representative's Warrant. See "UNDERWRITING."

Of the expected 3,824,710 shares of Common Stock outstanding upon completion of this Offering, approximately 1,807,000 shares of Common Stock are "restricted securities" within the meaning of Rule 144 of the Securities Act. As of six months after the date of this Prospectus, approximately 1,385,963 shares will continue to be "restricted securities" under Rule 144. See "UNDERWRITING," "RISK FACTORS -- Shares Eligible For Future Sale."

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated), including a person who may be deemed to be an "affiliate" of the Company as that term is defined under the Securities Act, will be entitled to sell within any three-month period a number of shares beneficially owned for at least one year that does not exceed the greater of (i) 1% of the then outstanding shares of Common Stock, or (ii) the average weekly trading volume in the Common Stock during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to certain requirements as to the manner of sale, notice, and the availability of current public information about the Company. However, a person who is not deemed to have been an affiliate of the Company during the 90 days preceding a sale by such person, and who has beneficially owned shares of Common Stock for at least two years, may sell such shares without regard to the volume, manner of sale, or notice requirements of Rule 144.

Prior to this Offering, there has been a limited public market for the Company's securities. Following this Offering, the Company cannot predict the effect, if any, that sales of Common Stock pursuant to Rule 144 or otherwise, or the availability of such shares for sale, will have on the market price prevailing from time to time. Nevertheless, sales by the current stockholders of substantial amounts of Common Stock in the public market could adversely affect prevailing market prices for the Common Stock. In addition, the availability for sale of a substantial amount of Common Stock acquired through the exercise of the Representative's Warrant could adversely affect prevailing market prices for the Common Stock. The Company's officers, Directors and holders of 5% of the outstanding shares of Common Stock have agreed not to sell the shares beneficially owned by such persons for a period of 24 months from the date of this Prospectus without the Representative's written consent. In addition, the Company has agreed that it will not issue any shares of Common Stock for a period of 12 months following the date of this Prospectus without the Representative's written consent, except for shares of Common Stock issuable upon exercise of stock options that have been or may be granted under the Employee Plans.

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#### UNDERWRITING

The Underwriters named below have agreed, subject to the terms and conditions of the Underwriting Agreement between the Company and H.J. Meyers & Co., Inc., as Representative of the Underwriters, to purchase from the Company the number of shares of Common Stock set forth opposite their names. The 10%



underwriting discount set forth on the cover page of this Prospectus will be allowed to the Underwriters at the time of delivery to the Underwriters of the shares of Common Stock so purchased.

<TABLE>  
<CAPTION>

| NAME OF UNDERWRITER         | NUMBER<br>OF SHARES<br>PURCHASED |
|-----------------------------|----------------------------------|
| <S>                         | <C>                              |
| H.J. Meyers & Co., Inc..... |                                  |
| TOTAL.....                  | =====                            |

</TABLE>

The Underwriters have advised the Company that they propose to offer the shares of Common Stock to the public at the initial public offering price set forth on the front cover page of this Prospectus, and at such price less a concession not in excess of \$ \_\_\_\_\_ per share of Common Stock to certain dealers who are members of the National Association of Securities Dealers, Inc., of which the Underwriters may allow and such dealers may realow concessions not in excess of \$ \_\_\_\_\_ per share of Common Stock to certain other dealers. The public offering price and concession and discount may be changed by the Underwriters after the initial public offering.

The Company has granted to the Underwriters an over-allotment option expiring at the close of business on the 45th day subsequent to the date of this Prospectus, to purchase up to an additional 262,500 shares of Common Stock at the public offering price, less the underwriting discount set forth on the cover page of this Prospectus. The Underwriters may exercise such option only to satisfy over-allotments in the sale of the shares of Common Stock.

The Company has agreed to pay to the Representative a non-accountable expense allowance equal to 3% of the total proceeds of this Offering, or \$210,000 (and 3% of the total proceeds from the sale of any shares of Common Stock pursuant to the exercise of the over-allotment option, or \$237,000 if the Underwriters exercise the over-allotment option in full). In addition to the Underwriters' commissions and the Representative's expense allowance, the Company is required to pay the costs of qualifying the shares of Common Stock under federal and state securities laws, together with legal and accounting fees, printing and other costs in connection with this Offering.

At the closing of this Offering, the Company will issue to the Representative, for nominal consideration, the Representative's Warrant to purchase up to 175,000 shares of Common Stock of the Company. The shares of Common Stock subject to the Representative's Warrant are identical to the shares of Common Stock sold to the public, except for the purchase price and certain registration rights. The Representative's Warrant will be exercisable for a four-year period commencing one year from the date of this Prospectus, at an exercise price of \$4.80 per share of Common Stock (that being 120% of the initial public offering price per share of Common Stock). The Representative's Warrant will not be transferable prior to their initial exercise date except to successors in interest to the Representative and/or one or more officers of the Representative.

The Representative's Warrant will contain anti-dilution provisions providing for appropriate adjustment in the event of any recapitalization, reclassification, stock dividend, stock split or similar transactions. The Representative's Warrant does not entitle the Representative to any rights as a shareholder of the Company until such warrants are exercised and the shares of Common Stock are purchased thereunder.

The Representative's Warrant and the shares of Common Stock issuable thereunder may not be offered for sale to the public except in compliance with the applicable provisions of the Act. The Company has agreed that if it causes a post-effective amendment to the Registration Statement of which this Prospectus is a part, or a new registration statement or offering statement under Regulation A, to be filed with the Securities and Exchange Commission ("Commission"), the Representative shall have the right during the life of the Representative's Warrant to include therein for registration the Representative's Warrant and/or the shares of Common Stock issuable upon their exercise at no expense to the Representative. Additionally, the Company has agreed that, upon demand by the holder(s) of at least 50% of the (i) total unexercised Representative's Warrant and (ii) shares of Common Stock issued upon the exercise of the Representative's Warrant, made on no more than two separate occasions during the exercise period of the Representative's Warrant, the Company shall use its best efforts to register the Representative's Warrant and/or any of the shares of Common Stock issuable upon the exercise thereof, provided that the Company has available current financial statements, the initial such registration to be at the Company's expense and the second at the expense of the holder(s).

For the period during which the Representative's Warrant are exercisable, the holder(s) will have the opportunity to profit from a rise in the market value of the Company's Common Stock, with a resulting dilution in the interests

of the other stockholders of the Company. The holder(s) of the Representative's Warrant can be expected to exercise the warrants at a time when the Company would, in all likelihood, be able to obtain any needed capital from an offering of its unissued Common Stock on terms more favorable to the Company than those provided for in the Representative's Warrant. Such facts may materially adversely affect the terms on which the Company can obtain additional financing.

During the three year period from the closing of the Offering, the Representative has been granted a right of first refusal to act as underwriter or agent for any public or private offering or sale of securities by the Company, its officers, directors and 5% shareholders.

The Company has agreed to enter into a one year consulting agreement with the Representative, pursuant to which the Representative will act as financial consultant to the Company, commencing upon the closing date of this Offering. Under the terms of this agreement, the Representative, to the extent reasonably required in the conduct of the business of the Company and at the prior written request of the President of the Company, has agreed to evaluate the Company's managerial and financial requirements, assist in the preparation of budgets and business plans, advise with regard to sales planning and sales activities, and assist in financial arrangements. The Representative will make available qualified personnel for this purpose. The non-refundable consulting fee of \$72,000 will be payable, in full, on the closing date of this Offering.

The Company has agreed that it will engage a public relations firm acceptable to the Representative and the Company. The Company also has agreed to maintain a relationship with such public relations firm for minimum period of two years and on such other terms as are acceptable to the Representative.

The Company has also agreed that, for a period of two years from the closing of this Offering, if it participates in any merger, consolidation or other transaction which the Representative has brought to the Company (including an acquisition of assets or stock for which it pays, in whole or in part, with shares of the Company's Common Stock or other securities), which transaction is consummated within three years of the closing of this Offering, then it will pay for the Representative's services an amount equal to 5% of the first \$3.0 million of value paid or value received in the transaction, 3.5% of any consideration above \$3.0 million and less than \$5.0 million and 2% of any consideration in excess of \$5.0 million. The Company has also agreed that if, during this two-year period, someone other than the Representative brings such a merger, consolidation, or other transaction to the Company, and if the Company in writing retains the Representative for consultation or other services in connection therewith, then upon consummation of the transaction the Company will pay to the Representative as a fee the appropriate amount as set forth above or as otherwise agreed to between the Company and the Representative.

The Company has agreed that for a period of one year from the date of this Prospectus the Company will not sell or otherwise dispose of any securities without the prior written consent of the Representative, which consent shall not be unreasonably withheld, with the exception of shares of Common Stock issued pursuant to the exercise of options, warrants or other convertible securities outstanding prior to the date of this Prospectus.

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The Company will not sell or issue any securities pursuant to Regulation S under the Securities Act without the Representative's prior written consent.

The Company's officers, directors and 5% shareholders have agreed that for a period of 24 months from the date of this Prospectus they will not offer, sell, contract to sell or otherwise dispose of any shares of Common Stock acquired prior to this Offering, without the prior written consent of the Representative.

For a period of 36 months from the closing of this Offering, the Representative is entitled to designate one member as a nominee for election to the Company's Board of Directors. Steven L. Vanechanos, Jr. and Steve Vanechanos, Sr. have agreed to vote their shares in favor of such nominee. If the Representative elects not to nominate a Board Member, then it shall have the right to select a person to act as an observer to attend all meetings of the Board of Directors. The Company has agreed to hold at least four meetings and to indemnify the Representative's observer against any claims arising out of his participating at meetings.

The Underwriting Agreement provides for reciprocal indemnification between the Company and the Underwriters against certain liabilities in connection with the Registration Statement, including liabilities under the Act.

The Representative has advised the Company that the Underwriters do not intend to confirm sales to any account over which they exercise discretionary authority.

The offering price of the securities being offered hereby was determined by negotiation between the Company and the Representative. Factors considered in determining such price include the history of and the prospects for the industry in which the Company competes, the past and present operations of the Company, the future prospects of the Company, the ability of the Company's management, the earnings, net worth and financial condition of the Company, the general condition of the securities markets at the time of this Offering, the recent

trading price of the Common Stock, after giving effect to the Reverse Stock Split, and the prices of similar securities of comparable companies. On , 1997, the day after the effectiveness of the Reverse Stock Split, the bid price of the Common Stock was \$ per share. See "RECENT DEVELOPMENTS -- Reverse Stock Split." That bid price compares to the initial public offering price in this Offering of \$ per share. That comparison was taken into account by the Company and the Underwriters as one of the factors involved in determining the public offering price per share.

#### INTERIM FINANCINGS

In April, 1997, the Company completed a private placement of \$600,000 of unsecured subordinated Promissory Notes and 74,760 shares of Common Stock (the "April 1997 Financing"). The April 1997 Financing consisted of the sale by the Company of 24 units, each composed of a \$25,000 unsecured, subordinated Promissory Note and 3,115 shares of Common Stock. Those notes will be repaid from the proceeds of this Offering.

The net proceeds to the Company from the April 1997 Financing totaled approximately \$492,000. Those net proceeds were used for Company operations from April 1997 through August 1997. \$50,000 was used to repay officer loans, \$60,000 was used to pay legal and accounting expenses associated with the Company's filing of its periodic reports under the Securities and Exchange Act of 1934 and the holding of its 1997 Annual Meeting of Stockholders, and the balance, approximately \$382,000, was used to fund operating deficits incurred by the Company during that period. Of those operating deficits, the Company believes that approximately \$150,000 is allocable to the support of the marketing activities of the Company, approximately \$100,000 is allocable to the compensation of personnel in operations and other costs of services, and the balance of \$132,000 is allocable to the support of the general and administrative activities of the Company.

H.J. Meyers, Inc., the Representative, acted as placement agent in connection with the April 1997 Financing and received commissions and a non-accountable expense allowance in the aggregate amount of \$78,000.

In August, 1997, the Company completed a second private placement (the "August 1997 Financing") of \$500,000 of unsecured, subordinated Promissory Notes and 66,660 shares of Common Stock divided into 20

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units, each composed of a \$25,000 unsecured, subordinated Promissory Note and 3,333 shares of Common Stock. Those notes will be repaid from the proceeds of this Offering.

The net proceeds to the Company from the August Financing were approximately \$427,500, which are being and will be used for Company operations, including sales and marketing expense, product development, operations, and working capital.

H.J. Meyers, Inc. acted as placement agent in connection with the August 1997 Financing and received commissions and a non-accountable expense allowance in the aggregate amount of \$65,000.

For financial accounting purposes, the Company has allocated the amounts raised in each private placement between the Promissory Notes and the shares of Common Stock included in the units, based upon the "fair value" of the Common Stock at the time of issuance of the respective units. In the case of the April 1997 Financing, the Company allocated \$450,000 to the shares and the remaining \$150,000 to the notes. In the case of the August 1997 Financing, the Company allocated \$400,000 to the shares and the remaining \$100,000 to the notes. The difference between the face amount of the notes and the aforesaid amounts allocated to them represents debt discount. Thus, the debt discount for the April notes is \$450,000 and the debt discount for the August notes is \$400,000.

Further, the Company incurred deferred financing fees of \$108,000 in the April 1997 Financing and \$72,500 in the August 1997 Financing.

The debt discount and deferred financing fees are amortized over the life of the debt and charged to operations. A portion of the debt discount and deferred financing fees have been charged to operations prior to the date of this Prospectus, and the unamortized balance will be charged to operations when the debt is repaid, which is expected to be out of the net proceeds of this Offering.

The Company presently has two lines of credit from commercial lenders. Those lines of credit are personally guaranteed by Steve Vanechanos, Sr., Steven L. Vanechanos, Jr., and Kenneth Konikowski.

One line of credit is in the maximum amount of \$50,000 from Fleet Bank. The interest rate on the Fleet Bank line of credit is 10.5% per annum. The Fleet Bank line of credit has no stated maturity and is payable on demand. The other line of credit is in the maximum amount of \$47,000 from Wells Fargo Bank. The interest rate on the Wells Fargo Bank line of credit is 13.25% per annum. The Wells Fargo Bank line of credit also has no stated maturity and is payable on demand.

As of the date of this Prospectus, the Company owes \$15,000 on the Fleet Bank line of credit. Such amount was advanced to Software Associates in November of 1996, prior to the Company's acquisition of Software Associates. Also, as of the date of this Prospectus, the Company owes \$10,000 on the Wells Fargo Bank line of credit. Such amount was advanced to the Company in March, 1997, and was used by the Company to meet its payroll expense.

#### LEGAL MATTERS

Certain legal matters relating to the Common Stock offered hereby have been passed upon for the Company by the law firm of Stevens & Lee, Wayne, Pennsylvania and Cherry Hill, New Jersey. Certain legal matters in connection with the Offering will be passed upon for the Representative by Harter, Secrest & Emery, Rochester, New York.

#### ADDITIONAL INFORMATION

The Company has filed with the Commission a Registration Statement on Form SB-2 under the Securities Act with respect to the securities offered hereby (the "Registration Statement"). This Prospectus, which is a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement and exhibits thereto. Statements contained in this Prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance, reference is made to the copy of such contract or document filed as an exhibit to the Registration Statement, each such statement

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being qualified by such reference. For further information with respect to the Company and such securities, reference is hereby made to the Registration Statement and the exhibits filed therewith. The Company hereby undertakes to provide to each person to whom this Prospectus is delivered, upon written or oral request, a copy of any and all of the information that has been incorporated by reference in this Prospectus. Such request should be directed to DynamicWeb Enterprises, Inc., 271 Route 46 West, Building F, Suite 209, Fairfield, New Jersey, 07004; telephone (973) 244-1000; Attention: Corporate Secretary.

In addition, the Company is subject to the informational requirements of the Securities and Exchange Act of 1934 and, in accordance therewith, files reports, proxy statements and other information with the Commission. All of these documents may be inspected at the office of the Commission without charge, 450 Fifth Street, N.W., Washington, D.C. 20549 or certain regional offices of the Commission, located at Seven World Trade Center, 13th Floor, New York, New York 10048 or 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. The Commission also maintains a Web Site at "<http://www.sec.gov>" where such material filed electronically can be examined. Copies of such material may also be obtained upon payment to the Commission of prescribed fees and rates from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, DC 20549.

The Company intends to furnish its shareholders with annual reports containing audited financial statements and with such other periodic reports as the Company may from time to time deem appropriate or as may be required by law.

#### EXPERTS

The financial statements of the Company at September 30, 1996 and for each of the fiscal years in the two year period then ended, and the financial statements of Software Associates, Inc. at June 30, 1996 and for each of the fiscal years in the two year period then ended, appearing in this Prospectus and Registration Statement have been audited by Richard A. Eisner & Company, LLP, independent auditors, as set forth in their reports thereon (both of which call attention to substantial doubts as to the ability of the respective companies to continue as a going concern) appearing elsewhere herein, and are included herein in reliance upon such reports given upon the authority of said firm as experts in auditing and accounting.

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DYNAMICWEB ENTERPRISES, INC.  
(FORMERLY SEAHAWK CAPITAL CORPORATION)

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Board of Directors and Stockholders  
DynamicWeb Enterprises, Inc.  
Fairfield, New Jersey

Upon the completion of the transactions described in Note J[5], we will be in the position to issue the following opinion:

Richard A. Eisner & Company, LLP

New York, New York  
September 5, 1997

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders  
DynamicWeb Enterprises, Inc.  
Fairfield, New Jersey

"We have audited the accompanying consolidated balance sheet of DynamicWeb Enterprises, Inc. and subsidiaries (formerly Seahawk Capital Corporation) as at September 30, 1996 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years ended September 30, 1996 and September 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

"We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

"In our opinion, the consolidated financial statements enumerated above present fairly, in all material respects, the financial position of DynamicWeb Enterprises, Inc. and subsidiaries (formerly Seahawk Capital Corporation) as at September 30, 1996 and the results of their operations and their cash flows for the years ended September 30, 1996 and September 30, 1995, in conformity with generally accepted accounting principles.

"The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note B, a substantial portion of the Company's resources may be depleted before it is able to market and derive significant revenues from its products and services. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note B. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties."

New York, New York  
April 7, 1997

With respect to Note J[5]  
, 1997

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DYNAMICWEB ENTERPRISES, INC.  
(FORMERLY SEAHAWK CAPITAL CORPORATION)

## CONSOLIDATED BALANCE SHEETS

<TABLE>  
<CAPTION>

|  | SEPTEMBER 30,<br>1996 | JUNE 30,<br>1997 |
|--|-----------------------|------------------|
|  | -----                 | -----            |
|  |                       | (UNAUDITED)      |
| <S>  | <C>                   | <C>              |
| ASSETS   |                       |                  |
| Current assets:  |                       |                  |
| Cash and cash equivalents.....   | \$ 174,403            | \$ 95,818        |
| Accounts receivable, less allowance for doubtful accounts of<br>\$34,328 and \$60,928.....   | 70,518                | 209,035          |
| Prepaid and other current assets.....  | 32,068                | 31,213           |
|  | -----                 | -----            |
| Total current assets.....  | 276,989               | 336,066          |
| Property and equipment (Notes D and E).....  | 239,889               | 278,763          |
| Patents and trademarks, less accumulated amortization of \$2,166 and<br>\$3,402.....   | 19,299                | 23,257           |
| Customer list, less accumulated amortization of \$11,667 (Note<br>J[2]).....   |                       | 88,333           |
| Deferred financing fees, less accumulated amortization of \$36,000<br>(Note J[8]).....   |                       | 72,000           |
| Deferred registration costs (Note J[4]).....   |                       | 75,000           |
|  | -----                 | -----            |
| Total.....   | \$ 536,177            | \$ 873,419       |
|  | =====                 | =====            |
| LIABILITIES AND STOCKHOLDERS' EQUITY   |                       |                  |
| Current liabilities:   |                       |                  |
| Accounts payable.....  | \$ 34,581             | \$ 165,415       |
| Accrued expenses and other.....  | 18,487                | 79,235           |
| Current maturities of long-term debt (Note E).....   | 12,434                | 8,370            |
| Loans payable -- banks (Note J[9]).....  |                       | 24,500           |
| Deferred revenue.....  | 11,330                | 18,073           |
| Subordinated notes payable -- interim financing, less unamortized<br>debt discount of \$300,000 (Note J[8][a]).....  |                       | 300,000          |
|  | -----                 | -----            |
| Total current liabilities.....   | 76,832                | 595,593          |
| Long-term debt, less current maturities (Note E).....  | 197,661               | 188,084          |
|  | -----                 | -----            |
| Total liabilities.....   | 274,493               | 783,677          |
|  | -----                 | -----            |
| Commitments (Notes I and J)  |                       |                  |
| Stockholders' equity (Notes A, F and J):   |                       |                  |
| Preferred stock -- par value to be determined with each issue;<br>5,000,000 shares authorized; none issued   |                       |                  |
| Common stock -- \$.0001 par value; 50,000,000 shares authorized;<br>1,710,408 shares issued and outstanding at September 30, 1996<br>and 2,112,438 shares issued and to be issued at June 30,<br>1997..... | 171                   | 211              |
| Additional paid-in capital.....  | 676,699               | 2,236,327        |
| Accumulated deficit.....   | (415,186)             | (2,146,796)      |
|  | -----                 | -----            |
| Total stockholders' equity.....  | 261,684               | 89,742           |
|  | -----                 | -----            |
| Total.....   | \$ 536,177            | \$ 873,419       |
|  | =====                 | =====            |

&lt;/TABLE&gt;

Attention is directed to the foregoing accountants' report  
and to the accompanying notes to financial statements.

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DYNAMICWEB ENTERPRISES, INC.  
(FORMERLY SEAHAWK CAPITAL CORPORATION)

## CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>  
<CAPTION>

|     | YEAR ENDED<br>SEPTEMBER 30, |       | NINE MONTHS ENDED<br>JUNE 30, |       |
|-----|-----------------------------|-------|-------------------------------|-------|
|     | -----                       | ----- | -----                         | ----- |
|     | 1996                        | 1995  | 1997                          | 1996  |
|     | -----                       | ----- | -----                         | ----- |
| <S> | <C>                         | <C>   | <C>                           | <C>   |
|     |                             |       | (UNAUDITED)                   |       |

|   |              |            |                |              |
|---|--------------|------------|----------------|--------------|
| Net sales (Note H[3]):  |              |            |                |              |
| System sales.....   | \$ 147,337   | \$ 296,763 | \$ 98,254      | \$ 107,317   |
| Services.....   | 312,730      | 342,980    | 399,841        | 241,100      |
|   | -----        | -----      | -----          | -----        |
| Total.....  | 460,067      | 639,743    | 498,095        | 348,417      |
|   | -----        | -----      | -----          | -----        |
| Cost of sales:  |              |            |                |              |
| System sales.....   | 71,205       | 158,820    | 33,640         | 55,800       |
| Services.....   | 81,194       | 84,318     | 126,990        | 62,434       |
|   | -----        | -----      | -----          | -----        |
| Total.....  | 152,399      | 243,138    | 160,630        | 118,234      |
|   | -----        | -----      | -----          | -----        |
| Gross profit.....   | 307,668      | 396,605    | 337,465        | 230,183      |
|   | -----        | -----      | -----          | -----        |
| Expenses:   |              |            |                |              |
| Selling, general and administrative.....  | 719,443      | 364,684    | 1,006,246      | 460,631      |
| Research and development.....   | 28,990       | 12,000     | 164,024        | 15,229       |
|   | -----        | -----      | -----          | -----        |
| Total.....  | 748,433      | 376,684    | 1,170,270      | 475,860      |
|   | -----        | -----      | -----          | -----        |
| Operating income (loss).....  | (440,765)    | 19,921     | (832,805)      | (245,677)    |
| Purchased research and development.....   |              |            | (713,710)      |              |
| Interest expense (including amortization of<br>debt discount and deferred financing fees<br>of \$186,000 for the nine months ended<br>June 30, 1997)..... | (23,271)     | (23,350)   | (210,585)      | (14,950)     |
| Interest income.....  | 8,806        | 3,140      | 3,790          | 5,494        |
|   | -----        | -----      | -----          | -----        |
| (Loss) before income tax benefit.....   | (455,230)    | (289)      | (1,753,310)    | (255,133)    |
| Income tax benefit -- deferred.....   |              |            | 21,700         |              |
|   | -----        | -----      | -----          | -----        |
| NET (LOSS).....   | \$ (455,230) | \$ (289)   | \$ (1,731,610) | \$ (255,133) |
|   | =====        | =====      | =====          | =====        |
| Net (loss) per common share (Note C[7])....   | \$ (.27)     | \$ (0)     | \$ (.88)       | \$ (.15)     |
|   | =====        | =====      | =====          | =====        |
| Weighted-average number of shares<br>outstanding.....   |              |            |                |              |
|   | 1,667,202    | 1,620,804  | 1,962,778      | 1,649,687    |
|   | =====        | =====      | =====          | =====        |

</TABLE>

Attention is directed to the foregoing accountants' report  
and to the accompanying notes to financial statements.

F-4

DYNAMICWEB ENTERPRISES, INC.  
(FORMERLY SEAHAWK CAPITAL CORPORATION)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
(NOTES A, F AND J)

<TABLE>  
<CAPTION>

|   | COMMON STOCK --<br>PAR VALUE \$.0001 |        | ADDITIONAL<br>PAID-IN<br>CAPITAL | RETAINED<br>EARNINGS<br>(ACCUMULATED<br>DEFICIT) | TOTAL       |
|---|--------------------------------------|--------|----------------------------------|--|-------------|
|   | SHARES                               | AMOUNT |                                  |  |             |
| <S>   | <C>                                  | <C>    | <C>                              | <C>  | <C>         |
| Balance -- October 1, 1994 (Note<br>A).....                           | 1,620,804                            | \$162  | \$ 228,958                       | \$ 40,333  | \$ 269,453  |
| Net (loss).....   |                                      |        |                                  | (289)  | (289)       |
|   | -----                                | -----  | -----                            | -----  | -----       |
| Balance -- September 30, 1995.....                                    | 1,620,804                            | 162    | 228,958                          | 40,044   | 269,164     |
| Issuance of common stock, net of<br>\$52,250 of costs (Note F).....   | 89,604                               | 9      | 447,741                          |  | 447,750     |
| Net (loss).....   |                                      |        |                                  | (455,230)  | (455,230)   |
|   | -----                                | -----  | -----                            | -----  | -----       |
| Balance -- September 30, 1996.....                                    | 1,710,408                            | 171    | 676,699                          | (415,186)  | 261,684     |
| Issuance of common stock (Note<br>J[1]).....                          | 65,212                               | 7      | 249,993                          |  | 250,000     |
| Issuance of common stock to<br>acquire subsidiary (Note<br>J[2])..... | 224,330                              | 22     | 859,978                          |  | 860,000     |
| Shares issuable with the interim<br>financing (Note J[8][a]).....     | 112,488                              | 11     | 449,989                          |  | 450,000     |
| Payable to stockholders for<br>fractional shares.....                 |                                      |        | (332)                            |  | (332)       |
| Net (loss) (unaudited).....   |                                      |        |                                  | (1,731,610)                                      | (1,731,610) |
|   | -----                                | -----  | -----                            | -----  | -----       |
| Balance -- June 30, 1997<br>(unaudited).....                          | 2,112,438                            | \$211  | \$2,236,327                      | \$ (2,146,796)                                   | \$ 89,742   |
|   | =====                                | =====  | =====                            | =====  | =====       |

</TABLE>

Attention is directed to the foregoing accountants' report  
and to the accompanying notes to financial statements.

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DYNAMICWEB ENTERPRISES, INC.  
(FORMERLY SEAHAWK CAPITAL CORPORATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>  
<CAPTION>

|   | YEAR ENDED<br>SEPTEMBER 30, |           | NINE MONTHS ENDED<br>JUNE 30, |              |
|---|-----------------------------|-----------|-------------------------------|--------------|
|   | 1996                        | 1995      | 1997                          | 1996         |
|   |                             |           | (UNAUDITED)                   |              |
| <S>   | <C>                         | <C>       | <C>                           | <C>          |
| Cash flows from operating activities:   |                             |           |                               |              |
| Net (loss).....   | \$ (455,230)                | \$ (289)  | \$ (1,731,610)                | \$ (255,133) |
| Adjustment to reconcile net (loss) to net cash (used in) operating activities:                    |                             |           |                               |              |
| Depreciation and amortization.....  | 23,644                      | 5,614     | 34,415                        | 9,919        |
| Stock issued for compensation.....  | 10                          |           |                               | 10           |
| Purchased research and development.....   |                             |           | 713,710                       |              |
| Deferred income taxes.....  |                             |           | (21,700)                      |              |
| Amortization of debt discount and deferred financing fees...                                      |                             |           | 186,000                       |              |
| Changes in operating assets and liabilities:  |                             |           |                               |              |
| (Increase) decrease in accounts receivable.....   | 3,739                       | (24,810)  | (20,371)                      | 4,635        |
| (Increase) decrease in prepaid expenses and other current assets.....                             | (6,923)                     | 18,023    | 855                           | (5,610)      |
| Increase (decrease) in accounts payable.....  | 7,801                       | (1,910)   | 127,530                       | 13,764       |
| Increase (decrease) in accrued expenses.....  | 15,293                      | (2,368)   | 5,395                         | 9,922        |
| Increase (decrease) in deferred revenue.....  | 122                         | (1,549)   | 6,743                         | 520          |
| Net cash (used in) operating activities.....  | (411,544)                   | (7,289)   | (699,033)                     | (221,973)    |
| Cash flows from investing activities:   |                             |           |                               |              |
| Acquisition of property and equipment.....  | (23,838)                    | (6,900)   | (66,152)                      | (19,087)     |
| Proceeds from sale of equipment.....  |                             |           | 1,954                         |              |
| Acquisition of patents and trademarks.....  | (21,220)                    | (245)     | (4,251)                       | (17,992)     |
| Cash acquired upon acquisition of subsidiary.....   |                             |           | 15,235                        |              |
| Net cash (used in) investing activities.....  | (45,058)                    | (7,145)   | (53,214)                      | (37,079)     |
| Cash flows from financing activities:   |                             |           |                               |              |
| Payment of long-term debt.....  | (11,909)                    | (13,772)  | (7,838)                       | (9,892)      |
| Proceeds from issuance of common stock.....   | 597,750                     |           | 250,000                       | 597,750      |
| Proceeds from loans -- banks.....   |                             |           | 14,500                        |              |
| Loan from officer/stockholder.....  |                             |           | 50,000                        |              |
| Payment of officer/stockholder loan.....  |                             |           | (50,000)                      |              |
| Proceeds from sale of units consisting of notes and common stock.....                             |                             |           | 600,000                       |              |
| Payment of deferred registration costs.....   |                             |           | (75,000)                      |              |
| Payment of deferred financing fees.....   |                             |           | (108,000)                     |              |
| Net cash provided by (used in) financing activities....   | 585,841                     | (13,772)  | 673,662                       | 587,858      |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....   | 129,239                     | (28,206)  | (78,585)                      | 328,806      |
| Cash and cash equivalents, beginning of period.....   | 45,164                      | 73,370    | 174,403                       | 45,164       |
| CASH AND CASH EQUIVALENTS, END OF PERIOD.....   | \$ 174,403                  | \$ 45,164 | \$ 95,818                     | \$ 373,970   |
| Supplemental schedule of noncash investing and financing activities:                              |                             |           |                               |              |
| During the year ended September 30, 1995, the Company financed \$31,316 of property and equipment |                             |           |                               |              |
| On November 30, 1996 the Company acquired Software Associates, Inc. as described in Note J[2]     |                             |           |                               |              |
| Supplemental disclosure of cash flow information:   |                             |           |                               |              |
| Cash paid for interest during the period.....   | \$ 21,271                   | \$ 23,350 | \$ 18,313                     | \$ 14,950    |

</TABLE>

Attention is directed to the foregoing accountants' report and to the accompanying notes to financial statements.

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DYNAMICWEB ENTERPRISES, INC.  
(FORMERLY SEAHAWK CAPITAL CORPORATION)

NOTES TO FINANCIAL STATEMENTS  
(UNAUDITED WITH RESPECT TO JUNE 30, 1997 AND PERIODS ENDED JUNE 30, 1997 AND JUNE 30, 1996)

(NOTE A) -- BASIS OF PRESENTATION:

The accompanying financial statements include the accounts of DynamicWeb Enterprises, Inc. ("DWE") and its wholly owned subsidiaries, Megascore, Inc. DynamicWeb Transactions Systems, Inc. ("DWTS") and Software Associates, from the date of its acquisition (November 30, 1996) (Note J[2]) (collectively the "Company"). All significant intercompany balances and transactions have been eliminated.

On March 26, 1996 DWTS was acquired by Seahawk Capital Corporation ("Seahawk"), a publicly held corporation which had 114,759 shares of common stock outstanding and no assets. Prior to the acquisition, Seahawk distributed all of its assets to its shareholders. In the acquisition, the shareholders of



DWTS received 1,281,716 shares of Seahawk's common stock. The acquisition is being accounted for as if DWTS were the acquiring entity. The shares of Seahawk are accounted for as being outstanding for all periods presented. In connection with the acquisition, 191,724 shares were issued to a finder and 19,563 shares were issued for legal fees. At the conclusion of this transaction, there were 1,607,762 shares outstanding.

DWTS, formerly a division of Megascore, Inc. was established as a separate legal entity on October 31, 1995. On February 7, 1996 DWTS issued all of its shares of its common stock to Megascore, Inc. On September 30, 1996, DynamicWeb Enterprises, Inc. acquired all the common stock of Megascore, Inc. for 13,042 shares of its common stock. The transaction was accounted as a combination of entities under common control. The accompanying financial statements retain the historical accounting basis for the net assets of Megascore, Inc. and gives effect to the operations of Megascore, Inc. for all periods presented.

On May 14, 1996, Seahawk changed its name to DynamicWeb Enterprises, Inc. and concurrently increased the authorized number of shares of its common stock to 50,000,000 at a \$.0001 par value. The accompanying financial statements give retroactive effect to the above transaction.

(NOTE B) -- THE COMPANY:

DWE is in the business of facilitating electronic commerce transactions between business entities, developing, marketing and supporting software products and other services that enable business to engage in electronic commerce utilizing the Internet and traditional Electronic Data Interchange ("EDI"). DWE offers electronic commerce solutions in EDI and Internet-based transactions processing.

Megascore, Inc. is a full-service systems integrator specializing in distribution, accounting and point-of-sale computer software consulting services for suppliers and retailers.

Software Associates, Inc. is a service bureau engaged in the business of helping companies realize the benefits of expanding their data processing and electronic communications infrastructures through the use of EDI.

Although the Company had working capital at September 30, 1996 and has subsequently raised net proceeds of approximately \$742,000 in issuance of stock and notes (Notes J[1] and J[8][a]), a substantial portion of its resources may be depleted before the Company markets and derives significant revenues from its products and services. These factors raise substantial doubt about the Company ability to continue as a going concern. The Company is planning to raise additional equity through a proposed public offering of stock (Note J[4]). There is no assurance that the Company's products and services will be commercially successful.

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DYNAMICWEB ENTERPRISES, INC.  
(FORMERLY SEAHAWK CAPITAL CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(NOTE C) -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

[1] Revenue recognition:

Revenues are recognized when products are shipped, provided that no significant vendor obligations remain and collection of the resulting receivable is deemed probable by management. The Company provides customer support to purchasers of its product and revenues are recognized when services are provided. The Company enters into contracts with customers whereby revenues are earned based upon a per transaction fee.

Deferred revenue represent revenues billed in advance for consulting support services.

[2] Cash equivalents:

The Company considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

[3] Depreciation:

Property and equipment are recorded at cost. Depreciation is provided on an accelerated method over the estimated useful lives of the related assets. Amortization of leasehold improvements is provided over the shorter of the lease term or the estimated useful life of the asset.

[4] Intangible assets:

a) Patents and trademarks:

Costs to obtain patents and trademarks have been capitalized. The Company has submitted numerous applications which are currently pending. These costs are being amortized over five years.

b) Customer list:

Customer list had been valued in connection with the acquisition of

Software Associates, Inc. (Note J[2]) and is being amortized over five years.

The Company evaluates its long-lived assets for impairment based upon undiscounted cash flows. When an impairment occurs, the Company would write down its assets.

[5] Research and development:

Research and development costs are charged to expense as incurred.

[6] Income taxes:

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). SFAS No. 109 measures deferred income taxes by applying enacted statutory rates in effect at the balance sheet date to the differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. The resulting asset for the expected future tax benefit to be derived primarily from net operating loss carryforwards was fully reserved since the likelihood of realization of the benefit cannot be established.

[7] Loss per share of common stock:

Net loss per share of common stock is based on the weighted average number of shares outstanding and shares issuable. Contingent shares issuable in connection with the acquisition of Software Associates, Inc. (Note J[2]) are excluded from the weighted average shares outstanding.

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DYNAMICWEB ENTERPRISES, INC.  
(FORMERLY SEAHAWK CAPITAL CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

[8] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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.

[9] Recently issued accounting pronouncements:

In 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of" ("FASB 121"), and Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FASB 123"). FASB 121 requires, among other things, that entities identify events or changes in circumstances which indicate that the carrying amount of a long-lived asset may not be recoverable. FASB 123 encourages companies, among other things, to establish a fair value based method of accounting for stock-based compensation plans and requires disclosure thereof on a fair value basis. The Company believes that adoption of FASB 121 and FASB 123 will not have a material impact on its financial statements. The Company has elected to continue to account for employee stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," using intrinsic values with appropriate disclosures using the fair value based method.

[10] Interim financial information:

The accompanying financial statements as at June 30, 1997 and for the nine months ended June 30, 1997 and June 30, 1996 are unaudited, but in the opinion of management of the Company, reflect all adjustments (consisting only of normal and recurring adjustments) necessary for a fair presentation. The results of operations for the nine month period are not necessarily indicative of the results that may be expected for the full year September 30, 1997.

[11] Fair value of financial instruments:

The Company considers its financial instruments and obligations, which are carried at cost, to approximate fair value due to the near-term due dates.

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DYNAMICWEB ENTERPRISES, INC.  
(FORMERLY SEAHAWK CAPITAL CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(NOTE D) -- PROPERTY AND EQUIPMENT:

Property and equipment are as follows:

<TABLE>  
<CAPTION>

|   | SEPTEMBER 30,<br>1996 | JUNE 30,<br>1997 | ESTIMATED<br>USEFUL<br>LIFE |
|---|-----------------------|------------------|-----------------------------|
| <S>   | <C>                   | <C>              | <C>                         |
| Office facility condominium.....                                      | \$ 156,600            | \$156,600        | 20 years                    |
| Office equipment.....   | 17,865                | 18,247           | 5 years                     |
| Computer equipment (includes a capitalized lease of<br>\$10,000)..... | 80,372                | 117,167          | 5 years                     |
| Automobiles.....  | 33,876                | 16,221           | 5 years                     |
| Leasehold improvements.....   |                       | 38,125           |                             |
|   | -----                 | -----            |                             |
| Accumulated depreciation and amortization.....                        | 288,713               | 346,360          |                             |
|   | 90,224                | 108,997          |                             |
|   | -----                 | -----            |                             |
| Land.....   | 198,489               | 237,363          |                             |
|   | 41,400                | 41,400           |                             |
|   | -----                 | -----            |                             |
|   | \$ 239,889            | \$278,763        |                             |
|   | =====                 | =====            |                             |

</TABLE>

(NOTE E) -- LONG-TERM DEBT:

Long-term debt consists of the following:

<TABLE>

<CAPTION>

|  | SEPTEMBER 30,<br>1996 | JUNE 30,<br>1997 |
|--|-----------------------|------------------|
| <S>  | <C>                   | <C>              |
| *Mortgage payable -- due July 2015; payable in varying monthly<br>installments at an interest rate at the lower of prime plus<br>2% or 14.25%..... | \$ 190,805            | \$188,741        |
| Auto loans -- due through June 1999 payable in aggregate<br>monthly installments of \$767 at interest rates of 5.9% and<br>10.0%.....              | 19,290                | 7,508            |
| Other.....   |                       | 205              |
|  | -----                 | -----            |
| Total indebtedness.....  | 210,095               | 196,454          |
| Less current maturities.....   | 12,434                | 8,370            |
|  | -----                 | -----            |
| Noncurrent portion.....  | \$ 197,661            | \$188,084        |
|  | =====                 | =====            |

</TABLE>

\* Collateralized by an office facility condominium and land with a net book value of approximately \$188,000 at September 30, 1996 and approximately \$182,000 at June 30, 1997.

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DYNAMICWEB ENTERPRISES, INC.  
(FORMERLY SEAHAWK CAPITAL CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Maturities of long-term debt for the next five years as at September 30, 1996 are as follows:

<TABLE>

<CAPTION>

|                 | YEAR ENDING<br>SEPTEMBER 30, |
|-----------------|------------------------------|
| <S>             | <C>                          |
| 1997.....       | \$ 12,434                    |
| 1998.....       | 12,945                       |
| 1999.....       | 7,411                        |
| 2000.....       | 4,500                        |
| 2001.....       | 4,500                        |
| Thereafter..... | 168,305                      |
|                 | -----                        |
| Total.....      | \$210,095                    |
|                 | =====                        |

</TABLE>

(NOTE F) -- STOCKHOLDERS' EQUITY:

On March 26, 1996, the Company completed a stock offering under Regulation S, whereby it sold 89,604 shares of its common stock for \$500,000 less fees in connection with such offering of \$52,250 for net proceeds of \$447,750.

(NOTE G) -- INCOME TAXES:

[1] The Company has a federal and state net operating loss carryforward of approximately \$400,000 at September 30, 1996 and approximately \$1,275,000 at June 30, 1997 which expires through 2012. In addition at June 30, 1997, the Company has federal and state net operating loss carryovers of \$40,000 and \$36,000 attributable to Megascor, Inc. and Software Associates, Inc. which may

be used to offset income earned by those companies. The tax benefits of these deferred tax assets are fully reserved for since the likelihood of realization of the benefit cannot be established.

The Tax Reform Act of 1986 contains provisions which limits the net operating loss carryforwards available for use in any given year should certain events occur, including significant changes in ownership interests. If the Company is successful in completing a proposed public offering, the utilization of its net operating loss carryover may be limited.

[2] The tax effects of principal temporary differences and net operating loss carryforwards are as follows:

<TABLE>  
<CAPTION>

|   | SEPTEMBER 30,<br>1996 | JUNE 30,<br>1997 |
|---|-----------------------|------------------|
|   | -----                 | -----            |
| <S>   | <C>                   | <C>              |
| Asset:  |                       |                  |
| Federal and state operating loss carryforwards..... | \$ 148,000            | \$ 540,000       |
| Accounts receivable allowance.....                  | 13,000                | 24,000           |
| Accrued expense.....                                |                       | 5,000            |
|   | -----                 | -----            |
| Total.....  | 161,000               | 569,000          |
| Liability:  |                       |                  |
| Accrual basis to cash basis adjustments.....        |                       | (13,000)         |
|   | -----                 | -----            |
| Net balance.....                                    | 161,000               | 556,000          |
| Valuation allowance.....                            | (161,000)             | (556,000)        |
|   | -----                 | -----            |
| Net deferred tax asset.....                         | \$ 0                  | \$ 0             |
|   | =====                 | =====            |

</TABLE>

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DYNAMICWEB ENTERPRISES, INC.  
(FORMERLY SEAHAWK CAPITAL CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The differences between the statutory Federal income tax rate of 34% and the effective (benefit) are as follows:

<TABLE>  
<CAPTION>

|                                   | SEPTEMBER 30, |         | JUNE 30, |         |
|-----------------------------------|---------------|---------|----------|---------|
|                                   | -----         | -----   | -----    | -----   |
|                                   | 1996          | 1995    | 1997     | 1996    |
| <S>                               | <C>           | <C>     | <C>      | <C>     |
| Statutory rate (benefit).....     | (34.0)%       | (34.0)% | (34.0)%  | (34.0)% |
| Nondeductible items.....          |               |         | 14.3     |         |
| Valuation allowance.....          | 34.0          | 34.0    | 18.5     | 34.0    |
|                                   | -----         | -----   | -----    | -----   |
| Effective tax rate (benefit)..... | 0%            | 0%      | (1.2)%   | 0%      |
|                                   | =====         | =====   | =====    | =====   |

</TABLE>

(NOTE H) -- CONCENTRATION OF CREDIT RISKS:

[1] Cash and cash equivalents:

The Company places its cash and cash equivalents at various financial institutions. At times, such amounts might be in excess of the FDIC insurance limit.

[2] Accounts receivable:

The Company routinely evaluates the credit worthiness of its customers to limit its concentration of credit risk with respect to its trade receivables.

[3] Significant customers:

The Company had one customer that accounted for 23% of net sales for the year ended September 30, 1995 and two customers that accounted for 16% and 10% of net sales for the year end September 30, 1996.

The Company had two customers that accounted for 15% and 11% of net sales for the nine months ended June 30, 1996 and one customer that accounted for 13% of net sales for the nine months ended June 30, 1997.

(NOTE I) -- COMMITMENTS:

Leases:

On October 1, 1996, the Company signed an operating lease for office space which expires in October 2001. In addition, a subsidiary occupies office space which is described in Note J[2]. The following are minimum annual rental payments:

<TABLE>  
<CAPTION>

| PERIOD ENDING JUNE 30, |           |
|------------------------|-----------|
| <S>                    | <C>       |
| 1998.....              | \$ 80,000 |
| 1999.....              | 82,000    |
| 2000.....              | 83,000    |
| 2001.....              | 86,000    |
| 2002.....              | 61,000    |
| Thereafter.....        | 24,000    |
| Total.....             | \$416,000 |

</TABLE>

Rent expense for the nine months ended June 30, 1997 was approximately \$48,200.

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DYNAMICWEB ENTERPRISES, INC.  
(FORMERLY SEAHAWK CAPITAL CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(NOTE J) -- SUBSEQUENT EVENTS:

[1] Private placement:

On November 21, 1996, pursuant to Regulation D, the Company sold 65,212 shares of its common stock for \$250,000.

[2] Acquisition and related party transaction:

On November 30, 1996, the Company entered into a stock purchase agreement with Software Associates, Inc. and its sole shareholder (the "SA Agreement") whereby the Company acquired all the issued and outstanding common stock of Software Associates, Inc. The Company exchanged 224,330 shares of its common stock for all of the issued and outstanding shares of Software Associates, Inc. The Company further agreed to issue up to 297,367 additional shares of its common stock in the event that the average closing bid price of the Company's common stock does not equal \$12.939 per share for the five trading days immediately prior to January 30, 1999. In connection with this transaction, the Company incurred approximately \$25,000 of professional fees.

The SA Agreement also requires that the Company issue options for the purchase of 6,521 shares of its common stock to employees of Software Associates, Inc.

In connection with the acquisition, the Company entered into a five-year employment contract with the sole shareholder/president of Software Associates, Inc. The agreement provides for an annual salary of approximately \$136,000 and includes a discretionary bonus as determined by the Company's Board of Directors.

Software Associates, Inc., occupies its office space through December 31, 2002, pursuant to a lease which was amended on September 5, 1997 from a partnership whose partners are the Executive Vice President of the Company and his wife. The lease provides for an annual increase of three percent and requires the company to pay condominium maintenance fees. The partnership and Software Associates, Inc. are jointly liable on the mortgage which was approximately \$249,000 as at November 30, 1996; the debt is being paid by the partnership, and matures in August 2019. The Company is informed that the partnership's mortgage balance is current.

The purchase price was recorded as follows at November 30, 1996:

| <S>                                     | <C>       |
|---|-----------|
| Current assets.....                     | \$133,381 |
| Fixed assets.....                       | 5,167     |
| Purchased research and development..... | 713,710   |
| Customer list.....                      | 100,000   |
| Current liabilities.....                | (67,258)  |
|   | -----     |
|   | \$885,000 |
|   | =====     |

</TABLE>

Purchased research and development was charged to operations upon acquisition. The acquisition was recorded as a purchase.

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DYNAMICWEB ENTERPRISES, INC.  
(FORMERLY SEAHAWK CAPITAL CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The condensed unaudited pro forma information of the Company and Software

Associates, Inc. for the year ended September 30, 1996 and for the nine months ended June 30, 1997 are presented as if the acquisition of Software Associates, Inc. occurred on October 1, 1995. The pro forma information is not necessarily indicative of the results that would have been reported had the acquisition occurred on October 1, 1995, nor is it indicative of the Company's future results.

<TABLE>  
<CAPTION>

|  | YEAR ENDED<br>SEPTEMBER 30,<br>1996 | NINE MONTHS<br>ENDED<br>JUNE 30,<br>1997 |
|--|-------------------------------------|--|
|  | -----<br>(UNAUDITED)                | -----<br>(UNAUDITED)                     |
| <S>                                      | <C>                                 | <C>                                      |
| Net sales.....                           | \$ 1,158,000                        | \$ 625,000                               |
|  | =====                               | =====                                    |
| Net (loss).....                          | \$ (570,000)                        | \$ (1,007,000) *                         |
|  | =====                               | =====                                    |
| (Loss) per share.....                    | \$ (.30)                            | \$ (.50)                                 |
|  | =====                               | =====                                    |
| Weighted-average shares outstanding..... | 1,891,532                           | 2,013,103                                |
|  | =====                               | =====                                    |

</TABLE>

-----  
\* Excludes a charge of approximately \$714,000 for purchased research and development appearing in the historical financial statements for the nine months ended June 30, 1997.

[3] Loans from officers:

In February and March 1997, the Company received a loan from its Chief Executive Officer ("CEO") of \$50,000 which the Company repaid from the net proceeds of the private placements described in Notes J[1] and J[8][a]. The Company subsequently received additional loans from the Company's CEO and Vice President through September 30, 1997 for approximately \$117,000 which is expected to be repaid from the net proceeds of the Company's proposed public offering described in Note J[4].

[4] Contemplated public offering:

On February 1, 1997, the Company signed a letter of intent with an underwriter with respect to a contemplated public offering of the Company's securities. The Company expects to incur significant additional costs in connection therewith. In the event that the offering is not successfully completed, such costs will be charged to expense.

[5] Stockholders' equity:

On March 7, 1997 the Board of Directors approved a reverse stock split for each share of common stock to be converted into .2608491 of one share and authorized 5,000,000 shares of preferred stock. On June 12, 1997, the stockholders approved such transaction to be effective prior to the effective date of the offering referred to in Note J[4]. Cash is to be issued to the stockholders for any fractional shares. The accompanying financial statements give retroactive effect to this transaction.

[6] Director stock option plan:

On April 28, 1997, the Board of Directors, adopted a stock option plan for outside directors (the "Director Plan") under which nonqualified stock options may be granted to its outside directors to purchase up to 78,254 shares of the Company's common stock. The Director Plan granting to each Director an option to purchase 3,912 shares of the Company's common stock at fair market value on September 30, 1997 and at each subsequent annual meeting of shareholders at which directors are elected was approved by the stockholders on June 12, 1997. Options may be exercised for ten years and one month after the date of grant and may not be exercised during an eleven-month period following the date of grant unless there is a change in

control, as defined in the Director Plan or the compensation committee waives the eleven-month continuous service requirement. As of June 30, 1997, no options were issued under the Director Plan. On September 30, 1997, pursuant to the

Director Plan, the Company granted an aggregate of 15,648 options to its Directors to purchase the Company's Common Stock at fair value. The options are exercisable immediately and expire on October 31, 2007.

[7] Employee stock option plan:

On March 7, 1997, the Board of Directors, adopted the Company's 1997 employee stock option plan (the "Plan"), amended by the Board of Directors on April 29, 1997, under which incentive stock option and nonqualified stock options may be granted to purchase up to 234,764 shares of the Company's common stock. The Plan was approved by the stockholders on June 12, 1997. Incentive stock options are to be granted at a price not less than the fair market value, or 110% of fair market value to an individual who owns more than ten percent of the voting power of the outstanding stock. Nonqualified stock options are to be granted at a price determined by the Company's compensation committee. As of June 30, 1997, no options were issued under the Plan. On August 8, 1997, the Company granted 99,054 options to its employees to purchase the Company's common stock which had a fair value of \$6.23 per share at the date of grant as follows:

| NUMBER OF<br>OPTIONS | EXERCISE<br>PRICE | EXPIRATION<br>DATE |
|----------------------|-------------------|--------------------|
| 89,666               | \$ 1.56           | August 7, 2007     |
| 9,388                | \$ 6.23           | August 7, 2007     |
| 99,054               |                   |                    |

Additionally, on September 11, 1997, the Company granted 104,338 options to purchase the Company's common stock at \$3.83 per share to its President. See Note J[11].

The Company will record compensation expense for options issued to its employees below fair market value over the vesting period. The estimated compensation charge is as follows:

|            | SEPTEMBER 30, |
|------------|---------------|
| 1997.....  | \$257,000     |
| 1998.....  | 148,000       |
| 1999.....  | 70,000        |
| 2000.....  | 19,000        |
| Total..... | \$494,000     |

[8] Private placements:

[a] On April 30, 1997, pursuant to Regulation D, the Company completed a private placement whereby it sold 24 units for an aggregate amount of \$600,000. The placement agent is entitled to a fee and nonaccountable expense allowance aggregating \$78,000 or 13% of the private placement offering. Deferred financing fees in this transaction were approximately \$108,000. Each unit consists of a \$25,000 subordinated promissory note bearing interest at 8% and 4,687 shares of the Company's common stock. The notes are due at the earlier of the closing of the proposed public offering referred to in Note J[4]; when the Company obtains an aggregate financing of \$2,000,000 excluding expenses or March 31, 1999. The 4,687 shares of common stock in each unit are to be adjusted pursuant to a formula defined in the private placement memorandum, based on the price of the proposed offering. The number of shares issuable pursuant to the formula is 112,488 shares using an assumed public offering price of \$4.00 per share.

The common stock was valued at a fair value of \$450,000 and \$150,000 was allocated to the notes. Debt discount of \$450,000 and deferred financing fees of \$108,000 are amortized over the expected completion of the Company's public offering of securities (October 31, 1997). At June 30, 1997 \$186,000 of amortization was expensed and the remaining balance of \$372,000 will be charged to operations through October 31, 1997. The effective interest rate is approximately 191%.

[b] On August 27, 1997, pursuant to Regulation D, the Company completed a private placement whereby it sold 20 units for an aggregate amount of \$500,000. The placement agent is entitled to a fee and nonaccountable expense allowance aggregating \$65,000 or 13% of the private placement offering. Deferred financing fees in this transaction were approximately \$72,500. Each unit consists of a \$25,000 subordinated promissory note bearing interest at 8% and 5,000 shares of

the Company's common stock. In connection with this transaction, two officers of the Company agreed to contribute a sufficient number of shares to meet this obligation. The notes are due at the earlier of the closing of the proposed public offering referred to in Note J[4]; when the Company obtains an aggregate financing of \$2,000,000 excluding expenses or September 30, 1999. The 5,000 shares of common stock in each unit are to be adjusted pursuant to a formula defined in the private placement memorandum, based on the price of the proposed offering. The number of shares issuable pursuant to the formula is 100,000 shares using an assumed public offering price of \$4.00 per share.

The common stock was valued at a fair value of \$400,000 and \$100,000 was allocated to the notes. Debt discount of \$400,000 and deferred financing fees of \$72,500 are amortized over the expected completion of the Company's public offering of securities (October 31, 1997). The Company will charge \$472,500 to operations from August 27, 1997 through October 31, 1997. The effective interest rate is approximately 525%.

[9] Lines of credit:

The Company has two lines of credit aggregating \$90,000 which are personally guaranteed by an officer of the Company and have interest rates of 2% and 6 3/4% above the bank's lending rate. The Company borrowed \$24,500 as of June 30, 1997.

[10] Late filings and annual report:

The Company was required to file with the Securities and Exchange Commission Form 10-KSB for September 30, 1996, Form 10-QSB for the quarter ended December 31, 1996 and an amended Form 8-K for the acquisition of Megascore, Inc. and Software Associates, Inc. (Notes A and J[2]). The Company did not distribute its annual report to its shareholders within 120 days after year end. As of August 8, 1997, management believes that it has complied with all of its filing requirements and has distributed its annual report.

[11] Employment contract:

On August 26, 1997, the Company entered into a three year employment contract with its President for an annual salary of \$160,000. Upon expiration of the employment contract, the term shall be automatically renewed for a year unless either party gives written notice prior to ninety days before the expiration date. In connection with this contract, on September 11, 1997, the Company granted options to purchase 104,338 shares of common stock at \$3.83 per share which expire in ten years and vest over a three year period. The fair value of the stock at the date of grant was \$4.55 per share. Included in Note J[7] is the estimated expense for the option grant.

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UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS

The following pro forma unaudited financial information gives effect to the acquisition of Software Associates, Inc. on November 30, 1996. The unaudited pro forma condensed consolidated balance sheet combines the historical balance sheet of DynamicWeb Enterprises, Inc. as at September 30, 1996 with the historical balance sheet of Software Associates, Inc. as at June 30, 1996 as if the acquisition occurred on September 30, 1996. The unaudited pro forma condensed consolidated statement of operations for the year ended September 30, 1996 combines the operations of DynamicWeb Enterprises, Inc. for the year ended September 30, 1996 with the operations of Software Associates, Inc. for the year ended June 30, 1996 as if the acquisition occurred on October 1, 1995. The transaction is accounted for as a purchase in accordance with Accounting Principles Board Opinion No. 16.

The unaudited condensed pro forma consolidated balance sheet and statement of operations should be read in conjunction with the notes thereto and the audited financial statements of DynamicWeb Enterprises, Inc. and Software Associates, Inc. and notes thereto. The pro forma information is not necessarily indicative of what the financial position and results of operations would have been had the transaction occurred earlier, nor do they purport to represent the future financial position or results of operations of DynamicWeb Enterprises, Inc.

NOTES TO UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS

1) To record the preliminary allocation of the purchase price of Software Associates, Inc. at \$860,000 and professional fees of \$25,000 and to expense purchased research and development as at October 1, 1995. The pro forma information does not reflect any contingently issuable shares, up to 297,367, that may be issued in the event that the average closing bid price of DynamicWeb Enterprises, Inc. common stock does not equal \$12.939 per share for the five trading days immediately prior to January 30, 1999.

2) To amortize intangible asset over five years.

3) To record the difference in salary based on an employment contract for the then shareholder of Software Associates, Inc.

4) Pro forma weighted average number of shares outstanding reflects shares issued for the acquisition as if they were outstanding for the entire period presented.

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DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

<TABLE>  
<CAPTION>

| <S>  | HISTORICAL                           |                           |                              |     | PRO FORMA<br>ADJUSTMENTS | PRO FORMA<br>CONSOLIDATED<br>RESULTS |
|--|--------------------------------------|---------------------------|------------------------------|-----|--------------------------|--------------------------------------|
|  | DYNAMICWEB<br>ENTERPRISES, INC.      |                           | SOFTWARE<br>ASSOCIATES, INC. |     |                          |                                      |
|  | AS AT<br>SEPTEMBER 30,<br>1996       | AS AT<br>JUNE 30,<br>1996 |                              |     |                          |                                      |
|  | <C>                                  | <C>                       | <C>                          | <C> | <C>                      | <C>                                  |
|  | ASSETS                               |                           |                              |     |                          |                                      |
| Cash and cash equivalents.....                                       | \$ 174,403                           | \$ 12,455                 |                              |     | \$ 186,858               |                                      |
| Accounts receivable, net of allowance<br>for doubtful accounts.....  | 70,518                               | 61,209                    |                              |     | 131,727                  |                                      |
| Prepaid and other current assets.....                                | 32,068                               |                           |                              |     | 32,068                   |                                      |
|  | -----                                | -----                     |                              |     | -----                    |                                      |
| Total current assets.....  | 276,989                              | 73,664                    |                              |     | 350,653                  |                                      |
| Property and equipment, net of<br>depreciation and amortization..... | 239,889                              | 6,000                     |                              |     | 245,889                  |                                      |
| Patents and trademarks, net of<br>amortization.....                  | 19,299                               |                           |                              |     | 19,299                   |                                      |
| Intangibles.....   |                                      | (1)                       | \$ 100,000                   |     | 100,000                  |                                      |
|  | -----                                | -----                     | -----                        |     | -----                    |                                      |
| TOTAL.....   | \$ 536,177                           | \$ 79,664                 | \$ 100,000                   |     | \$ 715,841               |                                      |
|  | =====                                | =====                     | =====                        |     | =====                    |                                      |
|  | LIABILITIES AND STOCKHOLDERS' EQUITY |                           |                              |     |                          |                                      |
| Accounts payable.....  | \$ 34,581                            | \$ 13,548                 |                              |     | \$ 48,129                |                                      |
| Accrued expenses and other.....                                      | 18,487                               | 13,955(1)                 | \$ 25,000                    |     | 57,442                   |                                      |
| Current maturities of long-term<br>debt.....                         | 12,434                               | 3,350                     |                              |     | 15,784                   |                                      |
| Deferred revenue.....  | 11,330                               |                           |                              |     | 11,330                   |                                      |
| Deferred income taxes.....   |                                      | 1,000                     |                              |     | 1,000                    |                                      |
|  | -----                                | -----                     | -----                        |     | -----                    |                                      |
| Total.....   | 76,832                               | 31,853                    | 25,000                       |     | 133,685                  |                                      |
| Long-term debt, less current<br>maturities.....                      | 197,661                              | 279                       |                              |     | 197,940                  |                                      |
|  | -----                                | -----                     | -----                        |     | -----                    |                                      |
| Total liabilities.....   | 274,493                              | 32,132                    | 25,000                       |     | 331,625                  |                                      |
|  | -----                                | -----                     | -----                        |     | -----                    |                                      |
| Common stock.....  | 171                                  | (1)                       | 22                           |     | 193                      |                                      |
| Additional paid-in capital.....                                      | 676,669                              | 16,000(1)                 | (16,000)                     |     |                          |                                      |
|  |                                      | (1)                       | 859,978                      |     |                          |                                      |
| Retained earnings.....   |                                      | 23,641(1)                 | (23,641)                     |     | 1,536,677                |                                      |
| (Accumulated deficit).....   | (415,186)                            | 7,891(1)                  | (7,891)                      |     |                          |                                      |
|  |                                      | (1)                       | (737,468)                    |     | (1,152,654)              |                                      |
|  | -----                                | -----                     | -----                        |     | -----                    |                                      |
| Total stockholders'<br>equity.....                                   | 261,684                              | 47,532                    | 75,000                       |     | 384,216                  |                                      |
|  | -----                                | -----                     | -----                        |     | -----                    |                                      |
| TOTAL.....   | \$ 536,177                           | \$ 79,664                 | \$ 100,000                   |     | \$ 715,841               |                                      |
|  | =====                                | =====                     | =====                        |     | =====                    |                                      |

</TABLE>

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DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

<TABLE>  
<CAPTION>

| <S>               | HISTORICAL                         |                                |                              |     | PRO FORMA<br>ADJUSTMENTS | PRO FORMA<br>CONSOLIDATED<br>RESULTS |
|-------------------|------------------------------------|--------------------------------|------------------------------|-----|--------------------------|--------------------------------------|
|                   | DYNAMICWEB<br>ENTERPRISES, INC.    |                                | SOFTWARE<br>ASSOCIATES, INC. |     |                          |                                      |
|                   | YEAR ENDED<br>SEPTEMBER 30<br>1996 | YEAR ENDED<br>JUNE 30,<br>1996 |                              |     |                          |                                      |
|                   | <C>                                | <C>                            | <C>                          | <C> | <C>                      | <C>                                  |
| Net sales:        |                                    |                                |                              |     |                          |                                      |
| System sales..... | \$ 147,337                         | \$380,397                      |                              |     | \$ 527,734               |                                      |
| Services.....     | 312,730                            | 286,983                        |                              |     | 599,713                  |                                      |
|                   | -----                              | -----                          |                              |     | -----                    |                                      |
| Total.....        | 460,067                            | 667,380                        |                              |     | 1,127,447                |                                      |
|                   | -----                              | -----                          |                              |     | -----                    |                                      |
| Cost of sales:    |                                    |                                |                              |     |                          |                                      |
| System sales..... | 71,205                             | 108,361                        |                              |     | 179,566                  |                                      |
| Services.....     | 81,194                             | 79,944                         |                              |     | 161,138                  |                                      |
|                   | -----                              | -----                          |                              |     | -----                    |                                      |
| Total.....        | 152,399                            | 188,305                        |                              |     | 340,704                  |                                      |
|                   | -----                              | -----                          |                              |     | -----                    |                                      |
| Gross profit..... | 307,668                            | 479,075                        |                              |     | 786,743                  |                                      |
|                   | -----                              | -----                          |                              |     | -----                    |                                      |
| Expenses:         |                                    |                                |                              |     |                          |                                      |

|  |              |             |             |              |
|--|--------------|-------------|-------------|--------------|
| Selling, general and administrative.....                     | 719,443      | 555,660 (2) | \$ 20,000   | 1,323,103    |
|  |              | (3)         | 28,000      |              |
| Research and development.....                                | 28,990       |             |             | 28,990       |
| Total.....   | 748,433      | 555,660     | 48,000      | 1,352,093    |
| Operating (loss).....  | (440,765)    | (76,585)    | (48,000)    | (565,350)    |
| Interest expense.....  | (23,271)     | (125)       |             | (23,396)     |
| Interest income.....   | 8,806        |             |             | 8,806        |
| (Loss) before benefit for income taxes.....                  | (455,230)    | (76,710)    | (48,000)    | (579,940)    |
| Benefit for deferred income taxes...                         |              | 29,000      |             | 29,000       |
| NET (LOSS).....  | \$ (455,230) | \$ (47,710) | \$ (48,000) | \$ (550,940) |
| Pro forma net (loss) per share.....                          |              |             |             | \$ (.29)     |
| Pro forma weighted average number of shares outstanding..... | 1,667,202    | (4)         | 224,330     | 1,891,532    |

</TABLE>

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REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Software Associates, Inc.  
Fairfield, New Jersey

We have audited the accompanying balance sheet of Software Associates, Inc. as at June 30, 1996 and the related statements of operations, changes in stockholders' equity and cash flows for the years ended June 30, 1996 and June 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of Software Associates, Inc. as at June 30, 1996 and the results of its operations and its cash flows for the years ended June 30, 1996 and June 30, 1995, in conformity with generally accepted accounting principles.

The Company has sustained a net loss in the year ended June 30, 1996 and has only minimal capital and working capital. Also, as indicated in Note A, on November 30, 1996, the Company was acquired by DynamicWeb Enterprises, Inc. a substantial portion of whose resources may be depleted before it markets and derives significant revenues from its products and services. These factors raise substantial doubt about the Company's ability to continue as a going concern. The acquiror's plan in regards to these matters are also described in Note A. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Richard A. Eisner & Company, LLP

New York, New York  
May 12, 1997

With respect to Note F[1]  
September 5, 1997

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SOFTWARE ASSOCIATES, INC.

BALANCE SHEET  
AS AT JUNE 30, 1996

ASSETS

<TABLE>

<S>

Current assets:

<C>

|   |          |
|---|----------|
| Cash.....   | \$12,455 |
| Accounts receivable, less allowance for doubtful accounts of \$6,938..... | 61,209   |
|   | -----    |
| Total current assets.....   | 73,664   |
| Equipment, less accumulated depreciation of \$4,000.....                  | 6,000    |
|   | -----    |
| Total.....  | \$79,664 |
|   | =====    |

LIABILITIES AND STOCKHOLDER'S EQUITY

|  |          |
|--|----------|
| Current liabilities:   |          |
| Accounts payable.....  | \$13,548 |
| Accrued expenses and other current liabilities.....                                | 13,955   |
| Current maturities of long-term debt (Note C).....                                 | 3,350    |
| Deferred taxes (Note D).....   | 1,000    |
|  | -----    |
| Total current liabilities.....   | 31,853   |
| Long-term debt, less current maturities (Note C).....                              | 279      |
|  | -----    |
| Total liabilities.....   | 32,132   |
|  | -----    |
| Commitments and contingencies (Note F)   |          |
| Stockholder's equity (Note A):   |          |
| Common stock -- no par value; 2,500 shares authorized, issued and outstanding..... | 16,000   |
| Additional paid-in capital.....  | 23,641   |
| Retained earnings.....   | 7,891    |
|  | -----    |
| Total stockholder's equity.....  | 47,532   |
|  | -----    |
| Total.....   | \$79,664 |
|  | =====    |

</TABLE>

Attention is directed to the foregoing accountants' report and to the accompanying notes to financial statements.

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SOFTWARE ASSOCIATES, INC.

STATEMENTS OF OPERATIONS

<TABLE>  
<CAPTION>

|  | YEAR ENDED JUNE 30, |           |
|--|---------------------|-----------|
|  | 1996                | 1995      |
|  | -----               | -----     |
| <S>  | <C>                 | <C>       |
| Revenues (Note E[2]):                                  |                     |           |
| System sales, net.....                                 | \$380,397           | \$259,459 |
| Services, net.....                                     | 286,983             | 529,975   |
|  | -----               | -----     |
| Total.....   | 667,380             | 789,434   |
|  | -----               | -----     |
| Cost of sales:   |                     |           |
| System sales.....                                      | 108,361             | 78,680    |
| Services.....  | 79,944              | 84,016    |
|  | -----               | -----     |
| Total.....   | 188,305             | 162,696   |
|  | -----               | -----     |
| Gross profit.....                                      | 479,075             | 626,738   |
| Selling, general and administrative.....               | 555,660             | 610,407   |
|  | -----               | -----     |
| Operating (loss) income before interest and taxes..... | (76,585)            | 16,331    |
| Interest expense.....                                  | 125                 | 130       |
|  | -----               | -----     |
| (Loss) income before income taxes.....                 | (76,710)            | 16,201    |
| Income tax benefit (provision) -- deferred.....        | 29,000              | (11,000)  |
|  | -----               | -----     |
| NET (LOSS) INCOME.....                                 | \$(47,710)          | \$ 5,201  |
|  | =====               | =====     |

</TABLE>

Attention is directed to the foregoing accountants' report and to the accompanying notes to financial statements.

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SOFTWARE ASSOCIATES, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
(NOTE A)

<TABLE>  
<CAPTION>

| COMMON STOCK -- |        | ADDITIONAL | RETAINED | TOTAL |
|-----------------|--------|------------|----------|-------|
| NO PAR VALUE    |        |            |          |       |
| SHARES          | AMOUNT | CAPITAL    |          |       |
| -----           | -----  | -----      | -----    | ----- |

|                               |       |          |           |           |           |
|-------------------------------|-------|----------|-----------|-----------|-----------|
| <S>                           | <C>   | <C>      | <C>       | <C>       | <C>       |
| Balance -- July 1, 1994.....  | 2,500 | \$16,000 | \$ 23,641 | \$ 50,400 | \$ 90,041 |
| Net income.....               | ----- | -----    | -----     | 5,201     | 5,201     |
| Balance -- June 30, 1995..... | 2,500 | 16,000   | 23,641    | 55,601    | 95,242    |
| Net (loss).....               | ----- | -----    | -----     | (47,710)  | (47,710)  |
| Balance -- June 30, 1996..... | 2,500 | \$16,000 | \$ 23,641 | \$ 7,891  | \$ 47,532 |
|                               | ===== | =====    | =====     | =====     | =====     |

</TABLE>

Attention is directed to the foregoing accountants' report and to the accompanying notes to financial statements.

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SOFTWARE ASSOCIATES, INC.

STATEMENTS OF CASH FLOWS

<TABLE>  
<CAPTION>

|   | YEAR ENDED JUNE 30, |           |
|---|---------------------|-----------|
|   | 1996                | 1995      |
| <S>   | <C>                 | <C>       |
| Cash flows from operating activities:   |                     |           |
| Net (loss) income.....  | \$ (47,710)         | \$ 5,201  |
| Adjustment to reconcile net (loss) income to net cash provided by (used in) operating activities: |                     |           |
| Depreciation.....   | 2,000               | 2,000     |
| Deferred income taxes.....  | (29,000)            | 11,000    |
| Changes in operating assets and liabilities:  |                     |           |
| (Increase) decrease in accounts receivable.....   | 83,065              | (76,753)  |
| Increase (decrease) in accounts payable.....  | (13,305)            | 11,003    |
| Increase in accrued expenses and other liabilities.....   | 5,342               | 7,024     |
| Net cash provided by (used in) operating activities.....  | 392                 | (40,525)  |
| Cash flows from financing activities:   |                     |           |
| Payments of long-term debt.....   | (3,350)             | (3,021)   |
| NET (DECREASE) IN CASH.....   | (2,958)             | (43,546)  |
| Cash -- beginning of year.....  | 15,413              | 58,959    |
| CASH -- END OF YEAR.....  | \$ 12,455           | \$ 15,413 |
|   | =====               | =====     |
| Supplemental schedule of noncash investing and financing activities:                              |                     |           |
| During the year ended June 30, 1995, the Company financed \$10,000 of equipment.                  |                     |           |
| Supplemental disclosures of cash flow information:  |                     |           |
| Cash paid for during the year:  |                     |           |
| Interest.....   | \$ 125              | \$ 130    |
| Taxes.....  | 125                 |           |

</TABLE>

Attention is directed to the foregoing accountants' report and to the accompanying notes to financial statements.

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SOFTWARE ASSOCIATES, INC.

NOTES TO FINANCIAL STATEMENTS

(NOTE A) -- THE COMPANY:

Software Associates, Inc. (the "Company") is a New Jersey corporation incorporated in March 1985. The Company is an Electronic Data Interchange ("EDI") service bureau engaged in the business of helping companies realize the benefits of expanding their data processing and electronic communications infrastructures through the use of EDI. The Company also resells hardware and licensed software which is generally customized for its customers.

On November 30, 1996, the Company was acquired by DynamicWeb Enterprises, Inc. ("DynamicWeb"). DynamicWeb expects to utilize the Company's expertise in EDI to expand their business and product lines over the interest. A substantial portion of DynamicWeb's resources may be depleted before it markets and derives significant revenues from its products and services. DynamicWeb is planning to raise additional equity through a proposed public offering of stock, the net proceeds of which it intends to use, in part, to support future operations.

(NOTE B) -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

[1] Revenue recognition:

Revenues are recognized when products are shipped provided that no significant obligations remain, and collection of the resulting receivable is deemed probable by management. The Company provides customer support and revenues are recognized when services are provided. The Company also enters into contracts with customers whereby revenues are earned based on a transaction fee.

[2] Depreciation:

Equipment is recorded at cost. Depreciation is provided using the straight-line method over five years.

[3] Income taxes:

The Company files its corporate income tax returns on a cash basis and accounts for income taxes on an accrual basis in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). SFAS No. 109 measures deferred income taxes by applying enacted statutory rates in effect at the balance sheet date to the differences between the tax bases of assets and liabilities and their reported amounts in the financial statements.

[4] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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.

[5] Fair value of financial instruments:

The Company considers its financial instruments and obligations, which are carried at cost, to approximate fair value due to the near term due dates.

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SOFTWARE ASSOCIATES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(NOTE C) -- LONG-TERM DEBT:

Long-term debt consists of a capitalized lease obligation as at June 30, 1996:

|  |          |
|--|----------|
| <TABLE>  |          |
| <S>  | <C>      |
| Equipment lease payable, due in July 1997; payable in monthly installments of \$291 including 4% interest..... | \$3,629* |
| Less current maturities.....   | 3,350    |
|  | -----    |
| Noncurrent portion.....  | \$ 279   |
|  | =====    |

</TABLE>

\* Collateralized by computer equipment with a net book value of approximately \$6,000.

Maturities of long-term debt are as follows:

|            |         |
|------------|---------|
| <TABLE>    |         |
| <CAPTION>  |         |
| JUNE 30,   |         |
| -----      |         |
| <S>        | <C>     |
| 1997.....  | \$3,350 |
| 1998.....  | 279     |
|            | -----   |
| Total..... | \$3,629 |
|            | =====   |

</TABLE>

(NOTE D) -- INCOME TAXES:

[1] The Company has federal and state net operating loss carryforwards of approximately \$30,000 that expires from 2009 to 2010.

The Tax Reform Act of 1986 contains provisions which limits the net operating loss carryforwards available for use in any given year should certain events occur, including significant change in ownership interests. The utilization of the net operating loss may be limited due to the acquisition of the Company as described in Note A.

[2] The tax effects of principal temporary differences and net operating loss carryforwards are as follows as at June 30, 1996:

|   |            |
|---|------------|
| <TABLE>   |            |
| <S>   | <C>        |
| Asset:  |            |
| Federal and state operating loss carryforwards..... | \$ 12,000  |
| Liability:  |            |
| Accrual basis to cash basis adjustment.....         | (13,000)   |
|   | -----      |
| Net deferred tax liability.....                     | \$ (1,000) |
|   | =====      |

</TABLE>

[3] The difference between the statutory federal income tax at the rate of 34% and the actual tax are as follows:

<TABLE>  
<CAPTION>

|   | JUNE 30,    |          |
|---|-------------|----------|
|   | 1996        | 1995     |
| <S>   | <C>         | <C>      |
| Statutory rate (benefit).....                               | \$ (26,018) | \$ 5,508 |
| State taxes (benefit) net of federal income tax effect..... | (4,603)     | 972      |
| Nondeductible items.....                                    | 3,305       | 3,305    |
| Other.....  | (1,684)     | 1,215    |
| Total.....  | \$ (29,000) | \$11,000 |

</TABLE>

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SOFTWARE ASSOCIATES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(NOTE E) -- CONCENTRATION OF CREDIT RISK:

[1] Accounts receivable:

The Company routinely evaluates the credit worthiness of its customers to limit its concentration of credit risk regarding its trade receivables.

[2] Significant customers:

The Company had one customer that accounted for 15% of revenue for the year ended June 30, 1996 and two customers that accounted for 19% and 22% of revenue for the year ended June 30, 1995.

(NOTE F) -- COMMITMENTS AND CONTINGENCIES:

[1] Lease and related party transaction:

The Company occupies its office space, through December 31, 2002, pursuant to a lease which was amended on September 5, 1997, from a partnership whose partners are the sole stockholder of the Company and his wife. The lease provides for an annual increase of three percent and condominium maintenance fees. The partnership and the Company are jointly liable on the mortgage which was approximately \$250,000 as at June 30, 1996; the debt is being paid by the partnership, and matures in August 2019. The Company is informed that the partnership's mortgage balance is current.

The following are the future annual rental payments:

<TABLE>  
<CAPTION>

| YEAR ENDING JUNE 30, |           |
|----------------------|-----------|
| <S>                  | <C>       |
| 1997.....            | \$ 42,000 |
| 1998.....            | 42,800    |
| 1999.....            | 44,000    |
| 2000.....            | 45,400    |
| 2001.....            | 46,700    |
| Thereafter.....      | 72,500    |
| Total.....           | \$293,400 |

</TABLE>

Rent expense and related operating expense for the years ended June 30, 1996 and June 30, 1995 was approximately \$46,400 and \$44,400, respectively.

[2] Line of credit:

The Company has a line of credit of \$50,000. No balances are outstanding as at June 30, 1996. The stockholder of the Company has personally guaranteed the debt under the line of credit. In May 1997, the Company borrowed \$14,750 under the line of credit at an interest rate of 2% above the bank's lending rate.

[3] Employment contract:

In connection with the acquisition of the Company as described in Note A, the Company entered into a five-year employment contract with its then sole stockholder. The agreement provides for an annual salary of approximately \$136,000 and includes a discretionary bonus as determined by DynamicWeb's Board of Directors.

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SOFTWARE ASSOCIATES, INC.

UNAUDITED CONDENSED BALANCE SHEET  
AS AT SEPTEMBER 30, 1996

ASSETS

|  |                 |
|--|-----------------|
| <TABLE>  |                 |
| <S>  |                 |
| Cash.....  | <C><br>\$11,376 |
| Accounts receivable, net of allowance for doubtful accounts.....                   | 67,769          |
|  | -----           |
| Total current assets.....  | 79,145          |
| Property and equipment, net of depreciation and amortization.....                  | 5,500           |
|  | -----           |
| TOTAL.....   | \$84,645        |
|  | =====           |
| LIABILITIES  |                 |
| Accounts payable and accrued expenses.....   | \$20,628        |
| Lease obligation.....  | 2,797           |
| Deferred income taxes.....   | 7,000           |
|  | -----           |
| Total current liabilities.....   | 30,425          |
|  | -----           |
| STOCKHOLDER'S EQUITY   |                 |
| Common stock -- no par value; 2,500 shares authorized, issued and outstanding..... | 16,000          |
| Additional paid-in capital.....  | 23,641          |
| Retained earnings.....   | 14,579          |
|  | -----           |
| Total stockholder's equity.....  | 54,220          |
|  | -----           |
| TOTAL.....   | \$84,645        |
|  | =====           |

</TABLE>

The accompanying notes are an integral part of  
these condensed statements.

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SOFTWARE ASSOCIATES, INC.

UNAUDITED CONDENSED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

<TABLE>  
<CAPTION>

|   |                                     |           |
|---|-------------------------------------|-----------|
|   | THREE MONTHS ENDED<br>SEPTEMBER 30, |           |
|   | 1996                                | 1995      |
|   | -----                               | -----     |
| <S>   |                                     |           |
| <C>   |                                     |           |
| Net sales:  |                                     |           |
| System sales.....                                 | \$ 55,517                           | \$ 44,766 |
| Services.....                                     | 78,174                              | 91,681    |
|   | -----                               | -----     |
| Total.....  | 133,691                             | 136,447   |
|   | -----                               | -----     |
| Cost of sales:                                    |                                     |           |
| System sales.....                                 | 16,645                              | 39,475    |
| Services.....                                     | 23,845                              | 29,889    |
|   | -----                               | -----     |
| Total.....  | 40,490                              | 69,364    |
|   | -----                               | -----     |
| Gross profit.....                                 | 93,201                              | 67,083    |
| Selling, general and administrative expenses..... | 80,513                              | 145,995   |
|   | -----                               | -----     |
| Operating income (loss).....                      | 12,688                              | (78,912)  |
| Income tax benefit (provision) -- deferred.....   | (6,000)                             | 29,000    |
|   | -----                               | -----     |
| NET INCOME (LOSS).....                            | 6,688                               | (49,912)  |
| Retained earnings, beginning of period.....       | 7,891                               | 55,601    |
|   | -----                               | -----     |
| RETAINED EARNINGS, END OF PERIOD.....             | \$ 14,579                           | \$ 5,689  |
|   | =====                               | =====     |

</TABLE>

The accompanying notes are an integral part of  
these condensed statements.

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SOFTWARE ASSOCIATES, INC.

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

<TABLE>  
<CAPTION>

|  |                                     |       |
|--|-------------------------------------|-------|
|  | THREE MONTHS ENDED<br>SEPTEMBER 30, |       |
|  | 1996                                | 1995  |
|  | -----                               | ----- |

| <u>&lt;S&gt;</u>   | <u>&lt;C&gt;</u> | <u>&lt;C&gt;</u> |
|--|------------------|------------------|
| Cash flows from operating activities:  |                  |                  |
| Net income (loss).....   | \$ 6,688         | \$ (49,912)      |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |                  |                  |
| Depreciation.....  | 500              |                  |
| Deferred income taxes.....   | 6,000            | (29,000)         |
| Changes in operating assets and liabilities:   |                  |                  |
| Accounts receivable.....   | (6,560)          | 101,688          |
| Accounts payable and accrued expenses.....   | (6,875)          | (20,224)         |
|  | -----            | -----            |
| Net cash provided by (used in) operating activities.....   | (247)            | 2,552            |
| Cash flows (used in) financing activities:   |                  |                  |
| Payment of capital lease obligation.....   | (832)            |                  |
|  | -----            | -----            |
| NET (DECREASE) INCREASE IN CASH.....   | (1,079)          | 2,552            |
| Cash -- beginning of period.....   | 12,455           | 15,413           |
|  | -----            | -----            |
| CASH -- END OF PERIOD.....   | \$11,376         | \$ 17,965        |
|  | =====            | =====            |

</TABLE>

The accompanying notes are an integral part of these condensed statements.

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SOFTWARE ASSOCIATES, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

(NOTE A) -- THE COMPANY:

Software Associates, Inc. (the "Company") is a New Jersey corporation incorporated in March 1985. The Company is an Electronic Data Interchange ("EDI") service bureau engaged in the business of helping companies realize the benefits of expanding their data processing and electronic communications infrastructures through the use of EDI. The Company also resells hardware and licensed software which is generally customized for its customers.

(NOTE B) -- BASIS OF PRESENTATION:

The unaudited condensed consolidated balance sheet and statement of operations should be read in conjunction with the audited financial statements of Software Associates, Inc. and notes thereto contained elsewhere herein. The information does not purport to represent the future financial position or results of operations of Software Associates, Inc. The interim financial statements include all necessary adjustments, consisting of normal recurring items, which in the opinion of management are necessary for a fair presentation of such financial information.

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NO DEALER, SALESMAN OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING MADE HEREBY, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, OR ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BY, ANY OF THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATES AS OF WHICH SUCH INFORMATION IS FURNISHED.

-----

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UNTIL , 1997 (25 DAYS AFTER THE LATER OF THE EFFECTIVE DATE OF THE REGISTRATION STATEMENT OR THE FIRST DATE ON WHICH THE COMMON STOCK WAS OFFERED TO THE PUBLIC) ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

=====

[LOGO]

DYNAMICWEB  
ENTERPRISES, INC.

1,750,000 SHARES OF COMMON STOCK

-----

PROSPECTUS

-----

H. J. MEYERS & CO, INC.  
, 1997

=====

PART II

ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Registrant's Certificate of Incorporation provides that the Registrant shall indemnify any person who is or was a director, officer, employee or agent of the Registrant to the fullest extent permitted by the New Jersey Business Corporation Act (the "NJBCA"), and to the fullest extent otherwise permitted by law. The NJBCA permits a New Jersey corporation to indemnify its directors, officers, employees and agents against liabilities and expenses they may incur in such capacities in connection with any proceeding in which they may be involved, unless a judgment or other final adjudication adverse to the director, officer, employee or agent in question establishes that his or her acts or omissions (a) were in breach of his or her duty of loyalty (as defined in the NJBCA) to the Registrant or its shareholders, (b) were not in good faith or involved a knowing violation of law or (c) resulted in the receipt by the director, officer, employee or agent of an improper personal benefit.

Pursuant to the Registrant's Certificate of Incorporation and the NJBCA, no director or officer of the Registrant shall be personally liable to the Registrant or to any of its shareholders for damages for breach of any duty owed to the Registrant or its shareholders, except for liabilities arising from any breach of duty based upon an act or omission (i) in breach of such director's or officer's duty of loyalty (as defined in the NJBCA) to the Registrant or its shareholders, (ii) not in good faith or involving a knowing violation of law or (iii) resulting in receipt by such director or officer of an improper personal benefit.

In addition, the Registrant's Bylaws include provisions to indemnify its officers and directors and other persons against expenses, judgments, fines and amounts incurred or paid in settlement in connection with civil or criminal claims, actions, suits or proceedings against such persons by reason of serving or having served as officers, directors, or in other capacities, if such person acted in good faith, and in a manner such person reasonably believed to be in or not opposed to the best interests of the Registrant and, in a criminal action or proceeding, if he had no reasonable cause to believe that his/her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation or that he or she had reasonable cause to believe his or her conduct was unlawful. Indemnification as provided in the Bylaws shall be made only as authorized in a specific case and upon a determination that the person met the applicable standards of conduct.

The Underwriting Agreement, included as Exhibit 1.1 hereto, provides that, in certain circumstances, each of the Underwriters will indemnify the directors and officers of the Registrant against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act").

ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the estimated expenses in connection with filing this Registration Statement:

| <S>  | <C>       |
|--|-----------|
| Securities and Exchange Commission filing fee.....               | \$ 2,500  |
| National Association of Securities Dealers, Inc. filing fee..... | 1,200     |
| Nasdaq listing fee.....  | 7,000     |
| Pacific Stock Exchange Listing Fee.....                          | 25,000    |
| Printing and Engraving Expenses.....                             | 85,000    |
| Accounting Fee and Expenses.....                                 | 75,000    |
| Legal Fees and Expenses.....                                     | 105,000   |
| Blue Sky Qualification Fees and Expenses.....                    | 75,000    |
| Underwriters Expense Allowance.....                              | 210,000   |
| Transfer Agent Fees and Expenses.....                            | 10,000    |
| Expenses of Selling.....   | 50,000    |
| Miscellaneous.....   | 72,000    |
|  | -----     |
| Total.....   | \$717,700 |
|  | =====     |

</TABLE>

ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES.

Since September 1, 1994, the Company has sold the following securities without registration under the Securities Act:

1. On May 8, 1995, the Company sold 15,000,000 previously unissued shares of its Common Stock to Jonathan B. Lassers, Cherry Hill, New Jersey, for \$150,000 in cash. As part of the transaction, Mr. Lassers also acquired a transferable warrant to purchase up to an additional 70,000,000 shares of the Company's Common Stock, exercisable until December 31, 1997 at \$0.01 a share. Such warrant was terminated in exchange for the issuance to Mr. Lassers on February 29, 1996 of 11,000,000 shares of the Company's Common Stock.

2. On or about March 26, 1996, the Company issued 735,000 shares of Common Stock to Berkshire International Finance, Inc., New York, New York as a finder's fee and 75,000 shares of Common Stock to William N. Levy, Esquire, Voorhees, New Jersey, as payment for legal services, each in connection with the Company's acquisition of DynamicWeb Transaction Systems, Inc., and issued 4,913,631 shares of its Common Stock to the shareholders of DynamicWeb Transaction Systems, Inc., as a consideration for that acquisition.

3. On April 3, 1996, the Company sold 343,511 shares of Common Stock to Arista High Technology Growth Fund, Cayman Islands, British West Indies, for an aggregate purchase price of \$500,000.

4. On November 21, 1996, the Company sold 250,000 shares of Common Stock to Michael Associates, Jersey City, New Jersey, for an aggregate purchase price of \$250,000.

5. On November 30, 1996, the Company issued 860,000 shares of Common Stock to Kenneth R. Konikowski, Towaco, New Jersey, in exchange for all of the outstanding capital stock of Software Associates, Inc., a New Jersey corporation.

6. On November 30, 1996, the Company issued 50,000 shares of Common Stock to the 27 shareholders of Megascore, Inc., a New Jersey corporation, in exchange for all of the outstanding capital stock of Megascore, Inc.

7. In April of 1997, the Company sold 24 Units (each Unit consisting of 3,115 shares of common stock and a \$25,000 principal amount of Subordinated, Unsecured 8% Promissory Note) to select accredited investors for an aggregate purchase price of \$600,000. H.J. Meyers & Co, Inc., a registered

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broker-dealer and representative of the several underwriters in this Offering, acted as placement agent for this offering and received a placement agent fee of \$60,000 and a non-accountable expense allowance of \$18,000. The sale of 8 of those Units closed on April 9, 1997; another 8 of those Units closed on April 11, 1997; and the final 8 of those Units closed on April 30, 1997.

8. In August of 1997, the Company sold 20 Units (each Unit consisting of 3,333 shares of common stock and a \$25,000 principal amount of Subordinated, Unsecured 8% Promissory Note) to select accredited investors for an aggregate purchase price of \$500,000. H.J. Meyers & Co, Inc., a registered broker-dealer and representative of the several underwriters in this Offering, acted as placement agent for this offering and received a placement agent fee of \$50,000 and a non-accountable expense allowance of \$15,000. The sale of all 20 of those Units closed on August 27, 1997.

9. On February 7, 1996, DynamicWeb Transaction Systems, Inc. (predecessor to the Company) issued 23,878 shares of its common stock to each of Frank T. DiPalma, Ridgewood, New Jersey (a director of the Company) and Steve Sheiner, Studio City, California, in exchange for services rendered.

10. On January 12, 1996, DynamicWeb Transaction Systems, Inc. (predecessor to the Company) issued 327,577 shares of its common stock to Michael Vanechanos, Holmdel, New Jersey, in exchange for an aggregate purchase price of \$100,000.

11. On January 24, 1996, DynamicWeb Transaction Systems, Inc. (predecessor to the Company) issued 163,786 shares of its common stock to John Helbock, Holmdel, New Jersey, in exchange for an aggregate purchase price of \$50,000.

Except for Number 3 above, all sales and issuances of securities in the transactions described above were deemed to be exempt from registration under the Securities Act of 1933, as amended, by virtue of Section 4(2) or Regulation D promulgated thereunder. The purchasers in each case represented their intention to acquire the securities for investment only and not with a view to the distribution thereof. Required disclosure was provided, or access to information in lieu of disclosure was present. Required legends are affixed to the stock certificates and other securities issued in such transactions. In the case of Number 3 above, the sale and issuance of the securities were deemed to be exempt from registration by virtue of Regulation S. The securities were sold outside of the United States and required resale restrictions were imposed.

All numbers of shares indicated in this Item 26 are the actual original numbers of shares issued in the respective transactions. Those numbers have not been adjusted on account of any subsequent stock splits or combinations (including the Reverse Stock Split discussed in the Prospectus which is a part of this Registration Statement), nor have the shares issued by the predecessors to the Company been adjusted to reflect their conversion into Common Stock of the Company.

ITEM 27. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Exhibits:

| NUMBER | TITLE   |
|--------|---|
| <S>    | <C>   |
| 1.1    | Underwriting Agreement*   |
| 3.1.1  | Certificate of Incorporation of the Registrant as filed with the Secretary of State of New Jersey on August 7, 1979 (incorporated by reference to Exhibit 3.1.1 filed with Registrant's Annual Report on Form 10-K for the Year ended December 31, 1991).                       |
| 3.1.2  | Certificate of Amendment to Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on May 19, 1980 (incorporated by reference to Exhibit 3.1.2 filed with Registrant's Annual Report on Form 10-K for the Year ended December 31, 1991). |
| 3.1.3  | Certificate of Amendment to Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on April 1981 (incorporated by reference to Exhibit 3.1.3 filed with Registrant's Annual Report on Form 10-K for the Year ended December 31, 1991).   |

| NUMBER | TITLE  |
|--------|--|
| <S>    | <C>  |
| 3.1.4  | Certificate of Amendment of Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on April 24, 1986 (incorporated by reference to Exhibit 3.1.4 filed with Registrant's Annual Report on Form 10-K for the Year ended December 31, 1991).          |
| 3.1.5  | Certificate of Amendment to Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on July 15, 1988 (incorporated by reference to Exhibit 3.1.5 filed with Registrant's Annual Report on Form 10-K for the Year ended December 31, 1991).           |
| 3.1.6  | Certificate of Amendment to Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on November 28, 1989 (incorporated by reference to Exhibit 3.1.6 filed with Registrant's Annual Report on Form 10-K for the Year ended December 31, 1991).       |
| 3.1.7  | Certificate of Amendment to the Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on August 15, 1994 (incorporated by reference to Exhibit 3.1.7 filed with the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994). |
| 3.1.8  | Certificate of Amendment to Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on May 14, 1996, changing the name of  |

the Company to DynamicWeb Enterprises, Inc. (incorporated by reference to Exhibit 3.2.3 filed with Registrant's Annual Report on Form 10-KSB for December 31, 1995).

- 3.1.9 Certificate of Amendment to Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on \_\_\_\_\_, 1997.\*\*\*
- 3.2.1 Bylaws of the Registrant adopted August 7, 1979 (incorporated by reference to Exhibit 3.2.1 filed with Registrant's Report on Form 10-K for the Year ended December 31, 1991).
- 3.2.2 Amendments adopted March 8, 1982 to Bylaws of the Registrant (incorporated by reference to Exhibit 3.2.2 filed with Registrant's Report on Form 10-K for the Year ended December 31, 1991).
- 3.2.3 Amended and Restated Bylaws of the Registrant adopted March 7, 1997 (incorporated by reference to Exhibit 3.2.3 filed with Registrant's Annual Report on Form 10-KSB for the year ended September 30, 1996).
- 4.1 Specimen Stock Certificate.\*\*\*
- 4.2 Form of Representative's Warrant.\*
- 5.1 Form of Opinion of Stevens & Lee re: legality.\*
- 10.1 Release and Severance Agreement dated February 12, 1993 between Seahawk Capital Corporation and Robert S. Friedenbergl (incorporated by reference to Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992).
- 10.2 Agreement dated February 24, 1995 between the Registrant and Jonathan B. Lassers as to the purchase of common stock (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated as of May 8, 1995).
- 10.3 Amendment Agreement dated May 1, 1995 between the Registrant and Jonathan B. Lassers as to the purchase of common stock and common stock purchase warrants (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K dated as of May 8, 1995).
- 10.4 Agreement dated February 29, 1996 between the Registrant and Jonathan B. Lassers as to the exchange of common stock for his common stock purchase warrants (incorporated by reference to Exhibit 10.4 filed with Registrant's Report on Form 10-KSB for the year ended September 30, 1996).
- 10.5 Stock Exchange Agreement dated as of December 31, 1994 among the Registrant, John C. Fitton and Seahawk Overseas Exploration Corporation (incorporated by reference to Exhibit 10.4 to Registrant's Current Report on Form 8-K dated as of May 8, 1995).

</TABLE>

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<TABLE>

<CAPTION>

| NUMBER | TITLE   |
|--------|---|
| <S>    | <C>   |
| 10.6   | Stock Purchase Agreement dated March 5, 1996 among the Registrant, DynamicWeb Transaction Systems, Inc. ("DWTS") and the shareholders of DWTS (incorporated by reference to Exhibit 10.14 to Registrant's Annual Report on Form 10-KSB for the year ended December 31, 1995). |
| 10.7   | Amendment to Stock Purchase Agreement dated May 14, 1996 between the Registrant and DWTS (incorporated by reference to Exhibit 10.14(A) to Registrant's Annual Report on Form 10-KSB for the year ended December 31, 1995).   |
| 10.8   | Amendment to Stock Purchase Agreement dated June 13, 1996 between the Registrant and DWTS (incorporated by reference to Exhibit 10.14(B) to Registrant's Form 10-QSB for the period ended March 31, 1996).  |
| 10.9   | Stock Purchase Agreement dated September 30, 1996 among the Registrant, Megascore, Inc. and the shareholders of Megascore, Inc. (incorporated by reference to Exhibit 1 to the Registrant's Current Report on Form 8-K dated November 30, 1996).                              |
| 10.10  | Stock Purchase Agreement dated November 30, 1996 among the Registrant, Software Associates, Inc. and Kenneth R. Konikowski (incorporated by reference to Exhibit 2 to the Registrant's Current Report on Form 8-K dated November 30, 1996).                                   |
| 10.11  | Amendment to Stock Purchase Agreement dated April 7, 1997 between the Registrant and Kenneth R. Konikowski (incorporated by reference to Exhibit 10.11 filed with Registrant's Report on Form 10-KSB for the year ended September 30, 1996).                                  |
| 10.12  | Lock-Up Agreement dated November 30, 1996 among the Registrant, Steve L. Vanechanos, Jr. and Kenneth R. Konikowski (incorporated by reference to Exhibit 10.12 filed with Registrant's Report on Form 10-KSB for the year ended September 30, 1996).                          |
| 10.13  | Employment Agreement dated December 1, 1996 between the Registrant and Kenneth R. Konikowski (incorporated by reference to Exhibit 10.13 filed with Registrant's Report on Form 10-KSB for the year ended September 30, 1996).  |
| 10.14  | DynamicWeb Enterprises, Inc. 1997 Employee Stock Option Plan (incorporated by reference to Annex B to the Registrant's Information Statement filed May 15, 1997, pursuant to Section 14(c) of the Securities Exchange Act of 1934).   |
| 10.15  | DynamicWeb Enterprises, Inc. 1997 Stock Option Plan for Outside Directors (incorporated by reference to Annex C to the Registrant's Information Statement filed May 15, 1997, pursuant to Section 14(c) of the Securities Exchange Act of 1934).                              |
| 10.16  | Lease Agreement dated November 1, 1996 between Beauty and Barber Institute, Inc. and DynamicWeb Transaction Systems, Inc. (incorporated by reference to Exhibit 10.16 filed with Registrant's Report on Form 10-KSB for the year ended September 30, 1996).                   |
| 10.17  | Lease Agreement dated July 1, 1994 between Software Associates, Inc. and The Mask Group (incorporated by reference to Exhibit 10.17 filed with Registrant's Report on Form 10-KSB for the year ended September 30, 1996).   |
| 10.18  | Amendment No. 1 to Lease Agreement between Software Associates, Inc. and The  |

Mask Group (incorporated by reference to Exhibit 3 to the Registrant's Form 8-K dated September 9, 1997).

- 10.19 Employment Agreement dated August 26, 1997, between the Registrant and James D. Conners (incorporated by reference to Exhibit 1 to Registrant's Form 8-K dated September 9, 1997).
- 10.20 Form of Financial Consulting Agreement between the Registrant and H.J. Meyers & Co., Inc.\*
- 10.21 Form of Mergers and Acquisition Agreement between the Registrant and H.J. Meyers & Co., Inc.\*

</TABLE>

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<TABLE>

<CAPTION>

| NUMBER | TITLE   |
|--------|---|
| <S>    | <C>   |
| 16.1   | Letter on change in certifying accountant (R. Andrew Gately & Co.) (incorporated by reference to Exhibit 16.1 to Registrant's Current Report on Form 8-K dated February 19, 1997 (to be filed by amendment)).                     |
| 16.2   | Letter on change in certifying accountant (Allen G. Roth, P.A.) (incorporated by reference to Exhibit 16.2 to the Registrant's Current Report on Form 8-K dated February 19, 1997, as amended by Amendment dated March 12, 1997). |
| 21.1   | Subsidiaries of the Registrant.   |
| 23.1   | Consent of Stevens & Lee (included in Exhibit 5.1)  |
| 23.2   | Consent of Richard A. Eisner & Company, LLP*  |
| 27.1   | Financial Data Schedule.**  |

</TABLE>

\* Filed herewith

\*\* Previously filed

\*\*\* To be filed by amendment

ITEM 28. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the Offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 ("Securities Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by its is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 1 to this registration statement to be signed on its behalf by the undersigned in the City of Fairfield, State of New Jersey on November 6, 1997.

DYNAMICWEB ENTERPRISES, INC.

By: /s/ STEVEN L. VANECHANOS, JR.

-----  
 Steven L. Vanechanos, Jr.  
 Chief Executive Officer

In accordance with the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 to the Registration Statement was signed below by the following persons and in the capacities and on the dates stated.

| <TABLE><br><C>  | <S>   | <C>              |
|---|---|------------------|
| /s/ STEVEN L. VANECHANOS, JR.<br>-----<br>Steven L. Vanechanos, Jr.                           | Chief Executive Officer<br>and Director   | November 6, 1997 |
| /s/ STEVE VANECHANOS, SR.<br>-----<br>Steve Vanechanos, Sr.                                   | Treasurer, Chief Financial<br>Officer, and Chief<br>Accounting Officer,<br>Director | November 6, 1997 |
| /s/ F. PATRICK AHEARN*<br>-----<br>F. Patrick Ahearn  | Director  | November 6, 1997 |
| /s/ DENIS CLARK*<br>-----<br>Denis Clark  | Director  | November 6, 1997 |
| /s/ FRANK T. DIPALMA*<br>-----<br>Frank T. DiPalma  | Director  | November 6, 1997 |
| /s/ ROBERT DROSTE*<br>-----<br>Robert Droste  | Director  | November 6, 1997 |
| /s/ KENNETH R. KONIKOWSKI<br>-----<br>Kenneth R. Konikowski                                   | Director  | November 6, 1997 |
| * By: /s/ STEVEN L. VANECHANOS, JR.<br>-----<br>Steven L. Vanechanos, Jr.<br>Attorney-in-Fact |   |                  |

</TABLE>

<TABLE>  
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| EXHIBIT INDEX     | SEQUENTIALLY<br>NUMBERED<br>PAGE  |
|-------------------|---|
| EXHIBIT<br>NUMBER | TITLE   |
| <C>               | <S>   |
| 1.1               | Underwriting Agreement*.....  |
| 3.1.1             | Certificate of Incorporation of the Registrant as filed with the Secretary of State of New Jersey on August 7, 1979 (incorporated by reference to Exhibit 3.1.1 filed with Registrant's Annual Report on Form 10-K for the Year ended December 31, 1991).....                       |
| 3.1.2             | Certificate of Amendment to Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on May 19, 1980 (incorporated by reference to Exhibit 3.1.2 filed with Registrant's Annual Report on Form 10-K for the Year ended December 31, 1991)..... |
| 3.1.3             | Certificate of Amendment to Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on April 1981 (incorporated by reference to Exhibit 3.1.3 filed with Registrant's Annual Report on Form 10-K for the Year ended December 31, 1991).....   |

|       |  |
|-------|--|
| 3.1.4 | Certificate of Amendment of Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on April 24, 1986 (incorporated by reference to Exhibit 3.1.4 filed with Registrant's Annual Report on Form 10-K for the Year ended December 31, 1991).....  |
| 3.1.5 | Certificate of Amendment to Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on July 15, 1988 (incorporated by reference to Exhibit 3.1.5 filed with Registrant's Annual Report on Form 10-K for the Year ended December 31, 1991).....   |
| 3.1.6 | Certificate of Amendment to Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on November 28, 1989 (incorporated by reference to Exhibit 3.1.6 filed with Registrant's Annual Report on Form 10-K for the Year ended December 31, 1991).....   |
| 3.1.7 | Certificate of Amendment to the Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on August 15, 1994 (incorporated by reference to Exhibit 3.1.7 filed with the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994).....   |
| 3.1.8 | Certificate of Amendment to Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on May 14, 1996, changing the name of the Company to DynamicWeb Enterprises, Inc. (incorporated by reference to Exhibit 3.2.3 filed with Registrant's Annual Report on Form 10-KSB for December 31, 1995)..... |
| 3.1.9 | Certificate of Amendment to Registrant's Certificate of Incorporation, as filed with the Secretary of State of New Jersey on , 1997.***.....   |
| 3.2.1 | Bylaws of the Registrant adopted August 7, 1979 (incorporated by reference to Exhibit 3.2.1 filed with Registrant's Report on Form 10-K for the Year ended December 31, 1991).....   |
| 3.2.2 | Amendments adopted March 8, 1982 to Bylaws of the Registrant (incorporated by reference to Exhibit 3.2.2 filed with Registrant's Report on Form 10-K for the Year ended December 31, 1991).....  |
| 3.2.3 | Amended and Restated Bylaws of the Registrant adopted March 7, 1997 (incorporated by reference to Exhibit 3.2.3 filed with Registrant's Annual Report on Form 10-KSB for the year ended September 30, 1996).....   |
| 4.1   | Specimen Stock Certificate.***.....  |

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| EXHIBIT<br>NUMBER | TITLE   | SEQUENTIALLY<br>NUMBERED<br>PAGE |
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| <S>               | <C>   | <C>                              |
| 4.2               | Form of Representative's Warrant.*.....   |                                  |
| 5.1               | Opinion of Stevens & Lee re: legality.*.....  |                                  |
| 10.1              | Release and Severance Agreement dated February 12, 1993 between Seahawk Capital Corporation and Robert S. Friedenbergl (incorporated by reference to Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992).....   |                                  |
| 10.2              | Agreement dated February 24, 1995 between the Registrant and Jonathan B. Lassers as to the purchase of common stock (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated as of May 8, 1995).....   |                                  |
| 10.3              | Amendment Agreement dated May 1, 1995 between the Registrant and Jonathan B. Lassers as to the purchase of common stock and common stock purchase warrants (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K dated as of May 8, 1995).....                  |                                  |
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| 10.6              | Stock Purchase Agreement dated March 5, 1996 among the Registrant, DynamicWeb Transaction Systems, Inc. ("DWTS") and the shareholders of DWTS (incorporated by reference to Exhibit 10.14 to Registrant's Annual Report on Form 10-KSB for the year ended December 31, 1995)...                 |                                  |
| 10.7              | Amendment to Stock Purchase Agreement dated May 14, 1996 between the Registrant and DWTS (incorporated by reference to Exhibit 10.14(A) to Registrant's Annual Report on Form 10-KSB for the year ended December 31, 1995).....   |                                  |
| 10.8              | Amendment to Stock Purchase Agreement dated June 13, 1996 between the Registrant and DWTS (incorporated by reference to Exhibit 10.14(B) to Registrant's Form 10-QSB for the period ended March 31, 1996).....  |                                  |
| 10.9              | Stock Purchase Agreement dated September 30, 1996 among the Registrant, Megascare, Inc. and the shareholders of Megascare, Inc. (incorporated by reference to Exhibit 1 to the Registrant's Current Report on Form 8-K dated November 30, 1996).....  |                                  |
| 10.10             | Stock Purchase Agreement dated November 30, 1996 among the Registrant, Software Associates, Inc. and Kenneth R. Konikowski (incorporated by reference to Exhibit 2 to the Registrant's Current  |                                  |

|       |  |
|-------|--|
| 10.11 | Report on Form 8-K dated November 30, 1996).....   |
|       | Amendment to Stock Purchase Agreement dated April 7, 1997 between the Registrant and Kenneth R. Konikowski (incorporated by reference to Exhibit 10.11 filed with Registrant's Report on Form 10-KSB for the year ended September 30, 1996).....         |
| 10.12 | Lock-Up Agreement dated November 30, 1996 among the Registrant, Steve L. Vanechanos, Jr. and Kenneth R. Konikowski (incorporated by reference to Exhibit 10.12 filed with Registrant's Report on Form 10-KSB for the year ended September 30, 1996)..... |

</TABLE>

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| EXHIBIT NUMBER | TITLE   | SEQUENTIALLY NUMBERED PAGE |
|----------------|---|----------------------------|
| <S>            | <C>   | <C>                        |
| 10.13          | Employment Agreement dated December 1, 1996 between the Registrant and Kenneth R. Konikowski (incorporated by reference to Exhibit 10.13 filed with Registrant's Report on Form 10-KSB for the year ended September 30, 1996).....                              |                            |
| 10.14          | DynamicWeb Enterprises, Inc. 1997 Employee Stock Option Plan (incorporated by reference to Annex B to the Registrant's Information Statement filed May 15, 1997, pursuant to Section 14(c) of the Securities Exchange Act of 1934).....                         |                            |
| 10.15          | DynamicWeb Enterprises, Inc. 1997 Stock Option Plan for Outside Directors (incorporated by reference to Annex C to the Registrant's Information Statement filed May 15, 1997, pursuant to Section 14(c) of the Securities Exchange Act of 1934).....            |                            |
| 10.16          | Lease Agreement dated November 1, 1996 between Beauty and Barber Institute, Inc. and DynamicWeb Transaction Systems, Inc. (incorporated by reference to Exhibit 10.16 filed with Registrant's Report on Form 10-KSB for the year ended September 30, 1996)..... |                            |
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| 10.18          | Amendment No. 1 to Lease Agreement between Software Associates, Inc. and The Mask Group (incorporated by reference to Exhibit 3 to the Registrant's Form 8-K dated September 9, 1997).....  |                            |
| 10.19          | Employment Agreement dated August 26, 1997, between the Registrant and James D. Connors (incorporated by reference to Exhibit 1 to Registrant's Form 8-K dated September 9, 1997).....  |                            |
| 10.20          | Form of Financial Consulting Agreement between the Registrant and H.J. Meyers & Co., Inc.*.....   |                            |
| 10.21          | Form of Mergers and Acquisition Agreement between the Registrant and H.J. Meyers & Co., Inc.*.....  |                            |
| 16.1           | Letter on change in certifying accountant (R. Andrew Gately & Co.) (incorporated by reference to Exhibit 16.1 to Registrant's Current Report on Form 8-K dated February 19, 1997 (to be filed by amendment)).....   |                            |
| 16.2           | Letter on change in certifying accountant (Allen G. Roth, P.A.) (incorporated by reference to Exhibit 16.2 to the Registrant's Current Report on Form 8-K dated February 19, 1997, as amended by Amendment dated March 12, 1997).....                           |                            |
| 21.1           | Subsidiaries of the Registrant.....   |                            |
| 23.1           | Consent of Stevens & Lee (included in Exhibit 5.1).....   |                            |
| 23.2           | Consent of Richard A. Eisner & Company, LLP*.....   |                            |
| 27.1           | Financial Data Schedule.....  |                            |

</TABLE>

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\* Filed herewith

\*\* Previously filed

\*\*\* To be filed by amendment



## UNDERWRITING AGREEMENT

Dated: [EFFECTIVE DATE]

H.J. MEYERS & CO., INC.  
AS REPRESENTATIVE OF THE  
UNDERWRITERS NAMED IN  
SCHEDULE I HERETO  
1895 Mt. Hope Avenue  
Rochester, New York 14620

Ladies and Gentlemen:

DynamicWeb Enterprises, a New Jersey corporation (the "Company"), proposes to issue and sell to the one or more Underwriters named in Schedule I hereto (the "Underwriters"), including H.J. Meyers & Co., Inc. (the "Representative" or "you"), the Representative of the several Underwriters, pursuant to this Underwriting Agreement (this "Agreement"), an aggregate of 1,750,000 of the Common Stock, par value \$.0001 per share, ("Common Stock") of the Company. In addition, the Company proposes to grant to the Underwriters the Over-Allotment Option, referred to and defined in Section 2(c), to purchase all or any part of an aggregate of 15% of number of Shares of Common Stock, and to issue to you the Representative's Warrant, referred to and defined in Section 12, to purchase certain further additional shares of Common Stock.

The 1,750,000 shares of Common Stock to be sold by the Company, together with the 262,500 additional shares of Common Stock that are the subject of the Over-Allotment Option, are herein collectively called the "Shares." The Shares and the shares of Common Stock issuable upon exercise of the Representative's Warrant, are herein collectively called the "Securities." The term "Representative's Counsel" shall mean the firm of Harter, Secrest & Emery, counsel to the Representative, and the term "Company Counsel" shall mean the firm of Stevens & Lee, P.C., counsel to the Company. Unless the context otherwise requires, all references herein to a "Section" shall mean the appropriate Section of this Agreement.

You have advised the Company that the Underwriters desire to purchase the Shares as herein provided, and that you have been authorized to execute this Agreement as representative of the Underwriters. The Company confirms the agreements made by it with respect to the purchase of the Shares by the Underwriters, as follows:

1. REPRESENTATIONS AND WARRANTIES.

REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to, and agrees with, each Underwriter that:

(a) REGISTRATION STATEMENT; PROSPECTUS. A registration statement (SEC File No. 33-\_\_\_\_\_) on Form SB-2 relating to the public offering of the Securities (the "Offering"), including a preliminary form of prospectus, copies of which have heretofore been delivered to you, has been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "Act"), and the rules and regulations of the Securities and Exchange Commission (the "Commission") promulgated thereunder (the "Rules and Regulations"), and has been filed with the Commission under the Act. As used herein, the term "Preliminary Prospectus" shall mean each prospectus filed pursuant to Rule 430 or Rule 424(a) of the Rules and Regulations. The Preliminary Prospectus bore the legends required by Items 501 and 502 of Regulation S-B under the Act and the Rules and Regulations. Such registration statement (including all financial statements, schedules and exhibits) as amended at the time it becomes effective and the final prospectus included therein are herein respectively called the "Registration Statement" and the "Prospectus," except that (i) if the prospectus first filed by the Company pursuant to Rule 424(b) or Rule 430A of the Rules and Regulations shall differ from such final prospectus as then amended, then the term "Prospectus" shall instead mean the prospectus first filed pursuant to said Rule 424(b) or Rule 430A, and (ii) if such registration statement is amended or such prospectus is amended or supplemented after the effective date of such registration statement

and prior to the Option Closing Date (as defined in Section 2(c)), then (unless the context necessarily requires otherwise) the term "Registration Statement" shall include such registration statement as so amended, and the term "Prospectus" shall include such prospectus as so amended or supplemented, as the case may be.

(b) CONTENTS OF REGISTRATION STATEMENT. On the Effective Date, and at all times subsequent thereto for so long as the delivery of a prospectus is required in connection with the offering or sale of any of the Securities, (i) the Registration Statement and the Prospectus shall in all respects conform to the requirements of the Act and the Rules and Regulations, and (ii) neither the Registration Statement nor the Prospectus shall include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make statements therein not misleading; provided, however, that the Company makes no representations, warranties or agreements as to information contained in or omitted from the Registration Statement or Prospectus in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of the Underwriters specifically for use in the preparation thereof. It is understood that the statements set forth in the Prospectus with respect to stabilization, the material set forth under the caption "UNDERWRITING," and the identity of counsel to the Representative under the caption "LEGAL MATTERS," constitute the only information furnished in writing by or on behalf of the Underwriters for inclusion in the Registration Statement and Prospectus, as the case may be.

(c) ORGANIZATION, STANDING, ETC. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of New Jersey. Each subsidiary of the Company (each a "Subsidiary") has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, except for Software Associates, which has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of New Jersey. The

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Company and each of its Subsidiaries have full power and corporate authority to own their respective properties and conduct their respective businesses as described in the Prospectus, and are duly qualified or licensed to do business as foreign corporations and are in good standing in each other jurisdiction in which the nature of their respective businesses or the character or location of their respective properties requires such qualification, except where failure so to qualify will not materially affect the business, properties or financial condition of the Company or such Subsidiary, as the case may be.

(d) CAPITALIZATION. The authorized, issued and outstanding capital stock of the Company as of the date of the Prospectus is as set forth in the Prospectus under the caption "CAPITALIZATION." The shares of Common Stock issued and outstanding on the Effective Date have been duly authorized, validly issued and are fully paid and non-assessable. No options, warrants or other rights to purchase, agreements or other obligations to issue, or agreements or other rights to convert any obligation into, any shares of capital stock of the Company or any Subsidiary have been granted or entered into by the Company or such Subsidiary, except as expressly described in the Prospectus. The Securities conform to all statements relating thereto contained in the Registration Statement or the Prospectus.

(e) SECURITIES. The Securities and the Representative's Warrant have been duly authorized and, when issued and delivered against payment therefor pursuant to this Agreement, will be duly authorized, validly issued, fully paid and non-assessable and free of preemptive rights of any security holder of the Company. Neither the filing of the Registration Statement nor the offering or sale of any of the Securities or the Representative's Warrant as contemplated by this Agreement gives rise to any rights, other than those which have been waived or satisfied, for or relating to the registration of any securities of the Company, except as described in the Registration Statement.

(f) AUTHORITY, ETC. This Agreement, the Representative's Warrant, the Financial Consulting Agreement and the M/A Agreement (each as hereinafter defined), have been duly and validly authorized, executed and delivered by the Company and, assuming due execution of this Agreement and such other agreements by the other party or parties hereto and thereto, constitute valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms. The Company has full right, power and lawful authority to authorize, issue and sell the Securities and the Representative's Warrant on

the terms and conditions set forth herein. All consents, approvals, authorizations and orders of any court or governmental authority which are required in connection with the authorization, execution and delivery of such agreements, the authorization, issue and sale of the Securities and the Representative's Warrant, and the consummation of the transactions contemplated hereby have been obtained.

(g) NO CONFLICT. Except as described in the Prospectus, neither the Company nor any Subsidiary is in violation, breach or default of or under, and consummation of the transactions hereby contemplated and fulfillment of the terms of this Agreement will not conflict with or result in a breach of, any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance pursuant to the terms of, any contract, indenture, mortgage, deed of trust, loan agreement or

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other material agreement or instrument to which the Company or such Subsidiary is a party or by which the Company or such Subsidiary may be bound or to which any of the property or assets of the Company or such Subsidiary are subject, nor will such action result in any violation of the provisions of the Certificate of Incorporation or the By-laws of the Company or any Subsidiary, or any statute, order, rule or regulation applicable to the Company or any Subsidiary of any court or governmental authority.

(h) ASSETS. Subject to the qualifications stated in the Prospectus:

(i) the Company and each Subsidiary, as the case may be, has title in fee simple to all real property and good and marketable title to all personal property and assets owned by it described in the Prospectus as owned by it, including without limitation intellectual property, free and clear of all liens, charges, encumbrances or restrictions, except such as are not materially significant or important in relation to its business; (ii) all of the material leases and subleases under which the Company or any Subsidiary is the lessor or sublessor of properties or assets or under which the Company or any Subsidiary holds properties or assets as lessee or sublessee, as described in the Prospectus, are in full force and effect and, except as described in the Prospectus, neither the Company nor any Subsidiary is in default in any material respect with respect to any of the terms or provisions of any of such leases or subleases, and no claim has been asserted by any party adverse to the rights of the Company or such Subsidiary as lessor, sublessor, lessee or sublessee under any such lease or sublease, or affecting or questioning the right of the Company or such Subsidiary to continued possession of the leased or subleased premises or assets under any such lease or sublease, except as described or referred to in the Prospectus; and (iii) the Company and each Subsidiary, as the case may be, owns or leases all such properties, described in the Prospectus, as are necessary to its operations as now conducted and, except as otherwise stated in the Prospectus, as proposed to be conducted as set forth in the Prospectus.

(i) INDEPENDENT ACCOUNTANTS. Richard A. Eisner & Co., LLP who have given their report on certain financial statements filed or to be filed with the Commission as a part of the Registration Statement, and which are included in the Prospectus, are with respect to the Company, independent public accountants as required by the Act and the Rules and Regulations.

(j) FINANCIAL STATEMENTS. The financial statements and schedules, together with related notes, set forth in the Registration Statement and the Prospectus present fairly and accurately the financial position, results of operations and cash flows of the Company and its Subsidiaries on the basis stated in the Registration Statement, at the respective dates and for the respective periods to which they apply, in accordance with Generally Accepted Accounting Principles ("GAAP"). Such financial statements, schedules and related notes have been prepared in accordance with GAAP applied on a consistent basis throughout the entire period involved, except to the extent disclosed therein. The financial information for each of the periods presented in the Registration Statement and the Prospectus present a true and complete statement of the financial position of the Company and its Subsidiaries at the dates indicated and the results of its operations for the periods then ended, in accordance with GAAP. The Summary Financial Information and Selected Financial Data included in the Registration Statement and the Prospectus present fairly and accurately the information

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shown therein and have been prepared on a basis consistent with that of the audited financial statements included in the Registration Statement and the

Prospectus.

(k) NO MATERIAL CHANGE. Except as otherwise set forth in the Prospectus, subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, neither the Company nor any Subsidiary has: (i) incurred any liability or obligation, direct or contingent, or entered into any transaction not in the ordinary course of its business, which is material to its business; (ii) effected or experienced any change in its capital stock; (iii) issued any options, warrants or other rights to acquire its capital stock; (iv) declared, paid or made any dividend or distribution of any kind on its capital stock; or (v) effected or experienced any material adverse change, or development involving a prospective material adverse change, in its general affairs, management, business, property, operations, condition (financial or otherwise) or earnings, whether or not such material adverse change is or may be converted by insurance.

(l) LITIGATION. Except as set forth in the Prospectus, there is not now pending nor, to the best knowledge of the Company, threatened, any action, suit or proceeding (including any related to environmental matters or discrimination on the basis of age, sex, religion or race), whether or not in the ordinary course of business, to which the Company or any Subsidiary is a party or its business or property is subject, before or by any court or governmental authority, which might result in any material adverse change in the business, property, operations, condition (financial or otherwise) or earnings of the Company or such Subsidiary; and no labor disputes involving the employees of the Company or any Subsidiary exist which might be expected to affect materially adversely the business, property, operations, condition (financial or otherwise) or earnings of the Company or such Subsidiary.

(m) NO UNLAWFUL PROSPECTUSES. The Company has not distributed any prospectus or other offering material in connection with the Offering contemplated herein, other than any Preliminary Prospectus, the Prospectus or other material permitted by the Act and the Rules and Regulations. Additionally, no order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the Rules and Regulations.

(n) TAXES. Except as disclosed in the Prospectus, the Company and each Subsidiary has filed all necessary federal, state, local and foreign income and franchise tax returns and has paid all taxes shown as due thereon; and there is no tax deficiency which has been or, to the best knowledge of the Company, might be asserted against the Company or any Subsidiary.

(o) LICENSES, ETC. The Company and each Subsidiary has in effect all necessary licenses, permits and other governmental authorizations currently required for the conduct of its business or the ownership of its property, as described in the Prospectus, and is in all material respects in compliance therewith. The Company owns or possesses adequate rights to use all material patents, patent applications, trademarks, mark registrations, copyrights and licenses disclosed in the Prospectus and/or which are necessary

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for the conduct of such business, and except as disclosed in the Prospectus has not received any notice of conflict with the asserted rights of others in respect thereof. To the best knowledge of the Company, none of the activities or business of the Company or any Subsidiary is in violation of, or would cause the Company or such Subsidiary to violate, any law, rule, regulation or order of the United States, any state, county or locality, the violation of which would have a material adverse effect upon the business, property, operations, condition (financial or otherwise) or earnings of the Company or such Subsidiary.

(p) NO PROHIBITED PAYMENTS. Neither the Company nor any Subsidiary have, directly or indirectly at any time: (i) made any contribution to any candidate for political office, or failed to disclose fully any such contribution in violation of law; or (ii) made any payment to any federal, state, local or foreign governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments or contributions required or allowed by applicable law. The Company's internal accounting controls and procedures are sufficient to cause the Company to comply in all material respects with the Foreign Corrupt Practices Act of 1977, as amended.

(q) TRANSFER TAXES. On the Closing Dates (as defined in Section 2(d)), all transfer and other taxes (including franchise, capital stock and other tax, other than income taxes, imposed by any jurisdiction), if any, which are required to be paid in connection with the sale and transfer of the Shares to the Underwriters hereunder shall have been fully paid or provided for by the Company, and all laws imposing such taxes shall have been fully complied with.

(r) EXHIBITS. All contracts and other documents of the Company or any Subsidiary which are, under the Rules and Regulations, required to be filed as exhibits to the Registration Statement have been so filed.

(s) SUBSIDIARIES. Except as described in the Prospectus, the Company has no Subsidiaries. All of the issued and outstanding capital stock of each Subsidiary is owned by the Company.

(t) SHAREHOLDER AGREEMENTS, REGISTRATION RIGHTS. Except as described in the Prospectus, no security holder of the Company has any rights with respect to the purchase, sale or registration of any Securities, and any registration rights held by any security holders with respect to the Offering have been effectively waived.

(u) LABOR RELATIONS. No labor dispute with the employees of the Company or any subsidiary exists or, to the best knowledge of the Company, is imminent; and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors which might be expected to result in any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise.

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## 2. PURCHASE, DELIVERY AND SALE OF SHARES.

(a) PURCHASE PRICE FOR SHARES. The Shares shall be sold to and purchased by the Underwriters hereunder at the purchase price of \$\_\_\_\_ per Share (that being the public offering price of \$\_\_\_\_ per Share less an underwriting discount of ten percent) (the "Purchase Price").

### (b) FIRM SHARES.

(i) Subject to the terms and conditions of this Agreement, and on the basis of the representations, warranties and agreements herein contained the Company agrees to issue and sell, and each of the Underwriters agrees, severally and not jointly, to buy from the Company at the Purchase Price, the number of Shares set forth opposite such Underwriter's name in Schedule I hereto (the "Firm Shares").

(ii) Delivery of the Firm Shares against payment therefor shall take place at the offices of the Representative, 1895 Mt. Hope Avenue, Rochester, New York 14620 (the "Representative's Offices") (or at such other place as may be designated by agreement between you and the Company) at 10:00 a.m., New York time, on [CLOSING DATE], or at such later time and date, not later than ten banking days after the Effective Date, as you may designate (such time and date of payment and delivery for the Firm Shares being herein called the "First Closing Date"). Time shall be of the essence and delivery of the Firm Shares at the time and place specified in this Section 2(b)(ii) is a further condition to the obligations of the Underwriters hereunder.

### (c) OPTION SHARES.

(i) In addition, subject to the terms and conditions of this Agreement, and on the basis of the representations, warranties and agreements herein contained, the Company hereby grants to the Underwriters an option (the "Over-Allotment Option") to purchase from the Company all or any part of an aggregate of an additional 262,500 Shares at the Purchase Price (the "Option Shares"). In the event that the Over-Allotment Option is exercised by the Underwriters in whole or in part, each Underwriter shall purchase Option Shares in the same proportion as the number of Firm Shares purchased by it bore to the total number of Firm Shares, unless you and the other Underwriters shall otherwise agree.

(ii) The Over-Allotment Option may be exercised by the

Underwriters, in whole or in part, within 45 days after the Effective Date, upon notice by you to the Company advising it of the number of Option Shares as to which the Over-Allotment Option is being exercised, the names and denominations in which the certificates for the Shares comprising such Option Shares are to be registered, and the time and date when such certificates are to be delivered. Such time and date shall be determined by you but shall not be less than four nor more than ten banking days after exercise of the Over-Allotment Option, nor in any event prior to the First Closing Date (such time and date being herein called the "Option Closing Date"). Delivery of the Option Shares against payment therefor shall take place at the Representative's Offices. Time shall be of the essence and delivery at

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the time and place specified in this Section 2(c)(ii) is a further condition to the obligations of the Underwriters hereunder.

(iii) The Over-Allotment Option may be exercised only to cover over-allotments in the sale by the Underwriters of Firm Shares.

(d) DELIVERY OF CERTIFICATES; PAYMENT.

(i) The Company shall make the certificates for the Shares to be purchased hereunder available to you for checking at least one banking day prior to the First Closing Date or the Option Closing Date (each, a "Closing Date"), as the case may be. The certificates shall be in such names and denominations as you may request at least two banking days prior to the relevant Closing Date. Time shall be of the essence and the availability of the certificates at the time and place specified in this Section 2(d)(i) is a further condition to the obligations of the Underwriters hereunder.

(ii) On the First Closing Date the Company shall deliver to you for the several accounts of the Underwriters definitive engraved certificates in negotiable form representing all of the Shares comprising the Firm Shares to be sold by the Company, against payment of the Purchase Price therefor by you for the several accounts of the Underwriters, by certified or bank cashier's checks payable in same day funds, or by wire transfer, to the order of the Company.

(iii) In addition, if and to the extent that the Underwriters exercise the Over-Allotment Option, then on the Option Closing Date the Company shall deliver to you for the several accounts of the Underwriters definitive engraved certificates in negotiable form representing the Shares comprising the Option Shares to be sold by the Company, against payment of the Purchase Price therefor by you for the several accounts of the Underwriters, by certified or bank cashier's checks payable in same day funds to the order of the Company.

(iv) It is understood that the Underwriters propose to offer the Shares to be purchased hereunder to the public, upon the terms and conditions set forth in the Registration Statement, after the Registration Statement becomes effective.

3. COVENANTS.

COVENANTS OF THE COMPANY. The Company covenants and agrees with each Underwriter that:

(a) REGISTRATION.

(i) The Company shall use its best efforts to cause the Registration Statement to become effective and, upon notification from the Commission that the Registration Statement has become effective, shall so advise you and shall not at any time,

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whether before or after the Effective Date, file any amendment to the Registration Statement or any amendment or supplement to the Prospectus of which you shall not previously have been advised and furnished with a copy, or to which you or Representative's Counsel shall have objected in writing, or which is not in compliance with the Act and the Rules and Regulations. At any time prior to the later of (A) the completion by the Underwriters of the distribution of the Shares contemplated hereby (but in no event more than nine months after the Effective Date), and (B) 25 days after the Effective Date, the Company shall prepare and file with the Commission, promptly upon your request, any amendments

to the Registration Statement or any amendments or supplements to the Prospectus which, in your reasonable opinion, may be necessary or advisable in connection with the distribution of the Shares.

(ii) Promptly after you or the Company shall have been advised thereof, you shall advise the Company or the Company shall advise you, as the case may be, and confirm such advice in writing, of (A) the receipt of any comments of the Commission, (B) the effectiveness of any post-effective amendment to the Registration Statement, (C) the filing of any supplement to the Prospectus or any amended Prospectus, (D) any request made by the Commission for amendment of the Registration Statement or amendment or supplementing of the Prospectus, or for additional information with respect thereto, or (E) the issuance by the Commission or any state or regulatory body of any stop order or other order denying or suspending the effectiveness of the Registration Statement, or preventing or suspending the use of any Preliminary Prospectus, or suspending the qualification of the Securities for offering in any jurisdiction, or otherwise preventing or impairing the Offering, or the institution or threat of any proceeding for any of such purposes. The Company and you shall not acquiesce in such order or proceeding, and shall instead actively defend such order or proceeding, unless the Company and you agree in writing to such acquiescence.

(iii) The Company has caused to be delivered to you copies of each Preliminary Prospectus, and the Company has consented and hereby consents to the use of such copies for the purposes permitted by the Act. The Company authorizes the Underwriters and selected dealers to use the Prospectus in connection with the sale of the Shares for such period as in the opinion of Representative's Counsel the use thereof is required to comply with the applicable provisions of the Act and the Rules and Regulations. In case of the happening, at any time within such period as a prospectus is required under the Act to be delivered in connection with sales by an underwriter or dealer, of any event of which the Company has knowledge and which materially affects the Company or the Securities, or which in the opinion of Company Counsel or of Representative's Counsel should be set forth in an amendment to the Registration Statement or an amendment or supplement to the Prospectus in order to make the statements made therein not then misleading, in light of the circumstances existing at the time the Prospectus is required to be delivered to a purchaser of the Shares, or in case it shall be necessary to amend or supplement the Prospectus to comply with the Act or the Rules and Regulations, the Company shall notify you promptly and forthwith prepare and furnish to the Underwriters copies of such amended Prospectus or of such supplement to be attached to the Prospectus, in such quantities as you may reasonably request, in order that the Prospectus, as so amended or supplemented, shall not contain any untrue statement of a material fact or omit

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to state any material fact necessary in order to make the statements in the Prospectus, in the light of the circumstances under which they are made, not misleading. The preparation and furnishing of each such amendment to the Registration Statement, amended Prospectus or supplement to be attached to the Prospectus shall be without expense to the Underwriters, except that in the case that the Underwriters are required, in connection with the sale of the Shares, to deliver a prospectus nine months or more after the Effective Date, the Company shall upon your request and at the expense of the Underwriters, amend the Registration Statement and amend or supplement the Prospectus, or file a new registration statement on Form SB-2 (if applicable) or Form S-1, if necessary, and furnish the Underwriters with reasonable quantities of prospectuses complying with section 10(a)(3) of the Act.

(iv) The Company shall comply with the Act, the Rules and Regulations, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder in connection with the offering and issuance of the Securities.

(b) BLUE SKY. The Company shall, at its own expense, use its best efforts to qualify or register the Securities for sale under the securities or "blue sky" laws of such jurisdictions as you may designate, and shall make such applications and furnish such information to Representative's Counsel as may be required for that purpose, and shall comply with such laws; provided, however, that the Company shall not be required to qualify as a foreign corporation or a dealer in securities or to execute a general consent to service of process in any jurisdiction in any action other than one arising out of the offering or sale of the Common Stock. The Company shall bear all of the expense of such

qualifications and registrations, including without limitation the legal fees and disbursements of Representative's Counsel, which fees, exclusive of disbursements, shall not exceed \$35,000 (unless otherwise agreed). After each Closing Date the Company shall, at its own expense, from time to time take such actions and prepare and file such statements and reports as may be required to continue each such qualification in effect for so long a period as you may reasonably request.

(c) EXCHANGE ACT REGISTRATION. The Company shall, at its own expense, prepare and file with the Commission a registration statement (on Form 8-A or Form 10) under section 12(b) or 12(g) of the Exchange Act concurrently with the completion of the Offering or promptly thereafter, but in no event later than 45 days from the Effective Date, and shall use its best efforts to cause such registration statement to be declared effective and maintained in effect for at least five years from the Effective Date.

(d) PROSPECTUS COPIES. The Company shall deliver to you on or before the First Closing Date two signed copies of the Registration Statement including all financial statements, schedules and exhibits filed therewith, and of all amendments thereto. The Company shall deliver to or on the order of the Underwriters, from time to time until the Effective Date, as many copies of any Preliminary Prospectus filed with the Commission prior to the Effective Date as the Underwriters may reasonably request. The Company shall deliver to the Underwriters on the Effective Date, and thereafter for so long as a prospectus is required to be delivered under the Act, from time to time, as many copies of the

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Prospectus, in final form, or as thereafter amended or supplemented, as the Underwriters may from time to time reasonably request.

(e) AMENDMENTS AND SUPPLEMENTS. The Company shall, promptly upon your request, prepare and file with the Commission any amendments to the Registration Statement, and any amendments or supplements to the Preliminary Prospectus or the Prospectus, and take any other action which in the reasonable opinion of Representative's Counsel may be reasonably necessary or advisable in connection with the distribution of the Securities, and shall use its best efforts to cause the same to become effective as promptly as possible.

(f) CERTAIN MARKET PRACTICES. The Company has not taken, and shall not take, directly or indirectly, any action designed, or which might reasonably be expected, to cause or result in, or which has constituted, the stabilization or manipulation of the price of the Securities to facilitate the sale or resale thereof.

(g) CERTAIN REPRESENTATIONS. Neither the Company nor any representative of the Company has made or shall make any written or oral representation in connection with the Offering and sale of the Securities or the Representative's Warrant which is not contained in the Prospectus, which is otherwise inconsistent with or in contravention of anything contained in the Prospectus, or which shall constitute a violation of the Act, the Rules and Regulations, the Exchange Act or the rules and regulations promulgated under the Exchange Act.

(h) CONTINUING REGISTRATION OF WARRANTS AND UNDERLYING COMMON STOCK. For so long as any portion of the Representative's Warrant is outstanding and exercisable, the Company shall, at its own expense and within 15 days of receipt from the Representative of notice of the Representative's intent to exercise all or any portion of the Representative's Warrant: (i) use its best efforts to cause post-effective amendments to the Registration Statement, or new registration statements (which may be on Forms SB-2, S-2 or S-3, or any successor form, as the case may be) relating to the Representative's Warrant and the Common Stock underlying the Representative's Warrant to become effective in compliance with the Act and without any lapse of time between the effectiveness of the Registration Statement and of any such post-effective amendment or new registration statement; (ii) cause a copy of each Prospectus, as then amended, to be delivered to each holder of record of a portion of the Representative's Warrant; (iii) furnish to the Underwriters and dealers as many copies of each such Prospectus as the Underwriters or dealers may reasonably request; and (iv) maintain the "blue sky" qualification or registration of the Representative's Warrant and the Common Stock underlying the Representative's Warrant, or have a currently available exemption therefrom, in each jurisdiction in which the Securities were so qualified or registered for purposes of the Offering. In



addition, for so long as any portion of the Representative's Warrant is outstanding, the Company shall promptly notify you of any material change in the business, financial condition or prospects of the Company.

(i) USE OF PROCEEDS. The Company shall apply the net proceeds from the sale of the Shares for the purposes set forth in the Prospectus under the caption "USE OF

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PROCEEDS," and shall file such reports with the Commission with respect to the sale of the Shares and the application of the proceeds therefrom as may be required pursuant to Rule 463 of the Rules and Regulations.

(j) TWELVE MONTHS' EARNINGS STATEMENT. The Company shall make generally available to its security holders and deliver to you as soon as it is practicable so to do, but in no event later than 90 days after the end of twelve months after the close of its current fiscal quarter, an earnings statement (which need not be audited) covering a period of at least twelve consecutive months beginning after the Effective Date, which shall satisfy the requirements of section 11(a) of the Act.

(k) NASDAQ, EXCHANGE LISTINGS, ETC. The Company shall immediately make all filings required to seek approval for the quotation of the Securities on The Nasdaq Small Cap Market ("NASDAQ") and shall use its best efforts to effect and maintain such approval for at least five years from the Effective Date. The Company shall also use its best efforts to cause the Securities to be accepted for listing such other exchange(s) acceptable to you, prior to the Effective Date or, failing that, as soon as is possible after the First Closing Date, and to maintain such listings for five years. Within 10 days after the Effective Date, the Company shall also use its best efforts to list itself in Moody's OTC Industrial Manual and to cause such listing to be maintained for five years from the Effective Date.

(l) BOARD OF DIRECTORS. The Company shall maintain a Board of Directors comprised of a minimum of six and a maximum of eight directors, at least a majority of whom shall be neither employed by nor otherwise affiliated with the Company. The Board of Directors shall hold at least four meetings annually.

(m) PERIODIC REPORTS. For so long as the Company is a reporting company under section 12(g) or section 15(d) of the Exchange Act, the Company shall, at its own expense, furnish to its shareholders an annual report (including financial statements audited by certified public accountants) in reasonable detail. In addition, during the period ending five years from the date hereof, the Company shall, at its own expense, furnish to you: (i) within 90 days of the end of each fiscal year, a balance sheet of the Company and its Subsidiaries as at the end of such fiscal year, together with statements of income, stockholders' equity and cash flows of the Company and its Subsidiaries as at the end of such fiscal year, all in reasonable detail and accompanied by a copy of the certificate or report thereon of certified public accountants; (ii) as soon as they are available, a copy of all reports (financial or otherwise) distributed to security holders; (iii) as soon as they are available, a copy of all non-confidential reports and financial statements furnished to or filed with the Commission; and (iv) such other information as you may from time to time reasonably request. The financial statements referred to herein shall be on a consolidated basis to the extent the accounts of the Company and its Subsidiaries are consolidated in reports furnished to its shareholders generally. In addition, during the period ending one year from the date hereof, the Company shall, at its own expense, furnish you monthly with Depository Trust Company stock transfer sheets.

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(n) CERTAIN OPTIONS. For a period of 90 days following the First Closing Date, the Company shall not, without your prior written consent, grant any options, warrants or other rights to purchase shares of Common Stock at a price less than the initial public offering price of the Shares.

(o) FORM S-8 REGISTRATIONS. For a period of one year following the First Closing Date, the Company shall not register or otherwise facilitate the registration of any of its securities issuable upon the exercise of options, warrants (other than the Representative's Warrant) or other rights, whether by means of a Registration Statement on Form S-8 or otherwise, without your prior

written consent.

(p) FUTURE SALES. For a period of 12 months following the First Closing Date, the Company shall not sell or otherwise dispose of any securities of the Company without your prior written consent, which consent shall not be unreasonably withheld; provided, however, that the Company may at any time issue shares of Common Stock pursuant to the exercise of the Representative's Warrant, and options, warrants or conversion rights issued and outstanding on the Effective Date and described in the Prospectus. In addition, for a period of two years following the First Closing Date, the Company shall not sell or otherwise dispose of any shares of Preferred Stock without your prior written consent. Additionally, for a period of 24 months following the First Closing Date, the Company shall not issue or sell any securities pursuant to Regulation D or Regulation S under the Act without your prior written consent, which consent shall not be unreasonably withheld.

(q) FUTURE OFFERINGS. For a period of three years following the First Closing Date, you shall have the right of first refusal to act as underwriter or agent for any public or private offering or sale of the securities of the Company, or of any successor to the Company, made by the Company, such successor or any officer or director of the Company or any shareholder owning beneficially five percent of the Company's Common Stock; so long as you agree to conduct such offering on market terms and conditions and express this interest within 45 days of notification. In addition, the Company shall use its best efforts to assure that for a period of three years following the First Closing Date, you shall have the right of first refusal to act as underwriter or agent for any public or private offering or sale of the securities of the Company, or of any successor to the Company, made by any other shareholder owning beneficially at least 5 percent of such securities.

(r) RULE 144 SALES. The Company shall cause each of its officers and directors to provide you the right, for a period of three years following the First Closing Date, to purchase for your own account, or to sell for the account of such person, all securities of the Company sold by such person pursuant to Rule 144 of the Rules and Regulations. The Company shall use its best efforts to cause each of the other beneficial holders of at least 5 percent of the Company's securities to provide you the right, for a period of three years following the First Closing Date, to purchase for your own account, or to sell for the account of such holder, all securities of the Company sold by such holder pursuant to said Rule 144.

(s) AVAILABLE SHARES. The Company shall reserve and at all times keep available that maximum number of its authorized but unissued Securities which are issuable

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upon exercise of the Representative's Warrant, taking into account the anti-dilution provisions thereof.

(t) AGREEMENT OF MANAGEMENT AND SHAREHOLDERS. On or before the Effective Date, the Company shall cause the parties named therein to execute and deliver to you an agreement, in the form previously delivered to the Company by you, regarding certain undertakings by such parties in connection with the Offering (the "Agreement of Management and Shareholders").

(u) FINANCIAL CONSULTING AGREEMENT. On the First Closing Date and simultaneously with the delivery of the Firm Shares, the Company shall execute and deliver to you an agreement with you, in the form previously delivered to the Company by you, regarding your services as a financial consultant to the Company (the "Financial Consulting Agreement").

(v) M/A AGREEMENT. On the First Closing Date and simultaneously with the delivery of the Firm Shares, the Company shall execute and deliver to you an agreement with you, in the form previously delivered to the Company by you, regarding mergers, acquisitions, joint ventures and certain other forms of transactions (the "M/A Agreement").

(w) MANAGEMENT. On each Closing Date, management of the Company shall consist of Steven L. Vanechanos, Jr. as Chief Executive Officer and Chairman of the Board of Directors and James D. Connors as President and Chief Operating Officer. Prior to the Effective Date the Company shall have obtained "key man" life insurance coverage on the life of each of such officers, naming the Company as beneficiary and having a face value of at least one million dollars for

terms, and with an insurance agency, mutually agreed upon by the Company and you. The Company shall use its best efforts to maintain such insurance during the three-year period commencing on the First Closing Date.

(x) PUBLIC RELATIONS. Prior to the Effective Date, the Company shall have retained a public relations firm acceptable to you, and shall continue to retain such firm, or an alternate firm acceptable to you, for a minimum period of two years or such terms as are acceptable to you. The public relations firm shall, at a minimum: (i) have five years experience in the Nasdaq Small Cap Market; (ii) covenant to the Company that it will make introductions to potential institutional buyers; (iii) provide the Company with a list of all current public clients; and (iv) engage in such other actions as you shall reasonably request.

(y) BOUND VOLUMES. Within 90 days from the First Closing Date, the Company shall deliver to you, at the Company's expense, three bound volumes in form and content acceptable to you, containing the Registration Statement and all exhibits filed therewith and all amendments thereto, and all other agreements, correspondence, filings, certificates and other documents filed and/or delivered in connection with the Offering.

(z) BOARD OF DIRECTORS SEAT/OBSERVER. For a period of thirty-six (36) months from the closing of the Offering, you shall have the option to either: (i) select an observer designated by you and acceptable to the Company, to receive notice of and to attend all

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meetings of the Board of Directors of the Company (the "Observer"); or (ii) appoint a member of the Company's Board of Directors (a "Director"). In the event you elect to appoint an Observer, such Observer shall have no voting rights, and shall be reimbursed for all out-of-pocket expenses incurred in attending meetings of the Board of Directors. In the event you elect to appoint a Director, such Director shall have full voting rights and such other rights as the Company's other Directors, without limitation. Such Director shall receive the same reimbursement and compensation as the Company's other Directors. The Company shall hold at least four meetings of the Board of Directors per year. If you elect to appoint an Observer, the Observer will be indemnified by the Company against any claims arising out of his participation at Board meetings. If you appoint a Director, such Director shall specifically be covered by the Company's Officers and Directors insurance policy.

(aa) OFFICERS AND DIRECTORS INSURANCE. Three days prior to the First Closing Date, the Company shall have obtained Officers and Directors insurance satisfactory to you with a minimum face value of one million dollars (\$1,000,000).

(ab) STOCK TRANSFER SHEETS. The Company shall supply you with OTC Stock Transfer sheets on a weekly basis for the first six weeks following the First Closing Date, and for six weeks following the Option Closing Date, and on a monthly basis thereafter.

4. CONDITIONS TO UNDERWRITERS' OBLIGATIONS. The obligations of the several Underwriters to purchase and pay for the Shares which they have agreed to purchase hereunder are subject to the accuracy (as of the date hereof and as of each Closing Date) of and compliance with the representations and warranties of the Company contained herein, the performance by the Company of all of its obligations hereunder and the execution, delivery and performance by each of the parties thereto of all of their obligations under the Agreement of Management and Shareholders, and the following further conditions:

(a) EFFECTIVE REGISTRATION STATEMENT; NO STOP ORDER. The Registration Statement shall have become effective and you shall have received notice thereof not later than 6:00 p.m., New York time, on the date of this Agreement, or at such later time or on such later date as to which you may agree in writing. In addition, on each Closing Date (i) no stop order denying or suspending the effectiveness of the Registration Statement shall be in effect, and no proceedings for that or any similar purpose shall have been instituted or shall be pending or, to your knowledge or to the knowledge of the Company, shall be contemplated by the Commission, and (ii) all requests on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of Representative's Counsel.

(b) OPINION OF COMPANY COUNSEL. On the First Closing Date, you shall have received the opinion, dated as of the First Closing Date, of Company Counsel, in form and substance satisfactory to Representative's Counsel, to the effect that:

(i) the Company and each Subsidiary has been duly incorporated and is validly existing as a corporation in good standing under the laws of the

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THIS IS EX 1.1 -- UNDERWRITING AGREEMENT

State of New Jersey and Delaware, respectively, with full power and corporate authority to own their properties and conduct their businesses as described in the Prospectus, and each of the Company and its Subsidiaries is duly qualified or licensed to do business as a foreign corporation and is in good standing in each other jurisdiction in which the nature of its business or the character or location of its properties requires such qualification, except where failure so to qualify will not materially affect the business, properties or financial condition of the Company or such Subsidiary;

(ii) to the best knowledge of such counsel, (A) the Company and each Subsidiary has obtained all necessary licenses, permits and other governmental authorizations currently required for the conduct of its business or the ownership of its property, as described in the Prospectus, (B) such obtained licenses, permits and other governmental authorizations are in full force and effect, and (C) the Company and each Subsidiary is, in all material respects, in compliance therewith;

(iii) (A) the authorized capitalization of the Company as of the date of the Prospectus was as is set forth in the Prospectus under the caption "CAPITALIZATION;" (B) all of the shares of Common Stock now outstanding have been duly authorized and validly issued, are fully paid and non-assessable, conform to the description thereof contained in the Prospectus, have not been issued in violation of the preemptive rights of any shareholder and, except as described in the Prospectus, are not subject to any restrictions upon the voting or transfer thereof; (C) all of the Shares have been duly authorized and, when paid for as provided herein, shall be validly issued, fully paid and non-assessable, shall not have been issued in violation of the preemptive rights of any shareholder, and no personal liability shall attach to the ownership thereof; (D) the shareholders of the Company do not have any preemptive rights or other rights to subscribe for or purchase, and there are no restrictions upon the voting or transfer of, any of the Securities except as set forth in the prospectus or as otherwise required by the Underwriters; (E) the Shares and the Representative's Warrant conform to the respective descriptions thereof contained in the Prospectus; (F) all prior sales of the Company's securities from and after \_\_\_\_\_ have been made in compliance with, or under an exemption from, the Act and applicable state securities laws; (G) a sufficient number of shares of Common Stock has been reserved for issuance upon exercise of the Representative's Warrant; and (H) to the best knowledge of such counsel, neither the filing of the Registration Statement nor the offering or sale of the Shares as contemplated by this Agreement gives rise to any registration rights or other rights, other than those which have been effectively waived or satisfied, for or relating to the registration of any securities of the Company;

(iv) the certificates evidencing the Shares are each in valid and proper legal form under the laws of New Jersey; and the Representative's

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Warrant is exercisable for shares of Common Stock in accordance with its terms and at the prices therein provided for;

(v) this Agreement, the Representative's Warrant, the Financial Consulting Agreement and the M/A Agreement have been duly and validly authorized, executed and delivered by the Company and (assuming due execution and delivery thereof by each party other than the Company) all of

such agreements are, or when duly executed shall be, the valid and legally binding obligations of the Company, enforceable in accordance with their respective terms (except as enforceability may be limited by bankruptcy, insolvency or other laws affecting the rights of creditors generally); provided, however, that no opinion need be expressed as to the enforceability of the indemnity provisions contained in Section 6 or the contribution provisions contained in Section 7;

(vi) to the best knowledge of such counsel, (A) there is no pending, threatened or contemplated legal or governmental proceeding affecting the Company or any Subsidiary which could materially and adversely affect the business, property, operations, condition (financial or otherwise) or earnings of the Company or such Subsidiary, or which questions the validity of the Offering, the Securities, this Agreement, the Representative's Warrant, the Financial Consulting Agreement or the M/A Agreement, or of any action taken or to be taken by the Company pursuant thereto; and (B) there is no legal or governmental proceeding or regulation required to be described or referred to in the Registration Statement which is not so described or referred to;

(vii) to the best knowledge of such counsel, (A) the Company is not in violation of or default under this Agreement, the Representative's Warrant, the Financial Consulting Agreement or the M/A Agreement; and (B) the execution and delivery hereof and thereof and the incurrence of the obligations herein and therein set forth and the consummation of the transactions herein or therein contemplated shall not result in a violation of, or constitute a default under, the Certificate of Incorporation or By-laws of the Company, or any material obligation, agreement, covenant or condition contained in any bond, debenture, note or other evidence of indebtedness, or in any material contract, indenture, mortgage, loan agreement, lease, joint venture or other agreement or instrument to which the Company is a party or by which its assets are bound, or any material order, rule, regulation, writ, injunction or decree of any government, governmental instrumentality or court;

(viii) the Registration Statement has become effective under the Act, and to the best knowledge of such counsel, no stop order denying or suspending the effectiveness of the Registration Statement is in effect, and no proceedings for that or any similar purpose have been instituted or are pending before or threatened by the Commission;

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(ix) the Registration Statement and the Prospectus (except for the financial statements, notes thereto and other financial information and statistical data contained therein, as to which no opinion need be rendered), comply as to form in all material respects with the Act and the Rules and Regulations;

(x) all descriptions contained in the Registration Statement or the Prospectus of contracts and other documents are accurate and fairly present the information required to be described, and such counsel is familiar with all contracts and other documents referred to in the Registration Statement and the Prospectus or filed as exhibits to the Registration Statement and, to the best knowledge of such counsel, no contract or document of a character required to be summarized or described therein or to be filed as an exhibit thereto is not so summarized, described or filed;

(xi) the descriptions contained in the Registration Statement and the Prospectus which purport to summarize the provisions of statutes, rules and regulations are accurate summaries in all material respects, and such descriptions fairly present in all material respects the information shown, and the other descriptions contained in the Registration Statement and the Prospectus that concern matters of law or legal conclusions have been reviewed by such counsel and are materially correct;

(xii) the Agreement of Management and Shareholders have been duly and validly executed and delivered by each party thereto (other than American Stock Transfer & Trust Company); and

(xiii) except for registration under the Act and registration or qualification of the Securities under applicable state or foreign

securities or blue sky laws, no authorization, approval, consent or license of any governmental or regulatory authority or agency is necessary in connection with: (A) the authorization, issuance, sale, transfer or delivery of the Securities by the Company; (B) the execution, delivery and performance of this Agreement by the Company or the taking of any action contemplated herein; (C) the issuance of the Representative's Warrant or the Securities issuable upon exercise thereof; or (D) the execution, delivery and performance of this Agreement by the Company or the taking of any action contemplated herein.

Such opinion shall also state that such counsel has participated in the preparation of the Registration Statement and the Prospectus, and nothing has come to the attention of such counsel to cause such counsel to have reason to believe that the Registration Statement at the time it became effective contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (except, in the case of both the Registration Statement and the Prospectus, for the financial statements, notes thereto and

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other financial information and statistical data contained therein, as to which no opinion need be expressed. Such opinion shall also cover such matters incident to the transactions contemplated hereby as you or Representative's Counsel shall reasonably request. In rendering such opinion, Company Counsel may rely as to matters of fact upon certificates of officers of the Company, and of public officials and may rely as to all matters of law other than the law of the United States or the State of New Jersey upon opinions of counsel satisfactory to you, in which case the opinion shall state that they have no reason to believe that you and they are not entitled so to rely.

(c) CORPORATE PROCEEDINGS. All corporate proceedings and other legal matters relating to this Agreement, the Registration Statement, the Prospectus and other related matters shall be reasonably satisfactory to or approved by Representative's Counsel, and you shall have received from such counsel a signed opinion, dated as of the First Closing Date, with respect to the validity of the issuance of the Securities, the form of the Registration Statement and Prospectus (other than the financial statements and other financial or statistical data contained therein), the execution of this Agreement and other related matters as you may reasonably require. The Company shall have furnished to Representative's Counsel such documents as they may reasonably request for the purpose of enabling them to render such opinion.

(d) COMFORT LETTERS. Prior to the Effective Date, and again on and as of the First Closing Date, you shall have received a letter from Richard A. Eisner & Co., LLP, certified public accountants for the Company, substantially in the form approved by you. Additionally, you shall have received "no-default letters" from all financial institutions with which the Company and any subsidiary conducts its business. Such letters shall confirm that: (i) the Company or any subsidiary is not presently in default on any indenture, credit agreement, line of credit, promissory note or any other agreement between such financial institution and the Company ("Bank Agreements"); (ii) that such financial institution knows of no reason why the Company or any subsidiary, either presently or with the passage of time, would default upon any Bank Agreements; and (iii) that the completion of the Offering in accordance with its terms will not result in a default by the Company or any subsidiaries on any Bank Agreements. Furthermore, you shall have received litigation "comfort letters" from the Company's (including any subsidiary) litigation counsel. Such letters shall describe in detail any litigation to which the Company or any subsidiary is a party or with respect to which the Company or any subsidiary is likely to become a party. Additionally, such letters shall discuss the merits of the Company's or any subsidiary's case as well as the merits of any claims third parties may have against the Company or any subsidiary and the likelihood that any such claims will be resolved successfully in favor of the Company or any subsidiary.

(e) BRING DOWN. At each of the Closing Dates, (i) the representations and warranties of the Company contained in this Agreement shall be true and correct with the same effect as if made on and as of such Closing Date, and the Company shall have performed all of its respective obligations hereunder and satisfied all the conditions on its part to be satisfied at or prior to such

Closing Date; (ii) the Registration Statement and the Prospectus shall contain all statements which are required to be stated therein in accordance with the Act and the Rules and Regulations, and shall in all material respects conform to the

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requirements of the Act and the Rules and Regulations, and neither the Registration Statement nor the Prospectus shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; (iii) there shall have been, since the respective dates as of which information is given, no material adverse change in the business, property, operations, condition (financial or otherwise), earnings, capital stock, long-term or short-term debt or general affairs of the Company from that set forth in the Registration Statement and the Prospectus, except changes which the Registration Statement and Prospectus indicate might occur after the Effective Date, and the Company shall not have incurred any material liabilities nor entered into any material agreement other than as referred to in the Registration Statement and Prospectus; and (iv) except as set forth in the Prospectus, no action, suit or proceeding shall be pending or threatened against the Company which would be required to be disclosed in the Registration Statement, and no proceedings shall be pending or threatened against the Company before or by any commission, board or administrative agency in the United States or elsewhere, wherein an unfavorable decision, ruling or finding would materially adversely affect the business, property, operations, condition (financial or otherwise), earnings or general affairs of the Company. In addition, you shall have received, at the First Closing Date, a certificate signed by the principal executive officer and by the principal financial officer of the Company, dated as of the First Closing Date, evidencing compliance with the provisions of this Section 4(e).

(f) OPINION OF PATENT COUNSEL. On the First Closing Date, you shall have received the opinion, dated as of the First Closing Date, of \_\_\_\_\_, patent counsel to the Company, in form and substance satisfactory to Representative's Counsel, to the effect that the descriptions contained in the Registration Statement and the Prospectus which purport to summarize the provisions of statutes, rules and regulations pertaining to patents and trademarks are accurate summaries in all respects, and such descriptions fairly present in all respects the information shown, and the descriptions contained in the Registration Statement and the Prospectus that concern matters of law or legal conclusions with respect to patents and trademarks have been reviewed by such counsel and are correct.

(g) TRANSFER AND WARRANT AGENT. On or before the Effective Date, the Company shall have appointed American Stock Transfer & Trust Company (or other agent mutually acceptable to the Company and you), as its transfer agent and warrant agent to transfer all of the Shares issued in the Offering and the Representative's Warrant, as well as to transfer other shares of the Common Stock outstanding from time to time.

(h) CERTAIN FURTHER MATTERS. On each Closing Date, Representative's Counsel shall have been furnished with all such other documents and certificates as they may reasonably request for the purpose of enabling them to render their legal opinion to the Underwriter and in order to evidence the accuracy and completeness of any of the representations, warranties or statements, the performance of any of the covenants, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company on or prior to each of the Closing Dates in connection with the authorization, issuance and sale of the Securities as herein contemplated shall be reasonably satisfactory in form and substance to you and to Representative's Counsel.

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(i) ADDITIONAL CONDITIONS. Upon exercise of the Over-Allotment Option, the Underwriters' obligations to purchase and pay for the Option Shares shall be subject (as of the date hereof and as of the Option Closing Date) to the following additional conditions:

(i) The Registration Statement shall remain effective at the Option Closing Date, no stop order denying or suspending the effectiveness thereof shall have been issued, and no proceedings for that or any similar purpose shall have been instituted or shall be pending or, to your knowledge or the knowledge of the Company, shall be contemplated by the Commission, and all reasonable requests on the part of the Commission for additional information shall have been complied with to the satisfaction of Representative's Counsel.

(ii) On the Option Closing Date there shall have been delivered to you the signed opinion of Company Counsel, dated as of the Option Closing Date, in form and substance satisfactory to Representative's Counsel, which opinion shall be substantially the same in scope and substance as the opinion furnished to you on the First Closing Date pursuant to Section 4(b), except that such opinion, where appropriate, shall cover the Option Shares rather than the Firm Shares. If the First Closing Date is the same as the Option Closing Date, such opinions may be combined.

(iii) All proceedings taken at or prior to the Option Closing Date in connection with the sale and issuance of the Option Shares shall be satisfactory in form and substance to you, and you and Representative's Counsel shall have been furnished with all such documents, certificates and opinions as you may request in connection with this transaction in order to evidence the accuracy and completeness of any of the representations, warranties or statements of the Company or its compliance with any of the covenants or conditions contained herein.

(iv) On the Option Closing Date there shall have been delivered to you a letter in form and substance satisfactory to you from Richard A. Eisner & Co., LLC, dated the Option Closing Date and addressed to you, confirming the information in their letter referred to in Section 4(d) as of the date thereof and stating that, without any additional investigation required, nothing has come to their attention during the period from the ending date of their review referred to in such letter to a date not more than five banking days prior to the Option Closing Date which would require any change in such letter if it were required to be dated the Option Closing Date.

(v) On the Option Closing Date there shall have been delivered to you a certificate signed by the principal executive officer and by the principal financial or accounting officer of the Company, dated the Option Closing Date, in form and substance satisfactory to Representative's Counsel, substantially the same in scope and substance as the certificate furnished to you on the First Closing Date pursuant to Section 4(e), dated the Option Closing Date, in form and substance satisfactory to Representative's Counsel, substantially the same in scope and substance as the certificate furnished to you by the Company on the First Closing Date pursuant to Section 4(e).

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(j) CANCELLATION. If any of the conditions provided by this Section 4 shall not have been completely fulfilled as of the date indicated, then this Agreement and all obligations of the Underwriters hereunder may be cancelled at, or at any time prior to, either Closing Date by your notifying the Company of such cancellation in writing or by telegram at or prior to the applicable Closing Date. Any such cancellation shall be without liability of the Underwriters to the Company, except as otherwise provided herein.

5. CONDITIONS TO THE OBLIGATIONS OF THE COMPANY. The obligations of the Company to sell and deliver the Shares are subject to the following conditions:

(a) EFFECTIVE REGISTRATION STATEMENT. The Registration Statement shall have become effective not later than 6:00 p.m. New York time, on the date of this Agreement, or at such later time or on such later date as the Company and you may agree in writing.

(b) NO STOP ORDER. On the applicable Closing Date, no stop order denying or suspending the effectiveness of the Registration Statement shall have been issued under the Act or any proceedings therefor initiated or threatened by the Commission.

(c) PAYMENT FOR SHARES. On the applicable Closing Date, you shall have made payment, for the several accounts of the Underwriters, of the aggregate Purchase Price for the Shares then being purchased, by certified or bank cashier's checks payable in same day funds or wire transfer to the order of the Company.

If the conditions to the obligations of the Company provided by this Section 5 have been fulfilled on the First Closing Date but are not fulfilled after the First Closing Date and prior to the Option Closing Date, then only the obligation of the Company to sell and deliver the Option Shares upon exercise of



the Over-Allotment Option shall be affected.

## 6. INDEMNIFICATION.

(a) INDEMNIFICATION BY THE COMPANY. As used in this Agreement, the term "Liabilities" shall mean any and all losses, claims, damages and liabilities, and actions and proceedings in respect thereof (including without limitation all reasonable costs of defense and investigation and all attorneys' fees) including without limitation those asserted by any party to this Agreement against any other party to this Agreement. The Company hereby indemnifies and holds harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Act, from and against all Liabilities, joint or several, to which such Underwriter or such controlling person may become subject, under the Act or otherwise, insofar as such Liabilities arise out of or are based upon: (i) any untrue statement or alleged untrue statement of any material fact contained in (A) the Registration Statement or any amendment thereto, or the Prospectus or any Preliminary Prospectus, or any amendment or supplement thereto, or (B) any "blue sky" application or other document executed by the Company specifically for that purpose, or based upon written information furnished by the Company, filed in any state or other jurisdiction in order to qualify any or

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all of the Securities under the securities laws thereof (any such application, document or information being herein called a "Blue Sky Application"); or (ii) the omission or alleged omission to state in the Registration Statement or any amendment thereto, or the Prospectus or any Preliminary Prospectus, or any amendment or supplement thereto, or in any Blue Sky Application, a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the Company shall not be liable in any such case to the extent, but only to the extent, that any such Liabilities arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company through you by or on behalf of any Underwriter specifically for use in the preparation of the Registration Statement or any such amendment thereto, or the Prospectus or any such Preliminary Prospectus, or any such amendment or supplement thereto, or any such Blue Sky Application. The foregoing indemnity shall be in addition to any other liability which the Company may otherwise have.

(b) INDEMNIFICATION BY UNDERWRITERS. Each Underwriter, severally and not jointly, hereby indemnifies and holds harmless the Company, each of its directors, each nominee (if any) for director named in the Prospectus, each of its officers who have signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Act, from and against all Liabilities to which the Company or any such director, nominee, officer or controlling person may become subject under the Act or otherwise, insofar as such Liabilities arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement or any amendment thereto, or the Prospectus or any Preliminary Prospectus, or any amendment or supplement thereto, or (ii) the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that any such Liabilities arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement or any amendment thereto, or the Prospectus or any Preliminary Prospectus, or any amendment or supplement thereto, in reliance upon and in conformity with written information furnished to the Company through you, by or on behalf of such Underwriter, specifically for use in the preparation thereof. In no event shall any Underwriter be liable or responsible for any amount in excess of the compensation received by such Underwriter, in the form of underwriting discounts or otherwise, pursuant to this Agreement or any other agreement contemplated hereby.

(c) PROCEDURE. Promptly after receipt by an indemnified party under this Section 6 of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 6, notify in writing the indemnifying party of the commencement thereof, but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under this Section 6. In case any such action is brought against any indemnified party, and it notifies the

indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, subject to the provisions hereof, with counsel reasonably satisfactory to such

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indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 6 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. The indemnified party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the indemnifying party if the indemnifying party has assumed the defense of the action with counsel reasonably satisfactory to the indemnified party; provided, however, that if the indemnified party is any Underwriter or a person who controls any Underwriter within the meaning of the Act, the fees and expenses of such counsel shall be at the expense of the indemnifying party if (i) the employment of such counsel has been specifically authorized in writing by the indemnifying party, or (ii) the named parties to any such action (including any impleaded parties) include both such Underwriter or such controlling person and the indemnifying party and, in your judgment, it is advisable for such Underwriter or controlling person to be represented by separate counsel (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of such Underwriter or such controlling person, it being understood, however, that the indemnifying party shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys). No settlement of any action against an indemnified party shall be made without the consent of the indemnified party, which shall not be unreasonably withheld in light of all factors of importance to such indemnified party.

7. CONTRIBUTION. In order to provide for just and equitable contribution under the Act in any case in which (a) any indemnified party makes claims for indemnification pursuant to Section 6 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that the express provisions of Section 6 provide for indemnification in such case, or (b) contribution under the Act may be required on the part of any indemnified party, then such indemnified party and each indemnifying party (if more than one) shall contribute to the aggregate Liabilities to which it may be subject, in either such case (after contribution from others) in such proportions that the Underwriters are responsible in the aggregate for that portion of such Liabilities represented by the percentage that the underwriting discount per Share appearing on the cover page of the Prospectus bears to the public Offering price per Share appearing thereon, and the Company shall be responsible for the remaining portion; provided, however, that if such allocation is not permitted by applicable law, then the relative fault of the Company, and the Underwriters in connection with the statements or omissions which resulted in such Liabilities and other relevant equitable considerations shall also be considered. The relative fault shall be determined by reference to, among other things, whether in the case of an untrue statement of a material fact or the omission to state a material fact, such statement or omission relates to information supplied by the Company, or the Underwriters, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or

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omission. The Company and the Underwriters agree that it would not be just and equitable if the respective obligations of the Company and the Underwriters to contribute pursuant to this Section 7 were to be determined by pro rata or per capita allocation of the aggregate Liabilities (even if the Underwriters were to be treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the first sentence of this Section 7. In addition, the contribution of any Underwriter shall not be in excess of its proportionate share of the portion of such Liabilities for which such Underwriter is responsible. No person guilty of a fraudulent misrepresentation (within the meaning of section 11(f) of the Act)

shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. As used in this Section 7, the term "Company" shall include any officer, director or person who controls the Company within the meaning of section 15 of the Act. The Underwriters' obligations under this Section 7 to contribute are several in proportion to their respective underwriting obligations and not joint. If the full amount of the contribution specified in this Section 7 is not permitted by law, then each indemnified party and each person who controls an indemnified party shall be entitled to contribution from each indemnifying party to the full extent permitted by law. The foregoing contribution agreement shall in no way affect the contribution liabilities of any persons having liability under section 11 of the Act other than the Company and the Underwriters. No contribution shall be requested with regard to the settlement of any matter from any party who did not consent to the settlement; provided, however, that such consent shall not be unreasonably withheld in light of all factors of importance to such party.

#### 8. COSTS AND EXPENSES.

(a) CERTAIN COSTS AND EXPENSES. Whether or not this Agreement becomes effective or the sale of the Shares to the Underwriters is consummated, the Company shall pay all costs and expenses incident to the issuance, offering, sale and delivery of the Shares and the performance of its obligations under this Agreement, including without limitation: (i) all fees and expenses of the Company's legal counsel and accountants; (ii) all costs and expenses incident to the preparation, printing, filing and distribution of the Registration Statement (including the financial statements contained therein and all exhibits and amendments thereto), each Preliminary Prospectus and the Prospectus, each as amended or supplemented, this Agreement and the other agreements and documents referred to herein, each in such quantities as you shall deem necessary; (iii) all fees of NASD required in connection with the filing required by NASD to be made by the Representative with respect to the Offering; (iv) all expenses, including fees (but not in excess of the amount set forth in Section 3(b)) and disbursements of Representative's Counsel in connection with the qualification of the Securities under the "blue sky" laws which you shall designate; (v) all costs and expenses of printing the respective certificates representing the Shares; (vi) the expense of placing one or more "tombstone" advertisements or promotional materials as directed by you (provided, however, that the aggregate amount thereof shall not exceed \$20,000); (vii) all costs and expenses of the Company and its employees (but not of the Representative or its employees) associated with due diligence meetings and presentations; (viii) all costs and expenses associated with the preparation of a seven to ten minute

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professional video presentation concerning the Company, its products and its management for broker due diligence purposes; (ix) any and all taxes (including without limitation any transfer, franchise, capital stock or other tax imposed by any jurisdiction) on sales of the Shares to the Underwriters hereunder; and (x) all costs and expenses incident to the furnishing of any amended Prospectus or any supplement to be attached to the Prospectus as required by Sections 3(a) and 3(d), except as otherwise provided by said Sections.

(b) REPRESENTATIVE'S EXPENSE ALLOWANCE. In addition to the expenses described in Section 8(a), the Company shall on the First Closing Date pay to you, the balance of a non-accountable expense allowance (which shall include fees of Representative's Counsel exclusive of the fees referred to in Section 3(b)) of \$\_\_\_\_\_ (that being an amount equal to three percent of the gross proceeds received upon sale of the Firm Shares), of which \$\_\_\_\_\_ has been paid to you prior to the date hereof. In the event that the Over-Allotment Option is exercised, then the Company shall on the Option Closing Date pay to you, an additional amount equal to three percent of the gross proceeds received upon sale of any of the Option Shares. In the event that the transactions contemplated hereby fail to be consummated for any reason, then you shall return to the Company that portion of the \$\_\_\_\_\_ heretofore paid by the Company to the extent that it has not been utilized by you in connection with the Offering for accountable out-of-pocket expenses; provided, however, that if such failure is due to a breach by the Company of any covenant, representation or warranty contained herein or because any other condition to the Underwriters' obligations hereunder required to be fulfilled by the Company is not fulfilled, then the Company shall be liable for your accountable out-of-pocket expenses to the full extent thereof (with credit given to the \$\_\_\_\_\_ paid).

(c) NO FINDERS. No person is entitled either directly or indirectly to

compensation from the Company, the Underwriters or any other person for services as a finder in connection with the Offering, and the Company hereby indemnify and holds harmless the Underwriters, and the Underwriters hereby indemnifies and hold harmless the Company from and against all Liabilities, joint or several, to which the indemnified party may become subject insofar as such Liabilities arise out of or are based upon the claim of any person (other than an employee of the party claiming indemnity) or entity that he or it is entitled to a finder's fee in connection with the Offering by reason of such person's or entity's influence or prior contact with the indemnifying party.

9. SUBSTITUTION OF UNDERWRITERS.

(a) SUBSTITUTION. If any Underwriter defaults in its obligation to purchase the numbers of Shares which it has agreed to purchase under this Agreement, you shall be obligated to purchase all of the Shares not purchased by the defaulting Underwriter unless such purchase shall cause you to be in violation of the net capital requirements of Rule 15c3-1 of the Exchange Act, in which case you, and any other Underwriters satisfactory to you who so agree, shall have the right, but shall not be obligated, to purchase (in such proportions as may be agreed upon among them) all of the Shares. If you or the other Underwriters satisfactory to you do not elect to purchase the Shares which the defaulting

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Underwriter or Underwriters agreed but failed to purchase, then this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company except for: (i) the payment by the Company of expenses as provided by Section 8(a); (ii) the payment by the Company of accountable expenses as provided by Section 8(b); and (iii) the indemnity and contribution agreements of the Company and the Underwriters provided by Sections 6 and 7.

(b) FURTHER MATTERS. Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have for damages caused by its default. If the other Underwriters satisfactory to you are obligated or agree to purchase the Shares of a defaulting Underwriter, either you or the Company may postpone the First Closing Date for up to seven banking days in order to effect any changes that may be necessary in the Registration Statement, any Preliminary Prospectus or the Prospectus or in any other document or agreement, and to file promptly any amendments to the Registration Statement, or any amendments or supplements to any Preliminary Prospectus or the Prospectus, which in your opinion may thereby be made necessary.

10. EFFECTIVE DATE. The Agreement shall become effective upon its execution, except that you may, at your option, delay its effectiveness until 10:00 a.m., New York time, on the first full business day following the Effective Date, or at such earlier time after the Effective Date as you in your discretion shall first commence the initial public Offering by the Underwriters of any of the Shares. The time of the initial public Offering shall mean the time of release by you of the first newspaper advertisement with respect to the Shares, or the time when the Shares are first generally offered by you to dealers by letter or telegram, whichever shall first occur. This Agreement may be terminated by you at any time before it becomes effective as provided above, except that the provisions of Sections 6, 7, 8, 13, 14, 15 and 16 shall remain in effect notwithstanding such termination.

11. TERMINATION.

(a) GROUNDS FOR TERMINATION. This Agreement, except for Sections 6, 7, 8, 13, 14, 15 and 16, may be terminated at any time prior to the First Closing Date, and the Over-Allotment Option, if exercised, may be cancelled at any time prior to the Option Closing Date, by you if in your sole judgment it is impracticable to offer for sale or to enforce contracts made by the Underwriters for the resale of the Shares agreed to be purchased hereunder, by reason of: (i) the Company having sustained a material loss, whether or not insured, by reason of fire, earthquake, flood, accident or other calamity, or from any labor dispute or court or government action, order or decree; (ii) trading in securities on the New York Stock Exchange, the American Stock Exchange or the Nasdaq Stock Market having been suspended or limited; (iii) material governmental restrictions having been imposed on trading in securities generally which are not in force and effect on the date hereof; (iv) a banking moratorium

having been declared by federal or New York State authorities; (v) an outbreak or significant escalation of major international hostilities or other national or international calamity having occurred; (vi) the passage by the Congress of

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the United States or by any state legislature, of any act or measure, or the adoption of any order, rule or regulation by any governmental body or any authoritative accounting institute or board, or any governmental executive, which is reasonably believed by you likely to have a material adverse effect on the business, property, operations, condition (financial or otherwise) or earnings of the Company; (vii) any material adverse change in the financial or securities markets beyond normal fluctuations in the United States having occurred since the date of this Agreement; or (viii) any material adverse change having occurred since the respective dates for which information is given in the Registration Statement and Prospectus, in the business, property, operations, condition (financial or otherwise), earnings or business prospects of the Company, whether or not arising in the ordinary course of business.

(b) NOTIFICATION. If you elect to prevent this Agreement from becoming effective or to terminate this Agreement as provided by this Section 11 or by Section 10, the Company shall be promptly notified by you, by telephone or telegram, confirmed by letter.

12. REPRESENTATIVE'S WARRANT. On the First Closing Date, the Company shall issue and sell to you, for a total purchase price of \$5.00, and upon the terms and conditions set forth in the form of Representative's Warrant filed as an exhibit to the Registration Statement, a warrant entitling you to purchase 175,000 Shares (the "Representative's Warrant"). In the event of conflict in the terms of this Agreement and the Representative's Warrant, the terms and conditions of the Representative's Warrant shall control.

13. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY. The respective indemnities, agreements, representations, warranties, covenants and other statements of the Company and the Underwriters set forth in or made pursuant to this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of any other party, and shall survive delivery of and payment for the Securities and the termination of this Agreement. The Company hereby indemnifies and holds harmless the Underwriters from and against all Liabilities, joint or several, to which the Underwriters may become subject insofar as such Liabilities arise out of or are based upon the breach or failure of any representation, warranty or covenant of the Company contained in this Agreement.

14. NOTICES. All communications hereunder shall be in writing and, except as otherwise expressly provided herein, if sent to you, shall be mailed, delivered or telegraphed and confirmed to you at H.J. Meyers & Co., Inc., Attn: Managing Director of Corporate Finance, 1895 Mt. Hope Avenue, Rochester, New York 14620, with a copy sent to James M. Jenkins, Esq., Harter, Secrest & Emery, 700 Midtown Tower, Rochester, New York 14604; or if sent to the Company, shall be mailed, delivered, or telegraphed and confirmed to it at DynamicWeb Enterprises, Inc., Attention: President, 271 Route 46 West, Building F, Suite 209, Fairfield, New Jersey 07004, with a copy sent to Stephen F. Ritner, Esq., Stevens & Lee, P.C., One Glenhardie Corporate Center, 1275 Drummers Lane, P.O. Box 236, Wayne, Pennsylvania 19087.

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15. PARTIES IN INTEREST. This Agreement is made solely for the benefit of the Underwriters, the Company and, to the extent expressed, any person controlling the Company or an Underwriter, as the case may be, and the directors of the Company, nominees for directors of the Company (if any) named in the Prospectus, officers of the Company who have signed the Registration Statement, and their respective executors, administrators, successors and assigns; and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" shall not include any purchaser, as such, from an Underwriter of the Shares.

16. APPLICABLE LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without reference to such

state's laws respecting the conflict of laws. The Company submits to the jurisdiction of the federal and state courts located in Monroe County for such purposes.

17. COUNTERPARTS. This Agreement may be executed in two or more counterpart copies, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return this Agreement, whereupon it will become a binding agreement between the Company and the Underwriters in accordance with its terms.

Yours very truly,

DYNAMICWEB ENTERPRISES, INC.

By:

-----  
Name: Steven L. Vanechanos, Jr.  
Title: Chief Executive Officer

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

H.J. MEYERS & CO., INC.  
AS REPRESENTATIVE OF THE  
SEVERAL UNDERWRITERS NAMED  
IN SCHEDULE I HERETO

By:

-----  
Name: Michael Bresner  
Title: Managing Director

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SCHEDULE I

UNDERWRITING AGREEMENT DATED [EFFECTIVE DATE]

<TABLE>  
<CAPTION>

| UNDERWRITER                    | NUMBER OF<br>FIRM SHARES<br>TO BE PURCHASED |
|--------------------------------|---|
| <S><br>H.J. Meyers & Co., Inc. | <C>   |

TOTAL 1,750,000

</TABLE>

WARRANT TO PURCHASE 175,000  
SHARES OF COMMON STOCK

## REPRESENTATIVE'S WARRANT

Dated: [Effective Date]

THIS CERTIFIES THAT H.J. MEYERS & CO., INC. (herein sometimes called the "Holder") is entitled to purchase from DYNAMICWEB ENTERPRISES, INC., a New Jersey corporation (the "Company"), at the respective prices and during the period hereinafter specified, up to 175,000 shares of the Common Stock, \$.0001 par value, of the Company (the "Common Stock"). This Representative's Warrant (this "Warrant") is issued pursuant to an Underwriting Agreement dated [Effective Date] between the Company and H.J. Meyers & Co., Inc. (the "Representative"), as representative of certain underwriters, including itself (the "Underwriters"), in connection with a public offering, through the Underwriters (the "Offering"), of 1,750,000 shares of Common Stock (and up to 262,500 additional shares of Common Stock covered by an over-allotment option granted to the Underwriters), in consideration of \$5.00 received by the Company for this Warrant. Except as otherwise expressly provided herein, the shares of Common Stock issued upon exercise of this Warrant shall bear the same terms and conditions described under the caption "Description Of Securities" in the registration statement (File No. 33-\_\_\_\_) on Form SB-2 relating to the Offering (the "Registration Statement"), except that (i) the Holder shall have registration rights under the Securities Act of 1933, as amended (the "Act"), for this Warrant and the Common Stock as more fully described in Section 6. Each certificate evidencing the Registrable Securities (as hereinafter defined) shall bear the appropriate restrictive legend set forth below, except that any such certificate shall not bear such restrictive legend if (a) it is transferred pursuant to an effective registration statement under the Act or in compliance with Rule 144 or Rule 144A promulgated under the Act, or (b) the Company is provided with an opinion of counsel to the effect that such legend is not required in order to establish compliance with the provisions of the Act:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. SUCH SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT. COPIES OF THE REPRESENTATIVE'S WARRANT COVERING REGISTRATION RIGHTS PERTAINING TO THESE SECURITIES AND RESTRICTING THEIR TRANSFER MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE COMPANY AT THE OFFICE OF THE COMPANY AT FAIRFIELD, NEW JERSEY."

Unless the context otherwise requires, all references herein to a "Section" shall mean the appropriate Section of this Warrant.

1. EXERCISE PRICE AND PERIOD. The rights represented by this Warrant shall be exercised at the price and during the periods set forth below:

(a) During the period from [EFFECTIVE DATE] to [EFFECTIVE DATE+1 YEAR-1 DAY] (the "First Anniversary Date") inclusive, the Holder shall have no right to purchase any Securities hereunder, except that in the event of any merger or consolidation of the Company into another entity, or any sale of substantially all of the assets of the Company as an entirety, prior to the First Anniversary Date, the Holder shall have the right to exercise this Warrant at such time and into such kinds and amounts of shares of stock and other securities and property (including cash) as would be receivable by a holder of the number of shares of Common Stock into which this Warrant might have been exercisable immediately prior thereto.

(b) Between [EFFECTIVE DATE+1 YEAR] and [EFFECTIVE DATE+5 YEARS-1 DAY] (the "Expiration Date") inclusive, the Holder shall have the right to purchase hereunder: (i) shares of Common Stock at a price of \$\_\_\_\_\_ per share (that being 120 percent of the public offering price of the shares of Common Stock) (the "Share Exercise Price").

(c) Notwithstanding the provisions of Section 1(b) with respect to

the Exercise Price to the contrary, the Holder may elect to exercise this Warrant, in whole or in part, by receiving Common Stock equal to the value (as herein determined) of the portion of this Warrant then being exercised, in which event the Company shall issue to the Holder the number of shares of Common Stock determined by using the following formula:

$$X = \frac{Y(A-B)}{A}$$

where: X = the number of shares of Common Stock to be issued to the Holder under the provisions of this Section 1(c)

Y = the number of shares of Common Stock that would otherwise be issued upon such exercise

A = the Current Fair Market Value (as hereinafter defined) of one share of Common Stock calculated as of the last trading day immediately preceding such exercise

B = the Exercise Price

As used herein, the "Current Fair Market Value" of the Common Stock as of a specified date shall mean with respect to each share of Common Stock, (i) the average of the closing prices of the Common Stock sold on all securities exchanges on which the Common Stock may at

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the time be listed, or (ii) if there have been no sales on any such exchange on such day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or (iii) if on such day the Common Stock is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 p.m., New York time, or (iv) if on such day the Common Stock is not quoted in the NASDAQ System, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated or any similar successor organization, in each such case either (i) calculated on the date which the form of election specified in Section 2 herein is deemed to have been sent to the Company or (ii) averaged over a period of 5 days consisting of the day as of which the Current Fair Market Value is being determined and the 4 consecutive business days prior to such day. The Holder hereof shall determine in its sole discretion which method of calculation to use. If on the date for which Current Fair Market Value is to be determined the Common Stock is not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, then Current Fair Market Value of the Common Stock shall be the highest price per share which the Company could then obtain from a willing buyer (not a current employee or director) for Common Stock sold by the Company from authorized but unissued shares, as determined in good faith by the Board of Directors of the Company, unless prior to such date the Company has become subject to a merger, consolidation, reorganization, acquisition or other similar transaction pursuant to which the Company is not the surviving entity, in which case the Current Fair Market Value of the Common Stock shall be deemed to be the per share value received or to be received in such transaction by the holders of Common Stock.

(d) After the Expiration Date, the Holder shall have no right to purchase any shares of Common Stock hereunder.

2. EXERCISE. The rights represented by this Warrant may be exercised, in whole or in part (with respect to shares of Common Stock, by the Holder at any time within the periods specified in Section 1 by: (a) surrender of this Warrant for cancellation (with the purchase form at the end hereof properly executed) at the principal executive office of the Company (or at such other office or agency of the Company as it may designate by notice in writing to the Holder at the address of the Holder appearing on the books of the Company); (b) to the extent that the Holder does not use the election provided by Section 1(c), payment to the Company of the Exercise Price for the number of shares of Common Stock specified in the such purchase form, together with the amount of applicable stock transfer taxes, if any; and (c) delivery to the Company of a duly executed agreement signed by the person(s) designated in the purchase form to the effect that such person(s) agree(s) to be bound by all of the terms and conditions of this Warrant, including without limitation the provisions of Sections 6 and 7.



This Warrant shall be deemed to have been exercised, in whole or in part to the extent specified, immediately prior to the close of business on the date on which all of the provisions of this Section 2 are satisfied, and the person(s) designated in the purchase form shall become the holder(s) of record of the shares of Common Stock issuable upon such exercise at that time and date. The certificates representing the shares of Common Stock so purchased shall be delivered to the Holder within a reasonable time, not exceeding ten business days, after this Warrant shall have been so exercised.

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### 3. TRANSFER OF WARRANT.

(a) During the period from [EFFECTIVE DATE] to the First Anniversary Date inclusive, this Warrant shall not be transferred, sold, assigned or hypothecated, except that during such period this Warrant may be transferred (i) to successors in interest of the Holder, or (ii) in whole or in part to any one or more shareholders, directors or officers of the Holder, in each case subject to compliance with applicable Federal and state securities laws and Interpretations of the Board of Governors of the National Association of Securities Dealers, Inc.

(b) Between [EFFECTIVE DATE+1 YEAR] and the Expiration Date inclusive, this Warrant shall be freely transferable, in whole or in part, subject to the other terms and conditions hereof and to compliance with applicable Federal and state securities laws; provided, however, that this Warrant shall be immediately exercised upon any such transfer to any person or entity that is not a shareholder, director or officer of the Holder and that if this Warrant is not so exercised upon a transfer to any person or entity which is not a shareholder, director or officer of the Holder, that this Warrant shall immediately lapse.

(c) Any transfer of this Warrant permitted by this Section 3 shall be effected by: (i) surrender of this Warrant for cancellation (with the assignment form at the end hereof properly executed) at the office or agency of the Company referred to in Section 2; (ii) delivery of a certificate (signed, if the Holder is a corporation or partnership, by an authorized officer or partner thereof), stating that each transferee designated in the assignment form is a permitted transferee under this Section 3; and (iii) delivery of an opinion of counsel stating that the proposed transfer may be made without registration or qualification under applicable Federal or state securities laws. This Warrant shall be deemed to have been transferred, in whole or in part to the extent specified, immediately prior to the close of business on the date the provisions of this Section 3(c) are satisfied, and the transferee(s) designated in the assignment form shall become the holder(s) of record at that time and date. The Company shall issue, in the name(s) of the designated transferee(s) (including the Holder if this Warrant has been transferred in part) a new Warrant or Warrants of like tenor and representing, in the aggregate, rights to purchase the same number of shares of Common Stock as are then purchasable under this Warrant. Such new Warrant or Warrants shall be delivered to the record holder(s) thereof within a reasonable time, not exceeding ten business days, after the rights represented by this Warrant shall have been so transferred. As used herein (unless the context otherwise requires), the term "Holder" shall include each such transferee, and the term "Warrant" shall include each such transferred Warrant.

4. COVENANTS OF THE COMPANY. The Company covenants and agrees that all shares of Common Stock which may be issued upon exercise of this Warrant shall, upon issuance in accordance with the terms hereof, be duly and validly issued, fully paid and non-assessable, with no personal liability attaching to the Holder thereof. The Company further covenants and agrees that during the period within which this Warrant may be exercised, the Company shall at all times have authorized and reserved a sufficient number of shares of Common Stock for issuance upon exercise of this Warrant.

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5. SHAREHOLDERS' RIGHTS. This Warrant shall not entitle the Holder to any voting rights or other rights as a shareholder of the Company.

### 6. REGISTRATION RIGHTS.

(a) CERTAIN DEFINITIONS. As used herein, the term:

(i) "Registrable Securities" shall mean this Warrant and/or the shares of Common Stock issued or issuable upon exercise of this Warrant, as the same shall be so designated by the Holder.

(ii) "50% Holder" shall mean the Holder(s) of at least 50 percent of the total number of shares of Common Stock comprising the Registrable Securities (whether or not this Warrant has been exercised), and shall include any Holder or combination of Holders.

(b) "PIGGYBACK" REGISTRATION. From the date hereof until the Expiration Date, the Company shall advise the Holder, whether the Holder holds this Warrant or has exercised this Warrant and holds any of the Common Stock, by written notice at least four weeks prior to the filing of any post-effective amendment to the Registration Statement (unless the Company determines that to comply with Federal securities law it must file such post-effective amendment in less than four weeks' time, in which case the Company shall give the Holder the most notice practicable under the circumstances), or of any new registration statement or post-effective amendment thereto under the Act (other than a registration statement on Form S-8 or its counterpart), or any Notification on Form 1-A under the Act, covering any securities of the Company, whether for its own account or for the account of others, and shall, upon the request of the Holder, include in any such post-effective amendment or new registration statement such information as may be required to permit a public offering of any or all of the Registrable Securities of the Holder, all at no expense whatsoever to the Holder (except in the case of any post-effective amendment to the extent as permitted by the Act or the rules and regulations promulgated thereunder), except that each Holder whose Registrable Securities are included in such registration shall bear the fees of its own counsel and any underwriting discounts or commissions applicable to the Securities sold by it.

(c) DEMAND REGISTRATION.

(i) If any 50% Holder shall give notice to the Company, at any time after the First Anniversary Date and prior to the Expiration Date, to the effect that such 50% Holder desires to register under the Act any Registrable Securities under such circumstances that a public distribution (within the meaning of the Act) of any such securities shall be involved, then the Company shall promptly, but no later than 30 days after receipt of such notice, use its reasonable best efforts to file a post-effective amendment to the Registration Statement or a new registration statement under the Act, to the end that Registrable Securities of such 50% Holder may be publicly sold under the Act as promptly as practicable thereafter, and the Company shall use its best efforts to cause such registration to become effective as soon as possible; provided, however, that such 50% Holder shall furnish the Com-

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pany with appropriate information in connection therewith as the Company may reasonably request in writing; and provided further that the Company shall then have available current financial statements (unless the unavailability of current financial statements results from the Company's fault or neglect). The 50% Holder may, at its option, cause Registrable Securities to be included in such registration under this Section 6(c) on a maximum of two occasions during the four-year period beginning on the First Anniversary Date and ending on the Expiration Date.

(ii) Within ten days after receiving any such notice pursuant to this Section 6(c), the Company shall give notice to each other Holder (whether such Holder holds a Warrant or has exercised the Warrant and holds any of the Securities), advising that the Company is proceeding with such post-effective amendment or new registration statement and offering to include therein Registrable Securities held by such other Holders, provided that they shall furnish the Company with such appropriate information in connection therewith as the Company shall reasonably request in writing.

(iii) All costs and expenses (including without limitation, legal, accounting, printing, mailing and filing fees) of the first such registration effected under this Section 6(c) shall be borne by the Company, except that the Holder(s) whose Registrable Securities are included in such registration shall bear the fees of their own counsel and any underwriting discounts or commissions applicable to the securities sold by them. All costs and expenses of the second such registration effected under this Section 6(c)

shall be borne by the Holder(s) whose Registrable Securities are included in such registration.

(iv) The Company shall cause each registration statement or post-effective amendment filed pursuant to this Section 6(c) to remain current under the Act (including the taking of such steps as are necessary to obtain the removal of any stop order) for a period of at least six months (and for up to an additional three months if requested by the Holder(s)) from the effective date thereof, or until all the Registrable Securities included in such registration have been sold, whichever is earlier.

(d) FURTHER RIGHTS. The registration rights provided by this Section 6 may be exercised by the Holder either prior or subsequent to its exercise of this Warrant. A 50% Holder may, at its option, request registration pursuant to Section 6(b) and/or pursuant to Section 6(c), and its request for registration under one such Section shall not affect its right to request registration under the other. The registration rights provided by this Section 6 shall supersede and be prior in right to any registration rights granted by the Company to other holders of its outstanding securities.

(e) FURTHER OBLIGATIONS OF COMPANY. With respect to all registrations under this Section 6, the Company shall: (i) supply prospectuses and such other documents as the Holder may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities; (ii) use its best efforts to register and qualify the Registrable Securities for sale in such states as the Holder designates (provided, however, that in no event shall the Company be required to qualify as a foreign corporation or a dealer in securities or to execute a general consent to service of process); and (iii) do any and all other acts and things

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which may be necessary or desirable to enable the Holder to consummate the public sale or other disposition of the Registrable Securities.

## 7. INDEMNIFICATION.

(a) INDEMNIFICATION BY THE COMPANY. As used in this Section 7, the term "Liabilities" shall mean any and all losses, claims, damages and liabilities, and actions and proceedings in respect thereof, including without limitation all reasonable costs of defense and investigation and all attorneys' fees. Whenever pursuant to Section 6 a registration statement relating to any Registrable Securities is filed under the Act, or amended or supplemented, the Company shall indemnify and hold harmless each Holder of Registrable Securities included in such registration statement, amendment or supplement (each, a "Distributing Holder"), and each person (if any) who controls (within the meaning of the Act) the Distributing Holder, and each underwriter (within the meaning of the Act) of such Registrable Securities, and each person (if any) who controls (within the meaning of the Act) any such underwriter, from and against all Liabilities, joint or several, to which the Distributing Holder or any such controlling person or underwriter may become subject, under the Act or otherwise, insofar as such Liabilities arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any such registration statement, or any preliminary prospectus or final prospectus constituting a part thereof, or any amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the Company shall not be liable in any such case to the extent that any such Liabilities arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, preliminary prospectus, final prospectus, or amendment or supplement thereto, in reliance upon and in conformity with written information furnished by such Distributing Holder or by any other Distributing Holder for use in the preparation thereof. The foregoing indemnity shall be in addition to any other liability which the Company may otherwise have.

(b) INDEMNIFICATION BY HOLDER. The Distributing Holder(s) shall indemnify and hold harmless the Company, and each of its directors, each nominee (if any) named in any preliminary prospectus or final prospectus constituting a part of such registration statement, each of its officers who have signed such registration statement and such amendments or supplements thereto, and each person (if any) who controls the Company (within the meaning of the Act) against all Liabilities, joint or several, to which the Company or any such director,

nominee, officer or controlling person may become subject, under the Act or otherwise, insofar as such Liabilities arise out of or are based upon any untrue or alleged untrue statement of any material fact contained in such registration statement, preliminary prospectus, final prospectus, or amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent that such Liabilities arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, preliminary prospectus, final prospectus or amendment or supplement

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thereto in reliance upon and in conformity with written information furnished by such Distributing Holder(s) for use in the preparation thereof. The foregoing indemnity shall be in addition to any other liability which the Distributing Holder(s) may otherwise have.

(c) PROCEDURE. Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against any indemnifying party, give the indemnifying party notice of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under this Section 7. In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 7 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation.

(d) LIMITATION. Notwithstanding the foregoing, if the Registrable Securities are to be distributed by means of an underwritten public offering, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with such underwriting are in conflict with the provisions of this Section 7, the provisions of such underwriting agreement shall be controlling, provided that the Holder is a party to such underwriting agreement.

8. ANTI-DILUTION. In the event that the outstanding shares of Common Stock are at any time increased or decreased in number, or changed into or exchanged for a different number or kind of shares or other security of the Company or of another corporation through reorganization, merger, consolidation, liquidation, recapitalization or, in the case of Common Stock, stock split, reverse split, combination of shares or stock dividends payable with respect to such Common Stock, sold at below the exercise price of this Warrant, and for other unusual events (other than employee benefit and stock option plans for employees and advisors of the Company) appropriate adjustments shall be made in the number and kind of such securities then subject to this Warrant and in the Exercise Price of this Warrant effective as of the date of such occurrence, so that the position of the Holder upon exercise of this Warrant shall be the same as it would have been had it owned immediately prior to the occurrence of such event the Common Stock subject to this Warrant; provided, however, that in no event shall two adjustments be made for the same event. For example, if the Company declares a 2-for-1 stock dividend or stock split, then the number of shares of Common Stock then subject to this Warrant shall each be doubled and the Share Exercise Price shall each be reduced by 50 percent. Such adjustments shall be made successively whenever any event described by this Section 8 shall occur.

9. GOVERNING LAW. This Warrant shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be

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performed entirely within such State, without reference to such State's laws regarding the conflict of laws. The Company submits to the jurisdiction of the state and federal courts located in Monroe County, New York.

10. AMENDMENT OR WAIVER. Any provision of this Warrant may be amended, waived or modified upon the written consent of the Company and any 50% Holder; provided, however, that such amendment, waiver or modification applies by its terms to each Holder; and provided further, that a Holder may waive any of its rights or the Company's obligations to such Holder without obtaining the consent of any other Holder.

IN WITNESS WHEREOF, DYNAMICWEB ENTERPRISES, INC. has caused this Warrant to be signed by its duly authorized officers under its corporate seal and to be dated as of the date set forth on the first page hereof.

DYNAMICWEB ENTERPRISES, INC.

By:

-----  
Name: Steven L. Vanechanos, Jr.  
Title: President and Chief Executive Officer

(Corporate Seal)

Attest:

-----  
Secretary

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PURCHASE FORM

(TO BE SIGNED ONLY UPON EXERCISE OF WARRANT)

The undersigned, the Holder of the foregoing Warrant, hereby irrevocably elects to exercise the purchase rights represented by such Warrant for, and to purchase thereunder, ----- shares of Common Stock, \$.0001 par value, of DYNAMICWEB ENTERPRISES, INC. (the "Company") and (i) herewith makes payment of an aggregate of \$----- therefor and/or (ii) pursuant to Section 1(c) of such Warrant hereby tenders the right to exercise such Warrant to the extent of ----- shares of Common Stock of the Company. The undersigned requests that the certificates for the shares of such Common Stock be issued in the name(s) of, and delivered to, the person(s) whose name(s) and address(es) are set forth below:

Dated: -----

-----  
Name:

-----  
Address:

Signatures guaranteed by:

-----

Taxpayer Identification Number:

-----

TRANSFER FORM

(TO BE SIGNED ONLY UPON TRANSFER OF WARRANT)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto ----- the right to purchase shares of the Common Stock, \$.0001 par value per share, of DYNAMICWEB ENTERPRISES, INC. (the "Company") represented by the foregoing Warrant to the extent of ---- shares of Common Stock and appoints ----- attorney to transfer such rights on the books of the Company, with full power of substitution in the premises.

Dated:

-----

-----  
Name:

-----  
Address:

Signatures guaranteed by:

- -----

Taxpayer Identification Number:

- -----

November \_\_, 1997

Board of Directors  
DynamicWeb Enterprises, Inc.  
271 Route 46 West  
Building F, Suite 209  
Fairfield, New Jersey 07004

Re: Registration Statement on Form SB-2 (SEC File No. 333-35579)

Gentlemen:

In connection with the proposed offering by DynamicWeb Enterprises, Inc. (the "Company") of up to \_\_\_\_\_ shares of the Company's common stock, par value \$.0001 per share (the "Common Stock"), covered by the Company's Registration Statement on Form SB-2 (No. 333-35579) (the "Registration Statement"), we, as counsel to the Company, have reviewed:

1. the Articles of Incorporation of the Company;
2. the Bylaws of the Company;
3. the minute books of the Company;
4. a Corporate Good Standing Certificate, dated \_\_\_\_\_, 1997, issued by the Secretary of the State of New Jersey, with respect to the Company;
5. the Registration Statement; and
6. copies of the certificates representing shares of the Common Stock.

Based upon our review of such documents, it is our opinion that:

1. The Company has been duly incorporated under the laws of the State of New Jersey and is validly existing and in good standing under the laws of such State.

Board of Directors  
November \_\_, 1997  
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2. The \_\_\_\_\_ shares of Common Stock covered by the Registration Statement have been duly authorized and, when issued and sold for cash pursuant to the terms described in the Registration Statement, will be legally issued by the Company and fully paid and nonassessable.

We consent to the filing of this opinion as an exhibit to the Registration Statement, and to the reference to us under the heading "Legal Matters" in the related Prospectus. In giving this consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the Rules and Regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

STEVENS & LEE

## FINANCIAL CONSULTING AGREEMENT

This Agreement is made on [Closing Date], by and between DYNAMICWEB ENTERPRISES, INC., a New Jersey corporation having its principal office at 271 Route 46 West, Building F, Suite 209, Fairfield, New Jersey 07004 (the "Company"), and H.J. MEYERS & CO., INC., a New York corporation having an office at 1895 Mt. Hope Avenue, Rochester, New York 14620 ("the Consultant").

In consideration of the mutual premises contained herein and on the terms and conditions hereinafter set forth, the Company and Consultant agree as follows:

## 1. PROVISION OF SERVICES.

(a) Consultant shall, to the extent reasonably required in the conduct of the business of the Company, place at the disposal of the Company its judgment and experience and, to such extent and at the prior written request of the President of the Company to the Consultant's Managing Director of Corporate Finance, provide business development and corporate finance services to the Company, including the following:

(i) evaluation of the Company's managerial and financial requirements;

(ii) assistance in recruiting, screening, evaluating and recommending key personnel, directors, accountants, commercial and investment bankers, underwriters, attorneys and other professional consultants;

(iii) assistance in the preparation of budgets and business plans;

(iv) advice with regard to sales planning and sales activities;

(v) advice with regard to stockholder relations and public relations matters; and

(vi) evaluation of financial requirements and assistance in financial arrangements.

Notwithstanding the foregoing, Consultant shall not provide services to the Company hereunder in connection with mergers, acquisitions, consolidations, joint ventures and similar corporate finance transactions, which transactions are instead the subject of a certain letter agreement dated this date between Consultant and the Company.

(b) In addition to the foregoing, for a period of thirty-six (36) months, the Consultant shall have the option to select an observer designated by the Consultant and reasonably acceptable to the Company, to receive notice of and to attend all meetings of the Board of Directors of the Company (the "Observer"). Such Observer shall have no voting rights, and shall be reimbursed for all out-of-pocket expenses incurred in attending meetings of the Board of Directors. The Company shall hold at least four (4) meetings of the Board of Directors per year. The Observer will be indemnified by the Company against any claims arising out of his participation at Board meetings. Additionally, the Company shall provide the Observer with the same expense reimbursement and cash allowance in connection with meetings of the Board of Directors as it provides to non-employee Directors of the Company.

(c) Consultant shall use reasonable efforts in the furnishing of advice and recommendations, and for this purpose Consultant shall at all times maintain or keep and make available qualified personnel or a network of qualified outside professionals for the performance of its obligations under this Agreement. To the extent reasonably practicable, Consultant shall so use its own personnel rather than outside professionals.

2. COMPENSATION. In consideration of Consultant's services hereunder, the Company shall pay Consultant a consulting fee of \$6,000 per month, payable one



year in advance on the date hereof (that being the closing date of the sale of the Company's securities pursuant to a Registration Statement on Form SB-2 filed with the Securities and Exchange Commission). Consultant hereby accepts such compensation.

3. EXPENSES. The Company shall reimburse Consultant for reasonable expenses incurred by Consultant in connection with its services rendered hereunder. All expenses in excess of \$500 shall be approved in writing by the Company in advance. Consultant shall invoice the Company for its expenses incurred. Payment of invoices shall be due upon receipt.

4. LIABILITY; INDEMNIFICATION.

(a) It is expressly understood and agreed that, in furnishing the Company with management advice and other services as herein provided, neither Consultant nor any of its officers, directors, employees or agents (including without limitation the Observer) shall be liable to the Company, its stockholders, its creditors or any other person or entity for errors of judgment or for any act or omission except willful malfeasance, bad faith or gross negligence in the performance of its duties hereunder. It is further understood and agreed that Consultant may rely upon information furnished to it and reasonably believed by it to be accurate and reliable and that, except as herein provided, Consultant shall not be liable for any loss suffered by the Company, or by any officer, director, employee, stockholder or creditor of the Company, by reason of the Company's action or non-action on the basis of any advice, recommendation or approval of Consultant or any of its officers, directors, employees or agents.

(b) The Company shall indemnify, save harmless and defend Consultant and its officers, directors, employees and agents (including without limitation the Observer) from, against and in respect of any loss, damage, liability, judgment, cost or expense whatsoever, including counsel fees, suffered or incurred by it or him by reason of, or on account of, its status or activities as a consultant to the Company hereunder (and, in the case of the Observer, his participation in meetings of the Board of Directors of the Company).

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(c) Consultant shall indemnify, save harmless and defend the Company and its officers, directors, employees and agents from, against and in respect of any loss, damage, liability, judgment, cost or expense whatsoever, including counsel fees, suffered or incurred by it or him by reason of, or on account of, willful malfeasance, bad faith or gross negligence in the performance of Consultant's duties hereunder.

(d) In the event that the Consultant is held liable under this Section 4, the Consultant's liability is limited to the total compensation received by Consultant pursuant to Section 2 of this Agreement. In no event shall Consultant be liable for any incidental or consequential damages to the Company, its stockholders, creditors or any other person or entity even if advised of the possibility thereof.

5. STATUS OF CONSULTANT. Consultant shall at all times be an independent contractor of the Company and, except as expressly provided or authorized by this Agreement, shall have no authority to act for or represent the Company.

6. OTHER ACTIVITIES OF CONSULTANT. The Company recognizes that Consultant now renders and may continue to render management and other services to other companies which may or may not have policies and conduct activities similar to those of the Company. Consultant shall be free to render such advice and other services and the Company hereby consents thereto. Consultant shall not be required to devote its full time and attention to the performance of its duties under this Agreement, but shall devote only so much of its time and attention as Consultant deems reasonable or necessary for such purposes.

7. CONTROL. Nothing contained herein shall be deemed to require the Company to take any action contrary to its Certificate of Incorporation or By-laws, or any applicable statute or regulation, or to deprive its Board of Directors of its responsibility for and control of the conduct of the affairs of the Company.

8. TERM. Except as provided by Section 1(b) hereof, Consultant's performance of services hereunder shall be for a term of one year commencing on the date hereof.

9. IN GENERAL.

(a) This Agreement sets forth the entire agreement and understanding between the parties with respect to its subject matter and supersedes all prior discussions, agreements and understandings of every and any nature between them with respect thereto. This Agreement may not be modified except in a writing signed by the parties.

(b) This Agreement has been made in the State of New York and shall be governed by and construed in accordance with the laws thereof without regard to principles of conflict of laws. Any proceeding commenced by either party to enforce or interpret any provision of this Agreement shall be brought in Monroe County, New York. The Company hereby submits to the jurisdiction of the federal and state courts located in such County for such purposes.

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(c) Neither this Agreement nor either party's rights hereunder shall be assignable by any party hereto without the prior written consent of the other party hereto.

(d) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their respective officers or representatives duly authorized on the day and year first above written.

DYNAMICWEB ENTERPRISES, INC.

By:

-----  
Name: Steven L. Vanechanos, Jr.  
Title: President and Chief Executive Officer

H.J. MEYERS & CO., INC.

By:

-----  
Name: Michael Bresner  
Title: Managing Partner

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H.J. Meyers & Co., Inc.  
1895 Mount Hope Avenue  
Rochester, New York 14620

[Effective Date]

DYNAMICWEB ENTERPRISES, INC.  
271 Route 46 West  
Building F, Suite 209  
Fairfield, New Jersey 07004

Ladies and Gentlemen:

You have agreed that H.J. Meyers & Co., Inc. ("H.J. Meyers") may act as a finder or financial consultant for you in various Transactions (as hereinafter defined), in which DynamicWeb Enterprises, Inc. or its subsidiaries (collectively, the "Company") may be involved for a period of 24 months from the date of this Agreement (the "Period").

1. DEFINITIONS.

For the purposes of this Agreement:

(a) A "Transaction" shall mean any transaction or series or combination of transactions involving the Company, other than in the ordinary course of trade or business, whereby, directly or indirectly, control of, or a material interest in any businesses, assets or properties, is sold, purchased, leased or otherwise transferred, including, without limitation, a sale, purchase or exchange of capital stock or assets, a lease of assets with or without a purchase option, a merger or consolidation, a tender or exchange offer, a leveraged buy-out, a restructuring, a recapitalization, a repurchase of capital stock, an extraordinary dividend or distribution (whether cash, property, securities or a combination thereof), a liquidation, the formation of a joint venture or partnership, a minority investment or any other similar transaction.

(b) "Consideration" shall mean the total value of all cash, securities, other property and any other consideration, including, without limitation, any contingent, earned or other consideration paid or payable, directly or indirectly, in connection with a Transaction and consideration shall be determined at the closing. The value of any such securities (whether debt or equity) or other property shall be determined as follows: (1) the value of securities that are freely tradeable in an established public market shall be the last closing market price of such securities prior to the public announcement of the Transaction; and (2) the value of securities which are not freely tradeable or which have no established public market, or if the consideration consists of property other than securities, the value of such securities or other property shall be the fair market value thereof as mutually agreed by the Company and H.J. Meyers. Consideration shall also be deemed to include any indebtedness, including, without limitation, pension liabilities, guarantees and other obligations assumed, directly or indirectly, in connection with, or which survives the closing of, a Transaction. If the consideration to be paid is computed or payable in any foreign currency, the value of such foreign currency shall, for the purposes hereof, be converted into U.S. Dollars at the prevailing exchange rate on the dates on which such consideration is payable.

2. H.J. MEYERS' FEE.

(a) If during the Period H.J. Meyers brings to the Company an opportunity for a proposed Transaction, then upon the consummation of any such Transaction (but only if such consummation occurs within 36 months from the date of this Agreement) the Company will pay to H.J. Meyers as a fee the amount provided for in Paragraph 2(c) hereof; provided, however, that H.J. Meyers shall be deemed to have brought an opportunity to the Company for purposes of this Paragraph 2(a) only if the opportunity is at least briefly specifically described in a writing (which need not identify the other parties) signed by H.J. Meyers and received (with receipt acknowledged in writing by the Company)

prior to any negotiations between representatives of the Company and representatives of the other party or parties to such Transaction, and such writing signed by H.J. Meyers refers to the Company's obligations under this Section 2.

(b) If during the Period an opportunity for a proposed Transaction is brought to the Company by someone other than H.J. Meyers, and if the Company in writing retains H.J. Meyers for consultation or other services in connection therewith, then upon the consummation of that transaction, the Company will pay H.J. Meyers as a fee the amount provided for in Paragraph 2(c) hereof.

(c) The amount to be paid by the Company to H.J. Meyers in any case described in Paragraphs 2(a) or 2(b) hereof shall be calculated based on the Consideration paid to or received by the Company (or its stockholders), as follows: five percent (5%) of the first three million dollars (\$3,000,000); three and one-half percent (3.5%) of any consideration greater than three million dollars (\$3,000,000) and less than or equal to five million dollars (\$5,000,000); and two percent (2%) of any consideration in excess of five million dollars (\$5,000,000).

(d) In addition to those fees payable to H.J. Meyers under the provisions of Paragraph 2 hereof, the Company shall reimburse H.J. Meyers for its out-of-pocket and incidental expenses incurred in connection with the performance by H.J. Meyers of its duties under this Agreement. Such reimbursement shall occur promptly as requested and shall include the fees and expenses of H.J. Meyers' legal counsel and those of any advisor retained by H.J. Meyers, subject, in each case, to prior approval by the Company.

3. PAYMENT. The fee due to H.J. Meyers hereunder shall be paid by the Company in cash at the closing of the Transaction, without regard to whether the Transaction involves payment in cash, stock or a combination of stock and cash, or is made on an installment sales basis. By way of example, if the Transaction involves securities of the acquiring entity (whether securities of the Company, if the Company is the acquiring party,

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or securities of another entity, if the Company is the selling party) having a value of \$6,000,000, the cash consideration to be paid by the Company to H.J. Meyers at closing shall be \$240,000.

4. INDEMNIFICATION. The Company hereby agrees to indemnify and hold harmless H.J. Meyers, its respective directors, officers, controlling persons (within the meaning of Section 15 of the Securities Act of 1933 or Section 20(a) of the Securities Exchange Act of 1934), if any, (collectively, "Indemnified Persons" and individually, and "Indemnified Person") from and against any and all claims, liabilities, losses, damages and expenses incurred by any Indemnified Person (including reasonable fees and disbursements of H.J. Meyers and an Indemnified Person's counsel) which (A) are related to or arise out of (i) actions taken or omitted to be taken (including any untrue statements made or any statements omitted to be made) by the Company or (ii) actions taken or omitted to be taken by an Indemnified Person with the Company's consent or in conformity with the Company's instructions or the Company's actions or omissions or (B) are otherwise related to or arise out of the performance by H.J. Meyers of duties pursuant to this Agreement, and will reimburse H.J. Meyers and any other Indemnified Person for all reasonable costs and expenses, including fees of H.J. Meyers or an Indemnified Person's counsel, as they are incurred, in connection with investigating, preparing for, or defending any action, formal or informal claim, investigation, inquiry or other proceeding, whether or not in connection with pending or threatened litigation, caused by or arising out of or in connection with H.J. Meyers acting pursuant to this Agreement, whether or not H.J. Meyers or any Indemnified Person is named as a party thereto and whether or not any liability results therefrom. The Company will not, however, be responsible for any claims, liabilities, losses, damages, or expenses pursuant to clause (B) of the preceding sentence which are finally judicially determined to have resulted primarily from H.J. Meyers' bad faith or gross negligence. The Company also agrees that neither H.J. Meyers nor any other Indemnified Person shall have any liability to the Company for or in connection with this Agreement except for any such liability for claims, liabilities, losses, damages, or expenses incurred by the Company which are finally judicially determined to have resulted primarily from H.J. Meyers' bad faith or gross negligence. The Company further agrees that the Company will not, without the prior written consent of H.J. Meyers, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which

indemnification may be sought hereunder (whether or not H.J. Meyers or any Indemnified Person is an actual or potential party to such claim, action, suit or proceeding) unless such settlement, compromise or consent includes an unconditional release of H.J. Meyers and each other Indemnified Person hereunder from all liability arising out of such claim, action, suit or proceeding.

In order to provide for just and equitable contribution, if a claim for indemnification is made pursuant to these provisions but it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that such indemnification is not available for any reason (except, with respect to indemnification sought solely pursuant to clause (B) of the first paragraph hereof, for the reasons specified in the second sentence thereof), even though the express provisions hereof provide for indemnification in such case, then the Company, on one hand, and H.J. Meyers, on the other hand, shall contribute to such claim, liability, loss,

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damage or expense for which such indemnification or reimbursement is held unavailable in such proportion as is appropriate to reflect the relative benefits to the Company, on one hand, and H.J. Meyers, on the other hand, in connection with the Transactions contemplated by this Agreement, subject to the limitation that in any event H.J. Meyers' aggregate contribution to all losses, claims, damages, liabilities and expenses to which contribution is available hereunder shall not exceed the amount of fees actually received by H.J. Meyers pursuant to this Agreement.

The foregoing right to indemnity and contribution shall be in addition to any rights that H.J. Meyers and/or any other Indemnified Person may have at common law or otherwise and shall remain in full force and effect following the completion or any termination of this Agreement.

It is understood that, in connection with this Agreement, H.J. Meyers may also be engaged to act for the Company in one or more additional capacities, embodied in one or more separate written agreements. This indemnification shall apply to this Agreement, any such additional engagement(s) (whether written or oral) and any modification of this Agreement or such additional engagement(s) and shall remain in full force and effect following the completion or termination of this Agreement or such additional engagements.

5. CONFIDENTIALITY. Any advice, either oral or written, provided to the Company by H.J. Meyers hereunder shall not be publicly disclosed or made available to third parties without the prior written consent of H.J. Meyers. In addition, H.J. Meyers may not be otherwise publicly referred to without its prior consent.

6. INFORMATION. In the event H.J. Meyers acts as finder or financial advisor in a transaction, the Company will furnish H.J. Meyers with all information concerning the Transaction which H.J. Meyers reasonably deems appropriate and will provide H.J. Meyers with access to the Company's officers, directors, accountants, counsel and other advisors. The Company represents and warrants to H.J. Meyers that all such information concerning the Company and its affiliates is and will be true and accurate in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in light of the circumstance under which such statements are made. The Company acknowledges and agrees that H.J. Meyers will be using and relying upon such information supplied by the Company and its officers, agents and others and any other publicly available information concerning the Company and its affiliates and any prospective acquiror of the Company, its businesses or assets without any independent investigation or verification thereof or independent appraisal by H.J. Meyers of the Company and businesses or assets.

7. FINDERS. The Company represents and warrants to H.J. Meyers that there are no brokers, representatives or other persons which have an interest in compensation due to H.J. Meyers from any Transaction in which H.J. Meyers has acted as finder or financial advisor.

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8. ADVERTISEMENTS. H.J. Meyers shall have the right to place advertisements in financial and other newspapers and journals at its own expense describing its services to the Company hereunder in the event a transaction is consummated.

9. BINDING OBLIGATION. The Company represents and warrants to H.J. Meyers that H.J. Meyers' engagement hereunder has been duly authorized and approved by the Board of Directors of the Company and that this letter agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company.

10. IN GENERAL. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within such State, without reference to such State's principles respecting the conflict of laws. The Company submits to the jurisdiction of state and federal courts located in Monroe County, New York. This Agreement sets forth the entire agreement and understanding between the undersigned with respect to its subject matter and supersedes all prior discussions, agreements and understandings of every kind and nature between them with respect thereto. This Agreement shall inure to the benefit of, and be enforceable against, each of the undersigned and their respective successors and assigns.

Please sign this letter at the place indicated below, whereupon it will constitute our mutually binding agreement with respect to the matters contained herein.

Very truly yours,

H.J. Meyers & Co., Inc.

By:

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Name: Michael Bresner  
Title: Managing Director

ACCEPTED AND AGREED TO:

DynamicWeb Enterprises, Inc.

By:

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Name: Steven L. Vanechanos, Jr.  
Title: Chief Executive Officer

## CONSENT OF INDEPENDENT AUDITORS

We consent to the inclusion in this registration statement on Form SB-2 of the form of our report (to be dated April 7, 1997 and dated the date of the Reverse Stock Split with respect to Note J[5]) relating to the consolidated financial statements of DynamicWeb Enterprises, Inc. (formerly Seahawk Capital Corporation) as at September 30, 1996 and each of the fiscal years in the two-year period then ended and our report dated May 12, 1997 (September 5, 1997 with respect to Note F[1]) relating to the financial statements of Software Associates, Inc. as at June 30, 1996 and each of the fiscal years in the two-year period then ended. Each report calls attention to substantial doubt existing as to the ability of the companies to continue as going concerns. We also consent to the reference to our firm under the captions "Experts" and "Summary Financial Information" in the prospectus.

/s/ RICHARD A. EISNER & CO., LLP

New York, New York  
November 6, 1997