

As filed with the Securities and Exchange Commission on July 13, 2001

Registration No. 333-54410

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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AMENDMENT NO. 1

to  
FORM S-3  
on  
FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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eB2B Commerce, Inc.  
(Name of Small Business Issuer in Its Charter)

<TABLE>

|     |   |     |   |     |                                      |
|-----|---|-----|---|-----|--------------------------------------|
| <S> | New Jersey  | <C> | 7372  | <C> | 22-2267658                           |
|     | (State or Other Jurisdiction of<br>Incorporation or Organization) |     | (Primary Standard Industrial<br>Classification Code Number) |     | (I.R.S. Employer Identification No.) |

</TABLE>

757 Third Avenue  
New York, New York 10017  
(212) 703-2000  
(Address and Telephone Number of Principal Executive Offices  
and Principal Place of Business)

Peter J. Fiorillo  
Chief Financial Officer and Chairman of the Board  
eB2B Commerce, Inc.  
757 Third Avenue  
New York, New York 10017  
(212) 703-2000  
(Name and Telephone Number of Agent for Service)

Copy to:  
Gary T. Moomjian, Esq.  
Kaufman & Moomjian, LLC  
50 Charles Lindbergh Boulevard - Suite 206  
Mitchel Field, New York 11553  
(516) 222-5100

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Approximate Date of Commencement of Proposed Sale to the Public: As  
soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be  
offered on a delayed or continuous basis pursuant to Rule 415 under the  
Securities Act of 1933, other than securities offered only in connection with  
dividend or interest reinvestment plans, check the following box. [x]

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 amendment 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 this form is a post-effective amendment filed pursuant to Rule  
462(d) 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. [ ]

CALCULATION OF REGISTRATION FEE

<TABLE>  
<CAPTION>

| Title Of Each Class Of Securities To Be Registered | Amount to Be Registered | Proposed Maximum Offering Price Per Share (1) | Proposed Maximum Aggregate Offering Price (1) | Amount Of Registration Fee |
|--|-------------------------|---|---|----------------------------|
| <S><br>Common Stock (2)                            | <C><br>9,310            | <C><br>\$.215                                 | <C><br>\$ 2,002                               | <C><br>\$ 1                |
| Common Stock (3)                                   | 18,988,997              | \$.215  | \$4,082,634                                   | \$1,021                    |
| Common Stock (4)                                   | 6,516,371               | \$.215  | \$1,401,020                                   | \$ 351                     |
| Common Stock (5)                                   | 6,440,629               | \$.215  | \$1,427,755                                   | \$ 357                     |
| Common Stock (6)                                   | 502,383                 | \$.215  | \$ 108,012                                    | \$ 27                      |
| Common Stock (7)                                   | 5,724,904               | \$.215  | \$1,230,854                                   | \$ 308                     |
| Common Stock (8)                                   | 4,500,000               | \$.215  | \$ 967,500                                    | \$ 242                     |
| Common Stock (9)                                   | 1,330,000               | \$.215  | \$ 285,950                                    | \$ 72                      |
| Common Stock (10)                                  | 18,000,000              | \$.215  | \$3,870,000                                   | \$ 968                     |
| Common Stock (11)                                  | 15,000,000              | \$.215  | \$3,225,000                                   | \$ 807                     |
| Common Stock (12)                                  | 900,000                 | \$.215  | \$ 193,500                                    | \$ 49                      |
| Common Stock (13)                                  | 1,557,721               | \$.215  | \$ 334,910                                    | \$ 84                      |
| Common Stock (14)                                  | 8,078,880               | \$.215  | \$1,736,959                                   | \$ 435                     |
| TOTAL  |                         |   |   | \$3,118 (15)               |

</TABLE>

- (1) Estimated solely for purposes of calculating the registration fee, based on the average of the high and low prices for the registrant's common stock at \$.215 per share as reported on the Nasdaq SmallCap Market on July 11, 2001, in accordance with Rule 457(c) promulgated under the Securities Act of 1933, as amended.
- (2) Relates to the resale of shares of common stock issuable upon conversion of the registrant's Series A preferred stock.
- (3) Relates to the resale of shares of common stock issuable upon conversion of the registrant's Series B preferred stock.
- (4) Relates to the resale of shares of common stock issuable upon the exercise of warrants acquired by the selling securityholders in the December 1999 private placement.
- (5) Relates to the resale of shares of common stock issuable upon the exercise of warrants granted to Commonwealth Associates, L.P. and designees of Commonwealth Associates, L.P. for acting as the placement agent for the December 1999 private placement.
- (6) Relates to the resale of shares of common stock issuable upon the exercise of warrants granted to Commonwealth Associates, L.P. and designees of Commonwealth Associates, L.P. in connection with acting as a financial advisor regarding the April 2000 merger.
- (7) Relates to the resale of shares of common stock issuable upon the exercise of warrants granted to designees of Commonwealth Associates, L.P. and to ComVest Capital Partners LLC and Michael S. Falk in connection with a pre-bridge and bridge financing conducted in October 1999.
- (8) Relates to the resale of shares of common stock issuable upon the exercise (and subsequent conversion and/or exercise) of agents' options to purchase units of Series C preferred stock and warrants granted to Commonwealth Associates, L.P. and Gruntal & Co., LLC and their designees for acting as placement agent for the May 2001 private placement.

- (9) Relates to the resale of shares of common stock issuable upon the exercise of warrants granted to Commonwealth Associates, L.P., and designees of Commonwealth Associates, L.P. and certain third parties as a finder's fee in connection with the April 2000 merger.
- (10) Relates to the resale of shares of common stock issuable upon the conversion of the 7% convertible notes, including interest (in the form of shares of common stock or similar convertible notes), if any, and/or Series C preferred stock acquired by selling securityholders in a private placement that was completed in May 2001. 3,000,000 of such shares of common stock have been registered in connection with possible interest payments.
- (11) Relates to the resale of shares of common stock issuable upon the exercise of warrants acquired by the selling securityholders in the May 2001 private placement.
- (12) Relates to the resale of shares of common stock issuable upon the exercise of warrants granted to ComVest Venture Partners L.P. in connection with making a credit line available to us in April and May 2001.
- (13) Relates to the resale of shares of common stock issuable upon the exercise of warrants other than those described above.
- (14) Relates to the resale of shares of common stock issued by the registrant.
- (15) Fee of \$6,811.08 was previously paid with the original filing of this registration statement on January 26, 2001 with respect to 29,549,140 shares of the registrant's common stock. Fee of \$3,118 has been paid herewith with respect to 58,000,055 additional shares of the registrant's common stock being registered hereby.

Pursuant to Rule 416 of the Securities Act of 1933, this registration statement also relates to such additional indeterminate number of shares of common stock as may become issuable by reason of stock splits, dividends, antidilution adjustments and similar adjustments in accordance with the provisions of the Series A preferred stock, Series B preferred stock, convertible notes (or Series C preferred stock, as the case may be) or warrants.

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 Commission, acting pursuant to said Section 8(a), may determine.

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The information contained in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is declared effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 13, 2001

PRELIMINARY PROSPECTUS

eB2B COMMERCE, INC.

87,549,195 shares of common stock

This prospectus relates to the resale of up to 87,549,195 shares of our common stock by the selling securityholders named in this prospectus from time to time. The shares offered for resale hereby consist of 8,078,880 shares of our common stock currently issued and outstanding, 36,998,307 shares of our common stock underlying shares of our preferred stock and convertible notes, and

interest, if any, and 42,472,008 shares of our common stock issuable upon the exercise of warrants issued by us.

We will not receive any of the proceeds from the sale of the shares other than the exercise price, if any, to be received upon exercise of the warrants. We have agreed to bear all of the expenses in connection with the registration and sale of the shares, except for any applicable underwriting discounts, brokerage fees or commissions and transfer taxes, as well as the fees and disbursements of the selling securityholders' counsel and advisors.

Our common stock is quoted on the Nasdaq SmallCap Market under the symbol "EBTB." On July 12, 2001, the closing price of our common stock, as reported by Nasdaq, was \$.22 per share.

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The securities offered in this prospectus involve a high degree of risk. You should carefully read and consider the "Risk Factors" commencing on page 4 for information that should be considered in determining whether to purchase any of the securities.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

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The date of this prospectus is \_\_\_\_\_, 2001

#### PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company and the common stock being sold in this offering, including the risk factors and the financial statements and related notes, included elsewhere in this prospectus. Unless otherwise indicated or the context otherwise requires, we refer to:

- o eB2B Commerce, Inc., a New Jersey corporation and the issuer of the securities offered by this prospectus, as "we", "us" or "our company";
- o eB2B Commerce, Inc., a former Delaware corporation that merged with and into us on April 18, 2000 as "former eB2B"; and,
- o DynamicWeb Enterprises, Inc., a New Jersey corporation (our company prior to our April 2000 merger with former eB2B) as "DynamicWeb".

Following the April 2000 merger of former eB2B and DynamicWeb, although we retained DynamicWeb's corporate and legal identity, we changed our name to "eB2B Commerce, Inc." and assumed the accounting history of former eB2B.

#### Our Business

We are a provider of business-to-business transaction management services designed to simplify trading partner integration, automation and collaboration across the order management lifecycle. We utilize proprietary software to provide a technology platform for large buyers and large suppliers to transfer business documents via the Internet to their small and medium-sized trading partners. These documents include, but are not limited to, purchase orders, purchase order acknowledgments, advanced shipping notices and invoices. We do not allow customers to take delivery of our proprietary software. We provide access via the Internet to our software, which is maintained on our hardware and on hosted hardware.

We also offer professional services, which provide consulting expertise to the same client base, as well as to other businesses that prefer to operate or outsource the transaction management and document exchange of their business-to-business relationships. In addition, we provide authorized technical education to our client base, and also design and deliver custom computer and Internet-based training seminars.

Our principal executive offices are located at 757 Third Avenue, New York, New York 10017. Our telephone number at that location is (212) 703-2000. Our Internet address is www.eB2B.com. The information contained on our web site is not incorporated by reference in this prospectus and shall not be considered a part of this prospectus.

#### The Offering

|                 |  |
|-----------------|--|
| <TABLE>         |  |
| <S>             |  |
| Shares offered: | <C> 87,549,195 shares of common stock to be offered by the selling securityholders as follows:   |
|                 | o 42,472,008 of which will be issued upon the exercise of our warrants that are currently outstanding;   |
|                 | o 9,310 of which will be issued upon conversion of our Series A preferred stock;   |
|                 | o 18,988,997 of which will be issued upon conversion of our series B preferred stock;  |
|                 | o 18,000,000 of which will be issued upon conversion of our 7% convertible notes, including interest thereon, if any, or Series C preferred stock (into which such notes are convertible); and |
|                 | o 8,078,880 of which is currently issued.  |
| </TABLE>        |  |

|                  |   |
|------------------|---|
| <TABLE>          |   |
| <S>              |   |
| Use of proceeds. | <C> We will not receive any of the proceeds from the sale of the shares of common stock offered in this prospectus other than the exercise price, if any, to be received upon exercise of the warrants. |
| </TABLE>         |   |

#### Summary financial information

The following summary financial information has been derived from the financial statements of former eB2B for the periods on or prior to our merger with such company on April 18, 2000, and from our consolidated financial statements for periods following the April 2000 merger. Our financial statements appear later in this prospectus, which should be read in conjunction with the related notes. The information presented is in thousands, except per share data.

|   |                         |                              |        |          |
|---|-------------------------|------------------------------|--------|----------|
| <TABLE>   |                         |                              |        |          |
| <CAPTION>   |                         |                              |        |          |
|   | Year ended December 31, | Three months ended March 31, |        |          |
|   | 1999                    | 2000                         | 2000   | 2001     |
|   | -----                   | -----                        | -----  | -----    |
| Consolidated statement of operations data:                                      |                         |                              |        |          |
| <S>   | <C>                     | <C>                          | <C>    | <C>      |
| Revenue.....  | \$ -                    | \$ 5,468                     | \$ 415 | \$ 1,864 |
|   | -----                   | -----                        | -----  | -----    |
| Costs and expenses:   |                         |                              |        |          |
| Cost of revenue.....  | -                       | 2,839                        | 249    | 874      |
| Marketing and selling (exclusive of stock-based compensation expense).....      | -                       | 2,804                        | 351    | 834      |
| Product development costs (exclusive of stock-based compensation expense).....  | 572                     | 2,698                        | 658    | 1,145    |
| General and administrative (exclusive of stock-based compensation expense)..... | 1,670                   | 13,438                       | 2,556  | 3,060    |
| Amortization of goodwill and other intangibles                                  | -                       | 9,829                        | 88     | 3,401    |
| Stock-based compensation expense.....   | 2,686                   | 16,027                       | 3,097  | 682      |
|   | -----                   | -----                        | -----  | -----    |
| Total costs and expenses.....   | 4,928                   | 47,635                       | 6,999  | 9,996    |
|   | -----                   | -----                        | -----  | -----    |

|   |             |             |            |            |
|---|-------------|-------------|------------|------------|
| Loss from operations.....                                 | (4,928)     | (42,167)    | (6,584)    | (8,132)    |
| Interest and other, net.....                              | (3,192)     | 832         | 277        | 35         |
| Net loss.....   | (8,120)     | (41,335)    | (6,307)    | (8,097)    |
| Deemed dividend on preferred stock.....                   | (29,442)    | -           | -          | -          |
| Net loss attributable to common stockholders.....         | \$ (37,562) | \$ (41,335) | \$ (6,307) | \$ (8,097) |
| Basic and diluted net loss per common share.....          | \$ (5.70)   | \$ (3.61)   | \$ (0.85)  | \$ (0.52)  |
| Weighted average number of common shares outstanding..... | 6,591       | 11,461      | 7,431      | 15,563     |

Consolidated balance sheet data:

<TABLE>  
<CAPTION>

|                                 | December 31,<br>2000 | March 31,<br>2001 |
|---------------------------------|----------------------|-------------------|
| <S>                             | <C>                  | <C>               |
| Current assets.....             | \$ 11,589            | \$ 6,571          |
| Working capital (deficit).....  | 3,299                | (1,698)           |
| Goodwill, net.....              | 54,104               | 50,972            |
| Total assets.....               | 73,219               | 65,409            |
| Total liabilities.....          | 10,131               | 9,736             |
| Total stockholders' equity..... | 63,088               | 55,673            |

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#### RISK FACTORS

You should carefully consider the risks and uncertainties described below, as well as the discussion of risks and other information contained or incorporated by reference in this prospectus before deciding whether to invest in our common stock. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

If any of the following risks actually occur, our business, financial condition or operating results could be materially adversely affected. In such case, the trading price of our common stock could decline and you may lose part or all of your investment.

#### RISKS RELATING TO OUR BUSINESS

WE HAVE A LIMITED OPERATING HISTORY, HAVE NOT GENERATED SUBSTANTIAL REVENUES AND HAVE INCURRED, AND WILL CONTINUE TO INCUR, SIGNIFICANT LOSSES.

We have a limited operating history in the business-to-business electronic commerce industry. We were incorporated on July 26, 1979 in the State of New Jersey, and have been engaged in electronic commerce since 1996. On April 18, 2000, former eB2B merged with and into us in a reverse acquisition, and our name was changed at that time from "DynamicWeb Enterprises, Inc." to "eB2B Commerce, Inc." In that the securityholders of former eB2B received the majority of the voting securities of the combined company, former eB2B was deemed to be the accounting acquiror. Accordingly, the financial results discussed in this prospectus prior to April 18, 2000 are those of former eB2B, unless otherwise specified.

DynamicWeb generated revenues of \$637,000, \$1,187,000 and \$3,045,000, and incurred net losses attributable to common stockholders of \$3,163,000, \$3,031,000 and \$4,465,000, for the fiscal years ended September 30, 1997, 1998 and 1999, respectively, and generated revenues of \$2,032,000 and incurred a net loss attributable to common stockholders of \$3,464,000 for the six months ended March 31, 2000. Its accumulated deficit at March 31, 2000 was \$12,665,000. Former eB2B had no revenues and incurred net losses attributable to common stockholders of \$108,000 for the period November 6, 1998 (inception) to December 31, 1998 and \$37,562,000 for the year ended December 31, 1999, which amount is inclusive of a deemed dividend on preferred stock of \$29,442,000. For the year ended December 31, 2000, we generated revenues of \$5,468,000 and incurred a net loss attributable to common stockholders of \$41,335,000. For the three months ended March 31, 2001, we generated revenues of \$1,864,000, incurred a net loss of \$8,097,000 and our accumulated deficit on March 31, 2001 was \$87,102,000.

We cannot give assurances that we will soon make a profit or that we will ever make a profit. Even though we expect that sales will increase substantially in the near future, expenses are expected to exceed sales. Sales are expected to increase due to the increasing number of companies joining our trading communities. Among other things, to achieve profitability, we must market and sell substantially more services, hire and retain qualified and experienced employees and be able to manage our expected growth. We may not be successful in these efforts.

Our business plan currently contemplates that we achieve positive EBITDA (earnings before interest, taxes, depreciation and amortization) in the first quarter of 2002. There can be no assurance that positive EBITDA can be achieved in this timeframe or at all, and all of the risk factors described herein may negatively effect our operating results. We are unable to predict when we may achieve net income in view of the substantial non-cash charges principally related to amortization of goodwill and stock-based compensation, which we will be required to take in future years.

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THERE WILL BE SUBSTANTIAL ADVERSE EFFECTS TO OUR FUTURE OPERATING RESULTS BECAUSE OF SUBSTANTIAL NON-CASH CHARGES.

As of March 31, 2001, our balance sheet included \$53,005,000 of goodwill and other intangible assets, net, and \$1,686,000 of unearned stock-based compensation. The goodwill arose in connection with our April 2000 merger and the February 2000 acquisition of Netlan Enterprises, Inc. and subsidiaries. We expect to incur quarterly non-cash charges through March 2003 of approximately \$3,400,000 corresponding to the amortization of such goodwill and other intangibles. Between June 2003 and March 2005, the quarterly amortization expense is expected to be approximately \$3,100,000. Unearned stock-based compensation arose from the grant of stock options and warrants to employees, consultants and trading partners, and is being amortized over the vesting periods of these securities. All of these non-cash charges will significantly affect our reported operating results.

ADDITIONAL CAPITAL MAY BE NEEDED TO CONTINUE OPERATIONS

As of June 30, 2001, we had approximately \$4,400,000 in cash, of which approximately \$3,000,000 was available. In the first quarter of 2001, we used \$3,666,000 of cash in our operating activities. Due to the significant cost cutting measures carried out in 2001, we anticipate that our use of cash will be below \$500,000 per month by the end of the third quarter of 2001 and expect to use less than \$250,000 per month by the end of 2001. As a result, we believe that our available cash resources will be sufficient to meet anticipated working capital and capital expenditure requirements through March 31, 2002. However, in the event that contemplated revenue levels are not achieved, or if we are not successful in our efforts to reduce our cash burn rate, or if we are faced with any significant unanticipated working capital or capital expenditure requirements in the near future, we may need additional financing.

We may not be able to obtain such additional financing, or, if available, the terms of the financing may not be favorable to us or our shareholders. Such inability to raise additional financing would have a material adverse effect on our business, prospects, operating results and financial condition and may require us to cease operations. Further, if we issue equity securities, shareholders may experience substantial dilution or the new equity securities may have rights and preferences senior to our common stock and outstanding preferred stock.

OUR BUSINESS MODEL IS UNPROVEN AND MAY NOT BE SUCCESSFUL.

Our business-to-business electronic commerce model is based on the development of trading communities for the purchase and sale of goods between buyers and suppliers. To date, we have generated limited revenue from the trading communities. While we have signed several participants into our golf, sporting goods and chain pharmacy networks, none of the participants are required to conduct a minimum level of business. We believe that in order to reach significant revenue levels from these networks, additional trading partners will need to be added, particularly those who already conduct business among themselves. Accordingly, the success of our business model will depend upon a number of factors, including:

- o the number of buyers and suppliers that participate in the trading communities;

- o the volume of transactions conducted by buyers and suppliers;
- o our ability to attract new customers and maintain customer satisfaction;
- o our ability to upgrade, develop and maintain the technology necessary for our operations;
- o the introduction of new or enhanced services by our competitors;
- o the pricing policies of competitors; and

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- o our ability to attract personnel with Internet industry expertise.

In addition, our business depends upon the satisfactory performance, reliability and availability of our systems and network infrastructure. Any system failure or interruption could result in delays, loss of data or the inability to accept and confirm business documents. Such decreased levels of customer service would reduce the attractiveness of our services and would negatively affect our operating results.

If our business strategy is flawed or if we fail to execute our strategy effectively, our business, operating results and financial condition will be substantially harmed. We do not have substantial experience in developing and operating trading communities and we cannot assure you that the trading communities will be operated effectively, that a sufficient number of buyers and suppliers will join the trading communities or, if a sufficient number of buyers and suppliers join, that they will conduct enough transactions to generate significant revenues within the trading communities.

OUR SUCCESS WILL DEPEND ON EXPANDING MARKET ACCEPTANCE FOR INTERNET BUSINESS-TO-BUSINESS ELECTRONIC COMMERCE.

Our future revenues and any future profits depend upon the widespread acceptance and use of the Internet as an effective medium of business-to-business electronic commerce, particularly as a medium to perform goods procurement and fulfillment functions in our targeted markets. If the use of the Internet in electronic commerce in such markets does not grow or if it grows more slowly than expected, our business will suffer. A number of factors could prevent such growth, including:

- o Internet electronic commerce is at an early stage and buyers may be unwilling to shift their transmission of business documents from traditional methods to electronic methods;
- o Internet electronic commerce may not be perceived as offering a cost saving to users;
- o the necessary network infrastructure for substantial growth in usage of the Internet may not be adequately developed;
- o increased governmental regulation or taxation may adversely affect the viability of electronic commerce;
- o any shift from flat rate pricing to usage based pricing for Internet access may adversely impact the viability of the business models;
- o insufficient availability of telecommunication services or changes in telecommunication services could result in slower response times;
- o technical difficulties; and
- o concerns regarding the security of electronic commerce transactions.

WE MUST ENROLL A SIGNIFICANT NUMBER OF ADDITIONAL MAJOR BUYERS AND SUPPLIERS IN OUR TRADING COMMUNITIES.

As of June 30, 2001, we connected approximately 110 retail organizations and 1,250 supplier organizations within our trading communities. We currently anticipate that the number of buyers and suppliers would have to increase by approximately 2,800 on an annual basis in order for us to achieve EBITDA profitability without carrying out additional operating expense reductions. Over the last several months, we have added approximately 6,000 suppliers as potential customers to our backlog. This represents supplier lists provided by retailers on our service, which need to be sold our services. We estimate that we can sign and implement between 30% and 50% of these suppliers to our



service in 2001. Our business model depends in large part on our ability to create a network effect of buyers and suppliers. Buyers may not perceive value in the communities if there is an insufficient number of major suppliers within the communities. Similarly, suppliers may not be attracted to the network trading communities if there is an insufficient number of major buyers within the communities. If we are unable to increase either the number of buyers or suppliers, we will not be able to benefit from any network effect. As a result, the overall value of the trading communities would be diminished, which could harm our business, operating results and financial condition.

#### OUR BUSINESS IS DEPENDENT ON A LIMITED NUMBER OF CUSTOMERS.

In the year ended December 31, 2000, one customer accounted for approximately 17.0% of our total revenue. In the quarter ended March 31, 2001, this customer accounted for approximately 20.7% of our total revenue. We expect a slight increase in revenues from the customer and, therefore, expect that such percentage will decline over the long-term.

If this customer were to substantially reduce or stop its use of our services, our business, operating results and financial condition would be harmed. Generally, we do not have any long-term contractual commitments from any of our current customers, and customers may terminate their contracts with us with little or no advance notice and without significant penalty. As a result, we cannot assure you that any of our current customers will continue to use our services in future periods.

#### THE INTERNET-BASED BUSINESS-TO-BUSINESS INDUSTRY IS HIGHLY COMPETITIVE AND HAS LOW BARRIERS TO ENTRY.

The market for Internet-based, business-to-business electronic commerce solutions is extremely competitive. Our competition is expected to intensify as current competitors expand their service offerings and new competitors -- including larger, more established companies with more resources -- enter the market. The evolution of technology in our market is rapid and we must adapt to remain competitive. We may not be able to compete successfully against current or future competitors and such competitive pressures could harm our business, operating results or financial condition.

Our competition is primarily made of indirect horizontal competitors, which are focused on similar services but not in specific or multiple vertical industries. Major publicly traded indirect horizontal competitors include Marex, Inc., Neoforma.com, Inc. and The viaLink Company. Major privately held competitors include Automated Data Exchange (ADX) (formerly known as The EC Company) and SPS Commerce for which minimal public information is available on their efforts to date.

Also, we believe that competition may develop from four additional areas: EDI/electronic commerce companies, technology/software development companies, retailer purchasing organizations, and leading industry manufacturers. Additionally, large retailers and suppliers can create their own technology platform to automate the exchange of business documents with their small and medium sized trading partners, thereby reducing the number of large retailers and suppliers in our target markets.

#### OUR BUSINESS IS DEPENDENT ON INTELLECTUAL PROPERTY RIGHTS.

To protect our proprietary products, we rely on a combination of copyright, trade secret and trademark laws, as well as contractual provisions relating to confidentiality and related matters. We also rely on common law protection relating to unfair business practices. Our primary software is licensed from others, and has been modified by us to perform the tasks specific to our business. Such software is run on our computers, thereby avoiding third party access. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Moreover, we cannot assure you that our means of protecting our proprietary rights will be adequate or that competitors will not independently develop similar or superior technology.

WE MAY NOT HAVE FEDERAL TRADEMARK PROTECTION FOR OUR NAME.

Our principal trademark is "eB2B", for which we are seeking a federal registration. The United States Patent and Trademark Office issued an initial objection to the registration application based upon the descriptiveness of the trademark. We have filed a response with the USPTO challenging the objection, which response was denied by the USPTO. We may choose to continue to seek a federal registration of the trademark. There can be no assurance that a trademark will be granted by the USPTO. If a federal trademark is not obtained then there can be no assurance that the mark can be adequately protected against any third party infringement, which could adversely affect our business. We have not made filings in any states with respect to obtaining state trademark protection.

WE ARE DEPENDENT ON TWO DATA CENTERS.

We operate our primary data center at Genuity's data center in Cambridge, Massachusetts. We also have equipment hosted at Exodus Communications' Internet Data Center facility in Jersey City, New Jersey. Each data center operates twenty-four hours a day, seven days a week, and is connected to the Internet and the electronic data interchange networks via AT&T and IBM Global Network. The data centers consist primarily of servers, storage subsystems, and other peripheral technology to provide on-line, batch and back-up operations. Customers' data is backed-up daily and stored off-site.

We rely on Genuity and Exodus Communications to provide us with Internet capacity, security personnel and fire protection, and to maintain the facilities, power and climate control necessary to operate our servers. Additionally, we rely on them for redundant subsystems, such as multiple fiber trunks from multiple sources, fully redundant power on the premises and multiple back-up generators. If Genuity or Exodus Communications fail to adequately host or maintain our servers, our services could be disrupted and our business and operating results could be significantly harmed. We can make no assurances regarding our recourse against Genuity or Exodus Communications in the event of such failure.

There can be no assurance that Genuity or Exodus Communications can effectively provide and manage the aforementioned infrastructure and services in a reliable fashion.

WE WILL BE SUBJECT TO CERTAIN LEGAL RISKS AND UNCERTAINTIES RELATING TO OUR SERVICES.

In the course of our business, we will be exposed to certain legal risks and uncertainties relating to information transmitted in transactions conducted by our customers. The services provided to customers may include access to confidential or proprietary information. Any unauthorized disclosure of such information could result in a claim against us for substantial damages. In addition, our services include managing the collection and publication of catalog content. The failure to publish accurate catalog content could deter users from participating in trading communities, damage our business reputation and potentially expose us to legal liability. From time to time, some of our suppliers may submit inaccurate pricing or other catalog information. Even though such inaccuracies may not be caused by us and are not within our control, we could be exposed to legal liability. Although we believe that we have implemented and will continue to implement adequate policies to prevent disclosure of confidential or inaccurate information, claims alleging such matters may still be brought against us. Any such claim may be time-consuming and costly and may harm our business and financial condition. We maintain insurance for many of the risks encountered in our business, however, there can be no assurance that the claims will be substantially covered by our insurance.

WE ARE CURRENTLY SUBJECT TO LITIGATION AND MAY BE SUBJECT TO ADDITIONAL LITIGATION IN THE FUTURE.

In October 2000, Cintra Software & Services Inc. commenced a civil action against us in New York Supreme Court, New York County. The complaint alleges that we acquired certain software from Cintra upon the authorization of our former Chief Information Officer. Cintra is seeking damages of approximately \$856,000. While

the action is at an early stage, we believe we have meritorious defenses to the allegations made in the complaint and intend to defend the action vigorously.

On March 2, 2001, a former employee commenced a civil action against our

company and two members of our management in New York Supreme Court, New York County, seeking, among other things, compensatory damages in the amount of \$1.0 million and additional punitive damages of \$1.0 million for alleged defamation in connection with his termination, as well as a declaratory judgment concerning his alleged entitlement to stock options to purchase 75,000 shares of our common stock. We subsequently filed a motion to dismiss. We dispute these claims and intend to vigorously defend the action.

More generally, some of our engagements involve the design and development of customized e-commerce systems that are important to our clients' businesses. Failure or inability to meet a client's expectations in the performance of services could result in a diminished business reputation or a claim for substantial damages regardless of which party is responsible for such failure. In addition, the services provided to clients may provide us with access to confidential or proprietary client information. Although we have policies in place to prevent such client information from being disclosed to unauthorized parties or used inappropriately, any unauthorized disclosure or use could result in a claim against us for substantial damages. Contractual provisions attempting to limit such damages may not be enforceable in all instances or may otherwise fail to protect us from liability.

In addition, there is always the possibility that our shareholders will blame us for taking an alleged inappropriate action that causes the loss of their investment. In the past, following periods of volatility in the market price of a company's securities, class action litigation often has been instituted against a company experiencing stock price declines. Similar litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources. As a result, your investment in our stock may become illiquid and you may lose your entire investment.

#### RISKS RELATING TO OUR COMMON STOCK

OUR DIRECTORS AND EXECUTIVE OFFICERS HAVE SIGNIFICANT CONTROL AND INFLUENCE OVER OUR COMPANY.

As a group, on July 6, 2001 our directors and executive officers beneficially owned approximately 54.85% (22.02% on a fully diluted basis) of our outstanding voting stock. If they vote together, the directors and executive officers will be able to exercise significant influence over all matters requiring shareholder approval, including the election of directors. The interests of our directors and executive officers may conflict with the interests of our other shareholders. Commonwealth Associates, L.P., a placement agent for our December 1999 and May 2001 private placements, and the beneficial owner of 25.83% (5.88% on a fully diluted basis) of our common stock as of July 6, 2001, has designated two members of our board of directors and may have the right to designate a third in the future.

WE DO NOT ANTICIPATE PAYING DIVIDENDS ON OUR COMMON STOCK.

We have never paid dividends on our common stock and we do not anticipate paying dividends in the foreseeable future. We intend to reinvest any funds that might otherwise be available for the payment of dividends in further development of our business.

THE EXERCISE OF OPTIONS AND WARRANTS AND CONVERSION OF CONVERTIBLE SECURITIES MAY DILUTE THE PERCENTAGE OWNERSHIP OF OUR SHAREHOLDERS AND THE POTENTIAL OR ACTUAL EXERCISE OR CONVERSION HAS NEGATIVELY AFFECTED, AND MAY CONTINUE TO NEGATIVELY AFFECT, THE PRICE OF OUR COMMON STOCK AND MAY IMPEDE OUR ABILITY TO RAISE CAPITAL.

We have a substantial number of outstanding shares of preferred stock and convertible notes that may convert into our common stock and a substantial number of outstanding options and warrants to purchase shares of our common stock. As of July 9, 2001, there are outstanding shares of convertible preferred stock and convertible notes to purchase an aggregate of approximately 34.7 million shares of our common stock and options and warrants to purchase an aggregate of approximately 58.0 million shares of our common stock. If a significant number of

these options or warrants were exercised, or a significant amount of preferred stock was converted to common stock, the percentage ownership of our common stock would be materially diluted. For example, if all outstanding options and warrants were exercised and if all convertible securities were converted to

common stock as of July 9, 2001, there would be approximately 480% more common stock outstanding at such time. We believe that the potential exercise or conversion may have an adverse impact on the price of our common stock and therefore on our ability to raise capital. The actual conversion or exercise of convertible securities, and the sale of the underlying common stock into the open market, could further substantially negatively affect the price of our common stock.

THE EXPIRATION OF RESTRICTIONS ON THE RESALE OF CERTAIN SECURITIES MAY NEGATIVELY AFFECT THE PRICE OF OUR COMMON STOCK.

A significant number of shares of common stock which are currently outstanding, and a significant number of shares of common stock underlying convertible preferred stock, options or warrants outstanding, are subject to lock-up agreements under which the shareholders have agreed not to sell such shares for specified periods of time. Specifically, in connection with the private placement of Series B Convertible Preferred Stock and warrants completed in December 1999, each of the investors in such private placement was required to enter into a lock-up agreement prohibiting the sale of the securities purchased in the private placement for a period of at least twelve months from the closing of such private placement, which lock-up period has expired as to 75% of the securities; the lock-up for the remaining 25% will expire on August 29, 2001.

All of our directors, officers and principal shareholders immediately prior to our April 2000 merger and all of current officers and directors have entered into lock-up agreements prohibiting the sale of such securities for various periods of time. Upon the expiration of the restrictions imposed by the lock up agreements described above, the persons party to those agreements will be able to sell their shares, subject to the restrictions imposed by the federal securities laws. The sale or the possibility of the sale of shares of our common stock after the expiration of such lock up periods has and may continue to adversely affect the market price of our common stock, and may adversely affect our ability to raise capital.

THERE IS POTENTIAL EXPOSURE TO US IN THAT CERTAIN SHARES OF COMMON STOCK UNDERLYING OUR PREFERRED STOCK HAVE BEEN SOLD PRIOR TO THE DATE OF THIS PROSPECTUS.

From December 2, 2000 until January 11, 2001, certain shares of our common stock, which were issued by virtue of conversion of shares of preferred stock, were sold by our shareholders in the open market. Such shareholders believed that their shares were registered pursuant to a previous registration statement of ours. The Securities and Exchange Commission has advised us of their opinion that such shares were not covered by the prior registration statement. While we believe that such sales were made in conformance with applicable securities laws and regulations, a different determination may result in our having liability. Commencing January 25, 2001, we advised such converting shareholders to resell their shares pursuant to Rule 144 promulgated under the Securities Act of 1933. We estimate that approximately 2,815,000 shares of our common stock were issued to such shareholders on or prior to January 11, 2001. Such shares may have potentially been sold in the open market on or prior to January 11, 2001, at prices that may have ranged from \$.50 to \$1.28125 per share. It is possible that the selling securityholders will seek to include us in any action for rescission taken against them by third parties who purchased the common stock. The measure of damages could be the purchase price paid, plus interest. We are unable to assess the amount of damages, in the event that there is any liability.

WE ARE SUBJECT TO A SUBSTANTIAL PENALTY IN THE EVENT WE DO NOT RECEIVE SHAREHOLDER APPROVAL OF OUR MAY 2001 PRIVATE PLACEMENT NO LATER THAN SEPTEMBER 30, 2001.

In that our private placement of convertible notes and warrants which closed in May 2001 resulted in the issuance of more than 20% of our outstanding common stock, assuming conversion or exercise of all notes, preferred stock and warrants sold in such offering, Nasdaq rules require that we obtain shareholder approval of this

transaction. Until such shareholder approval is obtained, conversion of the convertible notes (or convertible preferred stock into which such notes may eventually first be converted into) into shares of our common stock is limited to an aggregate of not more than 19.9% of the number of shares of common stock outstanding before such notes and warrants are issued and the warrants will not be exercisable. We have agreed to hold a shareholders meeting by no later than September 30, 2001 at which approval will be sought. If we fail to receive the necessary shareholder approval by September 30, 2001, we may be required to

redeem all of these private placement securities at a redemption price (payable in cash or in stock at our discretion) equal to two times the face amount thereof or the price required to make investors "whole" in light of the then current market price. Alternatively, the holders may terminate the conversion limitation, in which case we face delisting from Nasdaq.

BECAUSE OF THE RECENT DECLINE IN THE MARKET PRICE OF OUR COMMON STOCK RELATIVE TO THE STOCK PRICES AT THE TIME OF OUR 2000 AND 2001 PREFERRED STOCK OFFERINGS, IF WE RAISE ADDITIONAL CAPITAL, OUR COMMON SHAREHOLDERS MAY BE DILUTED DUE TO PREFERENCES INCLUDED IN OUR OUTSTANDING PREFERRED SHARES AND WARRANTS.

We have a substantial number of outstanding shares of convertible preferred stock and a substantial number of outstanding warrants to purchase shares of our common stock. The preferred shareholders are entitled to an adjusted conversion price, which results in their receiving additional shares of common stock upon conversion, if we raise capital at a price below the then current conversion price or market price. Similarly, many of our warrant holders are entitled to a reduced exercise price on their warrants if we raise capital at a price below the then current exercise price or market price. Therefore, if we raise additional capital at a price below these amounts, and such likelihood has increased as the price of our common stock has declined in recent months, our common shareholders' percentage of ownership will be further diluted by the additional common stock required to underly the preferred shares and warrants.

THE PRICE OF OUR COMMON STOCK IS VOLATILE, WHICH COULD RESULT IN SUBSTANTIAL LOSSES FOR INVESTORS.

Our stock price has been and is likely to continue to be volatile. For example, from January 1, 2000 through June 30, 2001, our common stock traded as high as \$19.75 per share and as low as \$0.17 per share.

Volatility in the future may be due to a variety of factors, including:

- o volatility of stock prices of Internet and electronic commerce companies generally;
- o variations in our operating results and/or our revenue growth rates;
- o changes in securities analysts' estimates of our financial performance, or for the performance of our industry as a whole;
- o announcements of technological innovations;
- o the introduction of new products or services by us or our competitors;
- o change in market valuations of similar companies;
- o market conditions in the industry generally;
- o announcements of additional business combinations in the industry or by us;
- o issuances or the potential issuances of additional shares;
- o additions or departures of key personnel; and

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- o general economic conditions.

The stock market has experienced extreme price and volume fluctuations that have particularly affected the market prices of securities of Internet-related companies. These fluctuations may adversely affect the market price of our common stock.

WE MAY BE DELISTED FROM THE NASDAQ SMALLCAP MARKET.

Our common stock is traded on the Nasdaq SmallCap Market under the symbol "EBTB". Nasdaq requires a bid price of at least \$1.00 as a requirement for continued listing. The bid price of our common stock has been below \$1.00 continuously since April 9, 2001. As a result, on May 22, 2001, we received notification from the Nasdaq Stock Market, Inc. that we were not in compliance with the \$1.00 minimum bid price requirement of Nasdaq for 30 consecutive trading days. According to Nasdaq, to regain compliance with this standard, the common stock is required to have a closing bid price at or above \$1.00 for ten consecutive trading days within the ninety- calendar day period from such notification. To date, this \$1.00 closing bid price has not been met and our closing bid price has recently been significantly below \$1.00. Should such

compliance not be achieved, Nasdaq stated that it would issue a delisting letter.

Our failure to meet Nasdaq's maintenance criteria, which includes the \$1.00 minimum bid price as well as other requirements, may result in the discontinuance of the inclusion of our securities on Nasdaq. In such event, trading, if any, in the securities may then continue to be conducted on the non-Nasdaq over-the-counter market in what are commonly referred to as the electronic bulletin board and the "pink sheets". As a result, an investor may find it more difficult to dispose of or obtain accurate quotations as to the market value of the securities.

OUR SHARES COULD BECOME A "PENNY STOCK", IN WHICH CASE IT WOULD BE MORE DIFFICULT FOR INVESTORS TO SELL THEIR SHARES.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in "penny stocks". Penny stocks generally are equity securities with a price of less than \$5.00, other than securities registered on national securities exchanges or quoted on Nasdaq, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. Prior to a transaction in a penny stock, a broker-dealer is required to:

- o deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market;
- o provide the customer with current bid and offer quotations for the penny stock;
- o explain the compensation of the broker-dealer and its salesperson in the transaction;
- o provide monthly account statements showing the market value of each penny stock held in the customer's account; and
- o make a special written determination that the penny stock is a suitable investment for the purchase and receive the purchaser's written agreement to the transaction. These requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. If our shares become subject to the penny stock rules, investors may find it more difficult to sell their shares.

#### FORWARD-LOOKING STATEMENTS

The statements contained in this prospectus that are not historical facts may be "forward-looking statements," as defined in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934 that contain risks and uncertainty. Such statements can be identified by the use of forward-looking terminology such as "estimates," "projects," "anticipates," "expects," "intends," "believes," or the negative of each of these terms or other variations thereon or comparable terminology or by discussions of strategy that involve risks and uncertainties. Although we believe that our expectations are reasonable within the bounds of our knowledge of our business operations, there can be no assurance that actual results will not differ materially from our expectations. The uncertainties and risks include, among other things, our plans, beliefs and goals, estimates of future operating results, our limited operating history, the ability to raise additional capital, if needed, the risks and uncertainties associated with rapidly changing technologies such as the Internet, the risks of technology development and the risks of competition that can cause actual results to differ materially from those in the forward-looking statements.

Forward-looking statements are only estimates or predictions and cannot be relied upon. We can give you no assurance that future results will be achieved. Actual events or results may differ materially as a result of risks facing us or actual results differing from the assumptions underlying such statements. These risks and assumptions could cause actual results to vary materially from the future results indicated, expressed or implied in the forward-looking statements included in this prospectus.

All forward-looking statements made in this prospectus that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by the factors listed above in the section captioned "Risk Factors" and other cautionary statements included in this prospectus. We disclaim any obligation to update information contained in any forward-looking

statement.

#### USE OF PROCEEDS

The proceeds from the sale of the shares by the selling securityholders will belong to the individual selling securityholders. We will not receive any of the proceeds from the sale of the shares other than with respect to the exercise price, if any, of the warrants. Although the selling securityholders that may sell shares of our common stock underlying warrants have a cashless exercise option associated with the exercise of such warrants, the selling securityholders may elect to make cash payments in connection with their exercise of the warrants. Assuming exercise of all of the warrants and the selling securityholders' election of a cash payment in connection with their exercise of all of such warrants, the estimated net proceeds from the exercise of such warrants to purchase shares of our common stock that are being registered pursuant to the registration statement to which this prospectus relates would be approximately \$43.5 million. We intend to use the proceeds, if any, from the exercise of the warrants for general corporate purposes and working capital.

#### PRICE RANGE OF COMMON STOCK

Our common stock has been quoted on the Nasdaq SmallCap Market under the symbol "EBTB" since August 15, 2000. Prior to such time, our common stock was quoted on the Over-the-Counter Bulletin Board maintained by the National Association of Securities Dealers. The volume of trading in our common stock has been limited during the period presented until August 15, 2000, the date the Nasdaq SmallCap Market began quoting our common stock and the closing sale prices reported may not be indicative of the value of our common stock or the existence of an active trading market prior to such date.

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The following table sets forth the high and low closing sale prices for our common stock for the periods indicated:

<TABLE>  
<CAPTION>

| Quarter Ended<br>-----<br><S>                 | High<br>---- | Low<br>--- |
|---|--------------|------------|
| March 31, 1999.....                           | 9.38         | 3.38       |
| June 30, 1999.....                            | 9            | 5.25       |
| September 30, 1999.....                       | 6            | 3.56       |
| December 31, 1999.....                        | 16           | 2.94       |
| March 31, 2000.....                           | 18.5         | 9.88       |
| June 30, 2000.....                            | 14           | 3.25       |
| September 30, 2000.....                       | 5.44         | 2.06       |
| December 31, 2000.....                        | 2.16         | 0.70       |
| March 31, 2001.....                           | 2.44         | 0.69       |
| June 30, 2001 .....                           | 1.19         | 0.20       |
| September 30, 2001 (as of July 12, 2001)..... | 0.26         | 0.22       |

</TABLE>

As of the date hereof, we have approximately 3,000 record holders of our common stock.

#### DIVIDEND POLICY

We have never paid cash dividends on our capital stock and do not anticipate paying cash dividends in the foreseeable future. We currently intend to retain any future earnings for reinvestment in our business. Any future determination to pay cash dividends will be at the discretion of our board of directors and will be dependent upon our financial condition, results of operations, capital requirements and other relevant factors.

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SELECTED FINANCIAL DATA

The following selected financial data has been derived from the financial statements of former eB2B from its inception until our merger with such company on April 18, 2000 and from our consolidated financial statements for periods presented following the April 2000 merger. Our financial statements appear later in this prospectus, which should be read in conjunction with the related notes. The information presented is in thousands, except per share data.

<TABLE>  
<CAPTION>

|   | Period from                                 |                                    |                                    |   |   |
|---|---|------------------------------------|------------------------------------|---|---|
|   | 1998 (Inception)<br>to December 31,<br>1998 | Year ended<br>December 31,<br>1999 | Year ended<br>December 31,<br>2000 | Three months<br>ended March 31,<br>2000 | Three months<br>ended March 31,<br>2001 |
| <S>   | <C>   | <C>                                | <C>                                | <C>                                     | <C>                                     |
| Consolidated statement of operations data:                                      |   |                                    |                                    |   |   |
| Revenue.....  | \$ -  | \$ -                               | \$ 5,468                           | \$ 415                                  | \$ 1,864                                |
| Costs and expenses:   |   |                                    |                                    |   |   |
| Cost of revenue.....  | -   | -                                  | 2,839                              | 249                                     | 874                                     |
| Marketing and selling (exclusive of stock-based compensation expense).....      | -   | -                                  | 2,804                              | 351                                     | 834                                     |
| Product development costs (exclusive of stock-based compensation expense).....  | 53  | 572                                | 2,698                              | 658                                     | 1,145                                   |
| General and administrative (exclusive of stock-based compensation expense)..... | 55  | 1,670                              | 13,438                             | 2,556                                   | 3,060                                   |
| Amortization of goodwill and other intangibles .....                            | -   | -                                  | 9,829                              | 88                                      | 3,401                                   |
| Stock-based compensation expense.....   | -   | 2,686                              | 16,027                             | 3,097                                   | 682                                     |
| Total costs and expenses.....   | (108)                                       | 4,928                              | 47,635                             | 6,999                                   | 9,996                                   |
| Loss from operations.....   | (108)                                       | (4,928)                            | (42,167)                           | (6,584)                                 | (8,132)                                 |
| Interest and other, net.....  | -   | (3,192)                            | 832                                | 277                                     | 35                                      |
| Net loss.....   | (108)                                       | \$ (8,120)                         | \$ (41,335)                        | \$ (6,307)                              | \$ (8,097)                              |
| Deemed dividend on preferred stock.....   | -   | (29,442)                           | -                                  | -                                       | -                                       |
| Net loss attributable to common stockholders.                                   | \$ (108)                                    | \$ (37,562)                        | \$ (41,335)                        | \$ (6,307)                              | \$ (8,097)                              |
| Basic and diluted net loss per common share.....                                |   | \$ (5.70)                          | \$ (3.61)                          | \$ (0.85)                               | \$ (0.52)                               |
| Weighted average number of common shares outstanding.....                       |   | 6,591                              | 11,461                             | 7,431                                   | 15,563                                  |

Consolidated balance sheet data:

|                                 | December 31,<br>1998 | December 31,<br>1999 | December 31,<br>2000 | March 31,<br>2001 |
|---------------------------------|----------------------|----------------------|----------------------|-------------------|
| Current assets.....             | \$ 10                | \$ 28,153            | \$ 11,589            | \$ 6,571          |
| Working capital (deficit).....  | (41)                 | 27,098               | 3,299                | (1,698)           |
| Goodwill, net.....              | -                    | -                    | 54,104               | 50,972            |
| Total assets.....               | 384                  | 29,064               | 73,219               | 65,409            |
| Total liabilities.....          | 137                  | 1,055                | 10,131               | 9,736             |
| Total stockholders' equity..... | 247                  | 28,009               | 63,088               | 55,673            |

</TABLE>

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

The following discussion and analysis should be read with the financial statements and accompanying notes, included elsewhere in this prospectus. It is intended to assist the reader in understanding and evaluating our financial position. Unless otherwise indicated or the context otherwise requires, we refer to:

- o eB2B Commerce, Inc., a New Jersey corporation, and the issuer of



the securities offered by this prospectus, as "we", "us" or "our company";

- o eB2B Commerce, Inc., a former Delaware corporation that merged with and into us on April 18, 2000 as "former eB2B"; and
- o DynamicWeb Enterprises, Inc., a New Jersey corporation (our company prior to our April 2000 merger with former eB2B) as "DynamicWeb".

Following the April 2000 merger of former eB2B and DynamicWeb, as set forth in greater detail below, although we retained DynamicWeb's corporate and legal identity, we changed our name to "eB2B Commerce, Inc." and assumed the accounting history of former eB2B.

#### Overview

We are a provider of business-to-business transaction management services designed to simplify trading partner integration, automation and collaboration across the order management lifecycle. We utilize proprietary software to provide a technology platform for large buyers and large suppliers to transfer business documents via the Internet to their small and medium-sized trading partners. These documents include, but are not limited to, purchase orders, purchase order acknowledgments, advanced shipping notices and invoices. We do not allow customers to take delivery of its proprietary software. We provide access via the Internet to our proprietary software, which is maintained on our hardware and on hosted hardware.

In addition, we are an authorized provider of technical education to our clients for products of Citrix, Lotus Development Corporation, Microsoft Corporation, and Novell Inc. We design and deliver custom technical education for the same client base and provides education through delivery of custom computer and Internet-based on-line training seminars.

Revenue from transaction processing is recognized on a per transaction basis when a transaction occurs between a buyer and a supplier. The fee is based either on the volume of transactions processed during a specific period, typically one month, or calculated as a percentage of the dollar volume of the purchase related to the documents transmitted during a similar period. Revenue from related implementation, if any, and monthly hosting fees are recognized on a straight-line basis over the term of the contract with the customer. Deferred income includes amounts billed for implementation and hosting fees, which have not been earned. For related consulting arrangements on a time-and-materials basis, revenue is recognized as services are performed and costs are incurred in accordance with the billing terms of the contract. Revenues from related fixed price consulting arrangements are recognized using the percentage-of-completion method. Fixed price consulting arrangements are mainly short-term in nature and we do not have a history of incurring losses on these types of contracts. If we were to incur a loss, a provision for the estimated loss on the uncompleted contract would be recognized in the period in which such loss becomes probable and estimable. Billings in excess of revenue recognized under the percentage-of-completion method on fixed price contracts is included in deferred income.

Revenue from training and client educational services is recognized upon the completion of the seminar and is based upon class attendance. If a seminar begins in one period and is completed in the next period, we recognize revenue based on the percentage of completion method for the applicable period. Deferred income includes amounts billed for training seminars and classes that have not been completed.

On February 22, 2000, former eB2B completed its acquisition of Netlan Enterprises, Inc. Pursuant to the agreement and plan of merger, Netlan's stockholders exchanged 100% of their common stock for 46,992 shares of former eB2B common stock (equivalent to 125,000 shares of our common stock). Additionally, 75,188 shares of former eB2B common stock (equivalent to 200,000 shares of our common stock) were issued, placed into an escrow account, and released to certain former shareholders of Netlan upon successful completion of escrow requirements. The purchase price of the Netlan acquisition was approximately \$1.6 million. We recorded approximately \$4,896,000 of goodwill and approximately \$334,000 of other intangibles in connection with this transaction.

On April 18, 2000, former eB2B merged with and into our company, with the surviving company changing its name from "DynamicWeb Enterprises, Inc." to "eB2B Commerce, Inc." Pursuant to our agreement and plan of merger with former eB2B, our shareholders retained their shares in our company, while the shareholders of former eB2B received shares, or securities convertible into shares, of common stock of our company representing approximately 89% of our equity, on a fully diluted basis.

The April 2000 merger was accounted for as a purchase business combination in which former eB2B was the accounting acquirer and our company was the legal acquirer. As a result of the reverse acquisition, (i) the financial statements of former eB2B are our historical financial statements; (ii) our results of operations include our results after the date of the April 2000 merger; (iii) our acquired assets and assumed liabilities were recorded at their estimated fair market value at the date of the April 2000 merger and (iv) all references to our financial statements apply to the historical financial statements of former eB2B prior to the April 2000 merger and to our consolidated financial statements subsequent to the April 2000 merger. The purchase price of the April 2000 merger was approximately \$59.1 million, of which approximately \$1.9 million was allocated to identifiable net liabilities assumed, \$58.1 million was allocated to goodwill and \$2.9 million was allocated to other intangibles.

The goodwill resulting from the above business combinations is being amortized over five years and other intangibles are being amortized over a three-year period. For the year ended December 31, 2000, amortization related to the goodwill and other intangibles acquired in the Netlan Enterprises, Inc. acquisition and April 2000 merger totaled approximately \$9.8 million. For the three months ended March 31, 2001 and 2000, amortization related to the goodwill and other intangibles acquired in such transactions totaled approximately \$3.4 million and \$0.1 million, respectively.

Our financial condition and results from operations were dramatically different during the years ended December 31, 2000 and 1999 as well as the quarters ended March 31, 2001 and 2000. For the year ended December 31, 2000 and the quarter ended March 31, 2001, our results reflect our new operations, the operations of Netlan since March 1, 2000 and the operations of our company since April 19, 2000. Former eB2B did not recognize any revenue in 1999. Former eB2B was a development stage company, which primarily devoted its operations to recruiting and training of employees, development of its business strategy, design of a business system to implement its strategy, and development of business relationships with buyers and suppliers. As a result, we believe that the results of operations for the year ended December 31, 1999 and the quarter ended March 31, 2000 are not comparable to the results of operations for the same periods in 2000 and 2001, respectively, and our anticipated financial condition and results of operations going forward. Furthermore, our limited operating history makes the prediction of future operating results very difficult. We believe that period-to-period comparisons of operating results should not be relied upon as predictive of future performance. Our prospects must be considered in light of the risks, expenses and difficulties encountered by companies at an early stage of development, particularly companies in new and rapidly evolving markets. We may not be successful in addressing such risks and difficulties.

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#### Three Months Ended March 31, 2001 and 2000

##### Revenue

Total revenue for the three-month periods ended March 31, 2001 and 2000 amounted to \$1,864,000 and \$415,000, respectively, reflecting an increase of \$1,449,000, or 349%.

Our transaction processing and related services' reportable segment generated revenue of \$1,165,000 for the three-month period ended March 31, 2001 as compared to \$177,000 for the three-month period ended March 31, 2000. Such revenue in 2001 includes fees paid for processing transactions between buyers and suppliers and related consulting revenue, and in 2000 reflected primarily consulting revenue from the Netlan Enterprises, Inc. operations acquired on February 22, 2000. The increase in revenue of \$988,000, or 558%, in 2001 as compared to 2000 for the three-month period ended March 31 reflected revenue related to the DynamicWeb operations acquired on April 18, 2000, coupled with an increase in the average fee paid per customer for transaction processing, partially offset by revenue in the consulting services acquired from Netlan on February 22, 2000 as these services have been eliminated during the latter part of 2000.

Our training and client educational services' reportable segment generated revenue of \$699,000 during the three-month period ended March 31, 2001 as compared to \$238,000 for the same period in the previous year. The increase in revenue of \$461,000, or 194%, in 2001 as compared to 2000 for the three-month period ended March 31 reflected revenue for the full three-month period in 2001 related to the Netlan acquisition on February 22, 2000.

In the three-month period ended March 31, 2001, one customer accounted for approximately 20.7% of our total revenue. No other customer accounted for

10% or more of our total revenue for the three-month period ended March 31, 2001.

#### Costs and expenses

Cost of revenue consists primarily of salaries and benefits for employees providing technical support as well as salaries and benefits of personnel and consultants providing consulting and training services to clients. Total cost of revenue for the three-month periods ended March 31, 2001 and 2000 amounted to \$874,000 and \$249,000, respectively. The increase in cost of revenue of \$625,000, or 251%, in 2001 as compared to 2000 for the three-month period ended March 31 reflected primarily our greater scope of operations as compared to the same period in 2000.

Marketing and selling expenses consist primarily of employee salaries, benefits and commissions, and the costs of promotional materials, trade shows and other sales and marketing programs. Marketing and selling expenses (exclusive of stock-based compensation) were approximately \$834,000 and \$351,000 for the three-month periods ended March 30, 2001 and 2000, respectively. The increase in marketing and selling expenses of \$483,000, or 138%, in 2001 as compared to 2000 for the three-month period ended March 31 consisted principally of the additional costs associated with marketing and selling the services acquired in the April 2000 merger, coupled with an increase in general marketing expenses.

Product development expenses mainly represent payments to outside contractors and personnel and related costs associated with the development of our technological infrastructure necessary to process transactions, including the amortization of certain capitalized costs. Product development expenses (exclusive of stock-based compensation) were approximately \$1,145,000 and \$658,000 for the three-month periods ended March 31, 2001 and 2000, respectively. The increase in product development expenses for the three-month period ended March 31, 2001 as compared to the same period of 2000 was \$487,000, or 74%. During the first quarter ended March 31, 2001, we expensed approximately \$910,000 in relation with costs chiefly associated with the transition of certain of our existing customers to our new technology platform. We capitalize qualifying computer software costs incurred during the application development stage. Accordingly, we anticipate that product development expenses will

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fluctuate from quarter to quarter as various milestones in the development are reached and future versions are implemented.

General and administrative expenses consist primarily of employee salaries and related expenses for executives, administrative and finance personnel, as well as other consulting, legal and professional fees, and, to a lesser extent, facility and communication costs. During the three-month periods ended March 31, 2001 and 2000, total general and administrative expenses (exclusive of stock-based compensation) amounted to \$3,060,000 and \$2,556,000, respectively. The increase in general and administrative expenses of \$504,000, or 20%, in 2001 as compared to 2000 for the three-month period ended March 31 reflected increased expenses to manage and operate the companies acquired during 2000, partially offset by non-recurring outside contractor and consulting fees in relation with the design and the implementation of our strategy and management structure of approximately \$772,000 in the same period in 2000.

Amortization of goodwill and other intangibles are non-cash charges associated with the April 2000 merger and the Netlan acquisition. Such amortization expenses were \$3,401,000 and \$88,000 for the three-month periods ended March 31, 2001 and 2000, respectively. The increase is due primarily to amortization of goodwill and other intangibles in the 2001 period for the April 2000 merger from April 18, 2000 versus none in the three-month period ended March 31, 2000, and a full quarter of amortization on the Netlan acquisition from March 1, 2000 versus one month in 2000. We periodically assess the recoverability of goodwill and other intangibles based upon expectations of undiscounted future cash flows. Depending on the result of such assessment in future periods, management may deem it necessary to record an impairment charge.

During the three-month periods ended March 31, 2001 and 2000, stock-based compensation expense amounted to \$682,000 and \$3,097,000, respectively. The deferred stock compensation is being amortized over the vesting periods of the related options and warrants contingent upon continued employment of the respective option or warrant holders. The vesting period of the options and warrants ranges principally from two to four years. The balance of unearned stock-based compensation at March 31, 2001 was approximately \$1,686,000. This balance will be amortized at varying amounts per quarter through March 2002.

We define EBITDA as net income or loss adjusted to exclude:

- o provision or benefit for income taxes,
- o interest income and expense,
- o depreciation, amortization and write-down of assets, and
- o stock-related compensation.

EBITDA is discussed because our management considers it an important indicator of the operational strength and performance of our business based in part on the significant level of non-cash expenses recorded by our company to date, coupled with the fact that these non-cash items are managed at the corporate level. EBITDA, however, should not be considered an alternative to operating or net income as an indicator of our performance, or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with generally accepted accounting principles in the United States. EBITDA, as defined, may not be the same as similarly captioned measures used by other companies. For a discussion of cash flow information, refer to the "Liquidity and Capital Resources" section of this prospectus.

For the three-month periods ended March 31, 2001 and 2000, EBITDA was a loss of \$3,549,000 and \$2,765,000, respectively. During the three months ended March 31, 2001, we expensed non-cash items including depreciation, amortization and stock-based compensation expense aggregating to \$4,589,000, compared to \$3,880,000 for the same period in 2000.

Interest and other, net amounted to \$35,000 and \$277,000 for the three-month periods ended March 31, 2001 and 2000, respectively. Such income, net of other expenses, related primarily to interest earned on cash balances and available-for-sale marketable securities during the respective periods. The decrease in interest and

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other, net during the 2001 period as compared to the 2000 period was principally associated with the reduced cash balance and available-for-sale marketable securities during the 2001 period as compared to the 2000 period.

Net loss for the three-month periods ended March 31, 2001 and 2000 was \$8,097,000 and \$6,307,000, respectively.

Years Ended December 31, 2000 and 1999

#### Revenue

Total revenue for the year ended December 31, 2000 amounted to \$5,468,000. During the same period in 1999, former eB2B was a development stage company and did not recognize any revenue.

Our transaction processing and related services business segment generated revenue of \$3,039,000 for the year ended December 31, 2000. Such revenue includes fees paid for processing transactions between buyers and suppliers, and related professional services revenue. We are an authorized provider of technical education to our client base, and also design and deliver custom computer and Internet-based training. Training and client educational services generated revenues of \$2,429,000 during the year ended December 31, 2000.

In the year ended December 31, 2000, one customer accounted for approximately 17% of our total revenue.

#### Costs and Expenses

Total cost of revenue for the year ended December 31, 2000 amounted to \$2,839,000. Cost of revenue was nil in 1999 as no revenue was generated.

Marketing and selling expenses (exclusive of stock-based compensation) were approximately \$2,804,000 for the year ended December 31, 2000. Marketing and selling expenses (exclusive of stock-based compensation) were nil in 1999.

Product development expenses (exclusive of stock-based compensation) were approximately \$2,698,000 and \$572,000 in 2000 and 1999, respectively. During the year ended December 31, 1999, former eB2B abandoned the use of the product development costs capitalized at December 31, 1998, and recorded a

\$174,000 write-down.

In 2000 and 1999, total general and administrative expenses (exclusive of stock-based compensation) amounted to \$13,438,000 and \$1,670,000, respectively. During the first six months of 2000, non-recurring outside contractor and consulting fees in relation to the design and the implementation of our strategy and management structure totaled approximately \$2.2 million.

During the third quarter of 2000, we entered into a lease for new office space expiring in April 2007. During the fourth quarter of 2000, we consolidated all our locations into the new space with the exception of our training center. This consolidation allowed us to better streamline our operations and to reduce our overall cost structure.

Amortization of goodwill and other intangibles are non-cash charges associated with the April 2000 merger and the acquisition of Netlan Enterprises, Inc. Such amortization expenses were \$9,829,000 for the year ended December 31, 2000. We periodically assess the recoverability of goodwill and other intangibles based upon expectations of undiscounted future cash flows. Depending on the result of such assessment in future periods, management may deem it necessary to record an impairment charge.

In 2000 and 1999, stock-based compensation expense amounted to \$16,027,000 and \$2,686,000, respectively. This relates primarily to deferred stock compensation for options and warrants granted to employees,

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consultants and business partners. The deferred stock compensation is being amortized over the vesting periods of the related options and warrants. The vesting period of the options and warrants ranges principally from two to four years with the exception of 500,000 options to purchase shares of former eB2B common stock (equivalent to 1,330,000 shares our common stock) which vested upon the completion of the merger and generated a one-time charge of approximately \$8.8 million in the second quarter of 2000.

For the years ended December 31, 2000 and 1999, EBITDA was a loss of \$13,104,000 and \$1,435,000, respectively. During the year ended December 31, 2000, we expensed non-cash items including depreciation and amortization, stock-based compensation expense, write-down of assets and the cost of shares and warrants issued for services aggregating to \$29,170,000, compared to \$6,671,000, including bridge loan financing costs of \$3,178,000, for the same period in 1999.

Interest income amounted to \$1,130,000 for the year ended December 31, 2000 and related primarily to interest earned on private placement proceeds. The \$191,000 interest expense incurred during the year ended December 31, 2000 was chiefly associated with the \$2,500,000 term loan obtained from a bank in February 2000. In 1999, interest was an expense of \$3,192,000, which included \$3,178,000 incurred in connection with former eB2B's bridge loan financing costs.

Net loss for the year ended December 31, 2000 was \$41,335,000 compared to a net loss of \$8,120,000 for the same period in 1999.

As a result of the April 2000 merger, former eB2B's 3.3 million shares of Series B preferred stock issued for net proceeds of \$29,442,000 were convertible into approximately 16.0 million shares of our common stock valued at \$124.4 million based on the average quoted market price of our common stock in the three-day period before and after December 1, 1999, the date at which the parties signed the definitive merger agreement. As this value was significantly greater than the net proceeds received in the private placement of Series B preferred stock, the net proceeds received were allocated to the convertible feature and amortized as a deemed dividend on preferred stock, resulting in a corresponding charge to retained earnings and a credit to additional paid-in capital within the stockholders' equity as of December 31, 1999.

Net loss attributable to common stockholders for the year ended December 31, 2000 was \$41,335,000 and equaled the net loss for the period. For the same respective period in 1999, the net loss attributable to common stockholders amounted to \$37,562,000 and reflected the effect of the \$29,442,000 deemed dividend on preferred stock.

#### Liquidity and Capital Resources

Since the inception of former eB2B on November 6, 1998 (the inception

of our accounting history), we have incurred significant operating losses, net losses and negative cash flows from operations, due in large part to the start-up and development of operations and the development of proprietary software and technological infrastructure for our platform to process transactions. We expect that our net losses and negative cash flows from operations will continue as we implement our growth strategy. We anticipate increased revenues throughout 2001, which, if achieved, will reduce our net losses and improve cash flows from operations in 2001 as compared to 2000. There can be no assurances that revenues will improve in 2001, or that net losses and negative cash flows from operations will be reduced. Historically, we have funded our losses and capital expenditures through borrowings, capital contributions, and a portion of the net proceeds of prior securities offerings. From inception through March 31, 2001 net proceeds from private sales of securities totaled approximately \$29.9 million.

Management has addressed the costs of providing transaction management and document exchange services throughout 2000 and thus far in 2001. While we continue to add large customers to our service, we are focused primarily on adding trading partners who transact business with our largest existing customers.

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To address the continuing loss from operations and negative cash flows from operations, management enacted a plan for our company, which included various cost cutting measures, principally staffing reductions and discretionary spending reductions in selling, marketing, general and administrative areas, during the third and fourth quarter of 2000 and into 2001.

On May 2, 2001, we completed a private placement of convertible notes and warrants. The gross proceeds of this financing totaled \$7.5 million. Pursuant to this financing, we issued \$7,500,000 of principal amount of 7% convertible notes, convertible into an aggregate of 15,000,000 shares of our common stock (\$0.50 per share), and warrants to purchase an aggregate 15,000,000 shares of our common stock at \$0.93 per share. The convertible notes have a term of 18 months, which period may be accelerated in certain events. Interest is payable quarterly in cash, in identical convertible notes or in shares of common stock, at our option. In addition, the convertible notes will automatically convert into Series C preferred stock if we receive the required consent of the holders of our Series B preferred stock to the issuance of this new series. The Series C preferred stock would be convertible into common stock on the same basis as the convertible notes. We intend to seek shareholder approval of the financing, as required by the rules of Nasdaq. The warrants will be exercisable for a period of two years from the earlier of (i) the date we receive shareholder approval of this financing, (ii) the date such shareholder approval is no longer required, either because our common stock is no longer listed on Nasdaq or otherwise, or (iii) October 1, 2001.

In connection with the closing of the financing, we canceled a \$2,050,000 line of credit issued in April 2001, pursuant to which we had not borrowed any funds. We incurred a cash fee amounting to \$61,500 in consideration of the availability of the line of credit. In addition, the issuer of the line of credit was issued warrants to purchase 900,000 shares of our common stock at \$0.50 per share for a period of five years in consideration of the availability of such line. These warrants were valued using the Black-Scholes option pricing model at \$549,000.

In connection with the financing, we incurred a cash fee amounting to \$750,000 and issued (i) warrants to purchase 2,250,000 shares of common stock with an exercise price of \$0.93 for a period of five years and (ii) unit purchase options to purchase Series C preferred stock convertible into an aggregate of 2,250,000 shares of common stock with a conversion price of \$0.50 per share for a period of five years. These warrants and unit purchase options were valued using the Black-Scholes option pricing model at \$675,000 and \$810,000, respectively. Additionally, other expenses directly related to the financing were approximately \$400,000.

Net cash used in operating activities totaled approximately \$3,666,000 for the three months ended March 31, 2001 as compared to net cash used in operating activities of approximately \$2,187,000 for the same period in 2000. Net cash used in operating activities for the three months ended March 31, 2001 resulted primarily from (i) the \$8,097,000 net loss in the period and (ii) a \$158,000 use of cash from operating assets and liabilities, offset by (iii) an aggregate of \$4,589,000 of non-cash charges consisting primarily of depreciation, amortization and stock-based compensation expense. Net cash used in operating activities for the three months ended March 31, 2000 resulted primarily from (i) the \$6,307,000 net loss in the period, offset by (ii) \$240,000 of cash provided by operating assets and liabilities, and (iii) an aggregate of \$3,880,000 of non-cash charges consisting primarily of depreciation, amortization and stock-based compensation expense.

Net cash used in investing activities totaled approximately \$1,091,000

for the three months ended March 31, 2001 as compared to net cash provided by investing activities of approximately \$1,730,000 for the same period in 2000. Net cash used in investing activities for the three months ended March 31, 2001 resulted from (i) the purchase of capital assets for \$195,000, primarily computer and office equipment, and (ii) \$896,000 in product development costs consisting of fees of outside contractors and capitalized salaries. Net cash provided by investing activities for the three months ended March 31, 2000 resulted from (i) \$2,970,000 net proceeds from maturity of investments available-for-sale offset by (ii) the purchase of capital assets for \$156,000, primarily computer and office equipment, (iii) \$499,000 in product development costs consisting of fees of outside contractors and capitalized salaries, and (iii) the \$585,000 net cash effect of the Netlan Enterprises, Inc. acquisition.

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Net cash used in financing activities totaled approximately \$332,000 for the three months ended March 31, 2001 as compared to net cash provided by financing activities of approximately \$370,000 for the same period in 2000. In February 2000, former eB2B obtained a \$2,500,000 term loan from a bank. The proceeds from the term loan were primarily used to refinance the \$2,116,000 debt of Netlan paid by former eB2B in connection with the Netlan acquisition. The term loan had a term of three years, was interest-only until December 1, 2000, and bore interest at a rate equal to LIBOR plus 1%. Beginning December 1, 2000, the term loan required ten quarterly principal payments of \$250,000. At March 31, 2001 the outstanding balance of the term loan was \$2.0 million. The loan was secured by a custodial cash account in the amount of approximately 111% of the outstanding balance of the term loan. We paid the outstanding balance of the loan in full on April 2, 2001 using cash held in the custodial cash account. We also have a \$1,250,000 line of credit with the bank. No amounts were borrowed under the line of credit as of March 31, 2001. The line of credit secures approximately \$1,178,000 of letters of credit that are outstanding at March 31, 2001. The line is secured by a custodial cash account in the amount of approximately 111% of the line.

As of March 31, 2001, our principal source of liquidity was approximately \$4.6 million of cash and cash equivalents against which the bank held a custody account with approximately \$3,611,000 as security on the term loan and line of credit with the bank. During April 2001 we paid the remaining outstanding balance on the term loan of \$2.0 million. Accordingly, the required balance in the custodial cash account has been reduced to \$1,389,000.

As of March 31, 2001, we had commitments for software license and maintenance fees as well as outside consulting fees in the aggregate amount of approximately \$2.2 million with two vendors. During April 2001, we renegotiated the payment schedule with these vendors and accordingly paid cash of approximately \$0.5 million and agreed to issue approximately 2.5 million shares of common stock in lieu of \$1.5 million of payments to these vendors. The remaining \$0.2 million represents sales tax payable on the software license and maintenance agreements, which was paid in May 2001.

We anticipate spending approximately \$1.1 million on capital expenditures over the next twelve months, primarily on capitalized product development costs.

Our management believes that our available cash resources at March 31, 2001, coupled with the gross proceeds from our private placement of \$7.5 million of convertible notes and warrants, will be sufficient to meet anticipated working capital and capital expenditure requirements through March 31, 2002. Our use of cash as of June 30, 2001 approximates \$700,000 per month. As a result of the cost cutting measures carried out in 2001, we anticipate that our use of cash will be below \$500,000 per month by the end of the third quarter of 2001 and expect to use less than \$250,000 per month by the end of 2001. The expected reduction in use of cash in future periods reflects an anticipated increase in revenue, together with staffing reductions and operational cost reductions implemented in April and May 2001. There can be no assurance that anticipated revenue increases will be realized or that such cost reduction measures will be sufficient to successfully reduce the current use of cash.

## BUSINESS

### General

We utilize proprietary software to provide services that create more efficient business relationships between trading partners (i.e. buyers and suppliers). Our technology platform allows trading partners to electronically automate the process of business document communication and turn-around, regardless of what type of computer system the partners utilize. Through our service offerings, our technology platform has the capability of receiving business documents in any technology format, translating the document into any other format readable by the respective trading partners and transmits the document to the respective trading partner. We do not allow our

customers to take delivery of our proprietary software. We provide access via the Internet to our proprietary software, which we maintain on our hardware and on hosted hardware.

The business relationship between a buyer and a supplier is not created within our platform; it is one which already exists. Our services enhance the previously existing relationship as documents can be transmitted between a buyer and a supplier in an electronic automated format utilizing our technology platform. These documents include, but are not limited to, purchase orders, purchase order acknowledgments, advanced shipping notices and invoices. Our customers utilize our services for business documents primarily in the direct goods area, which encompasses purchasing of finished goods for ultimate sale to an end user, be that a consumer or a business.

In many cases the automation of the exchange of business documents is occurring between a large buyer or supplier and their smaller trading partners. In the past, these trading partners communicated with each other via phone, fax or mail. Our services permit efficiencies among trading partners by significantly reducing or eliminating the process of manual communications. This electronic automation allows each trading partner to leverage their investment in technology (hardware and software) by integrating business document transactions directly into their back-end systems. These technologies include, but are not limited to, Electronic Data Interchange, Point of Sale, Enterprise Resource Planning, Accounting, Inventory, Supply Chain and/or Order Management. The resulting efficiencies often reduce cost of staffing and cuts error rates typically associated with manual processing of the respective business documents.

In addition to the integration and automation capabilities of our services, buyers and suppliers can also exchange documents and conduct business via a catalog-based environment. This environment supports the needs of both buyer and supplier throughout the trading life cycle. These include requisitions, order management, fulfillment and settlement. This is especially useful to support the trading needs of specific business partners in order to ensure products are ordered and delivered in the most efficient and least expensive means available.

We also provide professional services to the same client base, as well as to businesses that wish to build, operate or outsource the transaction management of their business-to-business trading partner relationships and infrastructure.

In addition, we provide authorized technical education, and also design and deliver custom computer and Internet-based on-line training seminars.

#### History and Organization

Our company was incorporated in the state of New Jersey on July 26, 1979.

Former eB2B Commerce, Inc. was incorporated in the state of Delaware on November 6, 1998. It is referred to as "former eB2B" in this prospectus.

On February 22, 2000, former eB2B completed its acquisition of Netlan Enterprises, Inc. and its subsidiaries.

On April 18, 2000, former eB2B merged with and into our company, an SEC registrant, and as the surviving company, we changed our name from "DynamicWeb Enterprises, Inc." to "eB2B Commerce, Inc." Our company is referred to in this prospectus as "us", "we" or "our company". References to "DynamicWeb" in this prospectus are to our company and operating history prior to the April 2000 merger. Pursuant to the agreement and plan of merger between us and former eB2B, our shareholders retained their shares in our company, while the shareholders of former eB2B received shares, or securities convertible into shares, of common stock of our company representing approximately 89% of our equity, on a fully diluted basis.



The April 2000 merger was accounted for as a reverse acquisition, a "purchase business combination" in which former eB2B was the accounting acquirer and our company was the legal acquirer. The management of former eB2B remained as our management. As a result of the April 2000 merger, (i) the financial statements of former eB2B are historical financial statements; (ii) the results of the our operations include the results of our company after the date of the merger; (iii) acquired assets and assumed liabilities were recorded at their estimated fair market value at the date of the merger; (iv) all references to our financial statements apply to the historical financial statements of former eB2B prior to the April 2000 merger and to our consolidated financial statements subsequent to the April 2000 merger; (v) any reference to former eB2B applies solely to eB2B Commerce, Inc., a Delaware corporation, and its financial statements prior to the merger, and (vi) our year-end is December 31, that of the accounting acquirer, former eB2B.

## Industry Background

Businesses are increasingly seeking to improve their operating efficiency with other businesses through electronically automated and integrated business to business solutions. Electronic Data Interchange, or "EDI" is a specific form of business to business electronic commerce, consisting of a standard protocol for electronic transmission of data between a company and a third party. EDI has existed for over twenty years. It is a very expensive technology to both implement and maintain and is, therefore, typically utilized by the largest companies. In an EDI transaction, the computers of the buyer and the supplier communicate and exchange the relevant information using an agreed-upon or standard format. Until very recently, companies that wanted to conduct business electronically were required to have a special type of computer network called a value-added computer network or "VAN". For a significant fee, a VAN, often managed by a separate third party, was responsible for the guaranteed exchange of business documents between trading partners.

The emergence of the Internet as an alternative means of managing the transactional flow of business to business document exchange has revolutionized the way businesses operate and interact with their trading partners. The Internet coupled with a new breed of software solutions has created technology that supports highly efficient channels of communication and collaboration. The Internet gives small and medium-sized buyers and suppliers access to the same efficiencies associated with traditional EDI systems. In addition, the combination of the Internet and these new software technologies enables buyers and suppliers of all sizes to electronically exchange business documents and interact with a greater number of potential trading partners.

## Business Overview

We utilize proprietary software to provide a technology platform for large buyers and large suppliers to transfer business documents via the Internet to their small and medium-sized trading partners. These documents include, but are not limited to, purchase orders, purchase order acknowledgements, advanced shipping notices and invoices. We do not allow our customers to take delivery of our proprietary software. We provide access via the Internet to our proprietary software, which we maintain on our hardware and on hosted hardware.

Our technology platform has the capability of integrating trading partners, electronically automating the exchange of business documents between trading partners and supporting the collaboration of information across an enterprise's trading partner community. Integration encompasses the ability to translate documents from the buyer's required format to the supplier's required format (or vice versa). This "any to any" capability insures each organization is able to leverage their existing technology environment while supporting the specific needs of their trading partners. Automation allows trading partners to communicate with each other regardless of the type of computer system, hardware and software each partner is utilizing. Collaboration supports the ability for trading partners to not only exchange business documents but unlock the potential the information these business documents provide. This includes, for example, product movement information and vendor performance.

Many large retailers and large suppliers transfer business documents between each other via EDI. Our platform, utilizing the Internet as a delivery mechanism, allows these large EDI enabled companies to transfer

documents to companies that are otherwise not EDI capable. Additionally, our services permit the transmission of documents between two trading partners even

when neither is EDI capable.

We estimate that currently only 4% of all transactions between businesses in the United States of America are done with document transfer via EDI. The other 96% of transactions and the related transfer of documents are conducted via phone, fax and mail. This is our target market. We provide services to automate currently existing business relationships. The simplicity of doing electronic automated transactions using our services can help create additional business among the trading partners, but it is not intended as a marketplace solution in that we do not intend to create new relationships for trading partners through our technology platform.

We are positioned to utilize the Internet to streamline business processes related to transmitting documents from one business to another. Utilizing our hosted infrastructure as their technology platform, companies previously unable to afford the high cost and complexity of doing business with EDI can now electronically transact business among their trading partners in a more simple, cost effective manner. The benefits of this approach -- integration, automation and collaboration -- allow companies utilizing our services to trade more efficiently, accurately and inexpensively while complying with the trading requirements of their partners.

Large EDI enabled retailers can utilize our services as a means to electronically communicate and transfer business documents to their small and medium-sized suppliers. Likewise, large EDI enabled suppliers can utilize our services to electronically communicate and transfer business documents to their small and medium-sized retailers. Small and medium-sized retailers and suppliers can transfer business documents even when neither party is EDI enabled. Utilizing our services reduces manual processing costs from each organization, thereby creating efficiencies for both trading partners, as this method of transferring business documents is much less time consuming than transactions conducted through the phone, fax or mail. Additionally, our technology platform significantly reduces error rates normally associated with the processing of manual documents.

We also offer professional services, which provide consulting expertise to the same client base, as well as to other businesses that prefer to operate or outsource the transaction management and document exchange of their business-to-business relationships. As such, our consultants could reside at a large EDI enabled retailer or supplier with the objective of providing EDI expertise that does not exist on-site.

Our transaction processing technology platform and professional services make up one business unit defined as "transaction processing and related services."

We believe that our proprietary software provides the following advantages to trading partners:

#### Benefit to Suppliers

- o Significant reduction in order processing costs
- o Reduced customer service costs
- o Ability to support the transactional and other requirements of their trading partners
- o Increased inventory turnover and order-to-delivery cycle time
- o Up-sell and cross-sell opportunities
- o Supplier-buyer demand collaboration
- o Improved purchasing history and buying pattern information
- o Increased ability to project demand cycles
- o Access to broader buying community
- o Improved customer service

#### Benefit to Buyers

- o Significant reduction in order management costs
- o Substantially more convenient and efficient ordering
- o Ability to support the transactional and other trading requirements of their trading partners
- o Real-time information exchange, with access order status, shipment timing and inventory availability
- o Improved product information via online catalog access
- o Faster delivery and increased inventory turns

- o Significant reduction in order error rates
- o Buyer-supplier demand collaboration
- o Access to broader base of suppliers

We provide a complete solution, tailored for each customer and designed specifically for our business processes. By leveraging our expertise in EDI, business to business transaction management and document exchange, application development, and Internet networking, we are able to provide a suite of services that facilitate the transfer of business documents among trading partners. Customers can use our services not only to electronically send business documents to each other, but also to achieve demand chain transparency by having access, as appropriate, to their trading partners data systems via our proprietary software. Customers of any size or capability can communicate, exchange documents and transact business with their trading partners regardless of the type of integration, connectivity or data format. The ability for each trading partner to both leverage their existing investment in technology (hardware and software) while supporting the requirements of their trading partners is an important cost saving feature.

Our services integrate the entire trading process, from requisition to order management, to fulfillment and settlement. Automated transaction management across the trading lifecycle supports the synchronization of product movements through the demand chain. The higher efficiencies and cost savings are quantifiable to both sides of the trading equation.

We are also an authorized provider of technical education to our clients for products of Citrix, Lotus Development Corporation, Microsoft Corporation, and Novell Inc. We design and deliver custom technical education for the same client base and provide education through delivery of custom computer and Internet-based on-line training seminars. This is our second business unit defined as "training and client educational services".

#### Markets and Marketing

The marketing goals of transaction processing and related services have been to attract and retain buyers and suppliers principally in the following vertical industries:

- o chain drug,
- o sporting goods, and
- o toys.

These sizeable industries are characterized by certain operating inefficiencies. Our management believes that increasing margin pressures, a need to increase technological sophistication, and a low or average penetration of EDI make these industries attractive vertical markets for their transaction processing and related services.

While our sales focus is primarily directed toward specific targeted vertical markets, our proprietary software was built to operate across many verticals (a horizontal focus) without requiring significant enhancements. This will allow us to more easily expand into additional vertical markets in the future.

Key clients in the chain drug vertical include Rite Aid, Duane Reade, Eckerd, Brooks Pharmacy, Drug Fair and Phar-Mor. In the sporting goods vertical, major customers include Spalding, Athlete's Foot, Bike Athletic, Golf Galaxy and Carbit Golf. In the toys vertical, our main customer is Toys R US. Additionally we have attracted other large customers, including Verizon, Best Buy and Linens 'N Things, which use our transaction processing and related services.

We market and sell our services through a direct sales force in the United States of America. To extend our vertical market reach and increase sales opportunities in the vertical industries we have selected, we participate in national trade shows and establish relationships with trading partners.

We anticipate that alliances with technology firms and other partnerships will continue to be integral to our success. To continue to bring the best solution to market, we plan on further technology partnerships that extend our core solutions including reseller and other relationships. In order to leverage our current direct sales force and add new revenue streams, we also

expect to establish alliances with other firms that have an established presence in our vertical markets. Likely companies for us to partner with would include software and services firms in our vertical markets and associations that play a key role in influencing buying behavior. For example, joint marketing or sales programs with alliance partners would be intended to gain access to several large buyers, enabling us to add connections to many of their small and medium-sized suppliers.

Current partnering examples include the National Association of Chain Drug Stores alliance completed in 2000 and the February 2001 announcement with PangeaToyNet.com, a toy community. ChainDrugStore.net, the for-profit subsidiary of the National Association of Chain Drug Stores, co-markets our services to its membership base. The PangeaToyNet.com alliance provides for joint marketing efforts with our Company and offering of our services to its membership base of toy retailers and suppliers.

As of June 30, 2001 we connected approximately 110 retail organizations and 1,250 supply organizations to their trading partners. As of June 30, 2001 we were processing in excess of 600,000 transactions per quarter.

Major training and educational services' customers include AOL Time Warner, Chase Manhattan Bank, PricewaterhouseCoopers and Teachers' Insurance - TIAA - CREF.

In the year ended December 31, 2000, one customer accounted for approximately 17% of our total revenue.

#### Revenue Recognition

We earn revenue from two business units:

- o transaction processing and related services, and
- o training and client educational services.

Revenue from transaction processing is recognized on a per transaction basis when a transaction occurs between a buyer and a supplier. The fee is based either on the volume of transactions processed during a specific period, typically one month, or calculated as a percentage of the dollar volume of the purchase related to the documents transmitted during a similar period. Revenue from related implementation, if any, and monthly hosting fees are recognized on a straight-line basis over the term of the contract with the customer. Deferred income includes amounts billed for implementation and hosting fees, which have not been earned.

We do not generate revenue from the selling, leasing or licensing of computer software. We provide access via the Internet to our proprietary software, which resides within our technology platform.

For related consulting arrangements on a time-and-materials basis, revenue is recognized as services are performed and costs are incurred in accordance with the billing terms of the contract.

Revenues from related fixed price consulting arrangements are recognized using the percentage-of-completion method. Progress towards completion is measured using efforts-expended method based upon management estimates. Fixed price consulting arrangements are mainly short-term in nature and we do not have a history of incurring losses on these types of contracts. If we were to incur a loss, a provision for the estimated loss on the uncompleted contract would be recognized in the period in which such loss becomes probable and estimable. Billings in excess of revenue recognized under the percentage-of-completion method on fixed price contracts is included in deferred income.

Revenue from training and client educational services is recognized upon the completion of the seminar and is based upon class attendance. If a seminar begins in one period and is completed in the next period, we recognize revenue based on the percentage of completion method for the applicable period. Deferred income includes amounts billed for training seminars and classes that have not been completed.

#### Competition

Business-to-business electronic commerce is a new and rapidly evolving industry, competition is intense and is expected to increase in the future. Our management believes that we provide a unique service in the business-to-business electronic commerce area, where a small to medium-sized retailer can process transactions with multiple suppliers, and small to medium-sized suppliers can process transactions with multiple retailers.

Our competition is primarily made of indirect horizontal competitors, which are focused on similar services but not in specific or multiple vertical industries. Major publicly traded indirect horizontal competitors include Marex, Inc., Neoforma.com, Inc. and The viaLink Company. Major privately held competitors include Automated Data Exchange (ADX) (formerly known as The EC Company) and SPS Commerce, for which minimal public information is available on their efforts to date.

Also, we believe that competition may develop from four additional areas: EDI/electronic commerce companies, technology/software development companies, retailer purchasing organizations, and leading industry manufacturers. Additionally, large retailers and suppliers can create their own technology platform to automate the exchange of business documents with their small and medium-sized trading partners, thereby reducing the number of large retailers and suppliers in our target markets. However, we believe it will prove to be an inefficient use of resources for these large companies to build a technology platform for their internal use as compared to using our services.

#### Intellectual Property

Our success depends on our ability to maintain the proprietary aspects of our technology and operate without infringing the proprietary rights of others. We rely on a combination of trademarks, patents, trade secrets and copyright law, as well as contractual restrictions, to protect the proprietary aspects of our technology. We seek to protect the source code for our proprietary software, documentation and other written materials under trade secret and copyright law.

We also seek to protect our intellectual property by requiring employees and consultants with access to proprietary information to execute confidentiality agreements with us and by restricting access to our source code.

Due to rapid technological change, our management believes that factors such as the technological and creative skills of its personnel and consultants, new product developments and enhancements to existing services are equally as important as the various legal protections of its technology to establish and maintain a technology leadership position.

#### Government Regulation

Our services enable buyers and suppliers to transmit documents to their trading partners over dedicated and public telephone lines. These transmissions are governed by regulatory policies establishing charges and terms for communications. Our management believes that we are in compliance with applicable regulations.

In addition, due to the increasing popularity and use of the Internet, we might be subject to increased regulation. Such laws may regulate issues such as user privacy, defamation, network access, pricing, taxation, content, quality of products and services, and intellectual property and infringement.

These laws could expose us to liability, materially increase the cost of providing services, and decrease the growth and acceptance of the Internet in general, and access to the Internet over cable systems.

#### Product Development

Our product development efforts for our proprietary software are directed toward the development of new complementary services and the enhancement and expansion of the capabilities of existing services. Product

development expenses (exclusive of stock-based compensation) were approximately \$2,698,000 and \$572,000 for the years ended December 31, 2000 and 1999, respectively. During the year ended December 31, 1999, former eB2B abandoned the use of the product development expenditures capitalized at December 31, 1998, and recorded a \$174,000 write-down. We continue to make the product development expenditures that management believes are necessary to rapidly deliver new features and functions. As of June 30, 2001, seven employees were engaged in product development activities. In addition, based on its specific needs to rapidly deliver new features and functions, we hire consultants who take part in product development activities.

#### Personnel

As of June 30, 2001, we employed 65 full-time employees and two part-time employees. Many of our employees are highly skilled, with advanced degrees. Our continued success depends upon our ability to continue to attract and retain highly skilled employees. We have never had a work stoppage, and none of our employees are represented by a labor organization. We consider our employee relations to be good.

#### Property

We operate out of two offices in New York, New York. The following table sets forth information on our properties:

| Principal Address                         | Square Footage | Owned/Leased | Purpose                                    |
|---|----------------|--------------|--|
| 757 Third Avenue<br>New York, NY 10017    | 22,600         | Leased       | Corporate Headquarters & Technology Center |
| 29 West 38th Street<br>New York, NY 10018 | 6,400          | Leased       | Training Center                            |

The lease for our premises at 757 Third Avenue expires in April 2007. Pursuant to the 757 Third Avenue lease we pay fixed annual rent of \$1,197,694 in monthly payments of \$99,808 until July 2004 and a fixed annual rent of \$1,242,890 in monthly payments of \$103,574 thereafter.

#### Legal Proceedings

We are party to certain legal proceedings and claims, which arise in the ordinary course of business. In the opinion of our management, the amount of an ultimate liability with respect to these actions will not materially affect our financial position, results of operations or cash flows.

In October 2000, Cintra Software & Services Inc. commenced a civil action against our company in New York Supreme Court, New York County. The complaint alleges that we acquired certain software from Cintra upon the authorization of our former Chief Information Officer. Cintra is seeking damages of approximately \$856,000. While the action is at an early stage, we believe that we have meritorious defenses to the allegations made in the complaint and intend to vigorously defend the action.

On March 2, 2001, a former employee commenced a civil action against our company and two members of our management in New York Supreme Court, New York County, seeking, among other things, compensatory damages in the amount of \$1.0 million and additional punitive damages of \$1.0 million for alleged defamation in connection with his termination, as well as a declaratory judgment concerning his alleged entitlement to stock options to purchase 75,000 shares of our common stock. We subsequently filed a motion to dismiss. We dispute these claims and intend to vigorously defend the action.

We are not currently a party to any other material legal proceeding.

Executive officers and directors

The following table sets forth certain information regarding our directors and executive officers:

<TABLE>  
<CAPTION>

| Name              | Age | Position   |
|-------------------|-----|--|
| <S>               | <C> | <C>  |
| Richard S. Cohan  | 48  | President and Chief Operating Officer                          |
| Peter J. Fiorillo | 42  | Chief Financial Officer and Chairman of the Board of Directors |
| Alan J. Andreini  | 54  | Chief Executive Officer and Director                           |
| Steven Rabin      | 46  | Chief Technology Officer                                       |
| Michael S. Falk   | 39  | Director   |
| Timothy P. Flynn  | 50  | Director   |
| Stephen J. Warner | 61  | Director   |
| Harold S. Blue    | 40  | Director   |
| Bruce J. Haber    | 49  | Director   |
| Mark Reichenbaum  | 50  | Director   |

Richard S. Cohan joined our company in May 2001 as president and chief operating officer. Mr. Cohan served as senior vice president of CareInsite, a health information technology company (which merged with WebMD in September 2000), from June 1998 to January 2001. He was also president of The Health Information Network Company, an e-health consortium of major New York health insurers and associations of which CareInsite was the managing partner, from 1998 to 2001. Prior to joining CareInsite, Mr. Cohan spent 15 years at National Data Corporation, with various titles including executive vice president.

Peter J. Fiorillo co-founded former eB2B in November 1998. He served as president, chief executive officer and chairman of the board of directors of former eB2B from November 1998 until April 2000, and, upon completion of the April 2000 merger, assumed those positions with our company until November 2000. In

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November 2000, he relinquished his positions as chief executive officer and president of our company, became chief financial officer and remained as a chairman of the board. From April 2001 until May 2001 he again served as president. He has also served as director of former eB2B from its inception until the April 2000 merger, and has since been a director of our company. From January 1991 until October 1998, Mr. Fiorillo held various positions with FIND/SVP, Inc., a publicly held consulting and business advisory company, including executive vice president from November 1994 to October 1998.

Alan J. Andreini joined our company in July 2000 as executive chairman, serving in such capacity until November 2000. Between November 2000 and April 2001, he served as president and chief executive officer. Since April 2001, he has served as chief executive officer. Mr. Andreini has also been a director of our company since July 2000. Prior to joining our company, from April 1997 to June 2000, Mr. Andreini was successively president and chief operating officer, chief executive officer and vice chairman of InterWorld Corporation, a public company and a provider of e-commerce software solutions. Previously, Mr. Andreini was executive vice president and a member of the Office of the President of Comdisco Inc., a public company engaged in technology services. Mr. Andreini joined Comdisco Inc. in 1978, and was named senior vice president in 1986 and executive vice president in 1994.

Steven Rabin has served as our chief technology officer since November 2000. Prior to joining our company, Mr. Rabin was the chief technology officer for InterWorld Corporation from May 1997 to September 2000. From February 1995 to May 1997, Mr. Rabin worked as chief technologist at Logility, Inc., a division of American Software Inc., a publicly held company, where he designed and developed a variety of supply chain management and business-to-business e-commerce solutions.

Michael S. Falk has been a director of our company since April 2000, and prior to the April 2000 merger was a director of former eB2B since January 2000. Mr. Falk is the co-founder and, since 1988, chairman and chief executive officer of Commonwealth Associates, L.P., a New York-based merchant bank and investment bank. Mr. Falk is also a member of the board of directors of the following public companies: IntraWare, Inc., a provider of Internet-enabled software delivery and information technology management solutions; U.S. Wireless Data, Inc., a provider of technology for wireless point of sale and ATM transactions; and ProxyMed, Inc., a provider of

healthcare transaction processing services.

Timothy P. Flynn has been a director of our company since April 2000, and prior to the April 2000 merger was a director of former eB2B since January 2000. Mr. Flynn is a principal of Flynn Gallagher Associates, LLC. Mr. Flynn is also a director of FutureLink Corporation, a publicly held applications service provider, and MCG Communications, Inc., a publicly held telecommunications company. Mr. Flynn has served on the board of directors of PurchasePro.com, Inc., a publicly held business-to-business e-commerce company. From 1993 until 1997, Mr. Flynn served as a director of ValuJet Airlines. Prior to that, he served as a senior executive and director of WestAir Holdings, Inc., a company which operated WestAir, a California-based commuter airline affiliated with United Airlines.

Stephen J. Warner has been a director of our company since May 2001. Mr. Warner has been chief executive officer of Crossbow Ventures, Inc., a venture capital firm, since January 1999. He was chairman of Bioform Inc., a consulting firm, from 1994 to 1999. From 1991 to 1994, he was a director of Commonwealth Associates, L.P. Mr. Warner served as president of Merrill Lynch Venture Capital from 1981 to 1990.

Harold S. Blue has been a director of our company since May 2001. Mr. Blue has been an executive vice president of Commonwealth Associates, L.P. since January 2001. He served as chairman and chief executive officer of ProxyMed, Inc. from 1993 to December 2000. Mr. Blue previously served as president and chief executive officer of Health Services, Inc., a physician practice management company, from 1990 to 1993. In 1984 he founded Best Generics, a major generic drug distribution company that was acquired by Ivax Corp. and served on Ivax's board of directors. He also currently serves as a director of the following public companies: Futurelink Corporation; Healthwatch, Inc., a healthcare information technology company; ProxyMed, Inc.; and MonsterDaata, Inc., an information infrastructure utility company.

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Bruce J. Haber has been a director of our company since July 2001. Mr. Haber served as president and chief executive officer of MedConduit.com, Inc., a healthcare e-commerce company from March 2000 to June 2001. From 1997 until 1999, Mr. Haber was executive vice president and director of Henry Schein, Inc., a healthcare distribution company, and president of such company's medical group. From 1981 until 1997, Mr. Haber served as president, chief executive officer and director of Micro Bio-Medics, Inc., a medical supply distributor which merged into Henry Schein, Inc. in 1997.

Mark Reichenbaum has been a director of our company since July 2001. Mr. Reichenbaum has served as president of HAJA Capital Corporation, an investment firm, since 1997. Prior to such time, Mr. Reichenbaum served as president of Medo Industries, Inc., a manufacturer and distributor of consumer products, from 1972 until 1997. From 1996 to 1997, he was Vice President of Quaker State Corporation. Mr. Reichenbaum has also served as co-chairman of Clean Rite Centers, a retail chain of laundry serving super stores, since 1999.

All of the above directors will hold office until the next annual meeting of the stockholders and until their successors have been duly elected and qualified. All of the above executive officers serve at the discretion of our board of directors.

Commonwealth Associates, L.P. currently has the right to designate two members of our board of directors, and has designated Harold S. Blue and Michael S. Falk. The holders of our Series B preferred stock, voting as a class, have the right to designate one member of our board of directors, and have designated Timothy P. Flynn. When the holders of the Series B preferred stock no longer have the right to designate a director, Commonwealth shall receive the right to designate such member. Commonwealth's right to designate this third member of the board and one of its two other designees shall expire when the Series C preferred stock has converted into shares of common stock or there is otherwise less than 20% of the originally issued shares of Series C preferred stock outstanding.

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Executive Compensation

The following table provides information concerning the annual and long-term compensation earned or paid to our chief executive officer and to each of our most highly compensated "named executive officers" other than the chief executive officer, whose compensation exceeded \$100,000 during 2000. For the period prior to April 18, 2000, the date of the merger of former eB2B with and into DynamicWeb, the following table includes compensation earned at former eB2B, but excludes the compensation earned or paid to DynamicWeb's executives in such capacity prior to the April 2000 merger.

<TABLE>  
<CAPTION>

| Name and Principal Position   | Year | Annual Compensation |               | Long-Term Compensation |   |
|---|------|---------------------|---------------|------------------------|---|
|   |      | Salary              | Bonus         | Restricted Stock Award | Number of Securities Underlying Options |
| <S>   | <C>  | <C>                 | <C>           | <C>                    | <C>                                     |
| Peter J. Fiorillo,<br>President (1)                                       | 2000 | \$219,000           | \$ 50,000     | -                      | -                                       |
|   | 1999 | \$195,000 (2)       | \$110,000     |                        | 1,995,000                               |
| Alan J. Andreini,<br>Chief Executive<br>Officer (1) (3)                   | 2000 | \$112,500           | -             | -                      | 1,500,000                               |
| Victor L. Cisario,<br>Chief Financial<br>Officer (4)                      | 2000 | \$150,000           | \$ 50,000     | -                      | 266,000                                 |
| John J. Hughes,<br>Executive Vice<br>President and<br>General Counsel (5) | 2000 | \$102,000           | \$ 60,000 (6) | -                      | 266,000                                 |
| Steve Rabin,<br>Chief Technology<br>Officer (7)                           | 2000 | \$61,500 (8)        | \$ 72,500 (9) | 50,000                 | 550,000                                 |

- (1) Mr. Fiorillo was the chief executive officer of former eB2B prior to the April 2000 merger and of our company from April 2000 until November 2000, at which point Mr. Andreini became our chief executive officer.
- (2) From January 1, 1999 to September 30, 1999, former eB2B elected, in accordance with the right it was granted under each employment agreement, to accrue the base salary for each of the executive officers of former eB2B. In January 2000, the accrued salary for each officer (which represented approximately 75% of the total salary for each officer) was converted at the election of the officers, into common stock of former eB2B at \$5.50 per share.
- (3) Mr. Andreini commenced employment with our company in July 2000.
- (4) As of May 2001, Mr. Cisario is no longer an employee or executive officer of our company. In connection with his cessation of employment, Mr. Cisario received a lump sum severance payment of \$130,000.
- (5) Mr. Hughes was employed by our company from June 2000 until July 2001. In connection with his cessation of employment, Mr. Hughes will receive severance payments, over a six month period, aggregating \$106,250.
- (6) Includes a \$35,000 signing bonus.

- (7) Mr. Rabin commenced employment with our company in November 2000.
- (8) Includes \$32,500 paid as consulting fees to a company whose majority shareholder is Mr. Rabin.
- (9) Includes a \$50,000 signing bonus.

The following table provides information concerning individual grants of stock options made during 2000 to each of our named executive officers. For the period prior to our April 2000 merger, the following table includes options granted by former eB2B:

<TABLE>  
<CAPTION>

| Name                     | Number of Securities Underlying Options | Percent of Total Options Granted to Employees in 2000 | Base Price (in \$ per share) | Exercise Or Expiration Date |
|--------------------------|---|---|------------------------------|-----------------------------|
| <S><br>Peter J. Fiorillo | <C> -                                   | <C> -   | <C> -                        | <C> -                       |
| Alan J. Andreini         | 1,500,000                               | 26.7%   | \$3.25                       | July 2010                   |
| Victor L. Cisario        | 266,000                                 | 4.7%  | \$2.07                       | January 2010                |
| John J. Hughes           | 266,000                                 | 4.7%  | \$2.07                       | June 2010                   |
| Steven Rabin             | 550,000                                 | 9.8%  | \$2.10                       | November 2010               |

</TABLE>

#### Aggregated Option Exercises in 2000 and Year End Values

The following table provides information concerning the exercise of stock options during 2000, and the value of unexercised options owned, by each of our named executive officers:

<TABLE>  
<CAPTION>

| Name                     | Shares Acquired on Exercise | Value Realized | Number of Securities Underlying Unexercised (1) |               | Value of Unexercised In-the-Money Options (2) |               |
|--------------------------|-----------------------------|----------------|---|---------------|---|---------------|
|                          |                             |                | Exercisable                                     | Unexercisable | Exercisable                                   | Unexercisable |
| <S><br>Peter J. Fiorillo | <C> -                       | <C> -          | <C> 1,995,000                                   | <C> -         | <C> \$373,750                                 | <C> -         |
| Alan J. Andreini         | -                           | -              | 1,500,000                                       | -             | -   | -             |
| Victor L. Cisario        | -                           | -              | 177,000   | 89,000        | -   | -             |
| John J. Hughes           | -                           | -              | 266,000   | -             | -   | -             |
| Steven Rabin             | -                           | -              | 315,000   | 235,000       | -   | -             |

</TABLE>

(1) Includes ownership of options as of December 31, 2000.

(2) Based on closing price of the Company's common stock as reported on Nasdaq on December 29, 2000.

#### Employment Agreements

Our company and Peter J. Fiorillo, our chairman of the board of directors and chief financing officer, are parties to an employment agreement, dated December 1, 1998, as amended April 2001. The initial term of the agreement expires in December 2002, but the agreement automatically renews for successive one-year terms unless terminated by either party prior to renewal. The agreement provides for an annual base salary of \$225,000 with a minimum annual bonus of \$25,000. Under the terms of the agreement, if we terminate Mr. Fiorillo's employment for reasons other than "cause" (as defined in the agreement), or in the event of a "change of control" (as defined in the agreement) involving our company, we are required to pay Mr. Fiorillo an amount equal to 75% of his annual base salary and bonus. The payments are to be made over a nine month

period following the date of the event that resulted in the termination of employment or the "change of control."

Our company and Alan J. Andreini, our chief executive officer, are parties to an employment agreement, dated as of July 1, 2000, as amended May 14, 2001. The initial term expires on June 30, 2002, but the agreement automatically renews for successive one-year terms unless terminated by either party prior to renewal. The agreement provides for an annual base salary of \$125,000. In the event the agreement is terminated for reasons other than "cause" (as defined in the agreement), we are required to pay Mr. Andreini an amount equal to one-half of his annual base salary, with such sum payable over a period of six months.

Our company and Steven Rabin, our chief technology officer, are parties to an employment agreement, dated as of October 31, 2000, as amended April 2001. The initial term expires on December 31, 2002, but the agreement automatically renews for successive one-year terms unless terminated by either party prior to renewal. The agreement permits Mr. Rabin to determine the allocation of his business time between our offices and his home in Martha's Vineyard, Massachusetts. The agreement provides for an annual base salary of \$175,000 and an annual minimum bonus of \$45,000. In the event the agreement is terminated for reasons other than "cause" (as defined in the agreement), we are required to pay Mr. Rabin an amount equal to his annual base salary, with such sum payable over a period of one year.

Provisions of our charter and by-laws

Our company's amended and restated certificate of incorporation provides that we will indemnify any person who is or was our director, officer, employee or agent to the fullest extent permitted by the New Jersey Business Corporation Act, and to the fullest extent otherwise permitted by law. The New Jersey law 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 New Jersey law) to our company or our stockholders, (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 our amended and restated certificate of incorporation and the New Jersey law, no director or officer of our company will be personally liable to us or to any of our stockholders for damages for breach of any duty owed to us or our stockholders, 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 New Jersey law) to the Company or its stockholders, (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, our 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 our best interests 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 will 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 our best interests or that he or she had reasonable cause to believe his or her conduct was unlawful. Indemnification as provided in the bylaws will be made only as authorized in a specific case and upon a determination that the person met the applicable standards of conduct.

The following table shows the common stock owned by our directors and "named executive officers", by persons known by us to beneficially own, individually, or as a group, more than 5% of our outstanding common stock as of July 6, 2001 and all of our current directors and executive officers as a group. Included as shares beneficially owned are shares of convertible preferred stock, which preferred shares have the equivalent voting rights of the underlying common shares. Such preferred shares are included to the extent of the number of underlying shares of common stock.

<TABLE>  
<CAPTION>

| Name and Address<br>of Beneficial Owner (1)                     | Beneficial<br>Ownership of<br>Capital Stock (2) | Percent of<br>Common<br>Stock (3) | Percent of<br>Common Stock<br>On a Fully Diluted Basis (4) |
|---|---|-----------------------------------|--|
| <S>   | <C>   | <C>                               | <C>  |
| Alan J. Andreini  | 1,722,222 (5)                                   | 8.19%                             | 2.23%  |
| Victor L. Cisario (6)   | 316,000 (7)                                     | 1.61%                             | .28%   |
| John J. Hughes (8)  | 400,234 (9)                                     | 2.04%                             | .36%   |
| Steven Rabin  | 500,000 (10)                                    | 2.53%                             | .54%   |
| Peter J. Fiorillo   | 4,999,007 (11)                                  | 23.48%                            | 5.36%  |
| Michael S. Falk (12)  | 14,651,234 (13)                                 | 43.91%                            | 13.09%   |
| Timothy Flynn (14)  | 2,229,491 (15)                                  | 10.36%                            | 2.21%  |
| Richard S. Cohan  | -   | -                                 | 1.79%  |
| Stephen J. Warner (16)  | 5,200,000 (17)                                  | 21.23%                            | 4.87%  |
| Harold S. Blue (18)   | 98,852 (19)                                     | .51%                              | .31%   |
| Bruce J. Haber  | -   | -                                 | .22%   |
| Mark Reichenbaum (20)   | 1,061,508 (21)                                  | 5.22%                             | 1.17%  |
| Commonwealth Associates, L.P. (22)                              | 6,581,992 (23)                                  | 25.83%                            | 5.88%  |
| ComVest Capital Partners LLC (24)                               | 3,462,300 (25)                                  | 15.21%                            | 3.09%  |
| ComVest Venture Partners L.P.                                   | 900,000 (26)                                    | 4.46%                             | .80%   |
| All directors and executive officers<br>as a group (10 persons) | 19,518,022 (27)                                 | 54.85%                            | 22.02%   |

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- (1) The address of each person who is a 5% holder, except as otherwise noted, is c/o eB2B Commerce, Inc., 757 Third Avenue, New York, New York 10017.
- (2) Except as otherwise noted, each individual or entity has sole voting and investment power over the securities listed. Includes ownership of only those options and warrants that are exercisable within 60 days of the date of this prospectus.
- (3) The ownership percentages in this column for each person listed in this table are calculated assuming the exercise of all options and warrants held by such person exercisable within 60 days of the date of this prospectus and conversion of all convertible notes held by such person convertible within such time period and giving effect to the shares of common stock underlying the Series A preferred stock, the Series B preferred stock and the 7% convertible notes (or the Series C preferred stock, as the case may be) held by such person.
- (4) The ownership percentages in this column are calculated for each person listed in this table on a fully diluted basis, assuming the exercise of all options and warrants, regardless of whether or not exercisable

within 60 days, held by such person and all of our other securityholders and conversion of all preferred stock and convertible notes regardless of whether or not convertible within 60 days held by such person and all of our other securityholders.

- (5) Represents shares underlying options.
- (6) Mr. Cisario is no longer an officer or employee of our company as of May 2001.
- (7) Includes 266,000 shares underlying options and 50,000 shares underlying warrants.
- (8) Mr. Hughes is no longer an officer or employee of our company as of July 2001.
- (9) Includes 266,000 shares underlying options and 98,767 shares underlying warrants.
- (10) Includes 450,000 shares underlying options and 50,000 shares of restricted stock.

- (11) Includes 1,995,000 shares underlying options and 42,560 shares of common stock owned by family members.
- (12) The address of Mr. Falk is c/o Commonwealth Associates, L.P., 830 Third Avenue, New York, New York 10022.
- (13) In addition to the aggregate of 10,944,292 shares beneficially owned by Commonwealth Associates L.P., ComVest Capital Partners LLC and ComVest Venture Partners L.P., which may be deemed to be beneficially owned by Mr. Falk, Mr. Falk's holdings include 180,836 shares of common stock, and the right to acquire (i) 3,356,391 shares underlying warrants, (ii) 164,715 shares underlying convertible preferred stock, and (iii) 5,000 shares underlying options. In his capacity as chairman and controlling equity owner of Commonwealth Associates Management Corp., Mr. Falk shares voting and dispositive power with respect to the securities beneficially owned by Commonwealth Associates L.P. and may be deemed to be the beneficial owner of such securities. In his capacity as a manager and principal member of ComVest Capital Partners LLC, Mr. Falk shares indirect voting and dispositive power with respect to the securities beneficially owned by ComVest Capital Partners LLC and may be deemed to be the beneficial owner of such securities, although Mr. Falk disclaims beneficial interest in such shares other than that portion which corresponds to his membership interest in ComVest Capital Partners LLC. Mr. Falk is a managing member of the general partner of ComVest Venture Partners L.P.
- (14) The address of Mr. Flynn is c/o Flynn Gallagher Associates, 3291 North Buffalo Drive, Las Vegas, Nevada 89129.
- (15) Includes (i) 759,516 shares underlying convertible preferred stock, (ii) 500,000 shares underlying convertible notes, (iii) 138,000 shares underlying options and (iv) 831,975 shares underlying warrants.
- (16) The address of Mr. Warner is One N. Clematis Street, West Palm Beach, Florida 33401.
- (17) Includes 2,600,000 shares underlying convertible notes and 2,600,000 shares underlying warrants owned by Alpine Venture Capital Partners L.P. Mr. Warner is the chief executive officer of Crossbow Ventures Inc., the management company for Alpine Venture Capital Partners L.P.
- (18) The address of Mr. Blue is c/o Commonwealth Associates, L.P., 830 Third Avenue, New York, New York 10022.
- (19) Includes 25,168 shares underlying convertible preferred stock and 66,130 shares underlying warrants.
- (20) The address of Mr. Reichenbaum is c/o HAJA Capital Corp., 323 Railroad Avenue, Greenwich, Connecticut 06830.
- (21) Includes (i) 113,258 shares underlying convertible preferred stock, (ii) 400,000 shares underlying convertible notes and (iii) 514,255 shares underlying warrants.
- (22) The address of Commonwealth Associates, L.P. is 830 Third Avenue, New York, New York 10022.
- (23) Commonwealth Associates L.P.'s holding includes 36,237 shares underlying convertible preferred stock and 6,150,644 shares underlying warrants. Commonwealth Associates L.P.'s holding as described in this table does not include the holding of ComVest Capital Partners LLC or ComVest Venture Partners L.P. Commonwealth, ComVest Capital and ComVest Venture are affiliated through overlapping ownership interests.
- (24) The address for ComVest Capital Partners LLC is 830 Third Avenue, New York, New York 10022.
- (25) Includes 219,619 shares underlying convertible preferred stock and 3,242,680 shares underlying warrants.
- (26) Includes 900,000 shares underlying warrants.
- (27) Includes (i) 1,062,657 shares underlying convertible preferred stock, (ii) 3,500,000 shares underlying convertible notes and (iii) an aggregate of 11,728,973 shares underlying options and warrants.

#### CERTAIN TRANSACTIONS

In September 1999, former eB2B signed a letter of intent with Commonwealth Associates, L.P., an investment banking firm, to raise capital in a private placement offering of former eB2B's securities. On October 4, 1999, former eB2B issued, in consideration of \$375,000, promissory notes and five-year

warrants to purchase up to 498,659 shares of former eB2B common stock (equivalent to 1,326,433 shares of our common stock) to ComVest Capital Partners LLC, an affiliate of Commonwealth, and Michael S. Falk constituting "pre-bridge financing". The promissory notes and warrants were replaced with promissory notes and warrants in the subsequent bridge financing described in the next paragraph. Mr. Falk, a director of our company, is a principal and the chief executive officer of Commonwealth, and is a principal of ComVest.

In October 1999, in anticipation of a private placement offering and for an investment of \$1,000,000, including the replacement of securities issued in the pre-bridge financing, former eB2B issued to ComVest Capital Partners, LLC, an affiliate of Commonwealth, and to designees of such entity, convertible promissory notes in an aggregate principal amount of \$1,000,000, which were automatically converted into units offered in the subsequent December 1999 private placement based on the face value of such notes, and seven-year warrants to purchase up to 717,409 shares of former eB2B common stock (equivalent to 1,908,308 shares of our common stock), exercisable at \$4.00 per share (\$1.50 reflective of the 2.66 to 1 exchange ratio in the April 2000 merger). Commonwealth was the placement agent in such "bridge financing" offering. In May 2001, these warrants were adjusted pursuant to anti-dilution provisions to become warrants to purchase an aggregate of 5,724,904 shares of our common stock with an exercise price of \$.50 per share.

In December 1999, former eB2B issued to Commonwealth, for providing services as the placement agent in a \$33,000,000 private placement of Series B preferred stock and warrants, a cash consideration of \$3,300,000 and warrants to purchase 1,482,600 shares of former eB2B common stock (equivalent to 3,943,716 shares of our common stock) at an exercise price of \$5.50 per share (\$2.07 reflective of the 2.66 to 1 exchange ratio in the merger) for a period of five years. In January and May 2001, these warrants were adjusted pursuant to anti-dilution provisions to become warrants to purchase an aggregate of 6,440,629 shares of our common stock with an exercise price of \$1.266 per share.

In October 1999, former eB2B entered into a finder's agreement with Commonwealth, which provided that upon completion of a merger, sale or other similar transaction, Commonwealth would earn a finder's fee equal to three percent of the total compensation received in the transaction. Upon the completion of the April 2000 merger, we issued Commonwealth 3% of the total number of securities received by former eB2B's stockholders in the merger, consisting of 720,282 shares of our common stock and seven-year warrants to purchase 502,383 shares of our common stock at an exercise price of \$5.50 per share (\$2.07 reflective of the 2.66 to 1 exchange ratio in the merger).

In November 1999, in connection with Commonwealth providing advisory services to former eB2B during the merger, former eB2B granted to Commonwealth five-year warrants to purchase 470,000 shares of former eB2B common stock (equivalent to 1,250,200 shares of our common stock) at an exercise price of \$5.50 per share (equivalent to \$2.07 per share of our common stock). The warrants vested upon the closing of the April 2000 merger.

In May 2001, we issued to Commonwealth (and its designees), for providing services as the placement agent in a private placement of convertible notes and warrants, five year "agents options" to purchase Series C preferred stock, convertible into an aggregate of 1,875,200 shares of our common stock at an exercise price of \$.50 and warrants to purchase 1,875,200 shares of our common stock at an exercise price of \$.93 per share. We also paid Commonwealth a fee of \$637,500 plus reimbursement of its expenses in connection with such services.

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In connection with the closing of the May 2001 financing, we canceled a \$2,050,000 line of credit issued to us in April 2001 by ComVest Venture Partners L.P., an affiliate of Commonwealth, pursuant to which we did not borrow any funds. We incurred a cash fee amounting to \$61,500 in consideration of the availability of the line of credit. In addition, ComVest Venture Partners L.P. was issued warrants to purchase 900,000 shares of our common stock at an exercise price of \$.50 per share for a period of five years.

As a result of the foregoing transactions, Commonwealth currently beneficially owns 25.83% of our voting securities (5.88% on a fully diluted basis).

#### SELLING SECURITYHOLDERS

The shares covered by this prospectus are shares of our common stock that have been issued and shares of our common stock that have been issued or

will be issued upon the conversion of our preferred stock or convertible notes or upon the exercise of warrants to purchase shares of our common stock. The number of shares of common stock that may be actually sold by the selling securityholders will be determined by such selling securityholder, subject to the restrictions of the lock-up agreements, if any. We are registering for the selling securityholders named herein an aggregate of 87,549,195 shares of common stock. The shares to which this prospectus relates include but are not limited to the following:

- o 8,078,880 of the shares consist of shares of common stock that we previously issued;
- o 9,310 of the shares consist of shares of common stock issuable upon conversion of the Series A Preferred Stock acquired by selling securityholders in a private placement that was completed in May 1999;
- o 5,724,904 of the shares consist of shares of common stock issuable upon the exercise of warrants granted to designees of Commonwealth Associates L.P. in connection with a bridge financing conducted in October 1999 and to ComVest Capital Partners LLC and Michael S. Falk in connection with a pre-bridge and bridge financing conducted in October 1999;
- o 18,988,997 of the shares consist of shares of common stock issuable upon conversion of the Series B Preferred Stock acquired by the selling securityholders in a private placement that was completed in December 1999;
- o 6,516,371 of the shares consist of shares of common stock issuable upon the exercise of warrants acquired by the selling securityholders in the December 1999 private placement;
- o 6,440,629 of the shares consist of shares of common stock issuable upon the exercise of warrants granted to Commonwealth Associates L.P. and designees of Commonwealth Associates L.P. for acting as the placement agent for the December 1999 private placement;
- o 502,383 of the shares consist of shares of common stock issuable upon the exercise of warrants granted to Commonwealth Associates L.P., and designees of Commonwealth Associates L.P. in connection with acting as a financial advisor regarding the April 2000 merger;
- o 1,330,000 of the shares consist of shares of common stock issuable upon the exercise of warrants granted to Commonwealth Associates L.P. and its designees and certain third parties as a fee in connection with the April 2000 merger;

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- o 900,000 of the shares consist of shares of common stock issuable upon the exercise of warrants granted to ComVest Venture Partners L.P. in connection with making a credit line available to us;
- o 18,000,000 of the shares consist of shares of common stock issuable upon conversion of the 7% convertible notes, including interest (3,000,000 shares allocated), if any, and/or Series C preferred stock acquired by selling securityholders in a private placement that was completed in May 2001;
- o 15,000,000 of the shares consist of shares of common stock issuable upon the exercise of warrants acquired by the selling securityholders in the May 2001 private placement;
- o 4,500,000 of the shares consist of shares of common stock issuable upon the exercise of agents' options to purchase units of Series C preferred stock and warrants granted to Commonwealth Associates L.P. and Gruntal & Co., LLC and their designees for acting as placement agent for the May 2001 private placement; and
- o 1,557,721 of the shares consist of shares of common stock issuable upon the exercise of warrants other than those described above.

Except as noted below or in the "Beneficial Ownership of Securities" and "Management" sections of this prospectus, none of the selling securityholders has, or within the past three years has had, any relationship, position or office with us or our predecessors or affiliates.

The following table sets forth, as of July 10, 2001: (1) the name of each selling shareholder, (2) the number of shares of our common stock beneficially owned by each selling shareholder, including the number of shares

purchasable upon exercise of warrants or conversion of preferred stock, (3) the maximum number of shares of common stock which the selling securityholders can sell pursuant to this prospectus and (4) the number of shares of common stock that the selling securityholders would own if they sold all their shares registered by this prospectus.

Except as otherwise noted below, the number of shares of our common stock registered for sale hereunder for a selling shareholder consists of shares of our common stock either beneficially owned or issuable upon exercise of the warrants or conversion of the notes or preferred stock described above.

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<TABLE>  
<CAPTION>

| Selling Securityholder             | Number of Shares of common stock beneficially owned prior to offering | Number of shares of common stock being registered in this prospectus | Number of shares of common stock to be beneficially owned after offering | Percentage of our outstanding common stock after offering |
|------------------------------------|---|--|--|---|
| <S>                                | <C>   | <C>  | <C>  | <C>   |
| Abatangelo, William P. & Angela K. | 21,296  | 21,296   | 0  | 0   |
| Abraham, Dean                      | 11,618  | 11,618   | 0  | 0   |
| Abrahamson, Melissa R. & Paul      | 4,646   | 4,646  | 0  | 0   |
| Abrams, Beverly                    | 9,297   | 9,297  | 0  | 0   |
| Abrams, Burton R.                  | 9,297   | 9,297  | 0  | 0   |
| Abrams, Richard                    | 51,124  | 51,124   | 0  | 0   |
| Abrams, Rodney A.                  | 72,039  | 72,039   | 0  | 0   |
| Acks, Shannon P.                   | 23,237  | 23,237   | 0  | 0   |
| Adamez, James R.                   | 34,393  | 34,393   | 0  | 0   |
| A'Hearn, Michael F. & Maxine C.    | 23,237  | 23,237   | 0  | 0   |
| Al-Bahar & Lulwa Al-Khaled, Alya   | 42,597  | 42,597   | 0  | 0   |
| Alliance Equities, Inc.            | 116,191   | 116,191  | 0  | 0   |
| Alpine Ventures Capital Partners   | 5,200,000   | 5,200,000  | 0  | 0   |
| Anders Carlgren SEP-IRA            | 9,297   | 9,297  | 0  | 0   |
| Anderson, Jack L.                  | 21,296  | 21,296   | 0  | 0   |
| Anderson, Jr., Ferdinand F.        | 23,237  | 23,237   | 0  | 0   |
| Apodaca Investment Offshore, Ltd.  | 371,811   | 371,811  | 0  | 0   |
| Apodaca Investment Partners, LP    | 371,811   | 371,811  | 0  | 0   |
| Appelbaum, Michael L.              | 67,125  | 67,125   | 0  | 0   |
| Asciutto, Basil                    | 92,034  | 92,034   | 0  | 0   |
| Ashok, Shanthamallappa A.          | 23,237  | 23,237   | 0  | 0   |
| Astor, Michael                     | 23,237  | 23,237   | 0  | 0   |
| Aubrey J. Ferrao TTEE              |   |  |  |   |
| Aubrey J. Ferrao Living Trust      |   |  |  |   |
| u/a/d 6/26/98                      | 42,597  | 42,597   | 0  | 0   |
| Auerbach, A. Phillip               | 21,296  | 21,296   | 0  | 0   |
| Aukstolis, Jim G.                  | 46,477  | 46,477   | 0  | 0   |
| Bachner Tally Polevoy 401K         |   |  |  |   |
| Profit Sharing Plan                |   |  |  |   |
| dtd 010184 FBO Fran Stoller        | 9,297   | 9,297  | 0  | 0   |
| Baily, Gary R.                     | 23,237  | 23,237   | 0  | 0   |
| Ballin, Scott                      | 21,296  | 21,296   | 0  | 0   |
| Ballyhoo Partners                  | 85,138  | 85,138   | 0  | 0   |
| Barnes, Jr., Charles A.            | 21,296  | 21,296   | 0  | 0   |
| Barrington Capital Corp.           | 18,590  | 18,590   | 0  | 0   |
| Basil J. Asciutto IRA              | 8,522   | 8,522  | 0  | 0   |
| Bauer, Thomas W. & Paula S.        | 37,180  | 37,180   | 0  | 0   |
| Beattie, Edwin J.                  | 21,296  | 21,296   | 0  | 0   |
| Beiser, John W. & Maureen W.       | 85,194  | 85,194   | 0  | 0   |
| Ben Joseph Partners                | 200,000   | 200,000  | 0  | 0   |
| Bentley, Hugh P. & Jean J.         | 17,026  | 17,026   | 0  | 0   |
| Bentley, Italo                     | 34,056  | 34,056   | 0  | 0   |
| Bentley, Mark                      | 17,026  | 17,026   | 0  | 0   |
| Bentley, Richard                   | 136,220   | 136,220  | 0  | 0   |
| Berger, Toby                       | 9,297   | 9,297  | 0  | 0   |
| Berglund, Donald                   | 17,037  | 17,037   | 0  | 0   |
| Berman, Marc G.                    | 11,618  | 11,618   | 0  | 0   |

</TABLE>

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<TABLE>

|                            |        |        |     |     |
|----------------------------|--------|--------|-----|-----|
| <S>                        | <C>    | <C>    | <C> | <C> |
| Bernard Kirsner Trust      | 17,026 | 17,026 | 0   | 0   |
| Berney, L. Neal            | 23,237 | 23,237 | 0   | 0   |
| Bernstein, Howard & Sandra | 23,237 | 23,237 | 0   | 0   |



|  |           |           |   |   |
|--|-----------|-----------|---|---|
| Bertoni, Christopher W.  | 42,597    | 42,597    | 0 | 0 |
| Bettinger, Robert  | 46,477    | 46,477    | 0 | 0 |
| Black, Lincoln Edward  | 11,618    | 11,618    | 0 | 0 |
| Blank, Gerald  | 9,297     | 9,297     | 0 | 0 |
| Blitz, Craig & Annette   | 97,750    | 97,750    | 0 | 0 |
| Blomstedt & Susan LaScala,<br>JTROS, Jeffrey   | 46,477    | 46,477    | 0 | 0 |
| Bloom, Jack  | 139,432   | 139,432   | 0 | 0 |
| Bloom, Ron   | 18,807    | 18,807    | 0 | 0 |
| Blue, Harold   | 98,853    | 98,853    | 0 | 0 |
| Blue, Robert & Ruth  | 17,037    | 17,037    | 0 | 0 |
| Blum, Gary   | 21,296    | 21,296    | 0 | 0 |
| BNB Investment Associates L.P.   | 218,906   | 218,906   | 0 | 0 |
| Bob K. Pryt -- Ttee BKP Capital<br>Management LLC 401(k) PSP & MPP,<br>Dtd. 1/1/92 FBO Bob K. Pryt | 85,138    | 85,138    | 0 | 0 |
| Bodmer, Hans C.  | 370,384   | 370,384   | 0 | 0 |
| Bolding, Jeffrey O. & Deborah R.   | 23,237    | 23,237    | 0 | 0 |
| Bollag, Michael  | 91,120    | 91,120    | 0 | 0 |
| Bolognue, Joseph T.  | 23,237    | 23,237    | 0 | 0 |
| Boris, David   | 75,008    | 75,008    | 0 | 0 |
| Boris, Marvin  | 200,000   | 200,000   | 0 | 0 |
| Boyd, John W. & Sandra L.  | 17,037    | 17,037    | 0 | 0 |
| Briggs, Tom P.   | 17,037    | 17,037    | 0 | 0 |
| Brigl, Thomas J. & Brenda J.   | 9,297     | 9,297     | 0 | 0 |
| Brogan, Thomas R.  | 9,297     | 9,297     | 0 | 0 |
| Brown, Raymond   | 63,893    | 63,893    | 0 | 0 |
| Brummer, Michael & Mary Jo   | 46,477    | 46,477    | 0 | 0 |
| Burgess, Paul  | 21,296    | 21,296    | 0 | 0 |
| Burr Family Trust  | 10,647    | 10,647    | 0 | 0 |
| Burt R. Ehrlich, IRA   | 42,597    | 42,597    | 0 | 0 |
| C.E. Unterberg Towbin Capital<br>Partners I, LP  | 185,906   | 185,906   | 0 | 0 |
| Callahan, Daniel J.  | 46,477    | 46,477    | 0 | 0 |
| Cameron, Jeffrey S.  | 23,237    | 23,237    | 0 | 0 |
| Campanella, Richard  | 52,754    | 52,754    | 0 | 0 |
| Campos, Felix & Joyce  | 139,428   | 139,428   | 0 | 0 |
| Cardoso, Manuel  | 18,590    | 18,590    | 0 | 0 |
| Cardwell, J.A.   | 42,597    | 42,597    | 0 | 0 |
| Cardwell, Jr., James A.  | 21,296    | 21,296    | 0 | 0 |
| Cass, C. Wyllys & Ellen M.   | 17,037    | 17,037    | 0 | 0 |
| Cavanna, Kieran  | 4,646     | 4,646     | 0 | 0 |
| Chance, Albert & Doris   | 21,296    | 21,296    | 0 | 0 |
| Chandra-Sekar, Balasundaram  | 9,297     | 9,297     | 0 | 0 |
| Chase, Arthur M.   | 18,590    | 18,590    | 0 | 0 |
| Chesed Congregations of America  | 2,900,000 | 2,900,000 | 0 | 0 |
| Chimbel, Marvin & Arlene   | 8,522     | 8,522     | 0 | 0 |
| Circle F. Ventures, LLC  | 34,859    | 34,859    | 0 | 0 |
| Clark, Martin E. & Glenda F.   | 13,944    | 13,944    | 0 | 0 |

</TABLE>

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<TABLE>

| <S>                                     | <C>       | <C>       | <C> | <C> |
|---|-----------|-----------|-----|-----|
| Cohen Jonathan R. & Shapiro<br>Nancy D. | 21,296    | 21,296    | 0   | 0   |
| Cohen, Alan N.                          | 21,296    | 21,296    | 0   | 0   |
| Cohen, Dr. David                        | 65,068    | 65,068    | 0   | 0   |
| Collier, Timmy M. & Connie A.           | 9,297     | 9,297     | 0   | 0   |
| Collins, James C.                       | 23,237    | 23,237    | 0   | 0   |
| Commonwealth Associates L.P.            | 6,581,991 | 6,581,991 | 0   | 0   |
| ComVest Capital Management, LLC         | 3,462,300 | 3,462,300 | 0   | 0   |
| ComVest Venture Partners L.P.           | 900,000   | 900,000   | 0   | 0   |
| Conzett Europa Invest Ltd.              | 285,194   | 285,194   | 0   | 0   |
| Cooper, Stephen                         | 21,296    | 21,296    | 0   | 0   |
| Cooperman, Edwin                        | 10,451    | 10,451    | 0   | 0   |
| Corbin, Bruce                           | 29,818    | 29,818    | 0   | 0   |
| Corbin, Jeff                            | 4,259     | 4,259     | 0   | 0   |
| Corbin, Richard                         | 29,818    | 29,818    | 0   | 0   |
| Coventry, Brian                         | 534,690   | 534,690   | 0   | 0   |
| Cramer Taos Partners                    | 285,194   | 285,194   | 0   | 0   |
| Cranshire Capital, L.P.                 | 1,633,712 | 1,633,712 | 0   | 0   |
| Crown, Robert & Barbara                 | 63,893    | 63,893    | 0   | 0   |
| Cunningham Stephen &<br>Fleming Wendell | 21,296    | 21,296    | 0   | 0   |
| Danieli, Mark                           | 51,741    | 51,741    | 0   | 0   |
| Daphne Astor Grandchildren's Trust      | 23,237    | 23,237    | 0   | 0   |
| d'Autremont, Hugh                       | 8,522     | 8,522     | 0   | 0   |
| d'Autremont, Sloan                      | 21,296    | 21,296    | 0   | 0   |
| Davenport, James A. & Rebecca C.        | 65,067    | 65,067    | 0   | 0   |
| David Thalheim c/f Lindsay Thalheim     | 8,522     | 8,522     | 0   | 0   |
| David Thalheim c/f Marc Thalheim        | 8,522     | 8,522     | 0   | 0   |
| David Thalheim Revocable Living Trust   | 21,296    | 21,296    | 0   | 0   |
| DeAtkine, Jr., David                    | 46,477    | 46,477    | 0   | 0   |
| DellaValle, Anthony                     | 13,944    | 13,944    | 0   | 0   |
| Dercher, David J. & Su Ellen            | 37,180    | 37,180    | 0   | 0   |
| Deshmukh, Sunil M.                      | 85,194    | 85,194    | 0   | 0   |

|  |         |         |   |   |
|--|---------|---------|---|---|
| DiCesare, Dominick                           | 21,296  | 21,296  | 0 | 0 |
| DiCesare, Louis A.                           | 9,370   | 9,370   | 0 | 0 |
| DiCesare, Paul                               | 9,370   | 9,370   | 0 | 0 |
| Dickey, David L. & Susan M.                  | 8,522   | 8,522   | 0 | 0 |
| DiFatta, Tony                                | 10,647  | 10,647  | 0 | 0 |
| DiLeonardo, Frank L.                         | 21,296  | 21,296  | 0 | 0 |
| Dozier, Robert and Deborah G.                | 23,241  | 23,241  | 0 | 0 |
| Drapkin, Donald                              | 232,383 | 232,383 | 0 | 0 |
| Dreyfuss, Jerome                             | 37,180  | 37,180  | 0 | 0 |
| Duncan, John                                 | 21,296  | 21,296  | 0 | 0 |
| DW Trustees (BVI) Ltd. --<br>Children's Fund | 23,237  | 23,237  | 0 | 0 |
| DW Trustees (BVI) Ltd. B Main Fund           | 46,477  | 46,477  | 0 | 0 |
| Echo Capital Growth Corp.                    | 69,714  | 69,714  | 0 | 0 |
| Edgewater Ventures LLC                       | 46,477  | 46,477  | 0 | 0 |
| EDJ Limited                                  | 570,384 | 570,384 | 0 | 0 |
| Edward J. Rosenthal Profit<br>Sharing Plan   | 200,000 | 200,000 | 0 | 0 |
| EFG Reads Trustees Ltd.                      | 13,944  | 13,944  | 0 | 0 |

</TABLE>

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<TABLE>

| <S>   | <C>       | <C>       | <C> | <C> |
|---|-----------|-----------|-----|-----|
| Elder, James                                      | 9,297     | 9,297     | 0   | 0   |
| Engfer, Jodi Abrams                               | 9,297     | 9,297     | 0   | 0   |
| Epstein, Frederick B.                             | 92,955    | 92,955    | 0   | 0   |
| Erinch R. Ozada, IRA Rollover                     | 51,082    | 51,082    | 0   | 0   |
| Ernest J. Genco Retirement Plan                   | 9,297     | 9,297     | 0   | 0   |
| Esformes, Joseph                                  | 46,477    | 46,477    | 0   | 0   |
| Evans, Sir Richard                                | 200,000   | 200,000   | 0   | 0   |
| Falk, Michael and Annie                           | 60,216    | 60,216    | 0   | 0   |
| Falk, Michael S.                                  | 3,600,196 | 3,600,196 | 0   | 0   |
| Farzaneh, Hamid & Niloufar                        | 134,075   | 134,075   | 0   | 0   |
| Faxon, David P. Jr.                               | 10,647    | 10,647    | 0   | 0   |
| Finkle, S. Marcus                                 | 42,597    | 42,597    | 0   | 0   |
| Flavin, Blake Investors, L.P.                     | 439,432   | 439,432   | 0   | 0   |
| Flavin, John P.                                   | 123,237   | 123,237   | 0   | 0   |
| Flom, Joseph H.                                   | 106,490   | 106,490   | 0   | 0   |
| Flynn Corporation                                 | 2,069,130 | 2,069,130 | 0   | 0   |
| FM Grandchildren's Trust                          | 147,253   | 147,253   | 0   | 0   |
| Fox, Karen A.                                     | 13,944    | 13,944    | 0   | 0   |
| Frank B. Palazzolo, Jr. - Profit<br>Sharing Plan  | 8,522     | 8,522     | 0   | 0   |
| French, Robert A.                                 | 13,944    | 13,944    | 0   | 0   |
| Friedlander, Charles L.                           | 23,237    | 23,237    | 0   | 0   |
| Friedman, Philip & Rose                           | 92,955    | 92,955    | 0   | 0   |
| Friedman, Ronald                                  | 9,297     | 9,297     | 0   | 0   |
| Friedman, Victor                                  | 92,955    | 92,955    | 0   | 0   |
| Fulton, Peter                                     | 30,087    | 30,087    | 0   | 0   |
| Funeral Financial Systems, Ltd.                   | 81,332    | 81,332    | 0   | 0   |
| Gaba, Ilya & Alice                                | 8,522     | 8,522     | 0   | 0   |
| Gaffney, Michael F.                               | 23,237    | 23,237    | 0   | 0   |
| Gajeski, Donald K. & Phyllis M.                   | 9,297     | 9,297     | 0   | 0   |
| Gallagher Investment Corporation                  | 1,069,130 | 1,069,130 | 0   | 0   |
| Gaylord, Gregg M.                                 | 23,237    | 23,237    | 0   | 0   |
| Geller, Marshall                                  | 212,981   | 212,981   | 0   | 0   |
| Generation Capital Associates                     | 52,044    | 52,044    | 0   | 0   |
| George Fox University                             | 23,237    | 23,237    | 0   | 0   |
| Gerald I. Falke, IRA                              | 9,297     | 9,297     | 0   | 0   |
| Gerlach and Company, c/f<br>Fleming (Jersey) Ltd. | 46,477    | 46,477    | 0   | 0   |
| Gianna Falk Trust                                 | 46,530    | 46,530    | 0   | 0   |
| Giardina, Anthony J.                              | 68,546    | 68,546    | 0   | 0   |
| Gilfand, David S.                                 | 9,297     | 9,297     | 0   | 0   |
| Gittis, Howard                                    | 232,383   | 232,383   | 0   | 0   |
| Glaser, Bruce                                     | 188,056   | 188,056   | 0   | 0   |
| Glashow, Jonathan                                 | 63,893    | 63,893    | 0   | 0   |
| Glasscock, Gary M.                                | 23,237    | 23,237    | 0   | 0   |
| Goddu, Roger V.                                   | 185,906   | 185,906   | 0   | 0   |
| Goebel, Gregg R. & Marilyn                        | 18,590    | 18,590    | 0   | 0   |
| Goldberg, Ira                                     | 46,477    | 46,477    | 0   | 0   |
| Goldberg, Mark & Joanna                           | 23,237    | 23,237    | 0   | 0   |
| Goldenheim, Paul D.                               | 142,597   | 142,597   | 0   | 0   |
| Gonchar, Andrew                                   | 17,026    | 17,026    | 0   | 0   |
| Gottesman, Noam & Geraldine                       | 400,000   | 400,000   | 0   | 0   |

</TABLE>

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| <S>   | <C>       | <C>       | <C> | <C> |
|---|-----------|-----------|-----|-----|
| Gould, William S.                                   | 27,887    | 27,887    | 0   | 0   |
| Grace, Roger  | 11,152    | 11,152    | 0   | 0   |
| Graves, Richard W. & Mary J.                        | 12,779    | 12,779    | 0   | 0   |
| Greenspan, Burton E.                                | 11,618    | 11,618    | 0   | 0   |
| Greiper, Scott L.                                   | 95,868    | 95,868    | 0   | 0   |
| Gruber, John  | 24,378    | 24,378    | 0   | 0   |
| Gruber & McBaine Capital Management Fiduciary Trust | 92,955    | 92,955    | 0   | 0   |
| Gruntal & Co., LLC                                  | 749,600   | 749,600   | 0   | 0   |
| Grunwald, J. Thomas                                 | 46,477    | 46,477    | 0   | 0   |
| Gubitosa, Paul & Linda                              | 17,037    | 17,037    | 0   | 0   |
| Hammerman, Alan H.                                  | 121,296   | 121,296   | 0   | 0   |
| Harrison, Judith P.                                 | 46,477    | 46,477    | 0   | 0   |
| Hart, Andrew C.                                     | 19,356    | 19,356    | 0   | 0   |
| Hart, Steven  | 9,376     | 9,376     | 0   | 0   |
| Hartman, Roland F.                                  | 21,296    | 21,296    | 0   | 0   |
| Hartman, Timothy                                    | 12,779    | 12,779    | 0   | 0   |
| Harvard Developments, Inc.                          | 100,000   | 100,000   | 0   | 0   |
| Hayden R. & LaDonna M. Fleming Revocable Trust      | 34,859    | 34,859    | 0   | 0   |
| Hayden, TIC, Michael D. & Velma J.                  | 9,297     | 9,297     | 0   | 0   |
| Heine, Spencer H. & Margaret                        | 92,955    | 92,955    | 0   | 0   |
| Henry, William O. E.                                | 42,597    | 42,597    | 0   | 0   |
| Herrmann, Frederick J. & Marilyn C.                 | 6,972     | 6,972     | 0   | 0   |
| Herscu, Robert                                      | 42,597    | 42,597    | 0   | 0   |
| HFR - 07 Partners                                   | 58,096    | 58,096    | 0   | 0   |
| High View Ventures, LLC                             | 162,669   | 162,669   | 0   | 0   |
| Hill, Carol R. Spousal Trust                        | 700,000   | 700,000   | 0   | 0   |
| Hirsch, Allen                                       | 4,259     | 4,259     | 0   | 0   |
| Hirsch, Marcia                                      | 8,522     | 8,522     | 0   | 0   |
| Hoagland, Gina & Lee                                | 23,237    | 23,237    | 0   | 0   |
| Hodge, David  | 23,237    | 23,237    | 0   | 0   |
| Holtvogt, Annette                                   | 23,237    | 23,237    | 0   | 0   |
| Hornady, James Brooks                               | 13,944    | 13,944    | 0   | 0   |
| Hulas & Savita Kanodia Revocable Living Trust       | 116,191   | 116,191   | 0   | 0   |
| Insalaco, Paul                                      | 8,522     | 8,522     | 0   | 0   |
| Intercontinental Investment Services, Inc.          | 23,237    | 23,237    | 0   | 0   |
| Isbell, Charles E.                                  | 9,297     | 9,297     | 0   | 0   |
| Iseli, Andre  | 46,477    | 46,477    | 0   | 0   |
| Jaber, Jim & Aileen                                 | 37,180    | 37,180    | 0   | 0   |
| Jacobs, Paul M.                                     | 23,237    | 23,237    | 0   | 0   |
| Jahdi, Nasrollah & Farahnaz                         | 18,590    | 18,590    | 0   | 0   |
| Jahn, Rosalie J.                                    | 25,560    | 25,560    | 0   | 0   |
| Jajoor, Nagaraj O. & Sudha N.                       | 23,237    | 23,237    | 0   | 0   |
| Jeffers Family Ltd. Partnership                     | 9,297     | 9,297     | 0   | 0   |
| Jensen, Eric & Julie Patricia                       | 4,646     | 4,646     | 0   | 0   |
| JF Shea & Co., Inc.                                 | 5,487,419 | 5,487,419 | 0   | 0   |
| Johnson, Kimber & Susan                             | 13,944    | 13,944    | 0   | 0   |
| Johnson, L. Wayne                                   | 46,477    | 46,477    | 0   | 0   |
| Jonathan R. Cohen Retirement Plan                   | 8,522     | 8,522     | 0   | 0   |

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| <S>                               | <C>     | <C>     | <C> | <C> |
|-----------------------------------|---------|---------|-----|-----|
| Jordan, Bette P.                  | 10,647  | 10,647  | 0   | 0   |
| Jordan, Edward C.                 | 9,297   | 9,297   | 0   | 0   |
| Jordan, Peggy                     | 63,893  | 63,893  | 0   | 0   |
| Joseph Cornacchio Retirement Plan | 27,887  | 27,887  | 0   | 0   |
| Joseph, Dr. Ralph                 | 18,590  | 18,590  | 0   | 0   |
| JR Squared, LLC                   | 127,787 | 127,787 | 0   | 0   |
| Kabuki Partners                   | 209,201 | 209,201 | 0   | 0   |
| Kane, Norman                      | 46,477  | 46,477  | 0   | 0   |
| Kanuit, Gary                      | 21,296  | 21,296  | 0   | 0   |
| Keating, Patrick N. & Julie S.    | 23,237  | 23,237  | 0   | 0   |
| Keeney, Thomas J. & Pamela C.     | 11,618  | 11,618  | 0   | 0   |
| Kennett, David R.                 | 9,297   | 9,297   | 0   | 0   |
| Kensington Partners II, L.P.      | 8,888   | 8,888   | 0   | 0   |
| Kensington Partners, L.P.         | 143,147 | 143,147 | 0   | 0   |
| Keough, Thomas G.                 | 12,779  | 12,779  | 0   | 0   |
| Ketcham, Edward                   | 13,944  | 13,944  | 0   | 0   |
| Keyway Investments Ltd.           | 340,552 | 340,552 | 0   | 0   |
| Kim M. Beretta 1994 Trust         | 23,237  | 23,237  | 0   | 0   |
| Kirk, William F., Jr. & Lynn B.   | 123,237 | 123,237 | 0   | 0   |
| Kleidman, Carl                    | 472,834 | 472,834 | 0   | 0   |
| Klein, Michael                    | 116,191 | 116,191 | 0   | 0   |
| Knollmeyer, Paul P. & Phyllis M.  | 21,296  | 21,296  | 0   | 0   |
| Koch, Kevin & Susan               | 23,237  | 23,237  | 0   | 0   |
| Koniver, Garth A.                 | 21,296  | 21,296  | 0   | 0   |
| Kraus, Dennis H. & Daryl B.       | 9,297   | 9,297   | 0   | 0   |
| Kwiat Capital Corp.               | 46,477  | 46,477  | 0   | 0   |

|                                      |         |         |   |   |
|--------------------------------------|---------|---------|---|---|
| L. Wayne Johnson SEP IRA             | 23,237  | 23,237  | 0 | 0 |
| LAD Equity Partners                  | 21,296  | 21,296  | 0 | 0 |
| Ladouceur, Philip                    | 10,451  | 10,451  | 0 | 0 |
| Lagunitas Partners LP                | 371,811 | 371,811 | 0 | 0 |
| Landers, James R.                    | 23,237  | 23,237  | 0 | 0 |
| Lantier, Brian                       | 4,688   | 4,688   | 0 | 0 |
| Latour, Peter                        | 185,957 | 185,957 | 0 | 0 |
| Lay Ventures, L.P.                   | 100,000 | 100,000 | 0 | 0 |
| Lenzo, Christopher                   | 580,736 | 580,736 | 0 | 0 |
| Leon, Martin B.                      | 21,296  | 21,296  | 0 | 0 |
| Lerner, Brian C.                     | 41,831  | 41,831  | 0 | 0 |
| Levitin, Eli                         | 123,237 | 123,237 | 0 | 0 |
| Levy, Stuart J.                      | 69,714  | 69,714  | 0 | 0 |
| Lewis, Lindsay                       | 21,296  | 21,296  | 0 | 0 |
| Liebro Partners LLC                  | 23,237  | 23,237  | 0 | 0 |
| Lightman, Ezra                       | 13,944  | 13,944  | 0 | 0 |
| Lin, Rong-Chung                      | 18,590  | 18,590  | 0 | 0 |
| Linhart, Richard S.                  | 200,000 | 200,000 | 0 | 0 |
| Lipman, Beth (16)                    | 81,083  | 81,083  | 0 | 0 |
| Loegering, Charles J.                | 139,432 | 139,432 | 0 | 0 |
| Longobardi, Vincent & Carmela Basile | 21,296  | 21,296  | 0 | 0 |
| Luck, John                           | 21,296  | 21,296  | 0 | 0 |
| Luxenberg, Arthur                    | 21,296  | 21,296  | 0 | 0 |
| MacDonald, Allan & Eileen            | 27,887  | 27,887  | 0 | 0 |
| Mallis, Stephen                      | 9,297   | 9,297   | 0 | 0 |
| Manhattan Group Funding              | 116,191 | 116,191 | 0 | 0 |

</TABLE>

<TABLE>

| <S>  | <C>     | <C>     | <C> | <C> |
|--|---------|---------|-----|-----|
| Mann, Michael  | 23,237  | 23,237  | 0   | 0   |
| Manocherian, Jed   | 21,296  | 21,296  | 0   | 0   |
| Mardale Investments Ltd.   | 155,013 | 155,013 | 0   | 0   |
| Mark, Laurel Lester  | 18,590  | 18,590  | 0   | 0   |
| Marsh, Frederic A.   | 8,522   | 8,522   | 0   | 0   |
| Martell, John A.   | 46,477  | 46,477  | 0   | 0   |
| Martella, Richard R. & Jennifer K.   | 10,647  | 10,647  | 0   | 0   |
| Martin W. Gangel Roth IRA  | 46,477  | 46,477  | 0   | 0   |
| Mateer, Richard B. & Margaret J.   | 13,944  | 13,944  | 0   | 0   |
| May, Gary D. & Deborah C.  | 46,477  | 46,477  | 0   | 0   |
| Mazzocchi, Leo F. & Nancy T.   | 23,237  | 23,237  | 0   | 0   |
| McCaffrey, William T.  | 400,000 | 400,000 | 0   | 0   |
| McCarthy, John J. & Donna P.   | 84,585  | 84,585  | 0   | 0   |
| McCleary, Robert A.  | 34,859  | 34,859  | 0   | 0   |
| McGary, Lawrence W.  | 12,779  | 12,779  | 0   | 0   |
| Meinershagen, Alan   | 23,237  | 23,237  | 0   | 0   |
| Mercy Radiologists of Dubuque,<br>PC Money Purchase Pension Plan's<br>Trust f/b/o Roger R. Stenlund, | 9,297   | 9,297   | 0   | 0   |
| Meringoff, Stephen J.  | 42,597  | 42,597  | 0   | 0   |
| Messana, Jerome  | 179,768 | 179,768 | 0   | 0   |
| Michael S. Falk IRA  | 46,530  | 46,530  | 0   | 0   |
| Mikaela Falk Trust   | 46,530  | 46,530  | 0   | 0   |
| Millstein, Gerald Jay  | 17,037  | 17,037  | 0   | 0   |
| Misher, Sheldon  | 426,339 | 426,339 | 0   | 0   |
| Monie, Vijaykumar S.   | 21,296  | 21,296  | 0   | 0   |
| Moraes, Claude & Roshan  | 8,522   | 8,522   | 0   | 0   |
| Moran, Jr., Charles E.   | 11,618  | 11,618  | 0   | 0   |
| Moran, Timothy   | 199,500 | 199,500 | 0   | 0   |
| Morfesis, F.A. & Gail  | 37,180  | 37,180  | 0   | 0   |
| Moriber, Lloyd A.  | 42,597  | 42,597  | 0   | 0   |
| Moschetta, Ron   | 134,653 | 134,653 | 0   | 0   |
| MRL Astor Expectancy Trust   | 46,477  | 46,477  | 0   | 0   |
| Mulkey II Limited Partnership  | 378,860 | 378,860 | 0   | 0   |
| Mullery, Gregg Wm.   | 9,297   | 9,297   | 0   | 0   |
| Nancy Shapiro  | 8,522   | 8,522   | 0   | 0   |
| Nano-Cap Hyper Growth<br>Partnership L.P.  | 19,356  | 19,356  | 0   | 0   |
| Nano-Cap New Millennium<br>Growth Fund L.P.  | 9,676   | 9,676   | 0   | 0   |
| Neil A. Chapman, SEP IRA   | 13,944  | 13,944  | 0   | 0   |
| Nelson, Jody   | 13,944  | 13,944  | 0   | 0   |
| Nemiroff, Karen  | 4,646   | 4,646   | 0   | 0   |
| Newmark, Amy L.  | 42,597  | 42,597  | 0   | 0   |
| Norman, Gregory  | 42,597  | 42,597  | 0   | 0   |
| Notowitz, Allen  | 23,237  | 23,237  | 0   | 0   |
| Nowak, Greg A. & Lynn M.   | 46,477  | 46,477  | 0   | 0   |
| Nussbaum, Jeffrey Kahn   | 13,944  | 13,944  | 0   | 0   |
| Nussbaum, Samuel R.  | 46,477  | 46,477  | 0   | 0   |
| Odlivak, Prudence & Andrew   | 17,026  | 17,026  | 0   | 0   |
| O'Donnell, Edmond  | 8,522   | 8,522   | 0   | 0   |
| Odyssey Capital, L.P.  | 851,923 | 851,923 | 0   | 0   |

</TABLE>

| <S>                               | <C>       | <C>       | <C> | <C> |
|-----------------------------------|-----------|-----------|-----|-----|
| O'Neill, William and Linda        | 23,237    | 23,237    | 0   | 0   |
| O'Sullivan, Robert                | 385,111   | 385,111   | 0   | 0   |
| Overdrive Capital Corp.           | 185,906   | 185,906   | 0   | 0   |
| Palmer, Richard & Lynne Marie     | 23,237    | 23,237    | 0   | 0   |
| Pamela Equities Corporation       | 58,073    | 58,073    | 0   | 0   |
| Pannu, Jaswant Singh & Debra      | 9,297     | 9,297     | 0   | 0   |
| Parrish, Edward L.                | 4,259     | 4,259     | 0   | 0   |
| Partoyan, Garo A.                 | 32,534    | 32,534    | 0   | 0   |
| Patel, Sanjiv M.                  | 23,237    | 23,237    | 0   | 0   |
| Patil, Gangadhar                  | 23,237    | 23,237    | 0   | 0   |
| Patil, Jayakumar & Purnima J      | 162,669   | 162,669   | 0   | 0   |
| Patil, Nagaraja & Shantha         | 23,237    | 23,237    | 0   | 0   |
| Paulson, Timothy G.               | 23,237    | 23,237    | 0   | 0   |
| Pecord, Carmen                    | 23,237    | 23,237    | 0   | 0   |
| Perez, Michael                    | 9,297     | 9,297     | 0   | 0   |
| Pesele, Robert                    | 9,297     | 9,297     | 0   | 0   |
| Petrus, Paul F.                   | 12,779    | 12,779    | 0   | 0   |
| Piccolo, August                   | 23,237    | 23,237    | 0   | 0   |
| Piccolo, John                     | 92,955    | 92,955    | 0   | 0   |
| Pickett, George F. & Elizabeth H. | 23,237    | 23,237    | 0   | 0   |
| Pinto, James J.                   | 85,194    | 85,194    | 0   | 0   |
| Pobiel, Ronald                    | 9,297     | 9,297     | 0   | 0   |
| Pocisk, Anna M.                   | 32,534    | 32,534    | 0   | 0   |
| Polyviu, P. Tony                  | 17,026    | 17,026    | 0   | 0   |
| Porter Partners, L.P.             | 855,578   | 855,578   | 0   | 0   |
| Porter, Barry                     | 371,811   | 371,811   | 0   | 0   |
| Porter, Jeffrey                   | 85,194    | 85,194    | 0   | 0   |
| Potamianos, Constantine           | 2,409     | 2,409     | 0   | 0   |
| Poujol, Michael A. & Angela G.    | 46,477    | 46,477    | 0   | 0   |
| Priddy, Robert                    | 1,371,227 | 1,371,227 | 0   | 0   |
| Primo, Joseph C.                  | 11,076    | 11,076    | 0   | 0   |
| Prude, Randy                      | 46,477    | 46,477    | 0   | 0   |
| Pryt, Bob                         | 116,191   | 116,191   | 0   | 0   |
| R M and L Burwick Family L.P.     | 185,906   | 185,906   | 0   | 0   |
| Radichel, William C.              | 85,190    | 85,190    | 0   | 0   |
| Radix Associates                  | 63,894    | 63,894    | 0   | 0   |
| Rahn & Bodmer                     | 325,338   | 325,338   | 0   | 0   |
| Valentino, Barbara                | 23,237    | 23,237    | 0   | 0   |
| Rappaport, A.G.                   | 185,906   | 185,906   | 0   | 0   |
| Rasnick, James A. & MaryAnn       | 23,237    | 23,237    | 0   | 0   |
| Reese-Cole Partnership Ltd.       | 69,714    | 69,714    | 0   | 0   |
| Reichelt, Kurt V. & Laura M.      | 34,075    | 34,075    | 0   | 0   |
| Reichenbaum, Mark                 | 1,061,508 | 1,061,508 | 0   | 0   |
| RHL Ventures LLC                  | 92,955    | 92,955    | 0   | 0   |
| Rice, William A.                  | 585,905   | 585,905   | 0   | 0   |
| Richard Corbin IRA                | 12,779    | 12,779    | 0   | 0   |
| Richmond, Gerald & Amy            | 46,477    | 46,477    | 0   | 0   |
| Rion, James H., Jr.               | 27,887    | 27,887    | 0   | 0   |
| RMC Capital, LLC                  | 8,000,000 | 8,000,000 | 0   | 0   |
| Robert E. Gallucci DPM            | 23,237    | 23,237    | 0   | 0   |
| Roberts, Cindy D.                 | 34,859    | 34,859    | 0   | 0   |
| Rodler, Lawrence                  | 12,779    | 12,779    | 0   | 0   |

| <S>                            | <C>     | <C>     | <C> | <C> |
|--------------------------------|---------|---------|-----|-----|
| Rolling Investment Group       | 9,297   | 9,297   | 0   | 0   |
| Ronco, Edmund                  | 8,522   | 8,522   | 0   | 0   |
| Ronco, Edmund c/f Todd Ronco   | 8,503   | 8,503   | 0   | 0   |
| Rosenblatt, Richard            | 101,571 | 101,571 | 0   | 0   |
| Rosenbloom, Keith              | 98,245  | 98,245  | 0   | 0   |
| Rosenbloom, Dale               | 92,955  | 92,955  | 0   | 0   |
| Rosenbloom, Howard             | 23,237  | 23,237  | 0   | 0   |
| Rosenbloom, Keith              | 512,603 | 512,603 | 0   | 0   |
| Rosenfield, Laurence           | 23,237  | 23,237  | 0   | 0   |
| Ross, Adam Ross & Lisa Falk-   | 21,296  | 21,296  | 0   | 0   |
| RS Emerging Growth Partners LP | 149,851 | 149,851 | 0   | 0   |
| RS Pacific Partners            | 340,842 | 340,842 | 0   | 0   |
| RS Premium Partners            | 190,416 | 190,416 | 0   | 0   |
| Rubin, Brett                   | 13,944  | 13,944  | 0   | 0   |
| Rubin, Jeffrey                 | 13,944  | 13,944  | 0   | 0   |
| Rubinson, Brett                | 4,259   | 4,259   | 0   | 0   |

|                                   |           |           |   |   |
|-----------------------------------|-----------|-----------|---|---|
| Runckel, Douglas & Evelyn         | 79,011    | 79,011    | 0 | 0 |
| Russell, Donnie H                 | 42,597    | 42,597    | 0 | 0 |
| Russo, Paul & Sally               | 127,787   | 127,787   | 0 | 0 |
| Safier, Jacob                     | 1,000,000 | 1,000,000 | 0 | 0 |
| Salkind, Scott                    | 23,237    | 23,237    | 0 | 0 |
| Sandhu, Avtar S                   | 9,297     | 9,297     | 0 | 0 |
| Santolo, Dennis & Thomas, JTROS   | 46,477    | 46,477    | 0 | 0 |
| Sax Family Limited Partnership    | 4,646     | 4,646     | 0 | 0 |
| Scaglione, Domenic G. & Josephine | 11,618    | 11,618    | 0 | 0 |
| Scalo, John T                     | 28,968    | 28,968    | 0 | 0 |
| Scalo, JTROS, John F. & Carole M. | 21,296    | 21,296    | 0 | 0 |
| Schenker, Monroe H.               | 23,237    | 23,237    | 0 | 0 |
| Schlang, Lionel                   | 21,296    | 21,296    | 0 | 0 |
| Schneider, Sidney                 | 21,296    | 21,296    | 0 | 0 |
| Schoen, William R. & Barbara J.   | 23,237    | 23,237    | 0 | 0 |
| Schottenstein, Gary L.            | 13,944    | 13,944    | 0 | 0 |
| Schroeder, Charles F. A.          | 23,236    | 23,236    | 0 | 0 |
| Schultz, Gary & Lance             | 9,297     | 9,297     | 0 | 0 |
| Schultz, Gary D. & Barbara A.     | 65,068    | 65,068    | 0 | 0 |
| Schwarzwaelder, Douglas           | 9,297     | 9,297     | 0 | 0 |
| Schwencke, Kim M                  | 92,955    | 92,955    | 0 | 0 |
| Schwickert, Kent                  | 21,296    | 21,296    | 0 | 0 |
| Schwickert, Kim                   | 42,597    | 42,597    | 0 | 0 |
| Scotto, Peter                     | 46,474    | 46,474    | 0 | 0 |
| Seftel, Lawrence & Roslyn         | 23,237    | 23,237    | 0 | 0 |
| Serra, Jose E. & Cecilia P.       | 42,597    | 42,597    | 0 | 0 |
| Serubo, John                      | 11,618    | 11,618    | 0 | 0 |
| Shagadelic Partners               | 19,356    | 19,356    | 0 | 0 |
| Shapiro, J.D.                     | 4,259     | 4,259     | 0 | 0 |
| Shaw, John J.                     | 85,194    | 85,194    | 0 | 0 |
| Sheats, Fred B.                   | 21,296    | 21,296    | 0 | 0 |
| Shrager, Jay J. & Carole B.       | 83,658    | 83,658    | 0 | 0 |
| Shroff, Burjis N. and Havovi B.   | 13,944    | 13,944    | 0 | 0 |
| Shubash, May S.                   | 9,297     | 9,297     | 0 | 0 |
| Sica, Joseph L., Jr. & Emilia M.  | 46,477    | 46,477    | 0 | 0 |
| Siddiqi, Tariq S.                 | 9,297     | 9,297     | 0 | 0 |

</TABLE>

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<TABLE>

| <S>  | <C>     | <C>     | <C> | <C> |
|--|---------|---------|-----|-----|
| Signore, Claude M. & Marie   | 9,297   | 9,297   | 0   | 0   |
| Silverman, Robert & Lois B.  | 21,296  | 21,296  | 0   | 0   |
| Simon Asset Management, LLC  | 278,860 | 278,860 | 0   | 0   |
| Singer, Michael  | 69,714  | 69,714  | 0   | 0   |
| SIRHC Holdings Limited   | 34,075  | 34,075  | 0   | 0   |
| Sivak, Cheryl R. and Gary Evan, M.D.   | 12,779  | 12,779  | 0   | 0   |
| Sivak, George C., M.D.   | 12,779  | 12,779  | 0   | 0   |
| SJG Management, Inc. 1981<br>Amended and Restated Profit<br>Sharing Plan                       | 23,237  | 23,237  | 0   | 0   |
| Skolnick, Kenneth B. & Melissa S.  | 200,000 | 200,000 | 0   | 0   |
| Skoly, Jr., Stephen T.   | 23,237  | 23,237  | 0   | 0   |
| Smith, Harlan B.   | 30,674  | 30,674  | 0   | 0   |
| Spencer, Robert J.   | 21,296  | 21,296  | 0   | 0   |
| Spiegelberg, Joan  | 8,522   | 8,522   | 0   | 0   |
| Spielman, Melvin   | 42,597  | 42,597  | 0   | 0   |
| Spigarelli, Anthony M. & Nancy M.  | 42,597  | 42,597  | 0   | 0   |
| Spivak, Joel   | 42,597  | 42,597  | 0   | 0   |
| Stalker, Philip  | 9,297   | 9,297   | 0   | 0   |
| Starapoli, Fedele  | 9,297   | 9,297   | 0   | 0   |
| Steele, Michael D.   | 25,560  | 25,560  | 0   | 0   |
| Stellway, David L.   | 46,477  | 46,477  | 0   | 0   |
| Stern, Jeremy B. & Wendy B.  | 23,237  | 23,237  | 0   | 0   |
| Steven B. Greenman IRA   | 23,237  | 23,237  | 0   | 0   |
| Stransky, Barry & Lauren A.  | 13,944  | 13,944  | 0   | 0   |
| Strazzulla, Domenic M.   | 37,180  | 37,180  | 0   | 0   |
| Stuart Schapiro IRA Account  | 34,056  | 34,056  | 0   | 0   |
| Sullivan, Jesse  | 23,237  | 23,237  | 0   | 0   |
| Sutton, Patrick  | 11,618  | 11,618  | 0   | 0   |
| Sybesma, William & Martha Jane   | 46,477  | 46,477  | 0   | 0   |
| Sybesma Research LLC   | 46,477  | 46,477  | 0   | 0   |
| Syd Verbin & Helen Verbin,<br>Trustees under Trust Agreement<br>dated 12/20/88, FBO Syd Verbin | 13,944  | 13,944  | 0   | 0   |
| Tachibana, Glen  | 18,590  | 18,590  | 0   | 0   |
| Tallur, Inder  | 237,519 | 237,519 | 0   | 0   |
| Teirstein, Paul  | 21,296  | 21,296  | 0   | 0   |
| Thau, Clifford   | 4,646   | 4,646   | 0   | 0   |
| The Bald Eagle Fund Ltd.   | 33,870  | 33,870  | 0   | 0   |
| The Dexter Corporation Grantor Trust   | 46,477  | 46,477  | 0   | 0   |
| The DotCom Fund, L.L.C.  | 232,383 | 232,383 | 0   | 0   |
| The Leo J. Ambrogi II Trust dtd 2/1/95   | 12,779  | 12,779  | 0   | 0   |
| The Rodney N. Schorlemmer SEP IRA  | 37,180  | 37,180  | 0   | 0   |
| The William S. Gould, Peter L.<br>Gould & Deborah Gould Cygler                                 |         |         |     |     |

|                      |        |        |   |   |
|----------------------|--------|--------|---|---|
| Irrevocable Trust    | 9,297  | 9,297  | 0 | 0 |
| Thompson, George L.  | 23,237 | 23,237 | 0 | 0 |
| Tickner, Todd        | 23,237 | 23,237 | 0 | 0 |
| Todywala, Sam & Lyla | 4,646  | 4,646  | 0 | 0 |
| Toombs, Walter F.    | 42,597 | 42,597 | 0 | 0 |
| Tradex Commodities   | 23,237 | 23,237 | 0 | 0 |
| Treitel, David       | 8,522  | 8,522  | 0 | 0 |

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|---|-----------|-----------|-----|-----|
| Trombone, Mario   | 8,522     | 8,522     | 0   | 0   |
| Trupiano, Salvatore                                     | 12,779    | 12,779    | 0   | 0   |
| Uday, Kalpana A. & Udayashankar K.                      | 23,237    | 23,237    | 0   | 0   |
| Union Cattle Company                                    | 23,237    | 23,237    | 0   | 0   |
| Vainberg, Vladik  | 60,765    | 60,765    | 0   | 0   |
| Van Le, Linda   | 23,237    | 23,237    | 0   | 0   |
| Vandewalle, John Joos-                                  | 46,477    | 46,477    | 0   | 0   |
| Ventana Partners, L.P.                                  | 92,955    | 92,955    | 0   | 0   |
| Virginia R. Nelson Trust                                | 21,296    | 21,296    | 0   | 0   |
| Voigt, Kevin J. & Cindy G.                              | 21,296    | 21,296    | 0   | 0   |
| Voigt, TIC, Bryon & Jacelyn                             | 27,887    | 27,887    | 0   | 0   |
| Voss Limited Partnership                                | 8,522     | 8,522     | 0   | 0   |
| Wasserstrum, Seymour                                    | 13,944    | 13,944    | 0   | 0   |
| Waxman, David B. & Waxman, Jeremy                       | 8,522     | 8,522     | 0   | 0   |
| Waye, Thom  | 45,730    | 45,730    | 0   | 0   |
| Wayne D. Eig Chartered Defined<br>Benefit Pension Trust | 8,522     | 8,522     | 0   | 0   |
| Weidenbener, Erich J. and Diane D.                      | 37,180    | 37,180    | 0   | 0   |
| Weiskopf Silver & Co. L.P.                              | 63,893    | 63,893    | 0   | 0   |
| Weitz, Perry  | 21,296    | 21,296    | 0   | 0   |
| Weksler, Luiz   | 13,944    | 13,944    | 0   | 0   |
| Westmont Venture Partners, LLC                          | 212,981   | 212,981   | 0   | 0   |
| Wilkins, Charles P.                                     | 46,477    | 46,477    | 0   | 0   |
| Wilkins, Stuart B.                                      | 21,296    | 21,296    | 0   | 0   |
| Wilson, Kenneth B.                                      | 21,396    | 21,396    | 0   | 0   |
| Wingate Investments Limited                             | 464,766   | 464,766   | 0   | 0   |
| Wisseman, Charles L., III                               | 37,180    | 37,180    | 0   | 0   |
| Wolf, Aizik L. & Robyn                                  | 17,037    | 17,037    | 0   | 0   |
| Wolfson Equities  | 1,161,915 | 1,161,915 | 0   | 0   |
| Wynne, Joanne   | 13,944    | 13,944    | 0   | 0   |
| Wynne, Joseph   | 109,259   | 109,259   | 0   | 0   |
| Yalen, Richard  | 55,424    | 55,424    | 0   | 0   |
| Zale, John H.   | 21,296    | 21,296    | 0   | 0   |
| Lyons, Jerry  | 43,890    | 43,890    | 0   | 0   |
| Pappel, Jeffrey   | 33,250    | 33,250    | 0   | 0   |
| Leeds, Laurence   | 99,750    | 99,750    | 0   | 0   |
| Leeds, Carey  | 224,770   | 224,770   | 0   | 0   |
| Kisky School  | 133,000   | 133,000   | 0   | 0   |
| Kestenbaum, Richard                                     | 18,620    | 18,620    | 0   | 0   |
| Goldberg, Joshua R.                                     | 18,620    | 18,620    | 0   | 0   |
| Harrison, Gilbert                                       | 22,610    | 22,610    | 0   | 0   |
| Traub, Marvin   | 6,650     | 6,650     | 0   | 0   |
| Treuille, Antoine G.                                    | 13,300    | 13,300    | 0   | 0   |
| Smith, William M.                                       | 13,300    | 13,300    | 0   | 0   |
| Sperduto, Vito A.                                       | 9,310     | 9,310     | 0   | 0   |
| Goodman, Karen  | 3,990     | 3,990     | 0   | 0   |
| Harrison, Edward D.                                     | 6,650     | 6,650     | 0   | 0   |
| MD Investors, Inc.                                      | 53,200    | 53,200    | 0   | 0   |
| Byrnes, Christopher                                     | 26,600    | 26,600    | 0   | 0   |
| Cephas Capital  | 10,321    | 10,321    | 0   | 0   |
| Bengraff, Robert  | 2,014     | 2,014     | 0   | 0   |
| Blitzer, Alfred   | 2,014     | 2,014     | 0   | 0   |

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<TABLE>

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|----------------------------|--------|--------|-----|-----|
| Brown, Stephanie           | 2,014  | 2,014  | 0   | 0   |
| Edwards, Daniel            | 2,014  | 2,014  | 0   | 0   |
| Smith, Scott               | 2,014  | 2,014  | 0   | 0   |
| Sommer, Cindy              | 572    | 572    | 0   | 0   |
| Corliss, Robert            | 6,650  | 6,650  | 0   | 0   |
| Clark, Denis               | 7,500  | 7,500  | 0   | 0   |
| Donner Corp International  | 6,000  | 6,000  | 0   | 0   |
| Gailus, Robert             | 25,000 | 25,000 | 0   | 0   |
| Fragetti, Gerard           | 26,400 | 26,400 | 0   | 0   |
| Sands Brothers & Co., Ltd. | 60,000 | 60,000 | 0   | 0   |

|                                 |           |            |   |   |
|---------------------------------|-----------|------------|---|---|
| Trautman, Wasserman & Co.       | 75,000    | 75,000     | 0 | 0 |
| Virtual Ex', Inc.               | 27,000    | 27,000     | 0 | 0 |
| Spalding Sports Worldwide, Inc. | 300,000   | 300,000    | 0 | 0 |
| Bengal Partners, LLC            | 25,907    | 25,907     | 0 | 0 |
| Roccus Capital Partners, LLC    | 40,000    | 40,000     | 0 | 0 |
| Adams Golf, Inc.                | 100,000   | 100,000    | 0 | 0 |
| InterWorld Corporation          | 2,189,781 | 2,189,781  | 0 | 0 |
| McKinsey & Company LLC          | 299,658   | 299,658    | 0 | 0 |
| Hayes, Kevin                    | 215,625   | 215,625    | 0 | 0 |
| Bentley, Joseph                 | 450,000   | 450,000    | 0 | 0 |
| Biehler, Stephane               | 50,000    | 50,000     | 0 | 0 |
| Carley, Peter                   | 75,000    | 75,000     | 0 | 0 |
| Cisario, Victor L.              | 50,000    | 50,000     | 0 | 0 |
| Blair, John                     | 100,000   | 100,000    | 0 | 0 |
| Hughes, John J.                 | 50,000    | 50,000     | 0 | 0 |
| Berman, Michael                 | 100,000   | 100,000    | 0 | 0 |
| TOTALS                          |           | 84,549,195 | 0 | 0 |

</TABLE>

#### DESCRIPTION OF SECURITIES

##### Authorized capital stock

As of July 13, 2001, our authorized capital stock consisted of 200,000,000 shares of common stock, par value \$.0001 per share, 50,000,000 shares of preferred stock of which 2,000 shares have been designated as Series A preferred stock, par value \$.0001 per share, and 4,000,000 shares of which have been designated Series B preferred stock, par value \$.0001 per share. As of such date, there were approximately 3,000 stockholders of record of our common stock, one stockholder of record of our Series A Preferred Stock and approximately 530 stockholders of record of our Series B Preferred Stock. Our board of directors has approved the issuance of 1,750,000 shares of Series C preferred stock and a certificate of designation of the Series C preferred stock is expected to be filed in the near future, subject to the approval of the holders of our Series B preferred stock. To date, no shares of Series C preferred stock have been issued.

##### Common stock

As of June 30, 2001, there were approximately 19.0 million shares of our common stock issued and outstanding. Our common stock is currently listed on The Nasdaq SmallCap Market under the trading symbol "EBTB". Holders of our common stock are entitled to one vote for each share owned on all matters submitted to a vote of stockholders. Holders of our common stock also are entitled to receive cash dividends, if any, declared by our board of directors out of funds legally available therefor, subject to the rights of any holders of preferred stock.

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Holders of our common stock do not have subscription, redemption, conversion or preemptive rights. Each share of our common stock is entitled to participate pro rata in any distribution upon liquidation, subject to the rights of holders of preferred stock.

##### Series A preferred stock

We have designated 2,000 shares of preferred stock as "Series A preferred stock." Our board of directors has the authority to increase or decrease the number of authorized shares of Series A preferred stock. As of June 30, 2001, there were seven shares of Series A Preferred stock issued and outstanding. The material terms of the Series A preferred stock are as follows:

**Dividends.** Holders of Series A preferred stock are entitled to dividends only to the extent that we declare or pay a dividend on our common stock, in which case such holders of preferred stock will receive an amount of dividends as if their shares had been converted to common stock.

**Liquidation preference.** Upon any liquidation, dissolution or winding up of our company, the holders of Series A preferred stock shall be entitled to payment of \$1,000 per share plus an amount equal to any accrued and unpaid



dividends, before any distribution is made to the holders of our common stock. If the assets to be distributed are insufficient to permit such payment, then the entire assets to be so distributed shall be distributed ratably among the holders of Series A preferred stock. The Series A preferred stock is of equal rank with the Series B preferred stock described below.

Optional conversion. A holder of shares of Series A preferred stock may convert any or all of such shares, at the holder's option at any time, with respect to each share of Series A Preferred Stock, into 1,330 shares of our common stock (equivalent to \$.75 per common share).

Anti-dilution protection. If we issue or sell any shares of our common stock for consideration less than the conversion price then in effect, the conversion price shall be adjusted by dividing (i) the sum of (a) the number of shares of common stock outstanding prior to such sale (including all shares issuable upon conversion of the Series A preferred stock) multiplied by the then existing conversion price and (b) the consideration received in such sale by (ii) the number of shares of common stock outstanding after such sale (including all shares issuable upon conversion of the Series A preferred stock). Similarly, if we issue other convertible securities (other than options granted to our employees, officers, directors, consultants and/or vendors) with a conversion price less than the then existing conversion price applicable to the Series A preferred stock, such conversion price will be appropriately adjusted.

Mandatory Conversion. If we complete an underwritten public offering involving the sale of common stock at a price per share of not less than \$2.82 and providing proceeds of not less than \$7,500,000, then the Series A preferred stock shall be automatically converted into common stock at the conversion price then in effect.

Voting Rights. On all matters submitted to a vote by our stockholders, the holders of Series A preferred stock are entitled to one vote for each share of common stock into which such share of Series A preferred stock is then convertible.

#### Series B preferred stock

We have designated 4,000,000 shares of preferred stock, as "Series B preferred stock". As of June 30, 2001, there were approximately 2,725,000 shares of Series B preferred stock issued and outstanding. The material terms of the Series B preferred stock are as follows:

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Dividends. Holders of Series B preferred stock are entitled to dividends only to the extent that we declare or pay a dividend on our common stock, in which case such holders will receive an amount of dividends as if their shares had been converted to common stock.

Liquidation preference. Upon any liquidation, dissolution or winding up of our company, the holders of Series B preferred stock shall be entitled to payment of \$10 per share plus an amount equal to any accrued and unpaid dividends, before any distribution is made to the holders of our common stock. If the assets to be distributed are insufficient to permit such payment, then the entire assets to be so distributed shall be distributed ratably among the holders of Series B preferred stock. The Series B preferred stock is of equal rank with the Series A preferred stock, described above.

Ranking. We will not create or authorize any series of stock ranking senior to, or of equal rank with, the Series B preferred stock, without the affirmative vote or the written consent of at least one-third of the outstanding shares of Series B preferred stock.

Optional conversion. A holder of shares of Series B preferred stock may convert any or all of such shares, at the holder's option at any time, into approximately 7.32 shares of our common stock (subject to adjustment as described below).

Mandatory conversion. The Series B preferred stock will automatically convert into common stock upon a public offering of our securities raising gross proceeds in excess of \$20 million or the completion of a private placement in an amount of at least \$20 million, provided, in either case, that at the closing of the public offering or private placement, our market valuation is at least \$122.5 million (determined by multiplying the number of shares of common stock and common stock equivalents by the per share offering price in the public offering or private placement) and provided further that the per share offering price is at least \$5.17 (subject to adjustment).

Anti-dilution protection. The Series B preferred stock is protected against dilution upon the occurrence of certain events, including but not limited to, sales of shares of common stock for less than fair market value or \$1.366 per share.

Voting rights. On all matters submitted to a vote by our stockholders, the holders of Series B preferred stock are entitled to one vote for each share of common stock into which such share of Series B preferred stock is then convertible.

Right to elect director. The holders of the Series B preferred stock, voting as a class, are entitled to elect one out of seven.

#### Capital raising transactions

All issuances of our securities prior to our April 2000 merger described below were issued by former eB2B, and have been converted to equivalent securities of our company pursuant to the terms of the April 2000 merger.

In April 1999, former eB2B concluded a private placement offering of Series A preferred stock and common stock to accredited investors for an aggregate of \$300,000. We issued approximately 300 shares of Series A preferred stock at \$1,000 per share, convertible into 399,000 shares of common stock.

In October 1999, Michael Falk, a member of our board of directors, and ComVest Partners LLC provided us with an aggregate of \$375,000 of "pre-bridge financing," which consisted of 7% promissory notes, and five-year, immediately exercisable warrants to purchase an aggregate of 498,659 shares of former eB2B common stock (equivalent to 1,326,433 shares of our common stock). The promissory notes and warrants were replaced by promissory notes and warrants in the subsequent "bridge financing".

In October 1999, former eB2B concluded a \$1 million of bridge financing, which included the conversion of the promissory notes and warrants issued in the pre-bridge financing. Former eB2B issued 7% promissory notes, which automatically converted into shares of preferred stock in the subsequent Series B preferred stock private placement, and seven-year immediately exercisable "bridge warrants" to purchase an aggregate of 717,409 shares of eB2B common stock (equivalent to 1,908,308 shares of our common stock) at an exercise price of \$4.00 per share (\$1.50 reflective of the 2.66 to 1 exchange ratio in the April 2000 merger). The shares of common stock underlying these warrants, as well as additional shares resulting from antidilution provisions, are registered for resale in this prospectus.

In November 1999, we issued to Commonwealth and its designees five-year warrants to purchase 1,250,200 shares of common stock with an exercise price of \$2.07 per share in consideration for providing us with financial advisory services during the April 2000 merger. These "advisory warrants" vested upon completion of the April 2000 merger, at which time they became immediately exercisable. The shares of common stock underlying these warrants are registered for resale in this prospectus.

In December 1999, we concluded a private placement offering \$33 million in Series B preferred stock and warrants to accredited investors. We issued approximately 3,300,000 shares of Series B preferred stock, convertible into approximately 15,960,000 shares of common stock, and seven-year, immediately exercisable warrants to purchase approximately 3,990,000 shares with an exercise price of \$2.07 per share. Since issuance, the conversion price of the Series B preferred stock was also adjusted from \$2.07 to \$1.366 and the number of shares of common stock underlying the "Series B private placement warrants" was adjusted to be increased by 63.3% and the exercise price was lowered to \$1.266 per share. Holders of Series B preferred stock, voting as a class, are entitled to elect one out of seven members of our board of directors. The shares of common stock to which the Series B preferred stock may convert as well as the shares of common stock underlying the Series B private placement warrants are registered for resale in this prospectus.

In connection with the December 1999 private placement, we also issued seven-year, immediately exercisable warrants to purchase an aggregate of approximately 3,943,716 shares of common stock to Commonwealth for acting as the placement agent in connection with the private placement. Since issuance, the number of shares was adjusted to be increased by 63.3% and the exercise price of these "agents warrants" were adjusted from \$2.07 to \$1.266 per share. The shares of common stock underlying these warrants are registered for resale in this prospectus.

In May 2001, we completed a private placement of convertible notes and warrants. The gross proceeds of this financing totaled \$7.5 million. Pursuant to the May 2001 financing, we issued \$7,500,000 of principal amount of 7% convertible notes, convertible into an aggregate of 15,000,000 shares of common stock, and "Series C warrants" to purchase an aggregate 15,000,000 shares of common stock at an exercise price of \$0.93 per share.

The convertible notes have a term of 18 months, which period may be accelerated in certain events. Interest is payable quarterly in cash, in identical convertible notes or in shares of common stock, at our option. In addition, the convertible notes will automatically convert into Series C preferred stock with the terms as described below, if we receive the required consent of the holders of our Series B preferred stock to the issuance of this new series. The Series C preferred stock would then be convertible into common stock on the same basis as the convertible notes. The shares of common stock to which these notes may convert, plus accrued interest, if any, or, alternatively, the shares of common stock underlying the Series C preferred stock, have been registered for resale in this prospectus.

We intend to seek shareholder approval of the May 2001 financing, as required by the rules of Nasdaq. Pending such approval, conversion of the convertible notes and/or Series C preferred shares, and the Series C warrants is limited to an aggregate of not more than 19.9% of the number of shares of common stock outstanding before these securities were issued and the private warrants will not be exercisable. If we fail to obtain the necessary approval of shareholders by September 30, 2001, we may be required to redeem all of the newly issued securities at a redemption price (payable in cash or in stock) equal to the greater of two times the face amount

thereof or the price required to make investors whole in light of the current market price. Alternatively, the holders may terminate the conversion limitation, in which case we would face delisting from Nasdaq.

The "Series C warrants" will be exercisable for a period of two years from the earlier of (i) the date we receive shareholder approval of the May 2001 financing, (ii) the date such shareholder approval is no longer required, either because our common stock is no longer listed on Nasdaq or otherwise, or (iii) October 1, 2001.

In connection with the closing of the financing, we canceled a \$2,050,000 line of credit issued in April 2001, pursuant to which we had not borrowed any funds. We incurred a cash fee amounting to \$61,500 in consideration of the availability of the line of credit. In addition, the issuer of the line of credit (namely, ComVest Venture Partners LP) was issued warrants to purchase

900,00 shares of common stock at an exercise price \$0.50 per share for a five-year period in consideration of the availability of such line.

#### Additional terms of warrants

In addition to the terms set forth above, each of the warrants underlying shares of our common stock offered in this prospectus are subject to adjustments under certain circumstances, including stock splits, recapitalizations and other similar structural events or, in most cases, in the event we issue securities at a price per share less than the current market price of our common stock or the exercise price of the respective warrant. In addition, each warrant allows the holder to exercise its warrant without making any cash payment. Such holder will receive a reduced number of shares based on the fair market price of our common stock on the date of exercise and the exercise price then in effect. Each warrant holder may exercise all or any part of the warrants, at the holder's option. In addition, each warrant provides the holder with the demand and/or "piggyback" registration rights.

#### Terms of proposed Series C preferred stock

As of the date of this prospectus, no shares of preferred stock have yet been designated as "Series C preferred stock". We require the vote of at least one-third of the voting interest of the holders of our Series B preferred stock to designate any of our authorized shares of preferred stock as Series C, and we plan to seek the approval of these Series B securityholders in the near future. The material terms of the proposed Series C preferred stock are as follows:

**Dividends.** Holders of Series C preferred stock are entitled to dividends only to the extent that we declare or pay a dividend on our common stock, in which case such holders will receive an amount of dividends as if their shares had been converted to common stock.

**Liquidation preference.** Upon any liquidation, dissolution or winding up of our company, the holders of Series C preferred stock shall be entitled to payment of \$13.33 per share in addition to an amount equal to any accrued and unpaid dividends, before any distribution is made to the holders of our common stock. If the assets to be distributed are insufficient to permit such payment, then the entire assets to be so distributed shall be distributed ratably among the holders of Series C preferred stock. The Series C preferred stock is senior in rank to the Series B preferred stock described above.

**Ranking.** We will not create or authorize any series of stock ranking senior to, or of equal rank with, the Series C preferred stock, without the affirmative vote or the written consent of at least one-half of the outstanding shares of Series C preferred stock, provided that at least 20% of the shares of Series C preferred stock remain outstanding.

**Conversion limitation.** Because our May 2001 offering pursuant to which we issued the 7% convertible notes which may convert into shares of series C preferred stock could result in the issuance of at least 20% of our outstanding common stock of such time, Nasdaq rules require that we seek shareholder approval of such offering.

Until we receive such approval, conversion of the Series C preferred stock to common stock is limited to an aggregate of not more than 19.9% of our common stock outstanding immediately before the units were issued.

**Optional conversion.** Subject to the conversion limitation, a holder of shares of Series C preferred stock may convert any or all of such shares at the holder's option at any time, with respect to each share of Series C Preferred Stock, into 20 shares of our common stock (\$.50 per share), subject to adjustment as described below.

Mandatory conversion upon qualified public offering. Subject to the conversion limitation, the Series C preferred stock will automatically convert into common stock upon a public offering of our securities raising gross proceeds in excess of \$25 million at a price per share in excess of \$2.00; provided (i) our common stock is then trading on either the Nasdaq SmallCap, Nasdaq National Market or a national securities exchange; (ii) either (x) a registration statement covering the conversion shares has been declared effective by the Securities and Exchange Commission and remains effective or (y) a proper exemption is available for resale of the conversion shares; and (iii) the conversion shares are not subject to more than a six-month lock-up agreement required by us or our underwriter.

Mandatory conversion based on bid price. We may force conversion of the Series C preferred stock, subject to the conversion limitation, if (i) the closing bid price per share of our common stock equals or exceeds 200% of the conversion price or our common stock at such time; (ii) our common stock is then trading on either the Nasdaq SmallCap, Nasdaq National Market or a national securities exchange; (iii) either (x) a registration statement covering the resale of the Conversion Shares has been declared effective by the SEC and remains effective or (y) a proper exemption available for resale of the conversion shares; and (iv) the conversion shares are not subject to any lock-up agreement required by us or our underwriter or agent.

Anti-dilution protection. The Series C preferred stock is protected against dilution upon the occurrence of certain events, including but not limited to, sales of shares of common stock for less than fair market value or the then current conversion price per share.

Voting rights. On all matters submitted to a vote by our stockholders, the holders of Series C preferred stock are entitled to one vote for each share of common stock into which such share of Series C preferred stock is then convertible.

#### PLAN OF DISTRIBUTION

The selling securityholders (and their respective pledgees, transferees, donees or other successors in interest) may offer and sell the shares of common stock derived from the conversion of our preferred stock and convertible notes and the exercise of warrants covered by this prospectus from time to time as follows:

- o in the open market;
- o on the Nasdaq SmallCap Market;
- o in privately negotiated transactions;
- o in an underwritten offering; or
- o a combination of such methods or any other legally available means.

Such sales may be made at varying prices determined by reference to, among other things:

- o market value prevailing at the time of the sale;
- o prices related to the then-prevailing market price; or
- o negotiated prices.

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Negotiated transactions may include:

- o purchases by a broker-dealer as principal and resale by such broker-dealer for its account pursuant to this prospectus;
- o ordinary brokerage transactions and transactions in which a broker solicits purchasers; or
- o block trades in which a broker-dealer so engaged will attempt to sell the shares as agent but may take a position and resell a portion of the block as principal to facilitate the transaction.

In connection with distributions of our common stock, any selling securityholder may:

- o enter into hedging transactions with broker-dealers and the broker-dealers may engage in short sales of our common stock in the

- course of hedging the positions they assume with the selling securityholders;
- o sell our common stock short and deliver the common stock to close out such short positions;
  - o enter into option or other transactions with broker-dealers that involve the delivery of our common stock to the broker-dealers, which may then resell or otherwise transfer such common stock; and
  - o loan or pledge our common stock to a broker-dealer which may then sell our common stock so loaned, and upon a default, the common stock may be sold or otherwise transferred.

Broker dealers may receive commissions or discounts from the selling securityholders in amounts to be negotiated immediately prior to the sale. The selling securityholders and any broker executing selling orders on behalf of the selling securityholders may be deemed to be an "underwriter" within the meaning of the Securities Act. Commissions received by any such broker may be deemed to be underwriting commissions under the Securities Act.

#### LEGAL MATTERS

The validity of the common stock that we are offering will be passed upon for us by Kaufman & Moonjian, LLC, Mitchel Field, New York.

#### EXPERTS

The financial statements of eB2B Commerce, Inc. as of December 31, 2000 and for the year then ended, included in this prospectus, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein, and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of eB2B Commerce, Inc. (formerly DynamicWeb Enterprises, Inc.) at December 31, 1999 and for the year then ended, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The financial statements for the years ended September 30, 1999 and 1998, from DynamicWeb Enterprises Inc.'s annual report on Form 10-KSB for the year ended September 30, 1999, included in this prospectus, have been audited by Richard A. Eisner & Company, LLP, independent auditors, as stated in their report appearing herein, and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Netlan Enterprises, Inc. for the years ended December 31, 1999 and 1998, included in this prospectus, have been audited by Rothstein, Kass & Company, P.C., independent auditors, as stated in their report appearing herein, and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

#### WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form SB-2, including exhibits, schedules and amendments filed with the registration statement, under the Securities Act with respect to the common stock to be sold in this offering. This prospectus does not contain all of the information set forth in this registration statement. For further information about us and the shares of common stock to be sold in the offering, please refer to the registration statement. For additional information, please refer to the exhibits that have been filed with our registration statement on Form SB-2.

We are subject to the information and reporting requirements of the Securities Exchange Act of 1934, and, in accordance with these requirements, we file periodic reports, proxy statements and other information with the SEC.

You may read and copy all or any portion of the registration statement

or any other information that we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C., 20549. You can request copies of these documents upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information about the public reference rooms. Our filings, including the registration statement, are also available on the SEC website (<http://www.sec.gov>).

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of eB2B Commerce, Inc.:

We have audited the accompanying consolidated balance sheet of eB2B Commerce, Inc. (the "Company") as of December 31, 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2000, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

New York, New York  
April 16, 2001

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#### Report of Independent Auditors

To the Board of Directors  
eB2B Commerce, Inc.

We have audited the accompanying balance sheet of eB2B Commerce, Inc. (the "Company") as of December 31, 1999, and the related statement of operations, stockholders' equity and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of eB2B Commerce, Inc. as of December 31, 1999, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

As described in Note 3, the financial statements have been restated to correct the valuation of certain common stock warrants and options.

/s/ Ernst & Young LLP  
New York, New York  
February 22, 2000, except for Notes 3, 10 and 11, as to which the date is March 30, 2001.

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#### CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<TABLE>  
<CAPTION>

|   | December 31,<br>2000 | December 31,<br>1999<br>(as restated,<br>see Note 3) |
|---|----------------------|--|
| ASSETS  |                      |  |
| <S>   | <C>                  | <C>  |
| Current Assets  |                      |  |
| Cash and cash equivalents                             | \$ 9,650             | \$ 9,907   |
| Investments available-for-sale                        | -                    | 15,986   |
| Accounts receivable (less allowance of \$113 in 2000) | 1,530                | -  |
| Other current assets                                  | 409                  | 2,260  |
|   | -----                | -----  |
| Total Current Assets                                  | 11,589               | 28,153   |



|   |           |           |
|---|-----------|-----------|
| Property and equipment, net   | 4,272     | 167       |
| Goodwill, net of accumulated amortization of \$8,852 in 2000        | 54,104    | -         |
| Other intangibles, net of accumulated amortization of \$977 in 2000 | 2,259     | -         |
| Other assets  | 995       | 744       |
|   | -----     | -----     |
| Total Assets  | \$ 73,219 | \$ 29,064 |
|   | =====     | =====     |

LIABILITIES AND STOCKHOLDERS' EQUITY

|  |          |       |
|--|----------|-------|
| Current Liabilities                                |          |       |
| Current maturities of long-term debt               | \$ 1,000 | \$ -  |
| Accounts payable                                   | 1,806    | -     |
| Accrued expenses and other current liabilities     | 4,892    | 1,055 |
| Deferred income                                    | 592      | -     |
|  | -----    | ----- |
| Total Current Liabilities                          | 8,290    | 1,055 |
| Long-term debt, less current maturities            | 1,250    | -     |
| Capital lease obligations, less current maturities | 212      | -     |
| Other  | 379      | -     |
|  | -----    | ----- |
| Total Liabilities                                  | 10,131   | 1,055 |
|  | -----    | ----- |

Commitments and contingencies (Note 8)

Stockholders' Equity

|   |          |          |
|---|----------|----------|
| Undesignated preferred stock - no par value; 45,998,000 shares authorized; no shares issued and outstanding   | -        | -        |
| Preferred stock, convertible Series A - \$.0001 par value; 2,000 shares authorized; 7 and 300 shares issued and outstanding at December 31, 2000 and 1999, respectively                   | -        | -        |
| Preferred stock, convertible Series B - \$.0001 par value; 4,000,000 shares authorized; 2,803,198 and 3,299,999 shares issued and outstanding at December 31, 2000 and 1999, respectively | -        | -        |
| Common stock - \$.0001 par value; 200,000,000 shares authorized; 15,384,015 and 7,253,820 shares issued and outstanding at December 31, 2000 and 1999, respectively                       | 2        | 1        |
| Additional paid-in capital  | 144,459  | 67,500   |
| Accumulated deficit   | (79,005) | (37,670) |
| Unearned stock-based compensation   | (2,368)  | (1,822)  |
|   | -----    | -----    |

Total Stockholders' Equity 63,088 28,009

Total Liabilities and Stockholders' Equity \$ 73,219 \$ 29,064

</TABLE>

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<TABLE>  
<CAPTION>

|   | Year Ended December 31, |                             |
|---|-------------------------|-----------------------------|
|   | 2000                    | 1999                        |
|   | ----                    | ----                        |
|   |                         | (as restated<br>see Note 3) |
| <S>   | <C>                     | <C>                         |
| Revenue   | \$ 5,468                | \$ -                        |
|   | -----                   | -----                       |
| Costs and expenses  |                         |                             |
| Cost of revenue   | 2,839                   | -                           |
| Marketing and selling (exclusive of stock-based compensation expense of \$1,412 and \$500 for the years ended December 31, 2000 and 1999, respectively)         | 2,804                   | -                           |
| Product development costs (exclusive of stock-based compensation expense of \$362 and \$231 for the years ended December 31, 2000 and 1999, respectively)       | 2,698                   | 572                         |
| General and administrative (exclusive of stock-based compensation expense of \$14,253 and \$1,955 for the years ended December 31, 2000 and 1999, respectively) | 13,438                  | 1,670                       |
| Amortization of goodwill and other  |                         |                             |

|  |             |             |
|--|-------------|-------------|
| intangibles  | 9,829       | -           |
| Stock-based compensation expense                           | 16,027      | 2,686       |
|  | -----       | -----       |
| Total costs and expenses                                   | 47,635      | 4,928       |
|  | -----       | -----       |
| Loss from operations                                       | (42,167)    | (4,928)     |
| Interest income  | 1,130       | -           |
| Interest expense   |             |             |
| (including bridge loan financing costs of \$3,178 in 1999) | (191)       | (3,192)     |
| Other, net   | (107)       | -           |
|  | -----       | -----       |
| Net loss   | \$ (41,335) | \$ (8,120)  |
| Deemed dividend on preferred stock                         | -           | (29,442)    |
|  | -----       | -----       |
| Net loss attributable to common stockholders               | \$ (41,335) | \$ (37,562) |
|  | =====       | =====       |
| Basic and diluted net loss per common share                | \$ (3.61)   | \$ (5.70)   |
|  | =====       | =====       |
| Weighted average number of common shares outstanding       | 11,461,496  | 6,591,108   |
|  | =====       | =====       |

</TABLE>

See accompanying notes to consolidated financial statements.

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eB2B Commerce, Inc.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(IN THOUSANDS EXCEPT SHARE DATA)

<TABLE>  
<CAPTION>

|  | Series A Preferred Stock |        | Series B Preferred Stock |        | Common Stock |        | Additional Paid-In Capital |
|--|--------------------------|--------|--------------------------|--------|--------------|--------|----------------------------|
|  | Shares                   | Amount | Shares                   | Amount | Shares       | Amount |                            |
|  | <C>                      | <C>    | <C>                      | <C>    | <C>          | <C>    |                            |
| Balance at   |                          |        |                          |        |              |        |                            |
| January 1, 1999  | -                        | -      | -                        | -      | 6,167,210    | 1      | 354                        |
| Sale of common stock   | -                        | -      | -                        | -      | 259,350      | -      | 195                        |
| Sale of Series A preferred stock   | 300                      | -      | -                        | -      | -            | -      | 300                        |
| Sale of Series B preferred stock   | -                        | -      | 3,299,999                | -      | -            | -      | 29,442                     |
| Issuance of common stock in exchange for services                                  | -                        | -      | -                        | -      | 393,680      | -      | 228                        |
| Issuance of common stock in exchange for domain name                               | -                        | -      | -                        | -      | 7,980        | -      | 2                          |
| Issuance of common stock in exchange for note payable                              | -                        | -      | -                        | -      | 425,600      | -      | 80                         |
| Issuance of warrants in connection with bridge financing (as restated, see Note 3) | -                        | -      | -                        | -      | -            | -      | 3,178                      |
| Unearned stock-based compensation (as restated, see Note 3)                        | -                        | -      | -                        | -      | -            | -      | 4,279                      |
| Amortization of unearned stock-based compensation (as restated, see Note 3)        | -                        | -      | -                        | -      | -            | -      | -                          |

<CAPTION>

|                 | Unearned Stock-Based Compensation | Accumulated Deficit | Total |
|-----------------|-----------------------------------|---------------------|-------|
|                 | -----                             | -----               | ----- |
|                 | <C>                               | <C>                 | <C>   |
| Balance at      |                                   |                     |       |
| January 1, 1999 | -                                 | (108)               | 247   |

|  |         |   |        |
|--|---------|---|--------|
| Sale of common stock   | -       | - | 195    |
| Sale of Series A preferred stock   | -       | - | 300    |
| Sale of Series B preferred stock   | -       | - | 29,442 |
| Issuance of common stock in exchange for services                                  | (228)   | - | -      |
| Issuance of common stock in exchange for domain name                               | -       | - | 2      |
| Issuance of common stock in exchange for note payable                              | -       | - | 80     |
| Issuance of warrants in connection with bridge financing (as restated, see Note 3) | -       | - | 3,178  |
| Unearned stock-based compensation (as restated, see Note 3)                        | (4,279) | - | -      |
| Amortization of unearned stock-based compensation (as restated, see Note 3)        | 2,685   | - | 2,685  |

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<TABLE>

| <S>  | <C>   | <C>  | <C>       | <C>  | <C>        | <C>  | <C> | <C>        |
|--|-------|------|-----------|------|------------|------|-----|------------|
| Net loss   | -     | -    | -         | -    | -          | -    | -   | -          |
| Deemed dividend on preferred stock                   | -     | -    | -         | -    | -          | -    | -   | 29,442     |
| -----  |       |      |           |      |            |      |     |            |
| Balance at January 1, 2000 (as restated, see Note 3) | 300   | -    | 3,299,999 | -    | 7,253,820  | 1    | -   | 67,500     |
| Netlan merger  | -     | -    | -         | -    | 325,000    | -    | -   | 3,347      |
| DynamicWeb reverse acquisition                       | -     | -    | -         | -    | 4,811,969  | 1    | -   | 58,648     |
| Conversion of Series A preferred stock               | (293) | -    | -         | -    | 389,690    | -    | -   | -          |
| Conversion of Series B preferred stock               | -     | -    | (496,801) | -    | 2,402,710  | -    | -   | -          |
| Exercise of stock options and warrants               | -     | -    | -         | -    | 117,691    | -    | -   | 144        |
| Unearned stock-based compensation                    | -     | -    | -         | -    | -          | -    | -   | 14,523     |
| Amortization of unearned stock-based compensation    | -     | -    | -         | -    | -          | -    | -   | -          |
| Other  | -     | -    | -         | -    | 83,135     | -    | -   | 297        |
| Net loss   | -     | -    | -         | -    | -          | -    | -   | -          |
| -----  |       |      |           |      |            |      |     |            |
| Balance at December 31, 2000                         | 7     | \$ - | 2,803,198 | \$ - | 15,384,015 | \$ 2 | -   | \$ 144,459 |

<CAPTION>

| <S>  | <C>        | <C>      | <C>     |
|--|------------|----------|---------|
| Net loss   | -          | (8,120)  | (8,120) |
| Deemed dividend on preferred stock                   | -          | (29,442) | -       |
| -----  |            |          |         |
| Balance at January 1, 2000 (as restated, see Note 3) | (1,822)    | (37,670) | 28,009  |
| Netlan merger  | \$ (2,050) | -        | 1,297   |
| DynamicWeb reverse acquisition                       | -          | -        | 58,649  |
| Conversion of Series A preferred stock               | -          | -        | -       |
| Conversion of Series B preferred stock               | -          | -        | -       |
| Exercise of stock options and warrants               | -          | -        | 144     |
| Unearned stock-based compensation                    | (14,523)   | -        | -       |
| Amortization of unearned stock-                      | -          | -        | -       |

|                    |            |             |          |
|--------------------|------------|-------------|----------|
| based compensation | 16,027     | -           | 16,027   |
| Other              | -          | -           | 297      |
| Net loss           | -          | (41,335)    | (41,335) |
| -----              |            |             |          |
| Balance at         |            |             |          |
| December 31, 2000  | \$ (2,368) | \$ (79,005) | \$63,088 |

</TABLE>

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

|  | Year Ended December 31, |                              |
|--|-------------------------|------------------------------|
|  | 2000                    | 1999                         |
|  | ----                    | ----                         |
|  |                         | (as restated,<br>see Note 3) |
| <S>  | <C>                     | <C>                          |
| Operating Activities   |                         |                              |
| Net loss   | \$ (41,335)             | \$ (8,120)                   |
| Adjustments to reconcile net loss to net cash used in operating activities             |                         |                              |
| Depreciation and amortization  | 13,086                  | 633                          |
| Stock-based compensation expense   | 15,991                  | 1,427                        |
| Write-down of assets   | 57                      | 174                          |
| Shares, options and warrants issued for services                                       | 36                      | 1,259                        |
| Warrants issued in connection with bridge loan financing                               | -                       | 3,178                        |
| Management of operating assets and liabilities   |                         |                              |
| Accounts receivable, net   | (277)                   | -                            |
| Accounts payable   | (327)                   | -                            |
| Accrued expenses and other liabilities   | 3,645                   | 1,019                        |
| Other  | (292)                   | (159)                        |
|  | -----                   | -----                        |
| Net cash used in operating activities  | (9,416)                 | (589)                        |
|  | -----                   | -----                        |
| Investing Activities   |                         |                              |
| Acquisitions, net of cash acquired   | (978)                   | -                            |
| Proceeds (purchases) of investments available-for-sale, net                            | 15,986                  | (15,986)                     |
| Purchase of software   | (2,527)                 | -                            |
| Purchase of property and equipment   | (1,075)                 | (195)                        |
| Product development expenditures   | (2,331)                 | (1,140)                      |
| Other investing activities   | -                       | (109)                        |
|  | -----                   | -----                        |
| Net cash provided by (used in) investing activities                                    | 9,075                   | (17,430)                     |
|  | -----                   | -----                        |
| Financing Activities   |                         |                              |
| Proceeds from borrowings   | 2,500                   | -                            |
| Repayment of borrowings  | (2,366)                 | (6)                          |
| Loan to DWeb   | -                       | (2,000)                      |
| Payment of capital lease obligations   | (194)                   | -                            |
| Proceeds from issuance of shares and warrants  | -                       | 29,922                       |
| Proceeds from exercise of options and warrants   | 144                     | -                            |
|  | -----                   | -----                        |
| Net cash provided by financing activities  | 84                      | 27,916                       |
|  | -----                   | -----                        |
| Net (decrease) increase in cash and cash equivalents                                   | (257)                   | 9,897                        |
| Cash and cash equivalents at beginning of year   | 9,907                   | 10                           |
|  | -----                   | -----                        |
| Cash and cash equivalents at end of year   | \$ 9,650                | \$ 9,907                     |
|  | =====                   | =====                        |
| Non-cash transactions  |                         |                              |
| Common stock, options and warrants issued or exchanged in connection with acquisitions | \$ 61,996               | \$ -                         |
| Shares, options and warrants issued for services                                       | \$ 398                  | \$ 4,507                     |
| Equipment acquired under capital lease   | \$ 346                  | \$ -                         |
| Preferred stock issued in exchange for note payable                                    | \$ -                    | \$ 15                        |
| Common stock issued in exchange for note payable                                       | \$ -                    | \$ 80                        |
| Common stock issued in exchange for domain name  | \$ -                    | \$ 2                         |
| Cash paid during the period for  |                         |                              |
| Interest   | \$ 148                  | \$ -                         |

</TABLE>

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1. ORGANIZATION AND PLAN OF OPERATIONS

eB2B Commerce, Inc. (the "Company") utilizes proprietary software to provide a technology platform for large buyers and large suppliers to transfer business documents via the Internet to their small and medium-sized trading partners. These documents include, but are not limited to, purchase orders, purchase order acknowledgements, advanced shipping notices and invoices. The Company does not allow customers to take delivery of its proprietary software. The Company provides access via the Internet to its proprietary software, which is maintain on its hardware and on hosted hardware. The Company also offers professional services, which provide consulting expertise to the same client base, as well as to other businesses that prefer to operate or outsource the transaction management and document exchange of their business-to-business relationships. In addition, the Company provides authorized technical education to its client base, and also designs and delivers custom computer and Internet-based training seminars.

Since its inception, the Company has experienced significant losses from operations and negative cash flows from operations in the transaction management and document exchange services. Management has addressed the costs of providing these services throughout 2000 and 2001. While the Company continues to add large customers to its service, the Company is focused primarily on implementing the trading partners who transact business with its largest existing customers.

To ensure the success of the Company, and to address the continuing loss from operations and negative cash flows from operations, management enacted a plan for the Company, which includes various cost cutting measures during the third and fourth quarter of 2000 and into 2001.

Additionally, on April 16, 2001, the Company received additional financing of \$7.5 million in the form of a convertible note and an irrevocable line of credit (see Note 14, Subsequent Events).

## NOTE 2. BASIS OF PRESENTATION AND OTHER MATTERS

On April 18, 2000, eB2B Commerce, Inc., a Delaware corporation ("eB2B"), merged with and into DynamicWeb Enterprises, Inc., a New Jersey corporation and an SEC registrant ("DWeb"), with the surviving company using the name "eB2B Commerce, Inc." (the "Company"). Pursuant to the Agreement and Plan of Merger between eB2B and DWeb (the "Merger"), the shareholders of DWeb retained their shares in DWeb, while the shareholders of eB2B received shares, or securities convertible into shares, of common stock of DWeb representing approximately 89% of the equity of the Company, on a fully diluted basis. The transaction was accounted for as a reverse acquisition.

The reverse acquisition was accounted for as a "purchase business combination" in which eB2B was the accounting acquirer and DWeb was the legal acquirer. The management of eB2B remained the management of the Company. As a result of the reverse acquisition, (i) the financial statements of eB2B are the historical financial statements of the Company; (ii) the results of the Company's operations include the results of DWeb after the date of the Merger; (iii) the acquired assets and assumed liabilities of DWeb were recorded at their estimated fair market value at the date of the Merger; (iv) all references to the financial statements of the "Company" apply to the historical financial statements of eB2B prior to the Merger and to the consolidated financial statements of the Company subsequent to the Merger; (v) any reference to eB2B applies solely to eB2B Commerce, Inc., a Delaware corporation, and its financial statements prior to the Merger, and (vi) the Company's year-end is December 31, that of the accounting acquirer, eB2B.

In the opinion of management, all material adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included in the accompanying consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation. Also, the contributed capital of eB2B as of December 31, 1999 has been recast to give effect to the Merger. Certain other prior period balances have been reclassified to conform to the current period presentation.

## NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## Accounting Principles

The consolidated financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States of America ("generally accepted accounting principles").

## 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 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.

#### Revenue Recognition

Revenue from transaction processing is recognized on a per transaction basis when a transaction occurs between a buyer and a supplier. The fee is based either on the volume of transactions processed during a specific period, typically one month, or calculated as a percentage of the dollar volume of the purchase related to the documents transmitted during a similar period. Revenue from related implementation, if any, and monthly hosting fees are recognized on a straight-line basis over the term of the contract with the customer. Deferred income includes amounts billed for implementation and hosting fees, which have not been earned.

For related consulting arrangements on a time-and-materials basis, revenue is recognized as services are performed and costs are incurred in accordance with the billing terms of the contract. Revenues from related fixed price consulting arrangements are recognized using the percentage-of-completion method. Progress towards completion is measured using efforts-expended method based upon management estimates. Fixed price consulting arrangements are mainly short-term in nature and the Company does not have a history of incurring losses on these types of contracts. If the Company were to incur a loss, a provision for the estimated loss on the uncompleted contract would be recognized in the period in which such loss becomes probable and estimable. Billings in excess of revenue recognized under the percentage-of-completion method on fixed price contracts is included in deferred income.

Revenue from training and client educational services is recognized upon the completion of the seminar and is based upon class attendance. If a seminar begins in one period and is completed in the next period, the Company recognizes revenue based on the percentage of completion method for the applicable period. Deferred income includes amounts billed for training seminars and classes that have not been completed.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash, money market investments and other highly liquid investments with original maturities of three months or less.

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#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization, and are depreciated or amortized using the straight-line method over the following estimated useful lives:

|  |                                      |
|--|--------------------------------------|
| <TABLE>                                    |                                      |
| <S>  | <C>                                  |
| Computer and communications equipment..... | 2 to 3 years                         |
| Purchased software.....                    | 2 years                              |
| Office equipment and furniture.....        | 4 to 5 years                         |
| Leasehold improvements.....                | Shorter of useful life or lease term |
| </TABLE>                                   |                                      |

#### Goodwill and Other Intangibles

Goodwill is amortized using the straight-line method from the date of acquisition over the period of expected benefit, or five years. Other intangibles resulting from the Company's purchase business combinations, including assembled workforce and customer list, are also amortized over the straight-line method from the date of acquisition over the period of expected benefit, or three years.

#### Impairment of Long-Lived Assets

The Company's long-lived assets, including property and equipment, goodwill and other intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the net carrying amount may not be recoverable. When such events occur, the Company measures impairment by comparing the carrying value of the long-lived asset to the estimated undiscounted future cash flows expected to result from use of the assets and their eventual disposition. If the sum of the expected undiscounted future cash flows were less than the carrying amount of the assets, the Company would recognize an impairment loss. The impairment loss, if determined to be necessary, would be measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset.

#### Product Development

In accordance with the provisions of Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use", the Company capitalizes qualifying computer software costs incurred during the application development stage. All other costs incurred in connection with internal use software are expensed as incurred. The useful life assigned to capitalized product development expenditures is based on the period

such product is expected to provide future utility to the Company. As of December 31, 2000 and 1999, capitalized product development expenditures, which have been classified as other assets in the Company's balance sheets, were \$905,000 and \$738,000, respectively. During the year ended December 31, 1999, eB2B abandoned the use of the product development expenditures capitalized at December 31, 1998, and recorded a \$174,000 write-down.

#### Income Taxes

The Company records income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to

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differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and the tax effect of net operating loss carryforwards. A valuation allowance is recorded against deferred tax assets if it is more likely than not that such assets will not be realized.

#### Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and the current portion of long-term debt approximate fair value due to the short maturities of such instruments. The carrying value of the long-term debt and capital lease obligations approximate fair value based on current rates offered to the Company for debt with similar collateral and guarantees, if any, and maturities.

#### Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with high credit quality financial institutions. The Company's accounts receivable are derived from revenue earned from customers located in the United States of America and are denominated in U.S. dollars. Portions of the Company's accounts receivable balances are settled either through customer credit cards or electronic fund transfers. The Company maintains an allowance for doubtful accounts based upon the estimated collectibility of accounts receivable. The Company recorded provisions (additions) to the allowance of \$211,000 and write-offs (deductions) against the allowance of \$98,000 during the year ended December 31, 2000.

In the year ended December 31, 2000, one customer from the Company's transaction processing and related services' segment accounted for approximately 17% of the Company's total revenue. As of December 31, 2000, the same customer accounted for approximately 14% of accounts receivable.

#### Net Loss per Common Share

Basic net loss per common share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted net loss per common share is the same as basic net loss per common share since the assumed conversion of options, warrants and preferred shares would have been antidilutive. Had the Company reported net earnings at December 31, 2000 and 1999, options and warrants to purchase 21,552,096 and 13,535,687 common shares, and preferred shares convertible into 13,566,595 and 16,358,995 common shares, respectively, would have been included in the computation of diluted earnings per common share, to the extent they were not antidilutive.

The unaudited pro forma net loss per common share presented in Note 4 herein has been computed in the same manner as net loss per common share.

The weighted-average number of shares outstanding for purposes of presenting net loss per common share on a comparative basis has been retroactively restated to the earliest period presented to reflect the 2.66 to 1 exchange ratio in the reverse acquisition described in Note 4 herein.

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#### Stock-Based Compensation

Stock-based compensation is recognized using the intrinsic value method in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees". For disclosure purposes, pro forma net loss and loss per common share data are provided in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," as if the fair value method had been applied.

#### Restatement

Management determined that the valuation methodology utilized by eB2B in 1999 to ascribe fair value to warrants issued in connection with certain financing and

other transactions, as well as to compensation related to certain employee stock options, should be revised. Upon further review, management determined that (i) the Black-Scholes option pricing model should have been used to estimate the respective fair value of such warrants, and (ii) the options issued to employees after commencement of merger discussions with DWeb on October 27, 1999 should have reflected the 2.66 to 1 exchange ratio in the Merger. As a result, the financial statements of eB2B as of December 31, 1999 and for the year then ended have been restated to reflect the utilization of the Black-Scholes pricing model and to give effect to the 2.66 to 1 exchange ratio in the Merger, where applicable. The effect of the restatement was to increase additional paid-in capital by \$3,568,000, increase accumulated deficit by approximately \$2,066,000, and increase unearned stock-based compensation by \$1,502,000, resulting in no change to the total stockholders' equity as of December 31, 1999; and to increase the net loss attributable to common stockholders by \$2,066,000, a non-cash charge, for the year ended December 31, 1999.

A summary of the effects of the restatement is as follows (in thousands except per share data):

<TABLE>  
<CAPTION>

| At December 31, 1999              | As previously<br>reported (1) | As restated |
|-----------------------------------|-------------------------------|-------------|
| -----                             | -----                         | -----       |
| <S>                               | <C>                           | <C>         |
| Common stock                      | \$ 1                          | \$ 1        |
| Additional paid-in capital        | 63,932                        | 67,500      |
| Accumulated deficit               | (35,604)                      | (37,670)    |
| Unearned stock-based compensation | (320)                         | (1,822)     |
|                                   | -----                         | -----       |
| Stockholders' Equity              | \$ 28,009                     | \$ 28,009   |
|                                   | =====                         | =====       |

</TABLE>

<TABLE>  
<CAPTION>

| For the year ended December 31, 1999         | As previously<br>reported (1) | As restated |
|--|-------------------------------|-------------|
| -----  | -----                         | -----       |
| <S>  | <C>                           | <C>         |
| Stock-based compensation expense             | \$ 1,452                      | \$ 2,686    |
| Interest expense                             | 2,360                         | 3,192       |
| Net loss                                     | (6,054)                       | (8,120)     |
| Net loss attributable to common stockholders | (35,496)                      | (37,562)    |
| Basic and diluted net loss per common share  | \$ (5.39)                     | \$ (5.70)   |

</TABLE>

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(1) Recast to give effect to the Merger and certain reclassifications.

#### Recent Accounting Pronouncements

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", was issued. SFAS No. 133 established accounting and reporting for derivative and for hedging activities. The Company intends to adopt SFAS No. 133 on January 1, 2001 in accordance with SFAS No. 137, which delayed the required implementation of SFAS No. 133 for one year. Additionally, in June 2000, SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an Amendment of SFAS No. 133" was issued. The Company expects the adoption of SFAS No. 133 and 138 in fiscal 2001, as well as the effect in subsequent periods, to be immaterial.

In March 2000, Emerging Issues Task Force ("EITF") No. 00-2, "Accounting for Web Site Development Costs", and EITF No. 00-3, "Application of AICPA Statement of Position 97-2 to Arrangements That Include the Right to Use Software Stored on Another Entity's Hardware", were issued. The Company adopted both EITF No. 002 and EITF No. 00-3, which did not have a material impact on the Company's consolidated financial statements.

#### NOTE 4. ACQUISITIONS

Netlan Enterprises, Inc.

On February 22, 2000, eB2B completed its acquisition of Netlan Enterprises, Inc. and subsidiaries ("Netlan"). Pursuant to the Agreement and Plan of Merger (the "Netlan Merger"), Netlan's stockholders exchanged 100% of their common stock for 46,992 shares of eB2B common stock (equivalent to 125,000 shares of Company common stock), valued at the market value of DWeb's common stock on January 7, 2000, the date at which the parties signed the letter of intent. Additionally, 75,188 shares of eB2B common stock (equivalent to 200,000 shares of Company common stock) were issued, placed into an escrow account, and may be released to certain former shareholders of Netlan upon successful completion of escrow requirements, including continued employment with the Company. The aggregate



value of such shares, or \$2,050,000, has been treated as stock-based compensation and is being amortized over the one-year vesting period from the date of acquisition. In connection with this acquisition, eB2B incurred transaction costs consisting primarily of professional fees of approximately \$332,000, which have been included in the purchase price of the Netlan Merger. The purchase price was allocated to those assets acquired and liabilities assumed based on the estimated fair value of Netlan's net assets as of February 22, 2000. At that date, assets acquired and liabilities assumed had fair values that approximated their historic book values. A total of approximately \$334,000 of the purchase consideration was allocated to other intangibles, including assembled workforce. The remaining purchase consideration,

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or approximately \$4,896,000, was recorded as goodwill. The results of operations of Netlan have been included in the Company's results of operations since March 1, 2000.

The following is a summary of the allocation of the purchase price in the Netlan Merger (in thousands):

| <S>   | <C>       |
|---|-----------|
| Purchase price .....  | \$ 1,297  |
| Acquisition costs .....   | 332       |
|   | -----     |
| Total purchase price .....  | \$ 1,629  |
|   | =====     |
| Historical net liabilities assumed .....                          | \$(2,490) |
| Write-down of property and equipment, and intangible assets ..... | (753)     |
| Liabilities for restructuring and integration costs .....         | (358)     |
| Identifiable intangible assets .....                              | 334       |
| Goodwill .....  | 4,896     |
|   | -----     |
| Total purchase price .....  | \$ 1,629  |
|   | =====     |

</TABLE>

DynamicWeb Enterprises, Inc.

As described in Note 2 herein, the Merger of eB2B with and into DWeb was accounted for as a reverse acquisition, utilizing the purchase business combination method of accounting, in which eB2B acquired control of DWeb for accounting purposes and DWeb acquired eB2B for legal purposes. Each share of common stock of DWeb remained outstanding and each share of eB2B common stock was exchanged for the equivalent of 2.66 shares of DWeb's common stock. In addition, shares of eB2B preferred stock, warrants and options were exchanged for like securities of DWeb, reflective of the 2.66 to 1 exchange ratio.

The purchase price of the Merger was approximately \$59.1 million, which primarily represents (i) the number of shares of DWeb's common stock outstanding as of April 18, 2000, the date of the Merger, valued based on the average quoted market price of DWeb's common stock in the three-day period before and after December 1, 1999, the date at which the parties signed the definitive merger agreement, or \$31.9 million; (ii) the number of shares of DWeb's common stock issuable under existing stock option and warrant agreements as of April 18, 2000 valued using the Black-Scholes option pricing model, or \$6.4 million; (iii) the aggregate market value of the shares of common stock and warrants principally issued to a financial advisor (the "Financial Advisor"), or \$10.2 million; and (iv) the market value of warrants issued to the Financial Advisor in consideration for the advisory services rendered during the Merger, or \$10.1 million. In connection with this acquisition, eB2B also incurred transaction costs consisting primarily of professional fees of approximately \$363,000, which have been included in the purchase price of the Merger. The purchase price was allocated to those assets acquired and liabilities assumed based on the estimated fair value of DWeb's net assets as of April 18, 2000. At that date, assets acquired and liabilities assumed had fair values that approximated their historic book values. A total of approximately \$2.9 million of the purchase consideration was allocated to other intangibles, including assembled workforce

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and customer list. Also, the Company recorded liabilities totaling \$1.0 million principally in relation to severance provided to certain employees as well as the settlement of a claim existing at the time of the Merger. The remaining purchase consideration, or \$58.1 million, was recorded as goodwill. The results of operations of DWeb have been included in the Company's results of operations since April 19, 2000.

The following is a summary of the allocation of the purchase price in the acquisition of DWeb (in thousands):

|   |           |
|---|-----------|
| <TABLE>   |           |
| <S>   |           |
| Purchase price .....  | \$ 58,724 |
| Acquisition costs .....   | 363       |
|   | -----     |
| Total purchase price .....  | \$ 59,087 |
|   | =====     |
|   |           |
| Historical net assets acquired .....                              | \$ 10     |
| Write-down of property and equipment, and intangible assets ..... | (838)     |
| Liabilities for restructuring and integration costs .....         | (1,047)   |
| Identifiable intangible assets .....                              | 2,902     |
| Goodwill .....  | 58,060    |
|   | -----     |
| Total purchase price .....  | \$ 59,087 |
|   | =====     |

</TABLE>

At December 31, 2000, accumulated amortization related to the goodwill and other intangibles acquired in the Netlan and DWeb acquisitions totaled approximately \$9.8 million.

The following represents the summary unaudited pro forma condensed consolidated results of operations for the years ended December 31, 2000 and 1999 as if the acquisitions had occurred at the beginning of each of the periods presented (in thousands, except per share data):

<TABLE>  
<CAPTION>

|   |              |          |
|---|--------------|----------|
|   | Year Ended   |          |
|   | December 31, |          |
|   | 2000         | 1999     |
|   | ----         | ----     |
| <S>   | <C>          | <C>      |
| Revenue                                     | \$7,073      | \$7,735  |
| Net loss attributable to common             |              |          |
| stockholders                                | (48,705)     | (67,494) |
| Basic and diluted net loss per common share | (3.77)       | (5.75)   |

</TABLE>

For the purpose of presenting pro forma condensed consolidated results of operations for the twelve-month period ended December 31, 1999, the Company excluded Netlan's computer network design, consulting, implementation, integration, procurement and support activities that had been discontinued on October 31, 1999. For the year ended December 31, 1999, the loss from these subsequently discontinued operations was approximately \$772,000 and revenue was approximately \$6,127,000.

The pro forma results are not necessarily indicative of what would have occurred if the acquisitions had been in effect for the periods presented. In addition the pro forma results

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are not necessarily indicative of the results that will occur in the future and do not reflect any potential synergies that might arise from combined operations.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31 (in thousands):

<TABLE>  
<CAPTION>

|   |          |        |
|---|----------|--------|
|   | 2000     | 1999   |
|   | ----     | ----   |
| <S>                                       | <C>      | <C>    |
| Computer and communications equipment     | \$ 2,420 | \$ 193 |
| Purchased software                        | 2,914    | -      |
| Office equipment and furniture            | 614      | 2      |
| Leasehold improvements                    | 226      | -      |
|   | -----    | -----  |
|   | 6,174    | 195    |
| Accumulated depreciation and amortization | (1,902)  | (28)   |
|   | -----    | -----  |
|   | \$ 4,272 | \$ 167 |
|   | =====    | =====  |

</TABLE>

As of December 31, 2000, the cost of assets under capital leases, principally computer and communications equipment, was approximately \$725,000. The net book value of such assets was approximately \$367,000.

NOTE 6. ACCRUED EXPENSES & OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following as of December 31 (in thousands):

<TABLE>  
<CAPTION>

|   | 2000<br>---- | 1999<br>---- |
|---|--------------|--------------|
| <S>   | <C>          | <C>          |
| Accrued software development costs              | \$2,439      | \$ 258       |
| Accrued severance                               | 748          | -            |
| Accrued professional fees                       | 559          | 292          |
| Accrued compensation and related costs          | 467          | 488          |
| Current maturities of capital lease obligations | 191          | -            |
| Other   | 488          | 17           |
|   | -----        | -----        |
|   | \$4,892      | \$1,055      |
|   | =====        | =====        |

</TABLE>

During April 2001, the Company renegotiated approximately \$2.0 million of accrued expenses and other current liabilities outstanding as of December 31, 2000 with several of its vendors. The vendors agreed to accept a 25% payment to be made within 30 days and common stock for the remaining 75% of such balance. The Company owes approximately \$0.2 million of related sales tax, which will be paid upon issuance of the common stock.

#### NOTE 7. LONG-TERM DEBT

In February 2000, eB2B obtained a \$2,500,000 term loan from a bank (the "Bank"). The term loan has a term of three years, is interest-only until December 1, 2000, and bears interest at a rate equal to LIBOR plus 1%. Beginning December 1, 2000, the term loan required ten quarterly principal payments of \$250,000. The proceeds from the term loan were primarily used to refinance the \$2,116,000 debt of Netlan paid by eB2B in connection with the Netlan Merger.

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At December 31, 2000, the maturity of long-term debt is as follows (in thousands):

<TABLE>

| <S>   | <C>     |
|-------|---------|
| 2001  | \$1,000 |
| 2002  | 1,000   |
| 2003  | 250     |
|       | -----   |
| Total | \$2,250 |
|       | =====   |

</TABLE>

The Company has obtained a \$1,250,000 line of credit with the Bank, which secures \$1,178,000 of letters of credit that are outstanding at December 31, 2000. As of December 31, 2000, there was no amount outstanding under the line of credit. The Company has pledged a custodial cash account with the Bank as security on the term loan and line of credit. The Company is required to maintain a minimum balance of approximately 111% of the outstanding term loan and the line of credit at all times. As of December 31, 2000, the required balance was \$3,889,000. As of April 2, 2001, the \$2,250,000 outstanding balance of the term loan was repaid in full using cash held the custodial cash account. As a result, the required balance in the custodial cash account as of April 2, 2001 was reduced to \$1,389,000.

#### NOTE 8. COMMITMENTS AND CONTINGENCIES

##### Leases and other commitments

The Company has several capital leases with various financial institutions for computer and communications equipment used in operations with lease terms ranging from 2 to 3 years. Also, during the third quarter of 2000, the Company entered into a lease for new office space that will expire in 2007. According to the terms of the lease agreements, the Company is required to maintain letters of credit in the aggregate amount of \$1,178,000. The line of credit with the Bank secures such letters of credit.

Future minimum rental commitments under noncancellable leases as of December 31, 2000 were as follows (in thousands):

<TABLE>  
<CAPTION>

|      | Capital leases<br>----- | Operating leases<br>----- |
|------|-------------------------|---------------------------|
| <S>  | <C>                     | <C>                       |
| 2001 | \$ 233                  | \$ 1,467                  |
| 2002 | 133                     | 1,192                     |
| 2003 | 111                     | 1,162                     |
| 2004 | -                       | 1,166                     |

</TABLE>

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<TABLE>

| <S>                                 | <C>    | <C>      |
|-------------------------------------|--------|----------|
| 2005                                | -      | 1,175    |
| Thereafter                          | -      | 1,567    |
|                                     | -----  | -----    |
| Total                               | \$ 477 | \$ 7,729 |
|                                     | ====   | =====    |
| Less: amounts representing interest | 74     |          |
| Less: current maturities            | 191    |          |
| Long-term capital lease obligations | \$ 212 |          |
|                                     | =====  |          |

</TABLE>

#### Employment agreements

The Company maintains employment agreements with one director and four of its officers. These employment agreements provide for (i) minimum annual base salaries of \$950,000 in the aggregate, and (ii) minimum bonuses totaling \$265,000 for each year of employment of these four individuals.

#### Severance agreements

An officer and director resigned as Executive Vice President, effective September 30, 2000, and as member of the Board of Directors, effective December 31, 2000. In connection with his resignation as an officer of the Company, the Company signed an agreement, which provides that (i) he will be paid an aggregate of \$270,000 in semi-monthly installments between September 30, 2000 and September 30, 2003, (ii) his options will become exercisable in accordance with their initial terms, and (iii) the Company will provide him with certain benefits, as defined in the agreement. In relation with this obligation, the Company recorded a severance accrual and a general and administrative expense of \$327,000 for the year ended December 31, 2000.

An officer and director resigned as Executive Vice President and Chief Technology Officer, effective September 1, 2000, and as a member of the Board of Directors, effective December 31, 2000. In connection with his resignation, the Company signed an agreement, which provides that (i) he will be paid an aggregate of \$205,000 in semi-monthly installments between September 1, 2000 and December 31, 2001, (ii) his options will become exercisable in accordance with their initial terms, and (iii) the Company will provide him with certain benefits, as defined in the agreement. In relation with this obligation, the Company recorded a severance accrual and a general and administrative expense of \$241,000 for the year ended December 31, 2000.

The former Chief Executive Officer of DWeb resigned effective April 18, 2000 upon consummation of the Merger. In connection with his resignation, the Company signed an agreement with this individual, which provides for installments in the aggregate of \$215,000 payable monthly between May 1, 2000 and October 31, 2001. In relation with this obligation, the Company recorded a \$215,000 severance accrual, which was included in the purchase price of the Merger.

The former President and Chief Operating Officer of DWeb resigned effective August 1, 2000. Based on a change in control provision in his employment agreement with DWeb,

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the Company signed an agreement, which provides for installments in the aggregate of \$450,000 payable semi-monthly between August 1, 2000 and September 30, 2002. In relation with this obligation, the Company recorded a \$517,000 severance accrual, which was included in the purchase price of the Merger.

#### Litigation

The Company is party to certain legal proceedings and claims, which arise in the ordinary course of business. In the opinion of management, the amount of an ultimate liability with respect to these actions will not materially affect the financial position, results of operations or cash flows of the Company.

In October 2000, Cintra Software & Services Inc. ("Cintra") commenced a civil

action against the Company in New York Supreme Court, New York County. The complaint alleges that the Company acquired certain software from Cintra upon the authorization of the Company's former Chief Information Officer. Cintra is seeking damages of approximately \$856,000. While the actions are at an early stage, the Company believes it has meritorious defenses to the allegations made in the complaint and intends to vigorously defend the action.

On March 2, 2001, a former employee commenced a civil action against the Company and two members of its management in the Supreme Court of the State of New York, County of New York, seeking, among other things, compensatory damages in the amount of \$1.0 million and additional punitive damages of \$1.0 million for alleged defamation in connection with his termination by the Company, as well as a declaratory judgment concerning his alleged entitlement to stock options to purchase 75,000 shares of the Company's common stock. The Company has not yet responded to the Complaint and no discovery has commenced. The Company disputes these claims and intends to vigorously defend the action.

#### NOTE 9. PREFERRED STOCK

In April 1999, eB2B authorized 2,000 shares of Series A Convertible Preferred Stock ("Series A") with a par value of \$.0001 per share, and issued 300 shares of Series A for \$300,000. Each share of Series A is convertible into the number of shares of common stock by dividing the purchase price for the Series A by the conversion price in effect resulting in approximately 399,000 shares of Company common stock. The Series A have antidilution provisions, which can change the conversion price in certain circumstances if additional shares of common stock were to be issued by the Company. The holders have the right to convert the shares of Series A at any time into common stock. Upon liquidation, dissolution or winding up of the Company, the holders of the Series A are entitled to receive \$1,000 per share plus any accrued and unpaid dividends before distributions to any holder of the Company's common stock. As of December 31, 2000, 293 shares of Series A issued in April 1999 had been converted into 389,690 shares of Company common stock.

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In December 1999, eB2B authorized 4.0 million shares of Series B Convertible Preferred Stock ("Series B") with a par value of \$.0001 per share, and issued approximately 3.3 million shares for \$33.0 million in gross proceeds (\$29.4 million in net proceeds), in a private placement conducted by eB2B. Each share of Series B is convertible into the number of shares of common stock that results from dividing the purchase price by the conversion price per share in effect resulting in approximately 16.0 million shares of Company common stock valued at \$124.4 million based on the average quoted market price of DWeb's common stock in the three-day period before and after December 1, 1999, the date at which the parties signed the definitive merger agreement. As this value was significantly greater than the net proceeds received in the private placement of Series B preferred stock, the net proceeds received were allocated to the convertible feature and amortized as a deemed dividend on preferred stock, resulting in a corresponding charge to retained earnings and a credit to additional paid-in capital within the stockholders' equity as of December 31, 1999. The Series B have antidilution provisions, which can change the conversion price in certain circumstances if additional shares of common stock were to be issued by the Company. The holders have the right to convert the shares of Series B at any time into common stock. Upon liquidation, dissolution or winding up of the Company, the holders of the Series B are entitled to receive \$10.00 per share plus any accrued and unpaid dividends before distributions to any holder of the Company's common stock. As of December 31, 2000, 496,801 shares of Series B issued in December 1999 had been converted into 2,402,710 shares of Company common stock.

In the event the Company declares a cash dividend on the common stock, the Company will at the same time, declare a dividend to the Series A and B stockholders equal to the dividend which would have been payable if the Series A and B stock had been converted into common stock. The holders of the Series A and B are entitled to one vote for each share of the Company's common stock into which such share of Series A and B is then convertible. In addition, upon any liquidation of the Company, holders of shares of Series A and Series B shall be entitled to payment of the purchase price before distributions to any holder of the Company's common stock.

#### NOTE 10. COMMON STOCK AND WARRANTS

As of December 31, 2000, there were 15,384,015 shares of our common stock issued and outstanding. The Company's common stock is currently listed on The Nasdaq SmallCap Market under the trading symbol "EBTB". Holders of the Company's common stock are entitled to one vote for each share owned on all matters submitted to a vote of stockholders. Although the Company currently does not anticipate paying any cash dividend for the foreseeable future, holders of the Company's common stock are entitled to receive cash dividends, if any, declared by our board of directors out of funds legally available therefore, subject to the rights of any holders of preferred stock. Holders of the Company's common stock do not have subscription, redemption, conversion or preemptive rights. Each share of common stock is entitled to participate pro rata in any distribution upon liquidation, subject to the rights of holders of preferred stock.

In September 1999, eB2B signed a letter of intent with the Financial Advisor to raise capital in a private placement offering of the Company's securities. In October 1999, in anticipation of eB2B's Series B preferred stock private placement offering, the Financial Advisor arranged for \$1,000,000 in bridge financing for eB2B until the private placement offering commenced. The bridge financing consisted of convertible notes, in the aggregate, of \$1,000,000, which automatically converted into units offered in the private placement offering based on the face value of the bridge notes, and warrants to purchase up to 717,409 shares of eB2B common stock (equivalent to 1,908,308 shares of Company common stock), exercisable at \$4.00 per share (\$1.50 reflective of the 2.66 to 1 exchange ratio in the Merger) for a period of seven years (the "Bridge Financing Warrants"). The Bridge Financing Warrants were valued using the Black-Scholes option pricing model at approximately \$3,178,000 and were expensed in 1999 as interest in eB2B's statement of operations when the bridge financing was liquidated.

In December 1999, eB2B issued to the Financial Advisor, for services relating to the private placement, warrants to purchase 1,482,600 shares of eB2B common stock (equivalent to 3,943,716 shares of Company common stock) at an exercise price of \$5.50 per share (\$2.07 reflective of the 2.66 to 1 exchange ratio in the Merger) for a period of five years (the "Private Placement Fees"). Also, investors in the Series B preferred stock private placement offering received warrants to purchase an aggregate of 1,500,048 shares of eB2B common stock (equivalent to 3,990,128 shares of Company common stock) with similar terms (the "Private Placement Investors"). The Private Placement Fees and the Private Placement Investors were valued utilizing the Black-Scholes option pricing model at approximately \$52,284,000.

In connection with certain salaries and various legal and consulting services rendered during 1999, eB2B issued 148,000 shares of common stock (equivalent to 393,680 shares of Company common stock) and 188,500 warrants to purchase shares of common stock (equivalent to 501,410 shares of Company common stock), respectively. The warrants are exercisable for a period of five years at prices ranging from \$0.50 to \$5.50 (\$0.19 to \$2.07 reflective of the 2.66 to 1 exchange ratio in the Merger) per share (the "Consulting Warrants"). The shares of common stock issued in lieu of salaries were valued at \$228,000, and expensed as stock-based compensation in eB2B's statement of operations in 1999. The Consulting Warrants were valued using the Black-Scholes option pricing model at approximately \$1,029,000, and charged to stock-based compensation in eB2B's statement of operations in 1999.

A principal and the Chief Executive Officer of the Financial Advisor is a director of the Company. Under an agreement between the Financial Advisor and eB2B, upon completion of the Merger with DWeb on April 18, 2000, the Financial Advisor received a finder's fee equal to 3% of the total number of shares received by eB2B stockholders in the Merger. The fee was paid in the form of 720,282 shares of Company common stock and seven-year warrants to purchase 502,383 of such shares at an exercise price of \$2.07 per share (the "Finder's Warrants"). The shares of common stock were valued at the fair market of the DWeb stock on April 18, 2000, the date of the Merger and the Finder's Warrants have

been valued using the Black-Scholes option pricing model. The aggregate value of the shares of common stock and warrants, or \$10.2 million, was included in the purchase price of the Merger.

In November 1999, eB2B issued the Financial Advisor five-year warrants to purchase 470,000 shares of eB2B common stock (equivalent to 1,250,200 shares of Company common stock) at an exercise price of \$5.50 per share (equivalent to \$2.07 per share of Company common stock) in consideration for the advisory services rendered during the Merger (the "Advisory Warrants"). The Advisory Warrants vested upon completion of the Merger on April 18, 2000 and have been included in the purchase price of the Merger, along with 30,000 additional warrants to purchase shares of eB2B common stock with similar terms (equivalent to 79,800 shares of Company common stock) granted to a Board member and his affiliate, for an aggregate value of approximately \$10.1 million using the Black-Scholes option pricing model.

On April 18, 2000, the number of shares of DWeb's common stock issuable under existing warrants agreements became warrants to purchase shares of Company common stock. As of December 31, 2000, 410,772 of such warrants were outstanding.

In 2000, the Company issued 300,000 warrants to purchase shares of Company common stock at an exercise price of \$3.91 per share to a business partner, which vest in three equal installments, on each of the annual anniversary of the warrant agreement date (the "Business Partner Warrants"). The Business Partner Warrants have been valued at \$900,000 using the Black-Scholes option

pricing model and their value will be amortized ratably over three years. During the year ended December 31, 2000, the Company recognized business partner warrant expenses in the amount of \$89,000, which have been classified as stock-based compensation expense in the Company's consolidated statement of operations.

The assumptions used by the Company in determining the fair value of the above warrants were as follows: dividend yield of 0%, risk-free interest rate of 6.0% and 6.5% in 1999 and 2000, respectively, expected volatility of 80%, and expected life of 3 to 7 years depending on the actual life of the respective warrants.

The following table summarizes the status of the above warrants at December 31, 2000:

<TABLE>  
<CAPTION>

|   | Warrants outstanding              |                  |  | Warrants exercisable |
|---|-----------------------------------|------------------|--|----------------------|
|   | Range of exercise price per share | Number of shares | Weighted average remaining life (in years) | Number of shares     |
| <S>                                     | <C>                               | <C>              | <C>  | <C>                  |
| Bridge Financing Private Placement Fees | \$1.50                            | 1,908,308        | 5.8  | 1,908,308            |
|   | \$2.07                            | 3,943,716        | 3.9  | 3,943,716            |

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<TABLE>

| <S>                         | <C>              | <C>        | <C> | <C>        |
|-----------------------------|------------------|------------|-----|------------|
| Private Placement Investors | \$2.07           | 3,990,128  | 3.9 | 3,990,128  |
| Consulting                  | \$0.19 to \$2.07 | 501,410    | 3.6 | 501,410    |
| Finder's Advisory           | \$2.07           | 502,383    | 6.3 | 502,383    |
|                             | \$2.07           | 1,330,000  | 3.8 | 1,330,000  |
| DWeb Business Partner       | \$1.00 to \$9.90 | 410,772    | 6.0 | 410,772    |
|                             | \$3.91           | 300,000    | 6.8 | -          |
| Total                       |                  | 12,886,717 |     | 12,586,717 |

</TABLE>

NOTE 11. STOCK OPTION AND DEFINED CONTRIBUTION PLANS

Stock options plans

The Company has stock-based compensation plans under which outside directors, certain employees and consultants received stock options and other equity-based awards. The shareholders of the Company approved the 2000 stock option plan. All options outstanding under either eB2B's or DWeb's prior plans at the time of the Merger remained in effect, but the plans have been retired as of April 18, 2000, the date of the Merger. Stock options under the Company's 2000 stock option plan are generally granted with an exercise price equal to 100% of the market value of a share of common on the date of the grant, have 10 year terms and vest within 2 to 4 years from the date of the grant. Subject to customary antidilution adjustments and certain exceptions, the total number of shares of common stock authorized for option grants under the plan was approximately 10.0 million shares at December 31, 2000. At that date, approximately 5.7 million shares were available for grant.

In connection with the Merger, outstanding options held by DWeb employees became exercisable, according to their terms, for Company common stock effective at the acquisition date. These options did not reduce the shares available for grant under the 2000 stock option plan. The fair value of these options, valued using the Black-Scholes pricing model, was included in the purchase price of the Merger. There were no unvested options held by employees of companies acquired in a purchase combination.

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The former Chief Executive Officer and current Chairman of the Board of Directors of the Company was granted options to purchase 500,000 shares of eB2B common stock (equivalent to 1,330,000 shares of Company common stock) at an exercise price of \$5.50 per share (equivalent to \$2.07 per share of Company common stock). These options vested upon the completion of the Merger on April

18, 2000. In connection with such options, the Company recorded a one-time charge classified as stock-based compensation expense of approximately \$8.8 million in the year ended December 31, 2000.

In connection with certain consulting services rendered during 2000, the Company granted 65,000 stock options in exchange for services. These options were valued, utilizing the Black-Scholes option pricing model, at approximately \$70,000, of which \$36,000 was charged to stock-based compensation expense in the year ended December 31, 2000. The assumptions used by the Company in determining the fair value of these options were consistent with the assumptions described in Note 10, Common Stock and Warrants.

The Company has adopted the disclosure requirements of SFAS No. 123 and, as permitted under SFAS 123, applies APB 25 and related interpretations in accounting for its plans. Compensation expense recorded under APB 25 was approximately \$16.0 and \$2.7 million for the years ended December 31, 2000 and 1999, respectively. If the Company had elected to adopt optional recognition provisions of SFAS 123 for its stock option plans, net loss and net loss per share would have been changed to the pro forma amounts indicated below (in thousands, except per share data):

<TABLE>  
<CAPTION>

|   | Years ended December 31, |             |
|---|--------------------------|-------------|
|   | 2000                     | 1999        |
|   | ----                     | ----        |
| <S>   | <C>                      | <C>         |
| Net loss attributable to common stockholders  |                          |             |
| As reported                                   | \$ (41,335)              | \$ (37,562) |
| Pro forma                                     | \$ (50,909)              | \$ (38,070) |
| Net loss per common share - basic and diluted |                          |             |
| As reported                                   | \$ (3.61)                | \$ (5.70)   |
| Pro forma                                     | \$ (4.44)                | \$ (5.78)   |

</TABLE>

The fair value of stock options used to compute pro forma net loss and net loss per common share disclosures is the estimated fair value at grant date using the Black-Scholes pricing model with the following assumptions:

<TABLE>

<CAPTION>

| Weighted-Average Assumptions | 2000 | 1999 |
|------------------------------|------|------|
| -----                        | ---- | ---- |
| <S>                          | <C>  | <C>  |
| Dividend yield               | 0 %  | 0 %  |
| Expected volatility          | 80%  | 80%  |
| Risk-free interest rate      | 6.5% | 6.0% |

</TABLE>

Presented below is a summary of the status of the Company employee and director stock options and the related transactions for the years ended December 31, 2000 and 1999:

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<TABLE>

<CAPTION>

|  | Shares (in thousands) | Weighted Average Exercise Price Per Share |
|--|-----------------------|---|
|  | -----                 | -----                                     |
| <S>                                      | <C>                   | <C>                                       |
| Options outstanding at January 1, 1999   | -                     | -   |
| -----                                    | -----                 | -----                                     |
| Granted                                  | 2,048                 | \$ 0.78                                   |
| Exercised                                | -                     | -   |
| Forfeited/expired                        | -                     | -   |
| -----                                    | -----                 | -----                                     |
| Options outstanding at January 1, 2000   | 2,048                 | \$ 0.78                                   |
| Granted/assumed (1)                      | 7,784                 | \$ 2.78                                   |
| Exercised                                | 81                    | \$ 2.69                                   |
| Forfeited/expired                        | 1,143                 | \$ 2.64                                   |
| -----                                    | -----                 | -----                                     |
| Options outstanding at December 31, 2000 | 8,608                 | \$ 2.32                                   |

</TABLE>

(1) Includes options converted in DWeb acquisition.

Defined contribution plan

The Company has a defined contribution savings plan (the "Plan"), which



qualifies under Section 401(k) of the Internal Revenue Code. Participants may contribute up to 20% of their gross wages, not to exceed, in any given year, a limitation set by Internal Revenue Service regulations. The Plan provides for discretionary contributions to be made by the Company as determined by its Board of Directors. The Company has not made any contributions to the Plan.

NOTE 12. INCOME TAXES

The components of the net deferred tax asset as of December 31, 2000 and 1999 consist of the following (in thousands):

| <TABLE><br><CAPTION>                   | 2000<br>---- | 1999<br>---- |
|--|--------------|--------------|
| <S>                                    | <C>          | <C>          |
| Deferred tax assets:                   |              |              |
| Net operating loss carryforwards.....  | \$ 6,900     | \$ 1,292     |
| Stock-based compensation.....          | 7,500        | --           |
| Capitalized start-up expenditures..... | --           | 1,069        |
|  | -----        | -----        |
|  | 14,400       | 2,361        |
| Deferred tax liability:                |              |              |
| Research and development.....          | --           | 278          |
|  | -----        | -----        |
|  | 14,400       | 2,083        |
| Valuation allowance.....               | (14,400)     | (2,083)      |
|  | =====        | =====        |
| Net deferred tax asset.....            | \$ --        | \$ --        |
|  | =====        | =====        |

</TABLE>

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Deferred income taxes reflect the net effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Due to the uncertainty on the Company's ability to realize the benefit of the deferred tax assets, the deferred tax assets are fully offset by a valuation allowance at December 31, 2000 and 1999.

As of December 31, 2000, the Company had approximately \$20.0 million of net operating loss carryforwards for federal income tax purposes. These carryforwards will begin expiring in 2019 if not utilized.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The sources and tax effects of the differences are as follows (in thousands):

| <TABLE><br><CAPTION>   | Year Ended December 31,<br>----- |              |
|--|----------------------------------|--------------|
|  | 2000<br>----                     | 1999<br>---- |
| <S>  | <C>                              | <C>          |
| Federal income tax at statutory rate                                     | \$(14,000)                       | \$(2,700)    |
| State income tax, net of federal benefit                                 | (2,400)                          | (500)        |
| Non deductible expenditures including<br>goodwill amortization and other | 4,083                            | 1,117        |
| Change in valuation allowance  | 12,317                           | 2,083        |
|  | -----                            | -----        |
| Income tax as recorded   | \$ -                             | \$ -         |
|  | =====                            | =====        |

</TABLE>

NOTE 13. SEGMENT REPORTING

The Company has two reportable operating segments. The Company utilizes proprietary software to provide a technology platform for large buyers and large suppliers to transfer business documents via the Internet to their small and medium-sized trading partners. The Company also offers professional services, which provide consulting expertise to the same client base, as well as to other businesses that prefer to operate or outsource the transaction management and document exchange of their business-to-business relationships. The Company's transaction processing technology platform and professional services make up one reportable segment defined as "transaction processing and related services." In addition, the Company designs and delivers custom technical education through delivery of custom computer and Internet-based on line training seminars. This

second reportable segment is defined as "training and client educational services."

The following information is presented in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", which established standards

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for reporting information about operating segments in the Company's financial statements (in thousands):

<TABLE>  
<CAPTION>

|   | Year Ended December, 31 |            |
|---|-------------------------|------------|
|   | 2000                    | 1999       |
|   | ----                    | ----       |
| <S>   | <C>                     | <C>        |
| Revenue from external customers                     |                         |            |
| Transaction processing and related services         | \$ 3,039                | \$ -       |
| Training and client educational services            | 2,429                   | -          |
|   | -----                   | -----      |
|   | \$ 5,468                | \$ -       |
|   | =====                   | =====      |
| EBITDA (1)  |                         |            |
| Transaction processing and related services         | \$ (13,467)             | \$ (1,435) |
| Training and client educational services            | 363                     | -          |
|   | -----                   | -----      |
| EBITDA  | (13,104)                | (1,435)    |
| Depreciation and amortization                       | (13,143)                | (807)      |
| Stock-related compensation                          | (16,027)                | (5,864)    |
| Interest  | 939                     | (14)       |
|   | -----                   | -----      |
| Net Loss  | \$ (41,335)             | \$ (8,120) |
|   | =====                   | =====      |
| Identifiable assets                                 |                         |            |
| Transaction processing and related services         | \$ 15,201               | \$29,064   |
| Training and client educational services            | 1,310                   | -          |
| Corporate, mainly goodwill and other intangibles    | 56,708                  | -          |
|   | -----                   | -----      |
|   | \$ 73,219               | \$29,064   |
|   | =====                   | =====      |
| Capital expenditures, including product development |                         |            |
| Transaction processing and related services         | \$ 5,892                | \$ 1,335   |
| Training and client educational services            | 41                      | -          |
|   | -----                   | -----      |
|   | \$ 5,933                | \$ 1,335   |
|   | =====                   | =====      |

</TABLE>

(1) EBITDA is defined as net income (loss) adjusted to exclude: (i) provision (benefit) for income taxes, (ii) interest income and expense, (iii) depreciation, amortization and write-down of assets, (iv) stock-related compensation.

EBITDA is presented because management considers it an important indicator of the operational strength and performance of its business. The Company evaluates the performance of its operating segments without considering the effects of (i) debt financing interest expense and investment interest income, and (ii) non-cash charges related to depreciation, amortization and stock-related compensation, which are managed at the corporate level.

NOTE 14. SUBSEQUENT EVENTS

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On April 16, 2001, the Company received additional financing of \$7.5 million in the form of a convertible note and an irrevocable line of credit. Such note is redeemable in cash or common stock of the Company commencing October 1, 2001. The Company's intention is to redeem such note, if called, with the issuance of common stock. In connection with such financing, the Company incurred a cash fee on the convertible note amounting to 10% of the gross proceeds and a cash

fee on the line of credit, amounting to 3% of amount drawn upon, if any, and issued warrants with a strike price of \$0.93 a share. In addition, the Company has issued approximately 1.9 million shares of common stock in settlement of certain vendor payables.

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eB2B COMMERCE, INC.  
CONDENSED CONSOLIDATED BALANCE SHEET  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<TABLE>  
<CAPTION>

|   | March 31,<br>2001    |
|---|----------------------|
|   | -----<br>(unaudited) |
| <S>   | <C>                  |
| ASSETS  |                      |
| Current Assets  |                      |
| Cash and cash equivalents   | \$ 4,561             |
| Accounts receivable, net  | 1,696                |
| Other current assets  | 314                  |
|   | -----                |
| Total Current Assets  | 6,571                |
| Property and equipment, net   | 4,151                |
| Goodwill, net   | 50,972               |
| Other intangibles, net  | 2,033                |
| Other assets  | 1,682                |
|   | -----                |
| Total Assets  | \$ 65,409            |
|   | =====                |
| LIABILITIES AND STOCKHOLDERS' EQUITY  |                      |
| Current Liabilities   |                      |
| Current maturities of long-term debt  | \$ 1,000             |
| Accounts payable  | 2,111                |
| Accrued and other   | 4,689                |
| Deferred income   | 469                  |
|   | -----                |
| Total Current Liabilities   | 8,269                |
| Long-term debt, less current maturities   | 1,000                |
| Capital lease obligations, less current maturities  | 183                  |
| Other   | 284                  |
|   | -----                |
| Total Liabilities   | 9,736                |
|   | -----                |
| Commitments and contingencies   |                      |
| Stockholders' Equity  |                      |
| Undesignated preferred stock - no par value; 45,998,000 shares authorized; no shares issued and outstanding                     |                      |
| Preferred stock, convertible Series A - \$.0001 par value; 2,000 shares authorized; 7 shares issued and outstanding             | -                    |
| Preferred stock, convertible Series B - \$.0001 par value; 4,000,000 shares authorized; 2,727,491 shares issued and outstanding | -                    |
| Common stock - \$.0001 par value; 200,000,000 shares authorized; 15,816,094 shares issued and outstanding                       | 2                    |
| Additional paid-in capital  | 144,459              |
| Accumulated deficit   | (87,102)             |
| Unearned stock-based compensation   | (1,686)              |
|   | -----                |
| Total Stockholders' Equity  | 55,673               |
|   | -----                |
| Total Liabilities and Stockholders' Equity  | \$ 65,409            |
|   | =====                |

</TABLE>

See accompanying notes to condensed consolidated financial statements.

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eB2B COMMERCE, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<TABLE>  
<CAPTION>

|   | Three Months Ended<br>March 31, |               |
|---|---------------------------------|---------------|
|   | 2001<br>-----                   | 2000<br>----- |
| <S>   | <C>                             | <C>           |
| Revenue   | \$ 1,864                        | \$ 415        |
| -----   |                                 |               |
| Costs and expenses  |                                 |               |
| Cost of revenue   | 874                             | 249           |
| Marketing and selling (exclusive of<br>stock-based compensation expense of<br>\$107 and \$652 for the three months<br>ended March 31, 2001 and 2000,<br>respectively)           | 834                             | 351           |
| Product development costs (exclusive<br>of stock-based compensation expense<br>of \$2 and \$63 for three months<br>ended March 31, 2001 and 2000,<br>respectively)              | 1,145                           | 658           |
| General and administrative<br>(exclusive of stock-based<br>compensation expense of \$573 and<br>\$2,382 for the three months ended<br>March 31, 2001 and 2000,<br>respectively) | 3,060                           | 2,556         |
| Amortization of goodwill and other<br>intangibles   | 3,401                           | 88            |
| Stock-based compensation expense  | 682                             | 3,097         |
|   | -----                           | -----         |
| Total costs and expenses  | 9,996                           | 6,999         |
|   | -----                           | -----         |
| Loss from operations  | (8,132)                         | (6,584)       |
| Interest and other, net   | 35                              | 277           |
|   | -----                           | -----         |
| Net loss  | \$ (8,097)                      | \$ (6,307)    |
|   | =====                           | =====         |
| Basic and diluted net loss per common<br>share  | \$ (0.52)                       | \$ (0.85)     |
|   | =====                           | =====         |
| Weighted average number of common<br>shares outstanding   | 15,562,775                      | 7,430,550     |
|   | =====                           | =====         |

</TABLE>

See accompanying notes to condensed consolidated financial statements.

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eB2B COMMERCE, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

|   | Three Months Ended March 31, |               |
|---|------------------------------|---------------|
|   | 2001<br>-----                | 2000<br>----- |
| <S>   | <C>                          | <C>           |
| Operating Activities  |                              |               |
| Net loss  | \$ (8,097)                   | \$ (6,307)    |
| Adjustments to reconcile net loss to net cash used in<br>operating activities |                              |               |
| Depreciation and amortization   | 3,907                        | 783           |
| Stock-based compensation expense  | 682                          | 3,097         |
| Management of operating assets and liabilities                                |                              |               |
| Accounts receivable, net  | (248)                        | (157)         |
| Accounts payable  | 295                          | 496           |
| Accrued expenses and other liabilities  | (281)                        | (95)          |
| Other   | 76                           | (4)           |
|   | -----                        | -----         |
| Net cash used in operating activities   | (3,666)                      | (2,187)       |
|   | -----                        | -----         |
| Investing Activities  |                              |               |
| Product development expenditures  | (896)                        | (499)         |
| Purchase of property and equipment  | (195)                        | (156)         |
| Proceeds from maturity of investments available-for-sale                      | -                            | 2,970         |
| Acquisitions, net of cash acquired  | -                            | (585)         |
|   | -----                        | -----         |
| Net cash (used in) provided by investing activities                           | (1,091)                      | 1,730         |

|   |          |          |
|---|----------|----------|
| Financing Activities  |          |          |
| Repayment of borrowings   | (250)    | (2,116)  |
| Proceeds from borrowings  | -        | 2,500    |
| Payment of capital lease obligations  | (82)     | (14)     |
| Net cash (used in) provided by financing activities                                   | (332)    | 370      |
| Net decrease in cash and cash equivalents   | (5,089)  | (87)     |
| Cash and cash equivalents at beginning of period                                      | 9,650    | 9,907    |
| Cash and cash equivalents at end of period  | \$ 4,561 | \$ 9,820 |
| Non-cash transactions   |          |          |
| Common stock, options and warrants issued or exchanged in connection with acquisition | \$ -     | \$ 3,347 |
| Cash paid during the period for Interest  | \$ 43    | \$ -     |

See accompanying notes to condensed consolidated financial statements.

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eB2B COMMERCE, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

#### NOTE 1. ORGANIZATION AND PLAN OF OPERATION

eB2B Commerce, Inc (the "Company") utilizes proprietary software to provide a technology platform for large buyers and large suppliers to transfer business documents via the Internet to their small and medium-sized trading partners. These documents include, but are not limited to, purchase orders, purchase order acknowledgements, advanced shipping notices and invoices. The Company does not allow customers to take delivery of its proprietary software. The Company provides access via the Internet to its proprietary software, which is maintained on its hardware and on hosted hardware. The Company also offers professional services, which provide consulting expertise to the same client base, as well as to other businesses that prefer to operate or outsource the transaction management and document exchange of their business-to-business relationships. In addition, the Company provides authorized technical education to its client base, and also designs and delivers custom computer and Internet-based training seminars.

Since its inception, the Company has experienced significant losses from operations and negative cash flows from operations in the transaction management and document exchange services. Management has addressed the costs of providing these services throughout 2000 and thus far in 2001. While the Company continues to add large customers to its service, it is focused primarily on adding trading partners who transact business with its largest existing customers.

To address the continuing loss from operations and negative cash flows from operations, management enacted a plan for the Company, which included various cost cutting measures, principally staffing reductions and discretionary spending reductions in selling, marketing, general and administrative areas, during the third and fourth quarter of 2000 and into 2001.

Additionally, during May 2001, the Company received financing of \$7.5 million in the form of convertible notes and warrants (see Note 3, Financing). The Company has also agreed to issue approximately 2.5 million shares of currently unregistered Company common stock in lieu of \$1.5 million of payments to certain vendors.

#### NOTE 2. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

In the opinion of management, all material adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included in the accompanying unaudited condensed consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation and certain other prior period balances have been reclassified to conform to the current period presentation. The accompanying unaudited condensed consolidated financial statements are not necessarily indicative of full year results.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations; however, management believes that the disclosures are adequate to make the information presented not misleading. This report should be read in conjunction with the consolidated financial statements and footnotes therein included in the audited annual report on Form 10-KSB for the fiscal year

NOTE 3. FINANCING

On May 2, 2001, the Company completed a private placement of convertible notes and warrants (the "Financing"). The gross proceeds of the Financing totaled \$7.5 million. Pursuant to the Financing, the Company issued \$7,500,000 of principal amount of 7% convertible notes ("Convertible Notes"), convertible into an aggregate of 15,000,000 shares of Company common stock (\$0.50 per share), and warrants to purchase an aggregate 15,000,000 shares of Company common stock at \$0.93 per share (the "Private Warrants").

The Convertible Notes have a term of 18 months, which period may be accelerated in certain events. Interest is payable quarterly in cash, in identical Convertible Notes or in shares of common stock, at the option of the Company. In addition, the Convertible Notes will automatically convert into Series C preferred stock if the Company receives the required consent of the holders of the Company's Series B preferred stock to the issuance of this new series. The Series C preferred stock would be convertible into common stock on the same basis as the Convertible Notes. The Series C preferred stock have (i) antidilution provisions, (ii) a liquidation preference, and (iii) can be automatically converted by the Company in certain circumstances.

The Private Warrants will be exercisable for a period of two years from the earlier of (i) the date the Company receives shareholder approval of the Financing, (ii) the date such shareholder approval is no longer required, either because the common stock of the Company is no longer listed on NASDAQ or otherwise, or (iii) October 1, 2001.

The Company intends to seek shareholder approval of the Financing, as required by the rules of NASDAQ.

In connection with the closing of the Financing, the Company canceled a \$2,050,000 line of credit issued in April 2001 (the "Line of Credit"), pursuant to which it had not borrowed any funds. The Company incurred a cash fee amounting to \$61,500 in consideration of the availability of the Line of Credit. In addition, the issuer of the Line of Credit was issued warrants to purchase 900,000 shares of Company common stock at \$0.50 per share for a period of five years in consideration of the availability of such line. These warrants were valued using the Black-Scholes option pricing model at \$549,000.

In connection with the Financing, the Company incurred a cash fee amounting to \$750,000 and issued (i) warrants to purchase 2,250,000 shares of Company common stock with an exercise price of \$0.93 for a period of five years and (ii) unit purchase options to purchase Series C preferred stock convertible into an aggregate of 2,250,000 shares of Company common stock with an exercise price of \$0.50 per share for a period of five years. These warrants and unit purchase options were valued using the Black-Scholes option pricing model at \$675,000 and \$810,000, respectively. Additionally, other expenses directly related the Financing were approximately \$400,000.

The assumptions used by the Company in determining the fair value of the above warrants and unit purchase options were as follows: dividend yield of 0%, risk-free interest of 6.5%, expected volatility of 80%, and expected life of 2 to 5 years.

NOTE 4. ACQUISITIONS

DynamicWeb Enterprises, Inc.

On April 18, 2000, eB2B Commerce, Inc., a Delaware corporation ("eB2B"), merged with and into DynamicWeb Enterprises, Inc., a New Jersey corporation and an SEC registrant ("DWeb"), with the surviving company using the name "eB2B Commerce, Inc.". Pursuant to the Agreement and Plan of Merger between eB2B and DWeb, the shareholders of DWeb retained their shares in DWeb, while the shareholders of eB2B received shares, or securities convertible into shares, of common stock of DWeb representing approximately 89% of the equity of the Company, on a fully diluted basis. The transaction was accounted for as a reverse acquisition, a purchase business combination in which eB2B was the accounting acquirer and DWeb was the legal acquirer. Each share of common stock of DWeb remained outstanding and each share of eB2B common stock was exchanged for the equivalent of 2.66 shares of DWeb's common stock. In addition, shares of eB2B preferred stock, warrants and options were exchanged for like securities of DWeb, reflective of the 2.66 to 1 exchange ratio. The management of eB2B remained the management of the Company.

Netlan Enterprises, Inc.

On February 22, 2000, eB2B completed its acquisition of Netlan Enterprises, Inc. and subsidiaries ("Netlan"). The acquisition was accounted for using the purchase method.

At March 31, 2001, accumulated amortization related to the goodwill and other intangibles acquired in the Netlan and DWeb acquisitions totaled approximately \$13.2 million.

The following represents the summary unaudited pro forma condensed consolidated results of operations for the three-month period ended March 31, 2000 as if the acquisitions had occurred at the beginning of the period presented (in thousands, except per share data):

<TABLE>  
<CAPTION>

Three Months Ended  
March 31, 2000

| <S>   | <C>      |
|---|----------|
| Revenue                                     | \$1,870  |
| Net loss                                    | (21,820) |
| Basic and diluted net loss per common share | (1.75)   |

The pro forma results are not necessarily indicative of what would have occurred if the acquisitions had been in effect for the period presented. In addition the pro forma results are not necessarily indicative of the results that will occur in the future and do not reflect any potential synergies that might arise from the combined operations.

#### NOTE 5. NET LOSS PER COMMON SHARE

Basic net loss per common share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per common share has not been reflected since the assumed conversion of options, warrants and preferred shares would have been antidilutive. Had the Company reported net income at March 31, 2001 and 2000, options and warrants to purchase 23,255,737 and 14,026,554 common shares, and preferred shares convertible into 13,200,448 and 16,358,995 common shares, respectively, would have been

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included in the computation of diluted earnings per common share, to the extent they were not antidilutive.

The unaudited pro forma net loss per common share presented in Note 4 herein has been computed in the same manner as net loss per common share.

The weighted-average number of shares outstanding for purposes of presenting net loss per common share on a comparative basis has been retroactively restated to the earliest period presented to reflect the 2.66 to 1 exchange ratio in the reverse acquisition described in Note 4 herein.

#### NOTE 6. PRODUCT DEVELOPMENT

Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" requires companies to capitalize qualifying computer software costs incurred during the application development stage. All other costs incurred in connection with internal use software were expensed as incurred. The useful life assigned to capitalized product development costs should be based on the period such product is expected to provide future utility to the Company. As of March 31, 2001, capitalized product development costs, which have been classified as other assets in the Company's balance sheet, were \$1,565,000. Total product development costs were approximately \$1,145,000 and \$658,000, as expensed, for the three-month periods ended March 31, 2001 and 2000, respectively.

#### NOTE 7. RELATED PARTIES

A principal and Chief Executive Officer of a financial advisor (the "Financial Advisor") is a director of the Company.

In connection with the closing of the Financing described in Note 3 herein, the Financial Advisor and its affiliate received a cash fee in the amount of \$61,500 in consideration of the availability of the Line of Credit. In addition, the Financial Advisor was issued warrants to purchase 900,000 shares of Company common stock at \$0.50 per share for a period of five years in consideration of the availability of such line. These warrants were valued using the Black-Scholes option pricing model at \$549,000.

For acting as a placement agent for the Financing, the Financial Advisor received a cash fee in the amount of \$637,500 and was issued (i) warrants to purchase 1,875,000 shares of Company common stock with an exercise price of \$0.93 for a period of five years and (ii) unit purchase options to purchase Series C preferred stock convertible into an aggregate of 1,875,000 shares of

Company common stock with an exercise price of \$0.50 per share for a period of five years. These warrants and unit purchase options were valued using the Black-Scholes option pricing model at \$562,500 and \$675,000, respectively.

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NOTE 8. SEGMENT REPORTING

The following information is presented in accordance with Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information", which established standards for reporting information about operating segments in the Company's financial statements (in thousands):

<TABLE>  
<CAPTION>

|   | Three Months Ended March, 31 |            |
|---|------------------------------|------------|
|   | 2001                         | 2000       |
| <S>   | <C>                          | <C>        |
| Revenue from external customers             |                              |            |
| Transaction processing and related services | \$ 1,165                     | \$ 177     |
| Training and client educational services    | 699                          | 238        |
|   | -----                        | -----      |
|   | \$ 1,864                     | \$ 415     |
|   | =====                        | =====      |
| EBITDA (1)                                  |                              |            |
| Transaction processing and related services | \$ (3,642)                   | \$ (2,794) |
| Training and client educational services    | 93                           | 29         |
|   | -----                        | -----      |
| EBITDA                                      | (3,549)                      | (2,765)    |
| Depreciation and amortization               | (3,907)                      | (783)      |
| Stock-related compensation                  | (682)                        | (3,097)    |
| Interest                                    | 41                           | 338        |
|   | -----                        | -----      |
| Net Loss                                    | \$ (8,097)                   | \$ (6,307) |
|   | =====                        | =====      |

</TABLE>

(1) EBITDA is defined as net income (loss) adjusted to exclude: (i) provision (benefit) for income taxes, (ii) interest income and expense, (iii) depreciation, amortization and write-down of assets, (iv) stock-related compensation.

EBITDA is presented because management considers it an important indicator of the operational strength and performance of its business. The Company evaluates the performance of its operating segments without considering the effects of (i) debt financing interest expense and investment interest income, and (ii) non-cash charges related to depreciation, amortization and stock-related compensation, which are managed at the corporate level.

Transaction processing and related services include revenue for processing transactions and consulting services. Revenue from transaction processing is recognized on a "pay per transaction" basis or based on a monthly subscription charge related to the overall number of transactions during the period. The revenue from these services is recognized in the month in which the services are rendered. Revenue from consulting services is recognized as services are rendered over the contract term. The revenue derived from training and client educational services is recognized as services are rendered for the respective seminars, typically one to five days. Deferred income includes amounts billed for the unearned portion of certain consulting contracts and training seminars.

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS

The unaudited pro forma condensed combined statements of operations should be read in conjunction with the historical financial statements of eB2B Commerce, Inc. ("eB2B" or the "Company") and notes thereto for the year ended December 31, 2000 and for the three-month period ended March 31, 2001. The pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations of the consolidated company that would have actually occurred had the acquisition of Netlan Enterprises, Inc. and Subsidiaries ("Netlan") and the merger with and into DynamicWeb Enterprises, Inc. ("DWeb") been effected as of January 1, 2000, nor are they indicative of the results of operations for any future periods.



The historical financial statements of eB2B reflect the acquisition of Netlan and the merger with and into DWeb on February 22, 2000 and April 18, 2000, respectively. The unaudited pro forma condensed combined statements of operations are based on available information and certain assumptions and adjustments as described in the notes thereto, which management believes is reasonable under the circumstances.

The following represents the unaudited pro forma condensed combined results of operations for the year ended December 31, 2000 and the three-month period ended March 31, 2000 as if the above acquisitions had occurred at the beginning of each of the periods presented (in thousands, except share and per share data):

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Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2000

<TABLE>  
<CAPTION>

|   | eB2B<br>COMMERCE,<br>INC. | DYNAMICWEB<br>ENTERPRISES,<br>INC.<br>[a] | NETLAN<br>ENTERPRISES, INC.<br>AND SUBSIDIARIES<br>[b] | PRO FORMA<br>ADJUSTMENTS | PRO FORMA<br>COMBINED |
|---|---------------------------|---|--|--------------------------|-----------------------|
| <S>   | <C>                       | <C>                                       | <C>  | <C>                      | <C>                   |
| Revenue   | \$ 5,468                  | \$ 1,174                                  | \$ 763   | \$ (332) [c]             | \$ 7,073              |
| Costs and expenses                                |                           |   |  |                          |                       |
| Cost of revenue                                   | 2,839                     | 569                                       | 409  | --                       | 3,817                 |
| Marketing & selling                               | 2,804                     | 483                                       | 76   | --                       | 3,363                 |
| Product development costs                         | 2,698                     | 306                                       | --   | --                       | 3,004                 |
| General & administrative                          | 13,438                    | 2,536                                     | 443  | (113) [c]                | 16,304                |
| Amortization of goodwill and<br>other intangibles | 9,829                     | --  | --   | 3,936 [d]                | 13,765                |
| Stock-based compensation expense                  | 16,027                    | --  | --   | 406 [e]                  | 16,433                |
| Total costs and expenses                          | 47,635                    | 3,894                                     | 928  | 4,229                    | 56,686                |
| Loss from operations                              | (42,167)                  | (2,720)                                   | (165)  | (4,561)                  | (49,613)              |
| Financing and other, net                          | 832                       | 57  | 19   | --                       | 908                   |
| Net loss  | \$ (41,335)               | \$ (2,663)                                | \$ (146)   | \$ (4,561)               | \$ (48,705)           |
| Basic and dilutive net loss per<br>common share   | \$ (3.61)                 |   |  |                          | \$ (3.77)             |
| Weighted average number of shares<br>outstanding  | 11,461,496                |   |  |                          | 12,931,613            |

</TABLE>

Unaudited Pro Forma Condensed Combined Statement of Operations for the three months ended March 31, 2000

<TABLE>  
<CAPTION>

|   | eB2B<br>COMMERCE,<br>INC. | DYNAMICWEB<br>ENTERPRISES,<br>INC.<br>[f] | NETLAN<br>ENTERPRISES, INC.<br>AND SUBSIDIARIES<br>[b] | PRO FORMA<br>ADJUSTMENTS | PRO FORMA<br>COMBINED |
|---|---------------------------|---|--|--------------------------|-----------------------|
| <S>   | <C>                       | <C>                                       | <C>  | <C>                      | <C>                   |
| Revenue   | \$ 415                    | \$ 1,024                                  | \$ 763   | \$ (332) [c]             | \$ 1,870              |
| Costs and expenses                                |                           |   |  |                          |                       |
| Cost of revenue                                   | 249                       | 522                                       | 409  | --                       | 1,180                 |
| Marketing & selling                               | 351                       | 440                                       | 76   | --                       | 867                   |
| Product development costs                         | 658                       | 276                                       | --   | --                       | 934                   |
| General & administrative                          | 2,556                     | 2,382                                     | 443  | (113) [c]                | 5,268                 |
| Amortization of goodwill and<br>other intangibles | 88                        | --  | --   | 3,310 [g]                | 3,398                 |
| Stock-based compensation expense                  | 3,097                     | --  | --   | 9,297 [h]                | 12,394                |
| Total costs and expenses                          | 6,999                     | 3,620                                     | 928  | 12,494                   | 24,041                |
| Loss from operations                              | (6,584)                   | (2,596)                                   | (165)  | (12,826)                 | (22,171)              |
| Financing and other, net                          | 277                       | 55  | 19   | --                       | 351                   |
| Net loss  | \$ (6,307)                | \$ (2,541)                                | \$ (146)   | \$ (12,826)              | \$ (21,820)           |
| Basic and dilutive net loss per<br>common share   | \$ (0.55)                 |   |  |                          | \$ (1.75)             |

Weighted average number of  
shares outstanding  
</TABLE>

11,461,496

12,433,908

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NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS

Adjustments:

- [a] The pro forma adjustment represents the historical financial information of DWeb for the period from January 1, 2000 to April 18, 2000, the date of the merger with eB2B.
- [b] The pro forma adjustment represents the historical financial information of Netlan for the period from January 1, 2000 to March 1, 2000, the date at which the results of operations of Netlan have been included in the Company's results of operations.
- [c] Elimination of revenue transactions generated between eB2B and both Netlan and DWeb, and elimination of the related gross profit realized by both Netlan and DWeb on professional services and consulting arrangements with eB2B for the period from January 1, 2000 to the date of their respective acquisition by eB2B.
- [d] The pro forma adjustment represents additional amortization of goodwill and other intangibles that would have been recorded during the period covered by the pro forma statement of operations related to the acquisition of Netlan for approximately \$182,000 for the period from January 1, 2000 to March 1, 2000, and the merger with and into DWeb for approximately \$3,754,000 for the period from January 1, 2000 to April 18, 2000.
- [e] The pro forma adjustment represents additional amortization of stock-based compensation that would have been recorded during the period covered by the pro forma statement of operations related to the acquisition of Netlan.
- [f] The pro forma adjustment represents the historical financial information of DWeb for the period from January 1, 2000 to March 31, 2000.
- [g] The pro forma adjustment represents additional amortization of goodwill and other intangibles that would have been recorded during the period covered by the pro forma statement of operations related to the acquisition of Netlan for approximately \$182,000 for the period from January 1, 2000 to March 1, 2000, and the merger with and into DWeb for approximately \$3,128,000 for the period from January 1, 2000 to March 31, 2000.
- [h] The pro forma adjustment represents an additional charge of stock-based compensation that would have been recorded during the period covered by the pro forma statement of operations related to the acquisition of Netlan for approximately \$406,000 and the merger with and into DWeb for approximately \$8.8 million. The former Chief Executive Officer of the Company was granted options to purchase 1,330,000 shares of Company common stock at an exercise price of \$2.07 per share. These options were to vest upon the completion of the merger with and into DWeb.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders  
DYNAMICWEB ENTERPRISES, INC.  
Fairfield, New Jersey

We have audited the accompanying balance sheet of DynamicWeb Enterprises, Inc. and subsidiaries as of September 30, 1999 and the related consolidated statements of operations, changes in stockholders' equity (capital deficiency) and cash flows for the years ended September 30, 1999 and 1998. 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 auditing standards generally accepted in the United States of America. 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 DynamicWeb Enterprises, Inc. and subsidiaries as of September 30, 1999 and the results of its operations and its cash flows for the years ended September 30, 1999 and 1998, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note A, the Company has incurred net losses and cash outflows from operations for each of the years ended September 30, 1999 and 1998. 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 A. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ RICHARD A. EISNER & COMPANY, LLP

New York, New York  
November 19, 1999

With respect to Note M(3)  
November 23, 1999

With respect to Note M(4)  
December 17, 1999

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DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES  
BALANCE SHEET  
SEPTEMBER 30, 1999

<TABLE>

| <S>   | ASSETS | <C>          |
|---|--------|--------------|
| Current Assets:   |        |              |
| Cash and cash equivalents.....  |        | \$ 418,000   |
| Accounts receivable, net of allowance for doubtful<br>accounts of \$102,000.....  |        | 627,000      |
| Prepaid expenses and other current assets.....  |        | 40,000       |
|   |        | -----        |
| Total current assets.....   |        | 1,085,000    |
| Property and equipment, net.....  |        | 459,000      |
| Patents and trademarks, net of accumulated amortization of<br>\$19,000.....   |        | 23,000       |
| Customer list, net of accumulated amortization of \$57,000...   |        | 43,000       |
| Software license agreements, net of accumulated amortization<br>of \$113,000.....   |        | 73,000       |
| Cost in excess of fair value of net assets acquired, net of<br>accumulated amortization of \$72,000.....  |        | 436,000      |
| Other assets.....   |        | 14,000       |
|   |        | -----        |
|   |        | \$ 2,133,000 |
|   |        | -----        |
| LIABILITIES AND STOCKHOLDERS' EQUITY  |        |              |
| Current Liabilities:  |        |              |
| Accounts payable.....   |        | \$ 305,000   |
| Accrued expenses.....   |        | 396,000      |
| Other liabilities.....  |        | 12,000       |
| Current portion of capital lease obligations.....   |        | 32,000       |
| Deferred revenue.....   |        | 95,000       |
|   |        | -----        |
| Total current liabilities.....  |        | 840,000      |
| Capital lease obligations, net of current portion.....  |        | 24,000       |
|   |        | -----        |
| Total liabilities.....  |        | 864,000      |
|   |        | -----        |
| Commitments, contingency and other matters (Notes K, L and M)   |        |              |
| Stockholders' Equity:   |        |              |
| Preferred stock -- par value to be determined with each<br>issue; 5,000,000 shares authorized: Series A -- 6%<br>cumulative, convertible, \$.001 par value; 1,375 shares<br>issued and outstanding, aggregate liquidation value<br>\$1,787,500..... |        | 1,110,000    |
| Series B -- 6% cumulative, convertible, \$.001 par value;<br>1,500 shares issued and outstanding, aggregate<br>liquidation value \$2,025,000.....   |        | 1,027,000    |
| Common stock -- \$.0001 par value; 50,000,000 shares<br>authorized; 2,637,076 shares issued and outstanding   |        |              |
| Additional paid-in capital.....   |        | 8,508,000    |
| Unearned portion of compensatory stock options.....   |        | (78,000)     |
| Accumulated deficit.....  |        | (9,298,000)  |
|   |        | -----        |
| Total stockholders' equity.....   |        | 1,269,000    |
|   |        | -----        |



|   |       |             |       |             |           |    |             |             |
|---|-------|-------------|-------|-------------|-----------|----|-------------|-------------|
| \$1,221,000).....   |       |             |       |             | 733,334   |    | 3,179,000   |             |
| Shares issued and issuable to acquire subsidiary.....   |       |             |       |             | 102,500   |    | 526,000     |             |
| Compensation expense for stock options.....   |       |             |       |             |           |    |             | 115,000     |
| Proceeds from private placement of Series A preferred shares and warrants (net of costs of \$96,000)..... | 875   | \$ 335,000  |       |             |           |    | 444,000     |             |
| Imputed dividend on Series A preferred stock.....   |       | 67,000      |       |             |           |    | (67,000)    |             |
| Dividend accrued on Series A preferred stock.....   |       |             |       |             |           |    | (10,000)    |             |
| Options issued for investor relations services.....   |       |             |       |             |           |    | 205,000     |             |
| Correction of shares issuable to acquire subsidiary.....  |       |             |       |             | 12,936    |    |             |             |
| Net loss.....   |       |             |       |             |           |    |             |             |
| Balance -- September 30, 1998.....  | 875   | 402,000     |       |             | 2,268,883 | -- | 7,408,000   | (89,000)    |
| Proceeds from private placement of Series A preferred shares (net of costs of \$85,000.....               | 625   | 415,000     |       |             |           |    |             |             |
| Proceeds from private placement of Series B preferred shares (net of costs of \$370,000.....              |       |             | 1,500 | \$ 550,000  |           |    | 580,000     |             |
| Conversion of Series A preferred shares to common stock.....  | (125) | (83,000)    |       |             | 95,420    |    | 83,000      |             |
| Imputed dividends on Series A preferred stock.....  |       | 376,000     |       |             |           |    | (376,000)   |             |
| Imputed dividends on Series B preferred stock.....  |       |             |       | 477,000     |           |    | (477,000)   |             |
| Stock options granted.....  |       |             |       |             |           |    | 113,000     | (113,000)   |
| Compensation expense for stock options.....   |       |             |       |             |           |    |             | 124,000     |
| Proceeds from exercise of common stock options.....   |       |             |       |             | 20,728    |    | 50,000      |             |
| Options issued for investor related services.....   |       |             |       |             |           |    | 94,000      |             |
| Shares issued for investor related services.....  |       |             |       |             | 16,750    |    | 85,000      |             |
| Options issued for consulting related services.....   |       |             |       |             |           |    | 16,000      |             |
| Options issued for settlement of a lawsuit.....   |       |             |       |             |           |    | 140,000     |             |
| Proceeds from issuance of common stock in private placement.....  |       |             |       |             | 235,295   |    | 940,000     |             |
| Dividends accrued on Series A and B preferred stock.....  |       |             |       |             |           |    | (148,000)   |             |
| Net loss.....   |       |             |       |             |           |    |             |             |
| Balance -- September 30, 1999.....  | 1,375 | \$1,110,000 | 1,500 | \$1,027,000 | 2,637,076 | -- | \$8,508,000 | \$ (78,000) |

<CAPTION>

|   | ACCUMULATED<br>DEFICIT | TOTAL        |
|---|------------------------|--------------|
| <S>   | <C>                    | <C>          |
| Balance -- October 1, 1997.....   | \$ (3,578,000)         | \$ (651,000) |
| Contribution of common shares from officers/ stockholders...  |                        |              |
| Proceeds from public offering (net of costs of \$1,221,000).....  |                        | 3,179,000    |
| Shares issued and issuable to acquire subsidiary.....   |                        | 526,000      |
| Compensation expense for stock options.....   |                        | 115,000      |
| Proceeds from private placement of Series A preferred shares and warrants (net of costs of \$96,000)..... |                        | 779,000      |
| Imputed dividend on Series A preferred stock.....   |                        | 0            |
| Dividend accrued on Series A preferred stock.....   |                        | (10,000)     |
| Options issued for investor relations services.....   |                        | 205,000      |
| Correction of shares issuable to acquire subsidiary.....  |                        |              |
| Net loss.....   | (2,954,000)            | (2,954,000)  |
| Balance -- September 30, 1998.....  | (6,532,000)            | 1,189,000    |
| Proceeds from private placement of Series A preferred shares (net of costs of \$85,000.....               |                        | 415,000      |
| Proceeds from private placement   |                        |              |

|  |                |              |
|--|----------------|--------------|
| of Series B preferred shares<br>(net of costs of \$370,000.....        |                | 1,130,000    |
| Conversion of Series A<br>preferred shares to common<br>stock.....     |                | 0            |
| Imputed dividends on Series A<br>preferred stock.....                  |                | 0            |
| Imputed dividends on Series B<br>preferred stock.....                  |                | 0            |
| Stock options granted.....   |                | 0            |
| Compensation expense for stock<br>options.....                         |                | 124,000      |
| Proceeds from exercise of<br>common stock options.....                 |                | 50,000       |
| Options issued for investor<br>related services.....                   |                | 94,000       |
| Shares issued for investor<br>related services.....                    |                | 85,000       |
| Options issued for consulting<br>related services.....                 |                | 16,000       |
| Options issued for settlement<br>of a lawsuit.....                     |                | 140,000      |
| Proceeds from issuance of<br>common stock in private<br>placement..... |                | 940,000      |
| Dividends accrued on Series A<br>and B preferred stock.....            |                | (148,000)    |
| Net loss.....  | (2,766,000)    | (2,766,000)  |
|  | -----          | -----        |
| Balance -- September 30,<br>1999.....                                  | \$ (9,298,000) | \$ 1,269,000 |
|  | -----          | -----        |

</TABLE>

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DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES  
STATEMENTS OF CASH FLOWS

<TABLE>  
<CAPTION>

|  | YEAR ENDED SEPTEMBER 30, |                |
|--|--------------------------|----------------|
|  | 1999                     | 1998           |
|  | ----                     | ----           |
| <S>  | <C>                      | <C>            |
| Cash Flows from Operating Activities:  |                          |                |
| Net loss.....  | \$ (2,766,000)           | \$ (2,954,000) |
| Adjustments to reconcile net loss to net cash used in<br>operating activities: |                          |                |
| Depreciation and amortization.....   | 221,000                  | 115,000        |
| Amortization of compensatory stock options.....                                | 124,000                  | 115,000        |
| Gain on sale of asset.....   | (12,000)                 |                |
| Provision for bad debts.....   | 61,000                   |                |
| Amortization of debt discount and deferred financing<br>fees.....              |                          | 310,000        |
| Options and shares issued for services.....                                    | 335,000                  | 205,000        |
| Changes in:  |                          |                |
| Accounts receivable.....   | (417,000)                | (124,000)      |
| Prepaid expenses and other current assets.....                                 | (14,000)                 | (1,000)        |
| Accounts payable.....  | 66,000                   | 57,000         |
| Other assets.....  | (5,000)                  |                |
| Other liabilities.....   | 12,000                   |                |
| Accrued expenses.....  | 130,000                  | (71,000)       |
| Deferred revenue.....  | 78,000                   | 2,000          |
|  | -----                    | -----          |
| Net cash used in operating activities.....                                     | (2,187,000)              | (2,346,000)    |
|  | -----                    | -----          |
| Cash Flows from Investing Activities:  |                          |                |
| Acquisition of property and equipment.....                                     | (191,000)                | (207,000)      |
| Proceeds from sale of equipment.....   | 205,000                  |                |
| Acquisition of patents and trademarks.....                                     |                          | (11,000)       |
| Acquisition of software licenses.....  | (36,000)                 | (150,000)      |
| Acquisition of subsidiary, net of \$3,000 of cash<br>acquired.....             |                          | (22,000)       |
|  | -----                    | -----          |
| Net cash used in investing activities.....                                     | (22,000)                 | (390,000)      |
|  | -----                    | -----          |
| Cash Flows from Financing Activities:  |                          |                |
| Payment of long-term debt.....   | (11,000)                 | (7,000)        |
| Proceeds from issuance of common stock.....                                    | 990,000                  | 3,307,000      |
| Proceeds from loans -- banks.....  |                          | 73,000         |
| Payment of loans -- banks.....   | (187,000)                | (97,000)       |
| Loans from officer/stockholder.....  | 100,000                  | 115,000        |
| Payment of officer/stockholder loans.....                                      | (100,000)                | (232,000)      |
| Proceeds from issuance of preferred stock and<br>warrants.....                 | 1,545,000                | 779,000        |
| Payment of subordinated notes payable.....                                     |                          | (1,100,000)    |
|  | -----                    | -----          |
| Net cash provided by financing activities...                                   | 2,337,000                | 2,838,000      |

|  |              |            |
|--|--------------|------------|
| Net increase in cash and cash equivalents.....   | 128,000      | 102,000    |
| Cash and cash equivalents, beginning of year.....  | 290,000      | 188,000    |
| Cash and cash equivalents, end of year.....  | \$ 418,000   | \$ 290,000 |
| Supplemental Disclosures of Noncash Investing and Financing Activities:                              |              |            |
| On May 1, 1998, the Company acquired Design Crafting, Inc. in exchange for common stock (see Note D) |              |            |
| Acquisition of fixed assets through capital leases.....  | \$ 67,000    |            |
| Conversion of Series A preferred shares to common stock.....   | \$ 83,000    |            |
| Dividends accrued on Series A and B preferred shares....   | \$ 148,000   |            |
| Accretion of Series A and B preferred shares.....  | \$ 1,551,000 | \$ 67,000  |
| Stock options granted.....   | \$ 113,000   |            |
| Supplemental Disclosure of Cash Flow Information:  |              |            |
| Cash paid for interest during the year.....  | \$ 5,000     | \$ 89,000  |

</TABLE>

See notes to financial statements

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DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 1999

NOTE A -- BASIS OF PRESENTATION

On September 30, 1998, the Company merged with its subsidiaries, accordingly the accompanying financial statements for the year ended September 30, 1998 include the accounts of DynamicWeb Enterprises, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions were eliminated.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred net losses of \$2,766,000 and \$2,954,000 for the years ended September 30, 1999 and 1998, respectively, and also incurred substantial negative cash flows from operations during such years. Accordingly, although the Company has a positive stockholders' equity and working capital at September 30, 1999 and obtained additional proceeds from sale of preferred and common shares as described in Note H, the Company's 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's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to obtain additional financing and ultimately to attain profitability through the successful marketing of its products and services. The Company has entered into a merger agreement as described in Note M. There is no assurance that the Company will obtain additional financing or that the Company's products and services will be commercially successful.

NOTE B -- THE COMPANY

The Company is primarily in the business of providing services, including developing, marketing and supporting software products that enable business entities to engage in electronic commerce utilizing the Internet and traditional Electronic Data Interchange ('EDI').

NOTE C -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) REVENUE RECOGNITION:

The Company's revenues, which are derived primarily from services, include implementation fees, transaction fees and consulting fees. Implementation fees, which relate to the installation of software enabling use of EDI, are recognized upon completion of installation. Transaction fees, which are earned on a per transaction basis, are recognized when transactions are processed and consulting fees are recognized as services are performed. The Company also sells computer equipment and software and recognizes revenue upon shipment.

In October 1997, the AICPA issued Statement of Position ('SOP') No. 97-2, 'Software Revenue Recognition,' which the Company adopted, effective October 1, 1997. Such adoption had no effect on the Company's methods of recognizing revenue from its service and sales activities.

Deferred revenue represents revenue billed in advance for consulting and implementation services.

(2) CASH EQUIVALENTS:

The Company considers all highly liquid investments 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 using a straight-line method over the estimated useful lives of the related assets.

Amortization of leasehold improvements is provided by the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

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DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
SEPTEMBER 30, 1999

(4) INTANGIBLE ASSETS:

(a) Cost in excess of fair value of net assets acquired:

The cost in excess of the fair value of identifiable net assets acquired relates to the acquisition of Design Crafting, Inc. (see Note D) and is being amortized over ten years.

(b) Customer list:

Customer list relates to the acquisition of Software Associates, Inc. (see Note D) and is being amortized over five years.

(c) 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.

(d) Software license agreements:

Software license agreements acquired by the Company are being amortized over the periods of the license agreements which range from two to five years.

(5) IMPAIRMENT OF LONG-LIVED ASSETS:

Impairment losses are recognized for long-lived assets, including certain intangibles, used in operations when indicators of impairment are present. Management estimates that the undiscounted future cash flows generated by those assets are sufficient to recover the assets' carrying amount. An impairment loss would be measured by comparing the fair value of the asset to its carrying amount.

(6) RESEARCH AND DEVELOPMENT:

Development costs incurred to establish the technological feasibility of computer software are expensed as incurred. The Company capitalizes costs incurred in producing such computer software, in accordance with current accounting standards, after capitalization criteria have been met.

(7) ADVERTISING AND PROMOTION COSTS:

Advertising and promotion costs are expensed as incurred. Such costs amounted to approximately \$156,000 and \$260,000 for the years ended September 30, 1999 and 1998, respectively.

(8) 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 net operating loss carryforwards and to the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

(9) LOSS PER SHARE OF COMMON STOCK:

The Company adopted Statement of Financial Accounting Standards No. 128 'Earnings Per Share' ('SFAS No. 128'), for the year ended September 30, 1998. SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. In addition, contingently issuable shares are included in basic earnings per share when all necessary conditions have been satisfied. Diluted earnings per share is very similar to fully

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DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
SEPTEMBER 30, 1999

diluted earnings per share and gives effect to all dilutive potential common shares outstanding during the reporting periods.

In 1999, net loss per share of common stock is based on the weighted average number of shares outstanding. In 1998, net loss per share of common stock also



included, prior to their issuance, shares which were issuable in connection with interim financings and after giving retroactive effect to (i) the reverse stock split effected in January 1998 (see Note H[1]) and (ii) the contribution of 654,597 common shares back to the Company in exchange for warrants in December 1997 (see Note H). Contingent shares issuable in connection with the acquisition of Software Associates, Inc. (see Note H) are excluded from the weighted average shares outstanding. Net loss has been increased by dividends accrued on cumulative convertible preferred stock, including imputed dividends attributable to a beneficial conversion feature and the value of warrants issued together with the preferred stock, to determine net loss per share of common stock (see Note H).

(10) 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.

(11) FAIR VALUE OF FINANCIAL INSTRUMENTS:

The Company considers the carrying amount of its financial assets and obligations, to approximate fair value due to the near-term due dates and variable interest rates.

(12) STOCK-BASED COMPENSATION:

The Company has elected to account for its stock-based compensation plans under Accounting Principles Board Opinion No. 25, 'Accounting for Stock Issued to Employees' ('APB No. 25'). As such, compensation expense is recorded if the market price of the underlying stock on the date of grant exceeds the exercise price of the options. In addition, the Company provides pro forma disclosure of net loss and net loss per share as if the fair value method defined in Statement of Financial Accounting Standards No. 123, 'Accounting for Stock-Based Compensation' ('SFAS No. 123') had been applied.

NOTE D -- ACQUISITIONS

On November 30, 1996, the Company acquired all the outstanding stock of Software Associates, Inc. in exchange for 224,330 shares of common stock. Software Associates is a service bureau engaged in the business of helping companies realize the benefits of expanding their data processing and electronic communication infrastructure through the use of EDI. The Company further agreed to issue up to 178,420 additional shares of its common stock in the event that the average closing bid price of the Company's common stock does not equal \$21.565 per share for the five trading days immediately prior to January 30, 2000. The acquisition agreement also required the Company to issue options for the purchase of 6,521 shares of its common stock to employees of Software Associates, Inc., which were issued in August 1997. The acquisition, which was accounted for as a purchase, was recorded at a total cost of \$885,000, including related expenses, of which \$714,000 was allocated to purchased research and development which was charged to operations upon acquisition.

On May 1, 1998, the Company purchased all the outstanding stock of Design Crafting, Inc., a provider of electronic commerce consulting services, in exchange for 102,500 shares of common stock. The acquisition, which was accounted for as a purchase, was recorded at a total cost of \$551,000,

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DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES  
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
 SEPTEMBER 30, 1999

including related expenses, of which \$508,000 was allocated to cost in excess of fair value of the identifiable net assets acquired.

The results of operations of the purchased businesses were included in the consolidated statements of operations from their respective dates of acquisition.

NOTE E -- PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30, 1999:

<TABLE>  
 <CAPTION>

|   |            | ESTIMATED<br>USEFUL<br>LIFE<br>----           |
|---|------------|---|
| <S>   | <C>        | <C>   |
| Office equipment.....   | \$ 104,000 | 5 years                                       |
| Computer equipment (includes a capitalized lease<br>of \$67,000)..... | 283,000    | 5 years                                       |
| Automobiles.....  | 16,000     | 5 years                                       |
| Leasehold improvements.....   | 38,000     | Shorter of life<br>of lease or<br>useful life |

|  |            |                     |
|--|------------|---------------------|
| Capitalized software.....                          | 226,000    | of asset<br>3 years |
|  | -----      |                     |
|  | 667,000    |                     |
| Less accumulated depreciation and amortization.... | (208,000)  |                     |
|  | -----      |                     |
|  | \$ 459,000 |                     |
|  | -----      |                     |
|  | -----      |                     |

</TABLE>

NOTE F -- LINES OF CREDIT

The Company has two lines of credit aggregating \$ 117,000 which are personally guaranteed by an officer/stockholder of the Company and have interest rates of 2 1/4% and 4 1/4% above the bank's prime lending rate. There was no debt outstanding as of September 30, 1999.

NOTE G -- OBLIGATIONS

(1) The Company has capital leases consisting of the following:

The Company entered into capital leases with interest rates ranging from 2.7% to 13.6%. Monthly installments due in fiscal 2000 and 2001 total \$32,000 and \$24,000, respectively.

(2) During fiscal year 1999, the Company paid off an existing mortgage that was due July 2019 that had been payable at an interest rate of the lower of prime plus 2%. The Company also paid off an auto loan that was due in June 1999.

NOTE H -- STOCKHOLDERS' EQUITY AND INTERIM FINANCING

(1) 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 a share and authorized 5,000,000 shares of preferred stock. On June 12, 1997, the stockholders approved such transactions which were completed on January 9, 1998. Cash of \$332 was paid to the stockholders for fractional shares. The accompanying financial statements and footnotes give retroactive effect to the reverse stock split and accordingly, the number of shares and per share amounts are stated on a post-split basis.

(2) 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 received a fee and nonaccountable expense allowance aggregating \$78,000 or 13% of the private placement offering.

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DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
SEPTEMBER 30, 1999

Financing fees in this transaction were approximately \$108,000. Each unit consisted of a \$25,000 subordinated promissory note bearing interest at 8% and 3,115 shares of the Company's common stock. The notes were repaid from the net proceeds of the Company's public offering in February 1998. The 3,115 shares of common stock in each unit, issued on November 6, 1997, aggregate to 74,760 shares of common stock. 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 were amortized over the period to the expected completion date (October 31, 1997) of the Company's public offering of securities. The Company completed its public offering in February 1998. During the year ended September 30, 1998, financing costs attributable to this offering of \$93,000 were charged to operations. The effective interest rate on the note was approximately 191%.

(3) 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 received a fee and nonaccountable expense allowance aggregating \$65,000 or 13% of the private placement offering. Financing fees in this transaction were approximately \$72,500. Each unit consisted of a \$25,000 subordinated promissory note bearing interest at 8% and 3,333 shares of the Company's common stock. In connection with this transaction, two officers of the Company contributed 66,660 shares of the Company's common stock valued at \$400,000 back to the Company which then, on November 6, 1997, reissued such shares in the private placement. The notes were repaid from the net proceeds of the Company's public offering in February 1998.

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 were amortized over the period to the expected completion date (October 31, 1997) of the Company's public offering of securities. The Company completed its public offering in February 1998. During the year ended September 30, 1998, financing costs attributable to this offering of \$255,000 were charged to operations. The effective interest rate on the notes was approximately 525%.

(4) On December 23, 1997, in connection with a contemplated public offering, certain of the Company's existing stockholders contributed 654,597 shares of the Company's common stock back to the Company and received 125,000 warrants. The warrants, which expire on December 23, 2007, entitle the holder to purchase the Company's common stock at \$6.00 per share. The contributed shares were canceled

and retired. In addition, contingent shares issuable in connection with the acquisition of Software Associates, Inc. (see Note D) were reduced from 297,367 shares to 178,420 shares.

(5) On February 6, 1998, the Company completed a public offering of 733,334 shares of its common stock at \$6.00 per share and received net proceeds of approximately \$3,179,000.

(6) On August 7, 1998, the Company completed a private placement for net proceeds of approximately \$779,000, which consisted of 875 shares of Series A, 6% cumulative, convertible preferred stock, par value \$0.001 per share, together with 87,500 Common Stock Purchase Warrants which expire on August 7, 2001 and have an exercise price of \$6.00 per share. The preferred shares have a liquidation preference of the stated face value of \$875,000 plus 30% of the stated face value plus cumulative dividends. Dividends, which are payable in cash or common shares at the option of the Company, are due quarterly, commencing September 30, 1998, based upon the liquidation value. The holder is eligible to convert 33 1/3% of the preferred shares to common stock after 60 days from the closing date increasing to 100% of the preferred shares after 120 days from the closing date. Each preferred share is convertible at the lesser of (i) \$5.50 or (ii) 85% of the market price of the common stock, as defined (Market Price) within 180 days, 80% of the Market Price between 180 and 360 days and 78% of the Market Price after 360 days. The holder of preferred shares may not convert to the extent that the holder will be the beneficial owner of 5% or more of the outstanding common shares. The Company may redeem all the remaining outstanding preferred shares at 125% of the stated value together with all accrued and unpaid dividends thereon.

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DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES  
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
 SEPTEMBER 30, 1999

Proceeds from the private placement were allocated to the warrants based on their estimated fair value and to the beneficial conversion feature of the preferred shares based on that feature's intrinsic value assuming the conversion terms most beneficial to the investor. Amounts allocated aggregating \$444,000 were credited to additional paid-in capital and are being accounted for as imputed dividends to the preferred stockholders over a one year period from date of issuance. Imputed dividends accreted, which amounted to \$376,000 and \$67,000, respectively, through September 30, 1999 and 1998, increases the carrying value of the preferred shares.

On December 3, 1998, the Company completed a private placement for net proceeds of approximately \$455,000 which consisted of 625 shares of Series A, 6% cumulative, convertible preferred stock having a stated value of \$500,000 together with 50,000 common stock purchase warrants which expire on December 1, 2001 and have an exercise price of \$6.00 per share. The shares are convertible into common stock. For purposes of conversion, these preferred shares are deemed to have been outstanding as of August 7, 1998 and the buyer may convert at the lesser of (i) \$5.50 or (ii) 80% of the Market Price between 180 and 360 days after August 7, 1998 and 78% of the Market Price after 360 days from such date. On December 3, 1998, 125 preferred shares were converted to 95,420 shares of common stock. Imputed dividends accreted, which amounted to \$416,000 through September 30, 1999 increasing the carrying value of the preferred stock.

(7) On February 12, 1999, pursuant to Regulation D, the Company completed a private placement of 500 shares of Series B, 6% cumulative, convertible preferred stock, par value \$0.001 per share (the 'preferred stock') and 45,000 common stock purchase warrants (the 'Common Stock Purchase Warrants') for an aggregate amount of \$500,000. The placement agent received a \$50,000 fee on the private placement offering. The warrants expire on February 12, 2004 and have an exercise price of \$8.93 per share. The Series B preferred stock has a conversion value of \$1,000 per share. The Series B preferred stock will be converted automatically on February 12, 2002.

(8) On May 12, 1999, pursuant to Regulation D, the Company completed a private placement of 1,000 shares of Series B, 6% cumulative, convertible preferred stock, par value \$0.001 per share and 90,000 common stock purchase warrants for an aggregate amount of \$1,000,000. The placement agent received a \$75,000 fee on the private placement offering. Other expenses of the offering amounted to \$175,000. The warrants expire on May 12, 2004 and have an exercise price of \$8.93 per share. The Series B preferred stock has a conversion value of \$1,000 per share. The Series B preferred stock will be converted automatically on May 12, 2002.

(9) On April 22, 1999, the Company completed a private placement of 235,295 shares of its common stock at \$4.25 per share and received net proceeds of approximately \$940,000.

(10) The Company's outstanding warrants as of September 30, 1999 is as follows:

<TABLE>  
 <CAPTION>

| DESCRIPTION                                     | SHARES | EXERCISE PRICE | EXPIRATION DATE |
|---|--------|----------------|-----------------|
| -----   | -----  | -----          | -----           |
| <S>   | <C>    | <C>            | <C>             |
| Warrants issued in connection with contribution |        |                |                 |

|   |         |        |                   |
|---|---------|--------|-------------------|
| of stock.....   | 125,000 | \$6.00 | December 23, 2007 |
| Warrants issued with first issuance of preferred stock Series A.....  | 87,500  | \$6.00 | August 7, 2001    |
| Warrants issued with second issuance of preferred stock Series A..... | 50,000  | \$6.00 | December 1, 2001  |
| Warrants issued with first issuance of preferred stock Series B.....  | 45,000  | \$8.93 | February 12, 2004 |
| Warrants issued with second issuance of preferred stock Series B..... | 90,000  | \$8.93 | May 12, 2004      |
|   | -----   |        |                   |
|   | 397,500 |        |                   |
|   | -----   |        |                   |
|   | -----   |        |                   |

</TABLE>

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DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
SEPTEMBER 30, 1999

NOTE I -- STOCK OPTION PLANS

(1) 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 outside directors to purchase up to 78,254 shares of the Company's common stock. The Director Plan was approved by the stockholders on June 12, 1997. Pursuant to the Director Plan, each director is to be granted options to purchase 3,912 shares of the Company's common stock at each annual meeting of stockholders at which directors are elected. 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, or the compensation committee waives the eleven-month continuous service requirement. During each of the years ended September 30, 1999 and 1998, 11,736 options were granted to directors to purchase the Company's common stock pursuant to the Director Plan; such options, which were granted at prices equivalent to the market value of the common stock at dates of grant, are exercisable immediately and expire on September 9, 2009 and October 31, 2008.

(2) EMPLOYEE STOCK OPTION PLAN:

On March 7, 1997, the Board of Directors adopted the Company's 1997 employee stock option plan (the 'Plan'), which was amended by the Board of Directors on April 29, 1997, under which incentive stock options and nonqualified stock options may be granted to purchase up to 334,764 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 market value of the common stock on the date of grant, or 110% of such 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. On August 8, 1997, the Company granted 105,575 nonqualified options to its employees to purchase the Company's common stock. The options, which were granted at an exercise price below market value, expire on August 7, 2007. On September 11, 1997, the Company granted options to its President to purchase 104,338 shares of the Company's common stock at \$3.83 per share which expire in ten years and vest over a three-year period. The market value of the stock at date of grant was \$4.55 per share. The Company recorded \$494,000 of unearned compensation relating to options granted to the President and other employees, of which \$124,000 and \$115,000 was charged to operations for the years ended September 30, 1999 and 1998, respectively, and \$78,000 is to be charged to operations over the remaining vesting periods of the options.

(3) OTHER GRANTS, AWARDS AND EQUITY ISSUANCES:

In April 1998, the Company granted options to purchase 90,000 shares of common stock at \$5.50 per share as compensation to individuals other than employees for investment relation services. The options are exercisable immediately and expire in April 2000. The estimated fair value of the options which amounted to \$205,000 was charged to operations during fiscal 1998.

During fiscal year 1999, the Company granted options to employees and nonemployees to purchase 83,000 shares of common stock at exercise prices ranging from \$2.63 to \$5.9375, of those, 50,000 options were in the money when granted. The options exercise immediately and expire ranging from November 2003 to November 2009. The estimated fair value of the options which amounted to \$250,000 was charged to operations during fiscal year 1999.

During fiscal year 1999, the Company issued 16,750 shares of common stock as compensation for investment related services. The market value of the shares issued amounted to \$85,000 and was charged to operations during fiscal 1999.

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A summary of the Company's stock option activity and related information for the years ended September 30 is as follows:

<TABLE>  
 <CAPTION>

|  | 1999     |                                 | 1998    |                                 |
|--|----------|---------------------------------|---------|---------------------------------|
|  | SHARES   | WEIGHTED AVERAGE EXERCISE PRICE | SHARES  | WEIGHTED AVERAGE EXERCISE PRICE |
| <S>  | <C>      | <C>                             | <C>     | <C>                             |
| Balance outstanding -- at beginning of year..... | 320,776  | \$3.78                          | 219,040 | \$3.06                          |
| Granted.....                                     | 247,173  | 4.03                            | 101,736 | 5.35                            |
| Exercised.....                                   | (46,956) | 3.22                            |         |                                 |
| Returned/cancelled.....                          | (17,999) | 1.94                            |         |                                 |
| Balance outstanding -- at end of year.....       | 502,994  | 4.02                            | 320,776 | 3.78                            |
| Exercisable at end of year.....                  | 451,910  | 4.05                            | 252,090 | 3.86                            |

</TABLE>

<TABLE>  
 <CAPTION>

| EXERCISE PRICE    | NUMBER OF OPTIONS OUTSTANDING | WEIGHTED AVERAGE CONTRACTUAL REMAINING LIFE (IN YEARS) | NUMBER OF OPTIONS EXERCISEABLE |
|-------------------|-------------------------------|--|--------------------------------|
| <S>               | <C>                           | <C>  | <C>                            |
| \$ 0.00 -- \$1.99 | \$ 88,840                     | 1.2-7.9  | \$ 63,840                      |
| \$ 2.00 -- \$2.99 | 25,000                        | 4.1  | 25,000                         |
| \$ 3.00 -- \$3.99 | 175,569                       | 7.9-9.9  | 149,485                        |
| \$ 4.00 -- \$4.99 | 74,284                        | 8-10   | 74,284                         |
| \$ 5.00 -- \$5.99 | 97,700                        | .5-9.6   | 97,700                         |
| \$ 6.00 -- \$6.99 | 40,801                        | 5-9.6  | 40,801                         |
| \$ 7.00 -- \$7.99 | 800                           | 9.6  | 800                            |
|                   | \$502,994                     |  | \$451,910                      |

</TABLE>

As indicated in Note C(12), the Company elected to account for its employee stock based compensation under APB 25. Had compensation cost for stock option grants been determined based on the fair value at the grant dates for awards consistent with the method provided by SFAS No. 123, the Company's loss and loss per share attributable to common stockholders would have been increased to the pro forma amounts indicated below.

<TABLE>  
 <CAPTION>

|  |                | YEAR ENDED SEPTEMBER 30, |                |
|--|----------------|--------------------------|----------------|
|  |                | 1999                     | 1998           |
| <S>  | <C>            | <C>                      | <C>            |
| Net loss attributable to common stockholders.....                                | As reported    | \$ (4,465,000)           | \$ (3,031,000) |
|  | Pro forma      | \$ (5,123,000)           | \$ (3,311,000) |
| Net loss attributable to common stockholders per share -- basic and diluted..... | As reported... | \$ (1.81)                | \$ (1.56)      |
|  | Pro forma      | \$ (2.08)                | \$ (1.70)      |

</TABLE>

The resulting pro forma effect on net loss and net loss per share disclosed above is not necessarily representative of the effects on reported operations for future years due to, among other things: (1) the vesting period of the stock options and the (2) fair value of additional stock options in future years. The weighted average fair value of the options granted to employees during the years ended September 30, 1999 and 1998 is estimated at \$2.66 and \$3.33, respectively, using the Black-Scholes option-pricing model with the following assumptions:

<TABLE>  
 <CAPTION>

SEPTEMBER 30,

|  | 1999       | 1998  |
|--|------------|-------|
| <S>                                      | <C>        | <C>   |
| Risk free interest rates.....            | 4.39-5.99% | 5.43% |
| Dividend yield.....                      | 0%         | 0%    |
| Volatility.....                          | 70%        | 70%   |
| Expected life of options (in years)..... | 2-10       | 10    |

NOTE J -- INCOME TAXES

The Company has a federal net operating loss carryforward of approximately \$7,380,000 as of September 30, 1999 of which \$1,966,000 expires through 2012, \$2,632,000 expires in 2018 and \$2,782,000 expires in 2019.

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. The utilization of approximately \$3,257,000 of the Company's net operating loss carryover is limited to approximately \$466,000 per year as a result of the Company's public offering (see Note (5)).

The tax effects of principal temporary differences and net operating loss carryforwards are as follows as of September 30, 1999:

|  | <C>          |
|--|--------------|
| <S>  | <C>          |
| Asset:                                       |              |
| Federal operating loss carryforwards.....    | \$ 2,509,000 |
| Compensation expense -- stock options.....   | 114,000      |
| Accounts receivable allowance.....           | 21,000       |
| Accrual basis to cash basis adjustments..... | 4,000        |
|  | -----        |
|  | 2,648,000    |
| Valuation allowance.....                     | (2,648,000)  |
|  | -----        |
| Net deferred tax asset.....                  | \$ 0         |
|  | -----        |

</TABLE>

A valuation allowance has been provided for the deferred tax asset as the likelihood of realization of the future tax benefits cannot be determined. The increase in the valuation allowance during fiscal 1999 and 1998 was approximately \$530,000 and \$988,000, respectively.

The differences between the statutory federal income tax rate and the effective tax rate are as follows:

|                                      | 1999    | 1998    |
|--------------------------------------|---------|---------|
| <S>                                  | <C>     | <C>     |
| Tax benefit at statutory rate.....   | (34.0)% | (34.0)% |
| Nondeductible items.....             | .3      | .4      |
| Increase in valuation allowance..... | 33.7    | 33.6    |
|                                      | -----   | -----   |
| Effective tax rate benefit.....      | \$ 0%   | \$ 0%   |
|                                      | -----   | -----   |

</TABLE>

DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES  
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
 SEPTEMBER 30, 1999

NOTE K -- COMMITMENTS AND OTHER MATTERS

(1) LEASES:

Future minimum lease payments under all leases as at September 30, 1999 are as follows:

|                              | CAPITAL<br>LEASES | OPERATING<br>LEASES | OFFICE<br>LEASES |
|------------------------------|-------------------|---------------------|------------------|
| <S>                          | <C>               | <C>                 | <C>              |
| YEAR ENDING<br>SEPTEMBER 30, | -----             | -----               | -----            |
| 2000.....                    | \$32,000          | \$23,000            | \$100,000        |
| 2001.....                    | 24,000            | 11,000              | 86,000           |
| 2002.....                    |                   | 4,000               | 52,000           |
| 2003.....                    |                   |                     | 12,000           |
|                              | -----             | -----               | -----            |

|          |          |           |
|----------|----------|-----------|
| \$56,000 | \$38,000 | \$250,000 |
| -----    | -----    | -----     |
| -----    | -----    | -----     |

</TABLE>

Rent expense for the years ended September 30, 1999 and 1998 was \$97,000 and \$94,000, respectively.

(2) EMPLOYMENT CONTRACTS:

During 1999, the Company entered into a three-year employment contract with its President for an annual salary of \$180,000 per year with an annual escalation of \$20,000. Upon expiration of the employment contract, the term shall be automatically renewed for one year unless either party gives written notice prior to ninety days before the expiration date.

In connection with the acquisition of Software Associates, Inc., the Company entered into an employment contract with Software Associates, Inc.'s sole stockholder/president. The agreement expires on November 30, 2001 and provides for annual salary of approximately \$136,000 with a discretionary bonus as determined by the Board of Directors.

In connection with the acquisition of Design Crafting, Inc., the Company entered into a one-year employment contract with Design Crafting, Inc.'s former stockholder for an annual salary of \$140,000 plus commission. The employment contract expired on April 30, 1999 and automatically renews each year unless either party gives written notice prior to the annual renewal date.

(3) CONCENTRATION OF CREDIT RISK:

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. As of September 30, 1999, the Company's bank balance exceeded approximately \$195,000.

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

(4) SIGNIFICANT CUSTOMERS:

The Company had one customer that accounted for \$888,000 or 29% of net sales for the year ended September 30, 1999 and one customer that accounted for \$315,000 or 26% of net sales for the year ended September 30, 1998.

NOTE L -- RELATED PARTY TRANSACTIONS

(1) The Company leases its office space through December 31, 2002 from a partnership whose partners are the Executive Vice President/stockholder of the Company and his wife. The lease provides for an annual increase in rent of three percent and requires the Company to pay condominium maintenance fees. Rent expense under the lease amounted to approximately \$44,000 in 1999 and \$43,000 in 1998.

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DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES  
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
 SEPTEMBER 30, 1999

(2) In March 1999, the Company received a short-term loan from a stockholder of \$100,000 which the Company repaid from the net proceeds of the private placement described in Note H. During the year ended September 30, 1998, the Company received loans of \$115,000 from its CEO/stockholder. The entire loan balance was repaid from the net proceeds of the public offering disclosed in Note H.

NOTE M -- SUBSEQUENT EVENTS

(1) MERGER:

On November 10, 1999 the Company signed a binding letter agreement to enter into a merger agreement with a privately held company also engaged in the business-to-business e-commerce. The merger is subject to certain closing conditions including stockholder approval of both companies. For accounting purposes, the privately held company is expected to be treated as the acquirer.

In conjunction with the merger agreement, the Company received loans from the privately held company totaling \$750,000. Additional loans are anticipated. The loans accrue simple interest at the rate of 8% per year and are due on March 12, 2000. If loans are not repaid when due, the privately held company may choose to convert the value of the loans into shares of the Company's common stock. As additional consideration, the Company issued 2,500,000 warrants to purchase the Company's common stock and upon execution of the definitive merger agreement, an additional 5,000,000 warrants to purchase the Company's common stock.

(2) CONVERSION OF PREFERRED SHARES:

Subsequent to September 30, 1999, 930 shares of Series A preferred stock had been converted to 354,328 shares of common stock and all Series B preferred shares had been converted to 574,914 shares of common stock.

(3) SETTLEMENT OF CONSULTING AGREEMENT:

In November 1999, the Company issued warrants to purchase 27,000 shares of its common stock, valued at \$140,000, and paid \$17,000 in satisfaction of all claims arising from a consulting agreement entered into by the Company. The financial statements at September 30, 1999 provide for this transaction.

(4) CONTINGENT MATTER:

On December 17, 1999, an investment banker sued the Company for \$3,500,000 which it claims it is due for introducing the parties in the merger referred to in Note M[1]. The Company has made no provision in connection with this claim.

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INTRODUCTORY NOTE

On April 18, 2000, eB2B Commerce, Inc., a Delaware corporation ("eB2B"), merged with and into DynamicWeb Enterprises, Inc., a New Jersey corporation (the "Company"), with the surviving company using the name "eB2B Commerce, Inc." (the "Combined Company"). Pursuant to the Agreement and Plan of Merger between the Company and eB2B, the shareholders of the Company retained their shares in the Company, while the shareholders of eB2B received shares, or derivative securities convertible into common stock, of the Company representing approximately 88% of the Combined Company, on a fully diluted basis. eB2B is engaged in business-to-business e-commerce. After the merger, the Company changed its Cusip number and its ticker symbol to "EBTB". For more information relating to the merger or eB2B, a Registration Statement (Form S-4) relating to the merger was filed with the Securities and Exchange Commission on March 20, 2000 and became effective March 22, 2000. The transaction was accounted for as a reverse acquisition.

The reverse acquisition was accounted for as a purchase business combination in which eB2B is the accounting acquirer and the Company is the legal acquirer. As a result of the reverse acquisition, the financial statements on a go forward basis will be that of the accounting acquirer (eB2B), the net assets of the legal acquirer (the Company) will be revalued and the purchase price will be allocated to those assets acquired and liabilities assumed.

Subsequent to the merger on April 18, 2000, the Company was required to file a quarterly financial statement (on 10-QSB) under the Securities Exchange Act of 1934, as amended ("Securities Exchange Act"), for the quarter ended March 31, 2000. In that the merger was completed after March 31, 2000, the financial statements and other information contained in this Form 10-QSB are reflective of business operations of the Company, and do not include the financial information of eB2B. The Combined Company will begin to report combined financial results for the quarter ended June 30, 2000.

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eB2B COMMERCE, INC.

CONDENSED BALANCE SHEETS

<TABLE>  
<CAPTION>

|  | MARCH 31,<br>2000<br>(UNAUDITED) | SEPTEMBER 30,<br>1999 |
|--|----------------------------------|-----------------------|
| ASSETS   |                                  |                       |
| <S>  |                                  |                       |
| CURRENT ASSETS   |                                  |                       |
| Cash and cash equivalents  | \$ 1,413,000                     | \$ 418,000            |
| Accounts receivable, net of allowance for doubtful accounts<br>of \$107,000 and \$102,000                        | 666,000                          | 627,000               |
| Prepaid expenses and other current assets  | 74,000                           | 40,000                |
| TOTAL CURRENT ASSETS   | -----<br>2,153,000               | -----<br>1,085,000    |
| PROPERTY AND EQUIPMENT, less accumulated depreciation<br>of \$288,000 and \$208,000                              | 460,000                          | 459,000               |
| OTHER ASSETS   |                                  |                       |
| Patents and trademarks, less accumulated amortization of \$25,000 and \$19,000                                   | 17,000                           | 23,000                |
| Customer list, less accumulated amortization of \$67,000 and \$57,000  | 33,000                           | 43,000                |
| Software costs, less accumulated amortization of \$152,000 and \$113,000   | 221,000                          | 73,000                |
| Cost in excess of fair value of net assets acquired, net of accumulated<br>amortization of \$97,000 and \$72,000 | 738,000                          | 436,000               |
| Other assets   | 9,000                            | 14,000                |
| TOTAL OTHER ASSETS   | -----<br>1,018,000               | -----<br>589,000      |
|  | -----<br>\$ 3,631,000            | -----<br>\$ 2,133,000 |
|  | =====                            | =====                 |

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES



|   |              |              |
|---|--------------|--------------|
| Current portion of capital lease obligations  | \$ 59,000    | \$ 32,000    |
| Loans payable   | 2,000,000    | --           |
| Accounts payable  | 471,000      | 305,000      |
| Accrued expenses  | 721,000      | 396,000      |
| Other current liabilities   | --           | 12,000       |
| Deferred revenue  | 85,000       | 95,000       |
|   | -----        | -----        |
| TOTAL CURRENT LIABILITIES   | 3,336,000    | 840,000      |
|   | -----        | -----        |
| CAPITAL LEASE OBLIGATIONS, net of current portion   | 27,000       | 24,000       |
|   | -----        | -----        |
| STOCKHOLDERS' EQUITY  |              |              |
| Preferred stock - par value to be determined with each issue: 5,000,000 shares authorized   |              |              |
| Series A, 6% cumulative, convertible preferred stock, aggregate liquidation value \$1,787,500, \$.001 par value, 0 and 1,375 shares issued and outstanding at March 31, 2000 and September 30, 1999 | --           | 1,110,000    |
| Series B, 6% cumulative, convertible preferred stock, aggregate liquidation value \$650,000, \$.001 par value, 0 and 1,500 shares issued and outstanding at March 31, 2000 and September 30, 1999   | --           | 1,027,000    |
| Common stock, \$.0001 par value, 50,000,000 shares authorized; 4,087,048 and 2,637,076 shares issued and outstanding at March 31, 2000 and September 30, 1999                                       | --           | --           |
| Additional paid-in capital  | 12,977,000   | 8,508,000    |
| Unearned portion of compensatory stock options  | (44,000)     | (78,000)     |
| Accumulated deficit   | (12,665,000) | (9,298,000)  |
|   | -----        | -----        |
| TOTAL STOCKHOLDERS' EQUITY  | 268,000      | 1,269,000    |
|   | -----        | -----        |
|   | \$ 3,631,000 | \$ 2,133,000 |
|   | =====        | =====        |

</TABLE>

See accompanying notes to condensed financial statements.

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eB2B COMMERCE, INC.

CONDENSED STATEMENTS OF OPERATIONS  
(UNAUDITED)

<TABLE>

<CAPTION>

|   | THREE MONTHS ENDED<br>MARCH 31, |            | SIX MONTHS ENDED<br>MARCH 31, |             |
|---|---------------------------------|------------|-------------------------------|-------------|
|   | 2000                            | 1999       | 2000                          | 1999        |
| <S>   | <C>                             | <C>        | <C>                           | <C>         |
| REVENUES  |                                 |            |                               |             |
| Transaction/subscription processing   | \$ 370,000                      | \$ 205,000 | \$ 751,000                    | \$ 345,000  |
| Consulting services   | 482,000                         | 355,000    | 856,000                       | 697,000     |
| Network development   | 172,000                         | 142,000    | 425,000                       | 199,000     |
|   | -----                           | -----      | -----                         | -----       |
|   | 1,024,000                       | 702,000    | 2,032,000                     | 1,241,000   |
| COST OF REVENUES  |                                 |            |                               |             |
| Transaction/subscription processing   | 210,000                         | 142,000    | 394,000                       | 260,000     |
| Consulting services   | 203,000                         | 216,000    | 423,000                       | 416,000     |
| Network development   | 109,000                         | 74,000     | 201,000                       | 140,000     |
|   | -----                           | -----      | -----                         | -----       |
|   | 522,000                         | 432,000    | 1,018,000                     | 816,000     |
| GROSS PROFIT  | 502,000                         | 270,000    | 1,014,000                     | 425,000     |
|   | -----                           | -----      | -----                         | -----       |
| EXPENSES  |                                 |            |                               |             |
| Marketing and selling   | 440,000                         | 372,000    | 880,000                       | 721,000     |
| General and administrative (including a \$653,000 write-down of assets for the three and six months ended March 31, 2000) | 1,602,000                       | 425,000    | 2,296,000                     | 812,000     |
| Merger related expenses   | 780,000                         | --         | 780,000                       | --          |
| Research and development  | 276,000                         | 97,000     | 477,000                       | 192,000     |
|   | -----                           | -----      | -----                         | -----       |
|   | 3,098,000                       | 894,000    | 4,433,000                     | 1,725,000   |
| LOSS FROM OPERATIONS  | (2,596,000)                     | (624,000)  | (3,419,000)                   | (1,300,000) |
| OTHER INCOME  | 89,000                          | --         | 89,000                        | --          |
| INTEREST (EXPENSE) INCOME AND OTHER, NET  | (34,000)                        | 2,000      | (37,000)                      | 18,000      |
|   | -----                           | -----      | -----                         | -----       |
| NET LOSS  | (2,541,000)                     | (622,000)  | (3,367,000)                   | (1,282,000) |

DIVIDENDS ON CUMULATIVE PREFERRED STOCK, INCLUDING IMPUTED DIVIDENDS OF \$414,000 AND \$558,000 FOR THE THREE MONTHS AND SIX MONTHS ENDED MARCH 31, 1999, RESPECTIVELY, AND \$73,000 FOR THE SIX MONTHS ENDED MARCH 31,

|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| 2000.   | --            | (450,000)     | (97,000)      | (614,000)     |
| NET LOSS ATTRIBUTED TO COMMON STOCKHOLDERS                              | \$(2,541,000) | \$(1,072,000) | \$(3,464,000) | \$(1,896,000) |
| NET LOSS PER COMMON SHARE BASIC AND DILUTED                             | \$ (0.66)     | \$ (0.46)     | \$ (0.99)     | \$ (0.82)     |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED | 3,855,875     | 2,351,737     | 3,505,786     | 2,320,370     |

</TABLE>

See accompanying notes to condensed financial statements.

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eB2B COMMERCE, INC.

CONDENSED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

<TABLE>  
<CAPTION>

|   | SIX MONTHS ENDED<br>MARCH 31, |               |
|---|-------------------------------|---------------|
|   | 2000                          | 1999          |
| <S>   | <C>                           | <C>           |
| OPERATING ACTIVITIES:   |                               |               |
| Net loss  | \$(3,367,000)                 | \$(1,282,000) |
| Adjustments to reconcile net loss to net cash used in operating activities:                                   |                               |               |
| Gain on sale of assets  | (2,000)                       | (15,000)      |
| Provision for bad debts   | 187,000                       | --            |
| Depreciation and amortization   | 173,000                       | 72,000        |
| Write-down of assets  | 653,000                       | --            |
| Stock options issued for compensation   | 34,000                        | 86,000        |
| Options and shares issued for services  | 221,000                       | --            |
| Increase (decrease) in cash and cash equivalents attributable to changes in operating assets and liabilities: |                               |               |
| Accounts receivable, net  | (226,000)                     | (296,000)     |
| Prepaid expenses and other current assets   | (34,000)                      | (14,000)      |
| Other assets  | 5,000                         | --            |
| Accounts payable  | 166,000                       | 336,000       |
| Accrued expenses  | 482,000                       | 35,000        |
| Other current liabilities   | (12,000)                      | --            |
| Deferred revenue  | (10,000)                      | 191,000       |
| Net cash used in operating activities   | (1,730,000)                   | (887,000)     |
| INVESTING ACTIVITIES:   |                               |               |
| Acquisition of property and equipment   | (40,000)                      | (19,000)      |
| Acquisition of patents and trademarks   | --                            | (8,000)       |
| Proceeds from sale of property, net of selling expense  | 5,000                         | 189,000       |
| Increase in software costs  | (187,000)                     | (65,000)      |
| Net cash provided by (used in) investing activities   | (222,000)                     | 97,000        |
| FINANCING ACTIVITIES:   |                               |               |
| Proceeds from loans   | 2,000,000                     | --            |
| Proceeds from exercise of common stock options and warrants   | 917,000                       | --            |
| Proceeds from issuance of preferred stock and warrants  | --                            | 795,000       |
| Payment of long-term debt   | --                            | (187,000)     |
| Payment of capital lease obligation   | (27,000)                      | --            |
| Proceeds from issuance of common stock  | 57,000                        | --            |
| Loans from stockholders/officers  | --                            | 100,000       |
| Net cash provided by financing activities   | 2,947,000                     | 708,000       |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS  | 995,000                       | (82,000)      |
| CASH AND CASH EQUIVALENTS, beginning of period  | 418,000                       | 290,000       |
| CASH AND CASH EQUIVALENTS, end of period  | \$ 1,413,000                  | \$ 208,000    |

</TABLE>

See accompanying notes to condensed financial statements.

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eB2B COMMERCE, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE A. BASIS OF PRESENTATION AND OTHER MATTERS

On April 18, 2000, eB2B Commerce, Inc., a Delaware corporation ("eB2B") merged with and into DynamicWeb Enterprises, Inc., a New Jersey corporation (the "Company"), with the surviving company using the name "eB2B Commerce, Inc." (the "Combined Company"). Pursuant to the Agreement and Plan of Merger between the Company and eB2B, the shareholders of the Company retained their shares in the Company, while the shareholders of eB2B received shares, or derivative securities convertible into common stock, of the Company representing approximately 88% of the Combined Company, on a fully diluted basis. The transaction was accounted for as a reverse acquisition.

The reverse acquisition was accounted for as a purchase business combination in which eB2B is the accounting acquirer and the Company is the legal acquirer. As a result of the reverse acquisition, the financial statements on a go forward basis will be that of the accounting acquirer (eB2B), the net assets of the legal acquirer (the Company) will be revalued and the purchase price will be allocated to those assets acquired and liabilities assumed. In that the merger was completed after March 31, 2000, the financial statements and other information contained herein are reflective of business operations of the Company, and do not include the financial information of eB2B.

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information (and with the instructions to Form 10-QSB and Article 3 of Regulation S-B). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included.

The balance sheet at September 30, 1999 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the audited financial statements and footnotes thereto included in the annual report on Form 10-KSB.

The Company provides services and software that facilitate business-to-business e-commerce between buyers and sellers. The Company's services include the provision of the necessary infrastructure and operational services to facilitate electronic transactions between buyers and sellers and consulting services to businesses that wish to build and/or operate their own e-commerce infrastructure.

NOTE B. LOSS PER SHARE

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing net income (loss) by a diluted weighted average number of common shares outstanding during the period. Such dilution is computed using the treasury stock method for the assumed conversion of stock options, warrants and other convertible securities whose exercise price was less than the average market price of the common shares during the respective period, and certain additional dilutive effect of exercised, terminated and cancelled stock options.

For the six and three month periods ended March 31, 2000 and 1999, diluted weighted-average common and common equivalent shares outstanding were the same as basic weighted-average common and common equivalent shares as all common share equivalents were antidilutive given that the Company had a net loss for these periods.

Options and warrants to purchase 1,027,277 and 901,606 common shares at March 31, 2000 and 1999, respectively, were excluded from the computation of diluted earnings per share because of their antidilutive effect caused by the net loss during such periods.

NOTE C. SOFTWARE COSTS

Costs relating to the conceptual formulation and design of software are expensed as research and development. Costs incurred subsequent to establishment of technological feasibility to produce the finished product are generally capitalized. Technological feasibility was established when a product design and a working model were completed. Capitalized software costs, including certain license fees, are amortized by the straight-line method over a maximum of three years or the expected life of the product whichever is less.

NOTE D. 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.

NOTE E. SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

<TABLE>  
<CAPTION>

|  | SIX MONTHS ENDED |       |
|--|------------------|-------|
|  | MARCH 31,        |       |
|  | 2000             | 1999  |
|  | -----            | ----- |
| <S>  | <C>              | <C>   |
| Equipment acquired under capital lease   | \$ 57,000        | \$ -- |
|  | -----            | ----- |
| Conversion of Series A preferred shares to common stock  | \$1,110,000      | \$ -- |
|  | -----            | ----- |
| Conversion of Series B preferred shares to common stock  | \$1,027,000      | \$ -- |
|  | -----            | ----- |
| Dividends accrued and converted to common stock  | \$ 157,000       | \$ -- |
|  | -----            | ----- |
| Issuance of 80,000 shares of common stock as additional purchase price consideration for prior acquisition | \$ 980,000       | \$ -- |
|  | -----            | ----- |

</TABLE>

During the quarter ended March 31, 2000, the Company issued 80,000 shares of common stock valued at \$980,000 as additional purchase price consideration for a prior acquisition. The Company recorded the \$980,000 as Cost in excess of fair value of net assets acquired. The Company reviewed the assets previously acquired, primarily a customer list, and determined the fair value of such assets as of March 31, 2000 to be approximately one-third of the shares issued. The determination was based primarily upon the current and expected revenues from such customers. Accordingly the Company recorded a \$653,000 write-down. The remaining \$327,000 will be amortized over twenty months starting April 1, 2000.

During the period ended December 31, 1999 all 1,375 shares of Series A and 1,500 shares of Series B cumulative, convertible preferred stock, issued and outstanding at September 30, 1999, were converted into 1,073,888 shares of common stock.

NOTE F. SUBSEQUENT EVENTS

On April 18, 2000, pursuant to an Agreement and Plan of Merger, dated December 1, 1999, as amended by Amendment No. 1, dated as of February 29, 2000 (the "Merger Agreement"), the Company merged with eB2B, a company engaged in business-to-business e-commerce. Pursuant to the Merger Agreement, each share of common stock of the Company remained outstanding and each share of eB2B capital stock was exchanged for the equivalent of 2.66 shares of the Company's common stock. In addition, each share of eB2B preferred stock was exchanged for a like share of preferred stock in the Company. In accordance with the terms of the Merger Agreement, eB2B shareholders own approximately 88% of the Combined Company, on a fully diluted basis. The transaction is a tax-free merger and reorganization. The transaction was accounted for as a reverse acquisition.

The reverse acquisition was accounted for as a purchase business combination in which eB2B was the accounting acquirer and the Company was the legal acquirer. As a result of the reverse acquisition, the financial statements on a go forward basis will be that of the accounting acquirer (eB2B), the net assets of the legal acquirer (the Company) will be revalued and the purchase price will be allocated to those assets acquired and liabilities assumed. In addition, the Combined Company's year-end will change to a calendar year ending December 31st.

eB2B COMMERCE, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE F. SUBSEQUENT EVENTS (CONTINUED)

The Company entered into a loan agreement with eB2B, dated November 12, 1999, as amended by Amendment No. 1, dated November 19, 1999, as amended by Amendment No. 2 dated February 29, 2000 (the "Loan Agreement"). Details about the Merger Agreement and Loan Agreement are contained in the Company's financial statements as of September 30, 1999, included in Form 10-KSB and the registration statement on Form S-4.

Under the Loan Agreement, eB2B loaned the Company \$2,000,000 subject to certain conditions. The Company received \$250,000 in November 1999 and \$1,750,000 in December 1999. All loans under the Loan Agreement accrue simple interest at the rate of eight percent (8%) per year. The loans had a maturity date of May 12, 2000. The Loan Agreement contains standard termination provisions, as well as representations, warranties and covenants from the Company to eB2B. As of April 18, 2000, the above loans were deemed cancelled in connection with the merger.

As additional consideration for the loans, the Company also issued to eB2B warrants to purchase, under certain conditions, an aggregate of 7,500,000 shares of the Company's common stock at an exercise price of \$2.00 per share. As of April 18, 2000, the above warrants were deemed cancelled in connection with the merger.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
NETLAN ENTERPRISES, INC. AND SUBSIDIARIES

We have audited the accompanying consolidated balance sheets of NETLAN Enterprises, Inc. and Subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 referred to above present fairly, in all material respects, the financial position of NETLAN Enterprises, Inc. and Subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

/s/ Rothstein, Kass & Company, P.C.  
Roseland, New Jersey  
February 22, 2000, except for the  
last paragraph of Note 17, which is  
as of February 24, 2000

NETLAN ENTERPRISES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

<TABLE>  
<CAPTION>

<S>

ASSETS

| DECEMBER 31, |      |
|--------------|------|
| 1999         | 1998 |
| ----         | ---- |
| <C>          | <C>  |

|  |              |             |
|--|--------------|-------------|
| Current assets   |              |             |
| Cash.....  | \$ 83,324    | \$ 804,680  |
| Accounts receivable, less allowance for doubtful accounts of \$93,000 in 1999 and \$115,000 in 1998.....                                     | 387,769      | 2,259,585   |
| Inventories.....   | 52,736       | 132,156     |
| Other current assets.....  | 3,932        | 158,965     |
|  | -----        | -----       |
| Total current assets.....  | 527,761      | 3,355,386   |
|  | -----        | -----       |
| Property and equipment, net.....   | 648,713      | 749,153     |
|  | -----        | -----       |
| Other assets   |              |             |
| Intangible assets, net.....  | 734,195      | 1,003,706   |
| Restricted cash.....   |              | 501,929     |
| Other.....   | 48,619       | 54,500      |
|  | -----        | -----       |
|  | 782,814      | 1,560,135   |
|  | -----        | -----       |
|  | \$ 1,959,288 | \$5,664,674 |
|  | -----        | -----       |
|  |              |             |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)   |              |             |
| Current liabilities  |              |             |
| Line of credit, bank.....  | \$ 582,704   | \$ 60,131   |
| Loan payable.....  | 1,500,000    | 2,000,000   |
| Accounts payable and accrued expenses.....   | 1,626,598    | 2,023,617   |
| Obligations under capital leases, current portion.....   | 173,381      | 77,292      |
| Deferred revenues.....   | 198,121      | 968,404     |
| Commissions payable.....   | 97,067       | 211,057     |
| Other current liabilities.....   | 61,458       | 167,242     |
|  | -----        | -----       |
| Total current liabilities.....   | 4,239,329    | 5,507,743   |
|  | -----        | -----       |
| Long-term liabilities,   |              |             |
| Obligations under capital leases, less current portion....   | 64,448       | 96,292      |
|  | -----        | -----       |
| Commitments and contingencies  |              |             |
| Stockholders' equity (deficit)   |              |             |
| Class A common stock, .01 par value, authorized 2,500,000 shares, issued and outstanding 2,403,300 shares in 1999 and 1,098,000 in 1998..... | 24,033       | 10,980      |
| Class B common stock, .01 par value, authorized 200,000 shares, no shares issued or outstanding  |              |             |
| Capital in excess of par value.....  | 866,915      | 814,703     |
| Accumulated deficit.....   | (3,235,437)  | (765,044)   |
|  | -----        | -----       |
| Total stockholders' equity (deficit).....  | (2,344,489)  | 60,639      |
|  | -----        | -----       |
|  | \$ 1,959,288 | \$5,664,674 |
|  | -----        | -----       |

</TABLE>

See accompanying notes to consolidated financial statements.

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NETLAN ENTERPRISES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>  
<CAPTION>

|                                    | YEARS ENDED DECEMBER 31, |             |                     |
|------------------------------------|--------------------------|-------------|---------------------|
|                                    | 1999                     | 1998        | 1997<br>(UNAUDITED) |
|                                    | -----                    | -----       | -----               |
| <S>                                | <C>                      | <C>         | <C>                 |
| Revenues                           |                          |             |                     |
| Internet applications.....         | \$ 1,949,101             | \$1,067,267 | \$ 51,000           |
| Educational services.....          | 2,254,090                | 2,602,088   | 2,333,681           |
| Other.....                         | 19,163                   | 44,579      | 39,706              |
|                                    | -----                    | -----       | -----               |
|                                    | 4,222,354                | 3,713,934   | 2,424,387           |
|                                    | -----                    | -----       | -----               |
| Cost of revenues                   |                          |             |                     |
| Internet applications.....         | 1,364,795                | 422,472     | 30,000              |
| Educational services.....          | 1,391,849                | 1,304,693   | 1,029,659           |
|                                    | -----                    | -----       | -----               |
|                                    | 2,756,644                | 1,727,165   | 1,059,659           |
|                                    | -----                    | -----       | -----               |
| Gross profit.....                  | 1,465,710                | 1,986,769   | 1,364,728           |
| Operating expenses.....            | 2,919,700                | 2,119,850   | 1,104,213           |
|                                    | -----                    | -----       | -----               |
| Income (loss) from operations..... | (1,453,990)              | (133,081)   | 260,515             |
|                                    | -----                    | -----       | -----               |
| Other expense                      |                          |             |                     |
| Interest expense.....              | 244,240                  | 220,953     | 13,241              |
| Other.....                         |                          |             | 66,125              |
|                                    | -----                    | -----       | -----               |
|                                    | 244,240                  | 220,953     | 79,366              |
|                                    | -----                    | -----       | -----               |

|  |                |              |            |
|--|----------------|--------------|------------|
| Income (loss) from continuing operations.....  | (1,698,230)    | (354,034)    | 181,149    |
| Loss from discontinued operations, net of income tax<br>(benefit) of approximately (\$10,000) in 1998 and<br>\$23,000 in 1997..... | (772,163)      | (476,898)    | (37,140)   |
| Net income (loss).....   | \$ (2,470,393) | \$ (830,932) | \$ 144,009 |

</TABLE>

See accompanying notes to consolidated financial statements.

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NETLAN ENTERPRISES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)  
YEARS ENDED DECEMBER 31, 1999, 1998, AND 1997

<TABLE>  
<CAPTION>

|   | CLASS A<br>COMMON STOCK |          | CLASS A<br>COMMON<br>STOCK<br>SUBSCRIBED | CAPITAL<br>IN EXCESS<br>OF PAR<br>VALUE | RETAINED<br>EARNINGS<br>(ACCUMULATED<br>DEFICIT) | SUBSCRIPTION<br>RECEIVABLE |
|---|-------------------------|----------|--|---|--|----------------------------|
|   | SHARES                  | AMOUNT   |  |   |  |                            |
| <S>   | <C>                     | <C>      | <C>                                      | <C>                                     | <C>  | <C>                        |
| Balances, January 1, 1997<br>(unaudited)..... | 1,026,700               | \$10,267 | \$ 200                                   | \$397,616                               | \$ 311,879                                       | \$ (18,000)                |
| Issuance of common stock<br>(unaudited).....  | 11,300                  | 113      | (200)                                    | 17,687                                  |  | 18,000                     |
| Dividends (unaudited).....                    |                         |          |  |   | (190,000)  |                            |
| Net income (unaudited).....                   |                         |          |  |   | 144,009  |                            |
| Balances, January 1, 1998....                 | 1,038,000               | 10,380   | --                                       | 415,303                                 | 265,888  | --                         |
| Issuance of common stock.....                 | 60,000                  | 600      |  | 399,400                                 |  |                            |
| Dividends.....                                |                         |          |  |   | (200,000)  |                            |
| Net loss.....                                 |                         |          |  |   | (830,932)  |                            |
| Balances, January 1, 1999....                 | 1,098,000               | 10,980   | --                                       | 814,703                                 | (765,044)  | --                         |
| Issuance of common stock.....                 | 1,305,300               | 13,053   |  | 52,212                                  |  |                            |
| Net loss.....                                 |                         |          |  |   | (2,470,393)                                      |                            |
| Balances, December 31,<br>1999.....           | 2,403,300               | \$24,033 | \$--                                     | \$866,915                               | \$ (3,235,437)                                   | \$ --                      |

</TABLE>

See accompanying notes to consolidated financial statements.

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NETLAN ENTERPRISES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>  
<CAPTION>

|  | YEARS ENDED DECEMBER 31, |              |                    |
|--|--------------------------|--------------|--------------------|
|  | 1999                     | 1998         | 1997               |
| <S>  | <C>                      | <C>          | (UNAUDITED)<br><C> |
| Cash flows from operating activities   |                          |              |                    |
| Net income (loss).....   | \$ (2,470,393)           | \$ (830,932) | \$ 144,009         |
| Deduct loss from discontinued operations.....  | (772,163)                | (476,898)    | (37,140)           |
| Income (loss) from continuing operations.....  | (1,698,230)              | (354,034)    | 181,149            |
| Adjustments to reconcile income (loss) from continuing<br>operations to net cash used in operating activities: |                          |              |                    |
| Provision for allowance for doubtful accounts....  | 55,504                   |              | 7,344              |
| Depreciation and amortization.....   | 330,131                  | 174,392      | 112,164            |
| Other non-cash items.....  | 65,265                   | 180,000      | 47,600             |
| Changes in operating assets and liabilities:   |                          |              |                    |
| (Increase) decrease in accounts receivable....   | 582,140                  | (361,663)    | (307,595)          |
| (Increase) decrease in inventories.....  | 11,839                   | 6,886        | (32,709)           |
| (Increase) decrease in other current assets...   | (618)                    | 5,752        | (3,150)            |
| (Increase) decrease in other assets.....   | (26,019)                 | 10,275       | 5,898              |
| Increase in accounts payable and accrued<br>expenses.....  | 353,381                  | 127,983      | 157,856            |
| Increase (decrease) in deferred revenues.....  | (106,282)                | 105,031      | (3,084)            |
| Increase (decrease) in commissions payable....   | (70,250)                 | 91,437       |                    |
| Increase in other current liabilities.....   | 67,969                   | 5,237        | 1,526              |
| Net cash provided by (used in) operating activities of<br>continuing operations.....                           | (435,170)                | (8,704)      | 166,999            |

|   |           |            |            |
|---|-----------|------------|------------|
| Net cash provided by (used in) operating activities of discontinued operations..... | (563,043) | 514,208    | 828,663    |
| Net cash provided by (used in) operating activities.....                            | (998,213) | 505,504    | 995,662    |
| Cash flows from investing activities  |           |            |            |
| Purchases of property and equipment.....  | (83,484)  | (263,334)  | (235,078)  |
| Acquisition of business, net of cash acquired.....                                  |           | (249,430)  |            |
| Proceeds from sales of property and equipment.....                                  |           |            | 4,854      |
| Purchases of software.....  |           | (55,733)   |            |
| Net cash used in investing activities.....  | (83,484)  | (568,497)  | (230,224)  |
| Cash flows from financing activities  |           |            |            |
| Payments for deferred loan costs.....   |           | (184,110)  |            |
| Repayments of line of credit, bank.....   |           | (250,000)  | (300,000)  |
| Proceeds from line of credit, bank.....   | 522,573   | 60,131     |            |
| Proceeds from loan payable.....   |           | 2,000,000  |            |
| (Increase) decrease in restricted cash.....   | 1,929     | (501,929)  |            |
| Repayments of obligations under capital leases.....                                 | (164,161) | (114,901)  | (151,032)  |
| Repayments of assumed liabilities.....  |           | (252,618)  |            |
| Repayments of loans payable, stockholders.....                                      |           |            | (43,478)   |
| Proceeds from issuance of common stock.....   |           |            | 18,000     |
| Dividends paid to stockholders.....   |           | (200,000)  | (190,000)  |
| Net cash provided by (used in) financing activities.....                            | 360,341   | 556,573    | (666,510)  |
| Net increase (decrease) in cash.....  | (721,356) | 493,580    | 98,928     |
| Cash, beginning of year.....  | 804,680   | 311,100    | 212,172    |
| Cash, end of year.....  | \$ 83,324 | \$ 804,680 | \$ 311,100 |

</TABLE>

See accompanying notes to consolidated financial statements.

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NETLAN ENTERPRISES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

<TABLE>

<CAPTION>

|  | YEARS ENDED DECEMBER 31, |           |             |
|--|--------------------------|-----------|-------------|
|  | 1999                     | 1998      | 1997        |
|  |                          |           | (UNAUDITED) |
|  | <C>                      | <C>       | <C>         |
| <S><br>Supplemental disclosures of cash flow information, cash paid during the year for: |                          |           |             |
| Interest.....  | \$252,240                | \$119,324 | \$ 13,241   |
| Income taxes.....  | \$ --                    | \$ 30,017 | \$ 18,525   |
| Supplementary schedule of non-cash investing and financing activities                    |                          |           |             |
| Property and equipment recorded pursuant to obligations under capital leases.....        | \$228,406                | \$ 66,876 | \$239,586   |
| Common stock issued in connection with acquisition (Note 6).....                         | \$ --                    | \$400,000 | \$ --       |

</TABLE>

See accompanying notes to consolidated financial statements.

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NETLAN ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

Netlan Enterprises Inc. and Subsidiaries (NETLAN) provides its client base strategic technology and education solutions. NETLAN designs, develops and implements collaborative computing applications providing client organizations the ability to replace paper-based processes with enhanced computer-based applications. In addition, NETLAN provides authorized technical education for Citrix, Lotus Development Corporation, Microsoft Corporation, and Novell Inc. to its client base. NETLAN designs and delivers custom technical education for the same client base and provides education through delivery of custom



computer-based training and internet-based on-line training. In addition, NETLAN provides services related to the expanding internet marketplace through its Interactive Applications Division. These services include internet strategy development and analysis, internet marketing strategy development and implementation, web site development, development and implementation and CD-ROM-based and web-based custom training applications. NETLAN's services and products are provided to commercial, government and not-for-profit organizations. Substantially all of NETLAN's revenues are derived from customers in the New York Metropolitan area.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of NETLAN Enterprises, Inc. and its wholly owned subsidiaries: Netlan Inc., Netlan II Inc., and Netlan Acquisition Corp. (collectively 'the Company'). On November 3, 1998, stockholders of Netlan Inc. and Netlan II Inc. contributed 100% of their stock to NETLAN Enterprises, Inc. in exchange for 1,038,000 shares under a reorganization. Accordingly, the transaction has been accounted for as a merger of entities under common control, similar to a pooling of interests. Simultaneous with the above transaction, Netlan Enterprises, Inc. assumed the net liabilities of a company in exchange for 60,000 shares of common stock. The transaction has been recorded for under the purchase method of accounting. All significant intercompany transactions and balances have been eliminated.

### INVENTORIES

Inventories are stated at the lower of cost or net realizable value, determined on the 'first-in, first-out' (FIFO) basis. At December 31, 1999, inventories solely consisted of course materials. At December 31, 1998, inventories consisted of approximately \$67,000 of spare parts and \$65,000 of course materials.

### PROPERTY AND EQUIPMENT

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over estimated useful lives ranging from 3 to 7 years. Leasehold improvements are amortized using the straight-line method over the terms of the respective leases.

### INTANGIBLE ASSETS

Goodwill and deferred software costs are amortized using the straight-line method over estimated useful lives of 5 and 3 years, respectively.

### INCOME TAXES

The Company's stockholders have elected to treat the Company as an 'S' Corporation for federal and state income tax purposes. Accordingly, the individual stockholders are liable for taxes on corporate income and are receive the benefit of allowable corporate losses.

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## NETLAN ENTERPRISES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

### USE OF ESTIMATES

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### REVENUE RECOGNITION

Internet applications revenue is recognized on a percentage-of-completion method. The revenues and costs related to the unearned portion of a contract are treated as deferred revenues and prepaid expenses, respectively, in the accompanying consolidated balance sheets. In addition, educational service revenue is recognized upon completion of the seminar and is based upon the class attended. Deferred revenues include amounts billed for training seminars and classes that have not been completed.

## 3. PROPERTY AND EQUIPMENT

At December 31, 1999 and 1998, property and equipment consists of the following:

<TABLE>  
<CAPTION>

|  | 1999<br>---- | 1998<br>---- |
|--|--------------|--------------|
| <S>                                      | <C>          | <C>          |
| Furniture and fixtures.....              | \$ 300,257   | \$ 300,257   |
| Office, classroom and lab equipment..... | 1,992,003    | 1,739,332    |
| Leasehold improvements.....              | 102,542      | 102,542      |

|  |            |            |
|--|------------|------------|
|  | 2,394,802  | 2,142,131  |
| Accumulated depreciation and amortization..... | 1,746,089  | 1,392,978  |
|  | \$ 648,713 | \$ 749,153 |

</TABLE>

Depreciation and amortization expense from continuing operations for the years ended December 31, 1999, 1998 and 1997 was approximately \$142,000, \$135,000 and \$112,000 (unaudited), respectively.

#### 4. INTANGIBLE ASSETS

At December 31, 1999 and 1998, intangible assets consist of the following:

|                               |           |             |
|-------------------------------|-----------|-------------|
|                               | 1999      | 1998        |
|                               | ----      | ----        |
| <S>                           | <C>       | <C>         |
| Goodwill.....                 | \$941,717 | \$ 941,717  |
| Deferred software costs.....  |           | 97,403      |
|                               | 941,717   | 1,039,120   |
| Accumulated amortization..... | 207,522   | 35,414      |
|                               | \$734,195 | \$1,003,706 |

</TABLE>

Amortization expense from continuing operations for the years ended December 31, 1999, 1998 and 1997 was approximately \$188,000, \$40,000 and nil (unaudited), respectively.

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NETLAN ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### 5. OBLIGATIONS UNDER CAPITAL LEASES

At December 31, 1999, obligations under capital leases consist of the following:

|   |           |
|---|-----------|
| <S>   | <C>       |
| Various leases with monthly payments aggregating \$15,518 with imputed interest ranging from 9.2% to 17.4% per annum..... | \$261,303 |
| Less amount representing interest.....  | 23,474    |
|   | -----     |
| Present value of lease payments.....  | 237,829   |
| Less current portion.....   | 173,381   |
|   | -----     |
|   | \$ 64,448 |
|   | -----     |

</TABLE>

Scheduled future minimum aggregate payments on obligations under capital leases are as follows:

|           |           |
|-----------|-----------|
| <S>       | <C>       |
| 2000..... | \$173,381 |
| 2001..... | 64,448    |
|           | -----     |
|           | \$237,829 |
|           | -----     |

</TABLE>

At December 31, 1999 and 1998, property and equipment includes assets acquired under capital leases with a cost of approximately \$658,000 and \$466,000, respectively, and accumulated depreciation of approximately \$391,000 and \$290,000, respectively.

#### 6. ACQUISITION

On November 3, 1998, the Company assumed the net liabilities of Interactive Communications International, Inc., ('ICI') in exchange for 60,000 shares of the Company's common stock (valued at \$400,000) and payment of costs associated with the acquisition of \$259,280. Goodwill recorded in the acquisition amounted to \$941,717. The acquisition has been recorded under the purchase method of accounting. The net liabilities assumed were recorded at their approximate fair

values, and are summarized as follows:

| <u>&lt;S&gt;</u>               | <u>&lt;C&gt;</u> |
|--------------------------------|------------------|
| Cash.....                      | \$ 9,850         |
| Accounts receivable.....       | 97,125           |
| Property and equipment.....    | 84,543           |
| Intangible assets.....         | 941,717          |
| Accounts payable.....          | (221,338)        |
| Loans payable.....             | (107,000)        |
| Other current liabilities..... | (145,617)        |
|                                | -----            |
|                                | \$ 659,280       |
|                                | -----            |

</TABLE>

The following unaudited pro forma information for 1998 and 1997 gives effect to the acquisition of ICI as if it had occurred on January 1, 1997:

| <u>&lt;S&gt;</u>                              | <u>1998</u>                     | <u>1997</u>                     |
|---|---------------------------------|---------------------------------|
|   | ----                            | ----                            |
| Revenues.....                                 | <u>&lt;C&gt;</u><br>\$4,631,000 | <u>&lt;C&gt;</u><br>\$3,691,000 |
|   | -----                           | -----                           |
| Income (loss) from continuing operations..... | \$ (560,000)                    | \$ 105,000                      |
|   | -----                           | -----                           |

</TABLE>

#### 7. LINE OF CREDIT, BANK

During 1999, the Company obtained a \$2.5 million revolving line of credit which bears interest at the bank's base rate plus .6%. The line of credit is collateralized by substantially all of the Company's assets and is personally guaranteed by certain stockholders of the Company. The maximum amount the Company can borrow on the line of credit is the lesser of \$2.5 million or 85% of the net amount of

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#### NETLAN ENTERPRISES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Acceptable Accounts Receivable, as defined in the line of credit agreement. In February 1999, the bank froze the borrowings of approximately \$583,000 under the line of credit (Note 17).

#### 8. LOAN PAYABLE

On November 3, 1998, the Company obtained financing in the form of a loan payable of \$2,000,000 which bears interest at 10.25% and matures November 3, 2005. Interest is payable in monthly installments beginning on December 1, 1998. Principal is payable in monthly installments of \$33,333 beginning on November 1, 2000 through the maturity date. The loan agreement contains various restrictions and covenants. The loan includes warrants to purchase 102,000 shares or 8.5% of the Company's common stock at \$14.42 per share through June 30, 2009. On or after November 3, 2003, the Company may repurchase the warrant at a call price as defined in the agreement. In addition, the lender may require the Company to repurchase the warrant at a put price, as defined in the agreement. The Company was required to establish and maintain an escrow fund of \$500,000 in accordance with an agreement with the lender. On July 22, 1999, balance of the escrow fund of \$500,000 was applied to the outstanding balance of the \$2,000,000 loan payable (Note 17).

In exchange for professional services rendered in connection with the financing, the Company has granted an unrelated consulting firm a warrant to purchase 137,000 shares of the Company's common stock at \$14.42 per share through October 3, 2008.

On March 31, 1999, the Company issued a warrant to the lender of the \$2,000,000 loan payable to purchase 4,000 shares or .3323% of the Company's common stock at \$6.25 per share through June 30, 2009.

#### 9. STOCKHOLDERS' EQUITY (DEFICIT)

On July 19, 1999, the Company amended its certificate of incorporation increasing the authorized shares of common stock to 2,700,000 of which 2,500,000 shares are designated as voting (class A) and 200,000 shares are designated as non-voting (class B). As a result of the amendment, the stockholders approved to issue 99 voting shares of common stock for each of the 10,980 voting shares then outstanding. The accompanying consolidated financial statements have been restated to give effect to this transaction.

On December 1, 1999, the Company issued 1,305,300 additional shares of its common stock to certain of its existing stockholders/employees and to one of its employees as compensation for services. Accordingly, the statement of operations for the year ended December 31, 1999 includes a charge to compensation of

approximately \$65,000 for the fair value of the shares issued.

#### 10. STOCK OPTIONS

On July 19, 1999, the Company amended its incentive stock option plan (the 'Plan') which provides for the granting of stock options, for up to 83,700 class B common shares, to key employees at a price not less than fair market value at the date of the grant. The stock options expire and terminate automatically upon the earlier of thirty days following cessation of employment by the Company, three months following effective date of the grantee's retirement, one year following the date on which the grantee's services cease with the Company due to death or disability or the date of expiration of the option determined by the Board of Directors of the Company. The Company granted 27,967 stock options at \$1.50 per share, the fair value at the date of the grant. Had compensation cost for the Plan been determined based on the fair value at the grant date, consistent with SFAS No. 123, the Company's

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#### NETLAN ENTERPRISES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

1999 net loss (no stock options were granted in 1998 or 1997) would have been adjusted to the pro forma amounts indicated below:

| <S>   | <C>           |
|---|---------------|
| Loss from continuing operations, as reported..... | \$(1,698,000) |
|   | -----         |
| Loss from continuing operations, pro forma.....   | \$(1,717,000) |
|   | -----         |

</TABLE>

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1999: risk-free interest rate of 6%; no dividend yield; expected lives of 10 years; and zero volatility.

#### 11. CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances in financial institutions located in the New York Metropolitan area. At various times during the years ended December 31, 1999 and 1998, the Company's cash balances may have exceeded the federally insured deposit limits of \$100,000.

#### 12. RELATED PARTY TRANSACTIONS

At December 31, 1999 and 1998, the Company has loans payable to stockholders of approximately \$33,000 and \$40,000, which are included in other current liabilities. The loans bear interest at 3.20% and are due on demand.

For the year ended December 31, 1999, internet application revenues include approximately \$59,000 relating to internet web-based services provided to an affiliate.

#### 13. PROFIT SHARING PLAN

The Company has a 401(k) profit sharing plan, which covers substantially all employees that meet certain eligibility requirements. The participants of the plan are permitted to defer up to 15% of their compensation annually; however, the deferral may not exceed limits imposed by the Internal Revenue Code. The Company will also make an annual contribution matching up to three percent of the participant's total compensation. Any additional contributions to the plan by the Company will be made at the discretion of the Board of Directors. Contributions under this plan were approximately \$55,000, \$63,000, and \$57,000 (unaudited) for the years ended December 31, 1999, 1998 and 1997, respectively.

#### 14. DISCONTINUED OPERATIONS

On October 31, 1999, the Company discontinued its services relating to computer network design, consulting, implementation, integration, procurement and support. For the years ended December 31, 1999, 1998 and 1997, the loss from discontinued operations was approximately \$773,000, \$477,000 and \$37,000 (unaudited) and revenues from discontinued operations were approximately \$5,954,000, \$12,846,000 and \$14,065,000 (unaudited), respectively. The accompanying consolidated financial statements have been restated to reflect the revenues and expenses relating to these operations as loss from discontinued operations.

Management negotiated with its vendors to pay its trade payables at a discount. For the year ended December 31, 1999, loss from discontinued operations includes a gain of approximately \$415,000. In addition, the Company sold its rights relating to service and maintenance contracts to a third party for a nominal amount. For the year ended December 31, 1999, loss from discontinued operations includes a gain of approximately \$209,000 relating to the write off of the unearned portion of these contracts.

#### 15. SEGMENT INFORMATION

The Company has two reportable segments: Netlan II Inc. and Netlan Acquisition Corp. ('ICI').

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NETLAN ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Netlan II Inc. segment provides authorized technical education and training. The ICI segment provides services relating to internet strategy development and analysis, internet marketing strategy development and implementation, web site development, CD-ROM-based and web-based custom training applications and design, development and implementation of collaborative computing applications. Some business activities cannot be classified in the aforementioned segments and are shown under 'Corporate'.

Operating segment information for the years ended December 31, 1999, 1998 and 1997 is summarized as follows (in thousands):

<TABLE>  
<CAPTION>

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1999

|                                    | NETLAN<br>ACQUISITION<br>CORP.<br>( 'ICI' ) |         |           |              |
|------------------------------------|---|---------|-----------|--------------|
|                                    | NETLAN II INC.                              |         | CORPORATE | CONSOLIDATED |
| <S>                                | <C>   | <C>     | <C>       | <C>          |
| Revenues.....                      | \$2,284                                     | \$1,938 | \$ --     | \$4,222      |
| Operating loss.....                | \$ 296                                      | \$ 422  | \$736     | \$1,454      |
| Interest expense.....              | \$ 16                                       | \$ --   | \$228     | \$ 244       |
| Depreciation and amortization..... | \$ 106                                      | \$ 183  | \$ 41     | \$ 330       |
| Total assets.....                  | \$ 609                                      | \$ 944  | \$176     | \$1,729      |
| Capital expenditures.....          | \$ 83                                       | \$ --   | \$ --     | \$ 83        |

</TABLE>

<TABLE>  
<CAPTION>

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1998

|                                    | NETLAN<br>ACQUISITION<br>CORP.<br>( 'ICI' ) |          |           |              |
|------------------------------------|---|----------|-----------|--------------|
|                                    | NETLAN II INC.                              |          | CORPORATE | CONSOLIDATED |
| <S>                                | <C>   | <C>      | <C>       | <C>          |
| Revenues.....                      | \$2,647                                     | \$1,067  | \$ --     | \$3,714      |
| Operating income (loss).....       | \$ 91                                       | \$ (139) | \$ (85)   | \$ (133)     |
| Interest expense.....              | \$ 11                                       | \$ 11    | \$ 209    | \$ 231       |
| Depreciation and amortization..... | \$ 124                                      | \$ 39    | \$ 11     | \$ 174       |
| Total assets.....                  | \$ 815                                      | \$1,978  | \$1,345   | \$4,138      |
| Capital expenditures.....          | \$ 45                                       | \$ 2     | \$ --     | \$ 4         |

</TABLE>

<TABLE>  
<CAPTION>

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997

|                              | NETLAN<br>ACQUISITION<br>CORP.<br>( 'ICI' ) |         |           |              |
|------------------------------|---|---------|-----------|--------------|
|                              | NETLAN II INC.                              |         | CORPORATE | CONSOLIDATED |
| <S>                          | <C>   | <C>     | <C>       | <C>          |
| Revenues.....                | \$2,373                                     | \$ 51   | \$ --     | \$2,424      |
| Operating income (loss)..... | \$ 318                                      | \$ (58) | \$ --     | \$ 260       |

|                                    |        |       |       |        |
|------------------------------------|--------|-------|-------|--------|
| Interest expense.....              | \$ 13  | \$ -- | \$ -- | \$ 13  |
| Depreciation and amortization..... | \$ 112 | \$ -- | \$ -- | \$ 112 |
| Total assets.....                  | \$ 837 | \$ 79 | \$ -- | \$ 916 |
| Capital expenditures.....          | \$ 87  | \$ -- | \$ -- | \$ 87  |
|                                    | -----  | ----- | ----- | -----  |
|                                    | -----  | ----- | ----- | -----  |

</TABLE>

The total assets in the above table include the assets from continuing operations only, total assets of Netlan Inc., the discontinued segment, were \$230, \$1,527 and \$3,504 at December 31, 1999, 1998 and 1997, respectively. In addition, Netlan Inc. incurred capital expenditures of \$216 and \$148 (unaudited) for the years ended December 31, 1998 and 1997, respectively.

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NETLAN ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

16. COMMITMENTS AND CONTINGENCIES

The Company leases its office facilities under four operating leases expiring in 2001. The leases provide for minimum annual rent plus adjustments for increases in the Consumer Price Index and certain expenses over based period amounts. Aggregate future minimum rental payments are as follows:

<TABLE>  
<CAPTION>

|           | YEAR ENDING<br>DECEMBER 31,<br>----- |
|-----------|--------------------------------------|
| <S>       | <C>                                  |
| 2000..... | \$297,200                            |
| 2001..... | 194,200                              |
|           | -----                                |
|           | \$491,400                            |
|           | -----                                |
|           | -----                                |

</TABLE>

Rent expense for the years ended December 31, 1999, 1998 and 1997 was approximately \$193,000, \$87,000, and \$75,000 (unaudited), respectively.

The Company is a defendant in various lawsuits related to matters arising in the normal course of business. It is the opinion of management that the disposition of these lawsuits will not, individually or in the aggregate, materially adversely affect the consolidated financial position, results of operations or cash flows of the Company.

17. SUBSEQUENT EVENTS

On January 27, 2000, the Company amended its certificate of incorporation increasing the number of authorized shares of common stock to 5,000,000, of which 4,800,000 shares are designated as voting (class A) and 200,000 shares are designated as non-voting (class B).

On February 18, 2000, one of the Company's stockholders exercised his preemptive right, as a result of the issuance of common stock on December 1, 1999 (Note 9), to purchase 13,573 shares of common stock at a price of five cents per share.

On February 22, 2000, the Company entered into a plan of merger with eB2B Commerce, Inc. ('eB2B.com') whereby the Company's stockholders will exchange 100% of their common stock for 122,182 equivalent shares, as defined in the agreement, of eB2B.com's common stock.

On February 22, 2000, eB2B.com repaid the loan payable of \$1.5 million (Note 8).

As of February 22, 2000, the Company is in violation of certain covenants set forth in the line of credit agreement. On February 24, 2000, eB2B.com repaid the \$583,000 line of credit (Note 7).

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Prospective investors may rely only on the information contained in this prospectus. We have not authorized anyone to provide prospective investors with different or additional information. This prospectus is not an offer to sell nor is it seeking an offer to buy in any jurisdiction where such offer, or sale is

not permitted. The information contained in this prospectus is correct only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of these shares.

<TABLE>  
<CAPTION>

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</TABLE>

87,549,195 shares

eB2B Commerce, Inc.

Prospectus

, 2001

Information not required in prospectus

Item 24. Indemnification of directors and officers.

The Company's amended and restated certificate of incorporation provides that the Company will indemnify any person who is or was a director, officer, employee or agent of the Company to the fullest extent permitted by the New Jersey Business Corporation Act, and to the fullest extent otherwise permitted by law. The New Jersey law 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 New Jersey law) to the Company or its stockholders, (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 Company's amended and restated certificate of

incorporation and the New Jersey law, no director or officer of the Company will be personally liable to the Company or to any of its stockholders for damages for breach of any duty owed to the Company or its stockholders, 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 New Jersey law) to the Company or its stockholders, (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 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 will 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 Company or that he or she had reasonable cause to believe his or her conduct was unlawful. Indemnification as provided in the bylaws will be made only as authorized in a specific case and upon a determination that the person met the applicable standards of conduct.

Item 25. Other expenses of issuance and distribution

The estimated expenses of the distribution, all of which are to be borne by the Registrant, are as follows:

|                                    |          |
|------------------------------------|----------|
| <TABLE>                            |          |
| <S>                                | <C>      |
| SEC Registration Fee.....          | \$ 9,929 |
| Blue Sky Fees and Expenses*.....   | *        |
| Accounting Fees and Expenses*..... | *        |
| Legal Fees and Expenses*.....      | *        |
| Miscellaneous.....                 | *        |
| Total.....                         | \$ *     |
|                                    | =====    |
| </TABLE>                           |          |

\* To be provided by amendment.

Item 26. Recent sales of unregistered securities

In April 1999, former eB2B Commerce, Inc., a Delaware corporation ("former eB2B"), a predecessor of the Registrant, concluded a private placement offering of Series A preferred stock and common stock to 13 accredited investors for an aggregate of \$300,000. Investors were issued 300 shares of Series A preferred stock at

\$1,000 per share, convertible into an aggregate of 399,000 shares of common stock. The issuance of these shares was exempt from registration pursuant to Rule 506 promulgated under Section 4(2) of the Securities Act.

In October 1999, Michael Falk, a member of the Registrant's board of directors, and ComVest Partners LLC, each an accredited investor, in exchange for \$375,000, received 7% promissory notes and five-year, immediately exercisable warrants to purchase an aggregate of 1,326,433 shares of common stock with an exercise price of \$1.50 per share. These promissory notes and warrants were replaced by promissory notes and warrants in the subsequent bridge financing. The issuance of these securities was exempt from registration pursuant to Rule 506 promulgated under Section 4(2) of the Securities Act.

In October 1999, in exchange for an aggregate of \$1 million, (which included the replacement of promissory notes and warrants previously issued in the pre-bridge financing) ComVest Partners LLC, Commonwealth and nine additional



accredited investors were issued 7% promissory notes automatically convertible into the shares of preferred stock in the subsequent Series B preferred stock private placement and seven-year immediately exercisable warrants to purchase an aggregate of 717,409 shares of common stock at an exercise price of \$4.00 per share (\$1.50 reflective of the 2.66 to 1 exchange ratio in the Registrant's April 2000 Merger. In May 2001, these warrants were adjusted to become warrants to purchase an aggregate of 5,724,904 shares of common stock with an exercise price of \$.50 per share. The issuance of these securities was exempt from registration pursuant to Rule 506 promulgated by Section 4(2) of the Securities Act.

In November 1999, Commonwealth and its designees were issued five-year warrants to purchase the equivalent of 1,250,200 shares of the Registrant's common stock at an exercise price of \$2.0677 per share in consideration for providing former eB2B with financial advisory services. These warrants vested upon completion of the Registrant's April 2000 merger, at which time they became immediately exercisable. The granting of these warrants was exempt from registration pursuant to Rule 506 promulgated by Section 4(2) of the Securities Act.

In December 1999, the Registrant concluded a private placement offering of \$33 million in Series B preferred stock and warrants to approximately 530 accredited investors. The Registrant issued approximately 3,300,000 shares of Series B preferred stock, convertible into approximately 15,960,000 shares of common stock, and seven-year, immediately exercisable warrants to purchase approximately 3,990,000 shares with an exercise price of \$2.0677 per share. Since issued, the number of underlying shares of these warrants was adjusted to increase by 63.3% and the exercise price was adjusted to \$1.266 per share. The issuance of these securities was exempt from registration pursuant to Rule 506 promulgated by Section 4(2) of the Securities Act.

In connection with the December 1999 private placement, the Registrant also issued seven-year, immediately exercisable warrants to purchase an aggregate of approximately 3.9 million shares of common stock to Commonwealth for acting as the placement agent in connection with such private placement with an exercise price of \$2.0677 per share. Since issuance, the number of shares was adjusted to increase by 63.3% and the exercise price was adjusted to \$1.366 per share. The granting of these warrants was exempt from registration pursuant to Rule 506 promulgated by Section 4(2) of the Securities Act.

In connection with the Series B private placement, the Registrant also engaged Commonwealth as a finder in connection with merger and acquisition transactions. As part of the finder's fee agreement, the Registrant issued Commonwealth 720,282 shares of common stock and seven-year immediately exercisable warrants to purchase 502,383 shares of common stock with an exercise price of \$5.50 per share (\$2.07 reflective of the 2.66 to 1 exchange ratio in the Registrant's April 2000 merger. The granting of these warrants was exempt from registration by Rule 506 promulgated pursuant to Section 4(2) of the Securities Act.

In May 2001, the Registrant completed a private placement of convertible notes and warrants to seven accredited investors. Pursuant to the financing, the Registrant issued \$7,500,000 of principal amount of 7% convertible notes, convertible into an aggregate of 15,000,000 shares of common stock, and warrants to purchase an

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aggregate 15,000,000 shares of common stock at an exercise price of \$0.93 per share. The issuance of these securities was exempt from registration by Rule 506 promulgated pursuant to Section 4(2) of the Securities Act.

In May 2001, the Registrant issued 299,658 and 2,189,781 shares of common stock, respectively, to McKinsey & Company, Inc. United States and Interworld Corporation as payment for services provided to us. The issuance of these shares to these accredited investors was exempt from registration by Rule 506 promulgated by Section 4(2) of the Securities Act.

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Item 27. Exhibits

<TABLE>

<CAPTION>

| Number | Description   |
|--------|---|
| <S>    | <C>   |
| 2.1    | Agreement and Plan of Merger by and between eB2B Commerce, Inc. and DynamicWeb Enterprises, Inc., dated December 1, 1999, and as amended, dated February 29, 2000 (incorporated by reference to Exhibit 2.1 and Exhibit 2.2 filed with the Registrant's Registration Statement on Form S-4/A filed on March 20, 2000 ("Form S-4")). |
| 2.2    | Agreement and Plan of Merger by and between eB2B Commerce, Inc., Netlan Merger Corporation and Netlan Enterprises, Inc., dated February 22, 2000 (incorporated by reference to Exhibit 2.5 filed with the Registrant's Form S-4).   |
| 3.1    | Certificate of Incorporation, as filed with the Secretary of State of New Jersey on August 7, 1979 together with all subsequently filed Amendments and Restatements (incorporated by reference to Exhibits 3.1.1 through Exhibit 3.1.13 filed with the Registrant's Form S-4).  |
| 3.2    | Bylaws adopted August 7, 1979 including all subsequently filed Amendments and Restatements (incorporated by reference to Exhibit 3.2.1 through Exhibit 3.2.4 filed with the Registrant's Form S-4).   |
| 5.1    | Opinion and Consent of Kaufman & Moomjian, LLC regarding the legality of the securities being registered.   |
| 10.1   | Agreement of Sub-Lease between 757 Third Avenue LLC and eB2B Commerce, Inc., dated July 28 2000. Incorporated by reference to Exhibit 10.1 filed with the Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2000 ("2000 Form 10-KSB").  |
| 10.2   | Employment Agreement between eB2B Commerce, Inc. and Alan J. Andreini, dated effective as of July 1, 2000 (Incorporated by reference to Exhibit 10.2 filed with the Registrant's 2000 Form 10-KSB) and amendment thereto effective as of May 14, 2001.  |
| 10.3   | Employment Agreement between Peter J. Fiorillo and eB2B Commerce, Inc., dated effective as of December 1, 1998 (incorporated by reference to Exhibit 10.3 filed with the Registrant's Form S-4) and amendment thereto effective as of April 2001.   |
| 10.4   | Employment Agreement between Richard S. Cohan and eB2B Commerce, Inc., dated effective as of May 4, 2001.   |
| 10.5   | Employment Agreement between eB2B Commerce, Inc. and Steven Rabin, dated effective as of October 31, 2000 (Incorporated by reference to Exhibit 10.6 as filed with the Registrant's 2000 Form 10-KSB) and amendment thereto effective as of April 2001.   |
| 10.6   | eB2B Commerce, Inc. 2000 Stock Option Plan. (Incorporated by reference to Exhibit 99.1 as filed with the Registrant's Form S-4).  |
| 10.7   | Form of Series A Preferred Stock Subscription Agreement.  |
| 10.8   | Form of Unit Subscription Agreement relating to Series B preferred stock and warrants.  |
| 10.9   | Form of Unit subscription agreement relating to convertible notes and warrants.   |
| 23.1   | Independent Auditors' Consent - Deloitte & Touche LLP.  |
| 23.2   | Independent Auditors' Consent - Ernst & Young LLP.  |
| 23.3   | Independent Auditors' Consent - Richard A. Eisner & Company, LLP  |
| 23.4   | Independent Auditor's Consent - Rothstein, Kass & Company, P.C.   |
| 23.5   | Consent of Kaufman & Moomjian, LLC (included in legal opinion filed as Exhibit 5.1).  |
| 24     | Power of Attorney (set forth on the signature page of this Registration Statement on Form SB-2).  |

</TABLE>

Item 28. Undertakings.

The Registrant hereby undertakes that it will:

- (1) File, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:
  - (i) Include any prospectus required by Section 10(a) (3) of the Securities Act;
  - (ii) Reflect in the prospectus any facts of events which, individually or together, represent a fundamental change in the information in the registration statement; and
  - (iii) Include any additional or changed material information on the plan of distribution.
- (2) For determining any liability under the Securities Act, treat each post-effective amendment as a new registration statement for the securities offered, and the offering of the securities at that time to be the initial bona fide offering.
- (3) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer 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 small business issuer of expenses incurred or paid by a director, officer or controlling person of the small business issuer 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 it 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 certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form SB-2 and authorized this Registration Statement to be signed on its behalf by the undersigned, in the City of New York, State of New York on the 13th day of July, 2001.

eB2B Commerce, Inc.

By: /s/ Richard S. Cohan

-----  
Richard S. Cohan  
President

Each person whose signature appears below constitutes and appoints Peter J. Fiorillo, with full power of substitution, his/her true and lawful attorney-in-fact and agent to do any and all acts and things in his/her name and on his/her behalf in his/her capacities indicated below which he may deem necessary or advisable to enable eB2B Commerce, Inc. to comply with the Securities Act of 1933, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Registration Statement, including specifically, but not limited to, power and authority to sign for him/her in his/her name in the capacities stated below, any and all amendments (including post-effective amendments) thereto, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in such connection, as fully to all intents and purposes as we might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

In accordance with the requirements of the Securities Act of 1933, this Registration Statement was signed by the following persons in the capacities indicated on July 13, 2001.

<TABLE>

<CAPTION>

Signatures

Title

<S>

<C>

/s/ Richard S. Cohan

President

-----  
Richard S. Cohan

(Principal Executive Officer)

/s/ Peter J. Fiorillo

Chief Financial Officer and Chairman of the Board of  
Directors (Principal Financial and Accounting Officer)

-----  
Peter J. Fiorillo

/s/ Stephen J. Warner

Director

-----  
Stephen J. Warner

/s/ Harold S. Blue

Director

-----  
Harold S. Blue

Director

-----  
Michael S. Falk

/s/ Bruce J. Haber

Director

-----  
Bruce J. Haber

/s/ Mark Reichenbaum

Director

-----  
Mark Reichenbaum

Director

-----  
Timothy J. Flynn

</TABLE>

KAUFMAN & MOOMJIAN, LLC  
Attorneys at Law

50 Charles Lindbergh Boulevard -- Suite 206  
Mitchel Field, New York 11553

Telephone: (516) 222-5100  
Facsimile: (516) 222-5110  
Internet: [www.kmcorplaw.com](http://www.kmcorplaw.com)

July 13, 2001

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, DC 20006

Re: eB2B Commerce, Inc.  
Registration Statement on Form SB-2  
(originally filed on Form S-3)

Dear Sirs/Madams:

We have acted as counsel for eB2B Commerce, Inc., a New Jersey corporation (the "Company"), in connection with the registration under the Securities Act of 1933, as amended, of an aggregate of 87,549,195 shares (the "Shares") of the common stock, par value \$.0001 per share (the "Common Stock"), of the Company, to be offered and sold by certain securityholders of the Company (the "Selling Securityholders"). In this regard, we have participated in the preparation of a Registration Statement on Form S-3, as amended by Amendment No. 1 to Form S-3 on Form SB-2 (the "Registration Statement"), relating to the Shares. The Shares include an aggregate of 79,470,315, shares (the "Underlying Shares") of Common Stock issuable upon exercise of outstanding warrants and upon the conversion of shares of preferred stock and/or convertible notes, including interest thereon (collectively the "Derivative Securities"), of the Company.

We are of the opinion that (a) the Shares issued and outstanding on the date hereof are duly authorized, legally issued, fully paid and non-assessable and (b) the Underlying Shares, upon issuance in accordance with the terms of the respective Derivative Securities, will be duly authorized, legally issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement and to the use of our name under the caption "Legal Matters" in the Registration Statement and in the Prospectus included therein.

Very truly yours,

/s/ Kaufman & Moomjian, LLC  
Kaufman & Moomjian, LLC

Amendment to Employment Agreement (the "Amendment"), effective as of May 14, 2001 (the "Effective Date"), between eB2B Commerce, Inc., a New Jersey corporation with principal offices at 757 Third Avenue, New York, NY 10017 (the "Company") and Alan Andreini, residing at 245 East 58th Street, Apt 30C, New York, NY 10022 ("Employee"). The Company and Employee may be referred to herein collectively as the "Parties" or individually as a "Party."

WHEREAS, the Company and Employee are parties to an Employment Agreement (the "Agreement"), dated effective as of July 1, 2001; and

WHEREAS, the Company and Employee now desire to amend certain of the terms set forth in the Agreement, and to memorialize such amended terms in this Amendment.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein set forth, the Parties do hereby agree as follows:

- 1 Amendment to Section 3.1. Section 3.1 of the Agreement is hereby amended by deleting the phrase "\$225,000 per year" and inserting the phrase "\$125,000 per year."
- 2 Amendment to Section 4.1. Section 4.1 is hereby amended by deleting the last sentence and replacing it with the following sentence: "Employee shall be entitled to the vacation ("paid time off" as defined in the Company's Employee Handbook) during each year of this Agreement in accordance with the standard policies and procedures for similarly situated employees of the Company."
- 3 Amendment to Section 4.2. Section 4.2 of the Agreement is hereby deleted in its entirety, and shall be of no further force or effect.
- 4 Amendment to Section 4.3. Section 4.3 of the Agreement is hereby deleted in its entirety, and shall be of no further force or effect.
- 5 Amendment to Section 6.2. Section 6.2 of the Agreement is hereby deleted in its entirety, and the following is inserted in its place and stead:

Resignation of Employee for Good Reason. The Parties agree that Employee has the right to voluntarily terminate his employment with the Company for "Good Reason" upon providing twenty (20) days prior written notice to the Company. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following events or conditions:

a change in Employee's status, titles, positions or responsibilities which represents an adverse change from his status, titles, positions or responsibilities as in effect immediately prior thereto and which causes Employee embarrassment or creates the appearance of being demeaned by the Company; the assignment to Employee of any duties or responsibilities which are inconsistent with his status, titles or positions and which causes Employee embarrassment or creates the appearance of being demeaned by the Company; or any removal of Employee from or

failure to reappoint or reelect him to any of such offices or positions, except in connection with the termination of his employment for "Disability" (as defined below), for "Cause" (as defined below), as a result of his death, or by Employee other than for Good Reason;

a reduction in the Base Salary (which is not associated with an overall plan for decreasing salaries and/or operating expenses of the Company); or

the relocation of the offices of the Company at which Employee is principally employed to a location more than fifty (50) miles from the location of such offices immediately prior to the relocation, except for required travel on business of the Company to an extent substantially consistent with Employee's customary business travel obligation and duties.

- 6 Amendment to Section 6.3. Section 6.3 is hereby deleted in its entirety, and the following is inserted in its place and stead:

Termination by the Company for Convenience. The Parties agree that the Company has the right to terminate Employee's employment for convenience during the term of this Agreement upon notice to Employee. The date of termination will be the date specified in a notice from the Company. Employee will cease to have any power of his office as of such date. In addition, the failure of the Company to extend the Term of this Agreement for a Succeeding Employment Term (or a termination by the Company which has the effect of terminating this Agreement without a Succeeding Employment Term) shall be deemed a termination of Employee's employment by the Company for convenience.

- 7 Amendment to Section 6.7.1. Section 6.7 is hereby amended by adding the following sentence as the final sentence of the section: "In addition, any options granted to Employee subsequent to the date of the Agreement which have vested at the time of a termination of Employee's employment pursuant to Sections 6.2, 6.3 or 6.5 of the Agreement shall remain exercisable until the earlier of two years from the date of termination or 10 years from the date of grant of the Options.

- 7 Amendment to Section 6.8. Section 6.8 is hereby amended by deleting the second sentence and replacing it with the following:

In addition, if Employee's employment with the Company terminates pursuant to Sections 6.2 or 6.3 hereof the Company will (i) pay, in six (6) equal monthly installments, to Employee an amount equal to fifty (50%) percent of his Base Salary at the rate then in effect, (ii) for a period of six (6) months pay the rent associated with Employee's residence at 245 East 58th Street, Apt. 30C, New York, NY, and (iii) continue to provide Employee and his beneficiaries for nine (9) months following such termination, health and welfare benefits substantially similar in the aggregate to those provided to the other senior executives of the Company; provided, however, that the Company's obligation with respect to the foregoing benefits shall be reduced to the extent Employee or his beneficiaries obtains any such benefits pursuant to a subsequent employer's benefit plans.

- 8 Amendment to Section 17.1. Section 17.1 of the Agreement is hereby deleted, and the following is inserted in its place and stead:

Notices. Any and all notices, demands, requests or other communication required or permitted by this Agreement or by law to be served on, given to, or delivered to any Party hereto by any other Party to this Agreement shall be provided in writing or orally. If notice is provided in writing, it shall be deemed duly served, given, or delivered when personally delivered to the Party to be notified, or in lieu of such personal delivery, when deposited in the United States mail, registered or certified mail, return receipt requested, or when confirmed as received if delivered by overnight courier, addressed to the to the Party to be notified, at the address of the Company at its principal office, as first set forth above, or to Employee at the address as first set forth above. If notice is provided orally, it shall be deemed duly served, given, or delivered when personally

stated to the Party to be notified, and shall be confirmed in writing within 30 days of such notice. Such written confirmation shall be delivered in a manner consistent with the provisions of the second sentence of this provision. The Company or Employee may change the address in the manner required by law for purposes of this paragraph by giving written notice of the change, in the manner required by the second sentence of this provision, to the respective Parties.

9 Amendment to Section 17.4. Section 17.4 is hereby deleted in its entirety, and the following is inserted in its place and stead:

Attorney's Fees. In the event of any litigation or arbitration that occurs between the Parties, each Party shall be responsible for their own attorney's fees and costs associated with such litigation or arbitration.

10 Agreement to Enter into Restated Agreement. The Parties agree to enter into a restated employment agreement containing the provisions of the Agreement as modified by this Amendment within 30 days of the date of this Amendment.

11 No Further Revisions; Agreement Remains in Full Force and Effect. Except for the revisions to the Agreement set forth above, the Agreement remains unchanged, and in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year set forth below.

eB2B COMMERCE, INC.

By: /s/ John J. Hughes

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By: /s/ Alan Andreini

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Alan Andreini

Date: May 15, 2001

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Date: May 15, 2001

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Amendment to Employment Agreement (the "Amendment"), effective as of April , 2001 (the "Effective Date"), between eB2B Commerce, Inc., a New Jersey corporation with principal offices at 757 Third Avenue, New York, NY 10017 (the "Company") and Peter Fiorillo, residing at , NY ( "Employee"). The Company and Employee may be referred to herein collectively as the "Parties" or individually as a "Party."

WHEREAS, the Company and Employee are parties to an Employment Agreement (the "Agreement"), dated effective as of January 3, 2000; and

WHEREAS, the Company and Employee now desire to amend certain of the terms set forth in the Agreement, and to memorialize such amended terms in this Amendment.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein set forth, the Parties do hereby agree as follows:

- 1 Amendment to Section 3.2. Section 3.2 of the Agreement is hereby amended by deleting the last sentence of the provision and replacing it with the following: "Notwithstanding the foregoing, for each calendar year of this Agreement, the Company will pay Employee a bonus of no less than twenty five thousand (\$25,000) dollars, payable by March 15th of the following year."
- 2 Amendment to Section 3.5. Section 3.5 of the Agreement is hereby amended by deleting the first two sentences of the provision, and replacing them with the following: "Deferred Compensation shall be the amount which is calculated as an amount equal to seventy five (75%) percent of the annual compensation earned by Employee in the prior year (including Base Salary and Bonus Compensation). In addition, Employee shall be entitled to all of the benefits and personal perquisites otherwise provided in the Agreement during the nine (9) month period following the date of termination."
- 3 Amendment to Section 3.7. Section 3.7 of the Agreement is hereby amended by deleting the phrase to "twelve (12) months" in the first sentence of the provision, and replacing same with the phrase "nine (9) months."
- 4 Amendment to Section 4.1. Section 4.1 is hereby amended by deleting the last sentence and replacing it with the following sentence: "Employee shall be entitled to the vacation ("paid time off" as defined in the Company's Employee Handbook) during each year of this Agreement in accordance with the standard policies and procedures for similarly situated employees of the Company."
- 5 Amendment to Section 4.2. Section 4.2 of the Agreement is hereby deleted in its entirety, and shall be of no further force or effect.
- 6 Amendment to Section 4.3. Section 4.3 of the Agreement is hereby deleted in its entirety, and shall be of no further force or effect.
- 7 Amendment to Section 6.5. Section 6.5 of the Agreement is hereby deleted in its entirety, and the following is inserted in its place and stead:

Resignation of Employee for Good Reason. The Parties agree that Employee has the right to voluntarily terminate his employment with the Company for "Good Reason" upon providing twenty (20) days prior written notice to the Company. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following events or

conditions:

a change in Employee's status, titles, positions or responsibilities which represents an adverse change from his status, titles, positions or responsibilities as in effect immediately prior thereto and which causes Employee embarrassment or creates the appearance of being demeaned by the Company; the assignment to Employee of any duties or responsibilities which are inconsistent with his status, titles or positions and which causes Employee embarrassment or creates the appearance of being demeaned by the Company; or any removal of Employee from or failure to reappoint or reelect him to any of such offices or positions, except in connection with the termination of his employment for "Disability" (as defined below), for "Cause" (as defined below), as a result of his death, or by Employee other than for Good Reason;

a reduction in the Base Salary (which is not associated with an overall plan for decreasing salaries and/or operating expenses of the Company); or

the relocation of the offices of the Company at which Employee is principally employed to a location more than fifty (50) miles from the location of such offices immediately prior to the relocation, except for required travel on business of the Company to an extent substantially consistent with Employee's customary business travel obligation and duties.

- 8 Amendment to Section 6.2. Section 6.2 is hereby deleted in its entirety, and the following is inserted in its place and stead:

Termination by the Company for Convenience. The Parties agree that the Company has the right to terminate Employee's employment for convenience during the term of this Agreement upon notice to Employee. The date of termination will be the date specified in a notice from the Company. Employee will cease to have any power of his office as of such date. In addition, the failure of the Company to extend the Term of this Agreement for a Succeeding Employment Term (or a termination by the Company which has the effect of terminating this Agreement without a Succeeding Employment Term) shall be deemed a termination of Employee's employment by the Company for convenience.

- 9 Amendment to Section 6.8.2. Section 6.8.2 is hereby deleted in its entirety, and shall be of no further force or effect.

- 10 Amendment to Section 18.1. Section 18.1 of the Agreement is hereby deleted, and the following is inserted in its place and stead:

Notices. Any and all notices, demands, requests or other communication required or permitted by this Agreement or by law to be served on, given to, or delivered to any Party hereto by any other Party to this Agreement shall be provided in writing or orally. If notice is provided in writing, it shall

be deemed duly served, given, or delivered when personally delivered to the Party to be notified, or in lieu of such personal delivery, when deposited in the United States mail, registered or certified mail, return receipt requested, or when confirmed as received if delivered by overnight courier, addressed to the to the Party to be notified, at the address of the Company at its principal office, as first set forth above, or to Employee at the address as first set forth above. If notice is provided orally, it shall be deemed duly served, given, or delivered when personally stated to the Party to be notified, and shall be confirmed in writing within 30 days of such notice. Such written confirmation shall be delivered in a manner consistent with the provisions of the second sentence of this provision. The Company or Employee may change the address in the manner required by law for purposes of this paragraph by giving

written notice of the change, in the manner required by the second sentence of this provision, to the respective Parties.

- 11 Amendment to Section 18.4. Section 18.4 is hereby deleted in its entirety, and the following is inserted in its place and stead:

Attorney's Fees. In the event of any litigation or arbitration that occurs between the Parties, each Party shall be responsible for their own attorney's fees and costs associated with such litigation or arbitration.

- 12 Agreement to Enter into Restated Agreement. The Parties agree to enter into a restated employment agreement containing the provisions of the Agreement as modified by this Amendment within 30 days of the date of this Amendment.

- 13 No Further Revisions; Agreement Remains in Full Force and Effect. Except for the revisions to the Agreement set forth above, the Agreement remains unchanged, and in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year set forth below.

eB2B COMMERCE, INC.

By: /s/ John J. Hughes

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By: /s/ Peter Fiorillo

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Peter Fiorillo

Date: April 27, 2001

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Date: April 27, 2001

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EMPLOYMENT AGREEMENT

Employment Agreement (the "Agreement"), effective as of May 4, 2001 (the "Effective Date"), between eB2B Commerce, Inc., a New Jersey corporation with principal offices at 757 Third Avenue, New York, New York 10017 (the "Company"), and Richard Cohan, residing at 18 Brooklawn Drive, Short Hills, NJ 07078 ("Executive"). The Company and Executive may be referred to herein collectively as the "Parties" or individually as a "Party."

WHEREAS, the Company develops, owns and operates business to business e-commerce solutions for transaction processing between buyers and suppliers; and

WHEREAS, the Company desires Executive to serve as President and Chief Operating Officer of the Company, and Executive desires to accept such position and serve the Company as set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein set forth, the Parties do hereby agree as follows:

1. Employment. The Company hereby agrees to employ Executive and Executive accepts this employment and agrees to render services to the Company on the terms and conditions set forth in this Agreement. This Agreement, describing the terms and conditions of Executive's employment with the Company, supersedes and replaces any terms and conditions in any Company forms or other documents, including the Company's standard employment application, whether signed by Executive or not, where such terms and conditions are different or inconsistent from the corresponding terms and conditions of this Agreement. During the term of this Agreement, Executive shall serve as President and Chief Operating Officer of the Company, and shall perform services for the Company normally associated with such positions and such other duties as the Executive Committee of the Board of Directors of the Company (or, in the absence of such a Committee, the Board of Directors of the Company) shall reasonably request. Executive shall use his best efforts to meet the business requirements and goals set by the Executive Committee (or Board of Directors). In furtherance thereof, Executive will devote his best efforts to the affairs and business of the Company. Executive agrees not to serve on any corporate, industry, civic or charitable boards or committees that would interfere or create a conflict of interest with respect to his duties hereunder without the prior consent of the Executive Committee (or Board of Directors), which consent will not be unreasonably withheld. Executive further agrees to observe and comply with the rules and regulations of the Company as adopted by the Executive Committee or the Board of Directors with respect to the performance of his duties; provided, however, that such rules and regulations do not interfere with Executive's ability to perform his duties.

2. Term. The term of this Agreement shall be the period from the Effective Date and terminating on May 3, 2004 (the "Initial Employment Term"). The Agreement shall thereafter automatically renew for successive one (1) year terms, until terminated by either Party in accordance with this Agreement (the "Succeeding Employment Term"), unless either Party

provides a written Notice of Termination (as defined in Section 6 hereof) to the other party at least ninety (90) days prior to the expiration of the Initial Employment Term or any Succeeding Employment Term.

3. Compensation.

3.1 Base Salary. The Company will compensate and pay Executive for his services during the term of this Agreement, initially starting at a base salary of \$175,000 per year (the "Base Salary"). The Base Salary shall be

payable to Executive in accordance with the Company's standard payroll policy for similarly situated Executives of the Company. The Base Salary shall be increased at the end of each one year period during the term of this Agreement, at a minimum, in accordance with the percentage increase in the Consumer Price Index for the trailing 12 month period. For purposes of this Agreement, each time the Base Salary is increased, such increased salary shall be the actual "Base Salary" for purposes of this Agreement.

3.2 Bonus. Executive may receive, from time to time, bonus compensation from the Company, as directed by the Executive Committee or the Board of Directors (the "Bonus Compensation") as follows:

3.2.1 Executive shall be entitled to receive a bonus of up to \$175,000 per annum, or greater at the discretion of the Executive Committee or the Board of Directors, during the term of this Agreement, subject to the provisions of this Agreement. The parameters to be achieved to earn such bonus shall be determined by mutual agreement of the Executive Committee and Executive within 30 days after the Effective Date and shall be reviewed and, if mutually agreed, revised each year within 30 days after the anniversary of the Effective Date. As set forth in Section 3.2.2 below, \$50,000 per annum of such bonus shall be guaranteed.

3.2.2 The Company shall pay Executive a guaranteed bonus of \$12,500 per quarter during the term of this Agreement, subject to his continued employment. Each such bonus is payable within 30 days of the end of the quarter to which the bonus relates.

3.3 Stock Options. Executive shall, on the Effective Date, be granted options to purchase 2,000,000 shares of Common Stock of the Company ("Options") pursuant to the terms of the Company's Amended 2000 Stock Option Plan (the "Option Plan") and a separate Stock Option Agreement (or Agreements) between Executive and the Company. The Options shall be "incentive stock options" to the maximum extent permitted by applicable regulation. A description of the principal terms of the Options are as follows: (a) the vesting schedule of the Options is: (i) subject to continued employment, one-third of the Options shall vest on the date one year following the Effective Date, an additional one-third of the Options shall vest on the date two years following the Effective Date and an additional one-third of the Options shall vest on the date three years following the Effective Date; (b) the exercise price of the Options shall be \$0.53 per share (the fair market value per share of Common Stock on the Effective Date); and (c) the right to exercise all of the Options granted in connection with this Agreement shall accelerate and be fully exercisable immediately upon a "change of control" event involving the Company (as such term is defined in

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the Stock Option Agreement, but which shall not include a change in control resulting from a public or private financing by the Company) and the exercise period shall be extended to two years from the date of termination of employment in the event that Executive ceases to be employed with the Company within one year after the change in control date (except the option shall not be exercisable beyond 10 years from the grant date). In the event that any "incentive" stock options cease to qualify as such, they shall be deemed to have become non-qualified options.

#### 4. Benefits.

4.1 Insurance; Paid Time Off. The Company shall provide Executive with health (family plan), disability, life and, if applicable, D&O liability insurance coverage and other benefits during the term of this Agreement as agreed upon by the Executive Committee, but in no event will such benefits be less than those offered to other senior executives of the Company. Executive shall be entitled to such number of days of "paid time off" (as such term is defined in the Company's Executive Handbook) as is commensurate with his position, in accordance with the normal "paid time off" policies of the Company. Executive shall be entitled to participate in all other retirement, welfare and benefit plans provided by the Company to its most senior executives from time to

time, to the extent Executive meets the eligibility requirements for any such plan or benefit.

4.2 Life Insurance. The Company shall have the right, at its own expense and for its own benefit, to purchase insurance on Executive's life, and Executive shall cooperate by providing necessary information, submitting to required medical examinations, and otherwise complying with the insurance carrier's requirements.

5. Expenses. The Company shall reimburse Executive or otherwise provide for or pay for all reasonable expenses incurred by Executive in furtherance of or in connection with the business of the Company, including, but not by way of limitation, (i) all reasonable expenses incurred by Executive in accordance with the Company's Travel and Entertainment Policy; and (ii) all reasonable expenses in connection with Executive's attendance at trade, professional and industry related conferences which are in furtherance of the business of the Company. Executive agrees that he will furnish the Company with adequate records and other documents for the substantiation of each such business expense.

6. Employment Termination.

6.1 Resignation of Executive. The Parties agree that Executive has the right to voluntarily terminate his employment with the Company by providing the Company with a minimum of thirty (30) days' prior written notice. Upon the receipt of such notice by the Company, Executive will cease to have any authority to act on behalf of the Company as of the date of such notice. In such event, all of the Company's obligations under this Agreement will terminate immediately upon the termination date specified in the notice.

6.2 Termination by the Company for Convenience. The Parties agree that the Board has the right to terminate Executive's employment for convenience during the term of this

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Agreement upon notice to Executive. The date of termination will be the date specified in a notice from the Executive Committee or the Board of Directors, but in no event less than thirty (30) days notice. Executive will cease to have any authority to act on the Company's behalf as of the date of receipt of such notice by Executive.

6.3 Termination by the Company for Cause. The Parties agree that the Board has the right to terminate Executive's employment during the term of this Agreement for "Cause." For the purposes of this Agreement, the term "Cause" will mean:

6.3.1 Conduct intentionally taken on Executive's part that materially injures the Company's business or reputation;

6.3.2 Actions by Executive intentionally and knowingly furnishing materially false, misleading or omissive information to the Board;

6.3.3 Executive is convicted of any felony;

6.3.4 Illegal use of prescription drugs, or use of illegal drugs by Executive;

6.3.5 Any fraud, embezzlement or misappropriation by Executive of the assets of the Company; or

6.3.6 The willful and significant failure by Executive to perform reasonably assigned duties and obligations as set forth in this Agreement, resulting in damage to the Company, but not encompassing illness, physical or mental incapacity and of which the Company notifies Executive in writing detailing the failure and recommending a cure for such

failures, and such failure is not remedied or persists for a period of at least thirty (30) days following receipt of such notice by Executive

In the event that Executive's employment is terminated by the Company for Cause, the date of employment termination will be as specified in the notice of termination to Executive from the Company, and Executive will cease to have any authority to act on behalf of the Company as of such date. The Company will pay Executive the Base Salary and Bonus Compensation due him as of such date, and all other compensation and benefits provided by the Company to Executive will cease as of such date except as otherwise required by law.

6.4 Termination by the Company for Death or Disability. The Parties agree that Executive's employment will terminate upon Executive's death or Disability. The term "Disability" shall be defined as Executive's inability, through physical or mental illness, to perform the majority of his usual duties for a period of at least three continuous months or for an aggregate period of at least six months during any 12 month period.

6.5 Notice of Termination. Any termination by the Company for Cause shall be communicated by a Notice of Termination to Executive given in accordance with Section 11 hereof.

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For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) if the termination date is other than the date of receipt of such notice, specifies the effective termination date of this Agreement which date shall be in accordance with the specific termination provision of this Agreement relied upon.

6.6 Resignation of Executive for Good Reason. The Parties agree that Executive has the right to voluntarily terminate his employment with the Company for "Good Reason" upon ten (10) days prior written notice to the Board of Directors. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following events or conditions: a change in Executive's status, title, position or responsibilities which represents an adverse change from his status, title, position or responsibilities as in effect immediately prior thereto and which causes Executive embarrassment or creates the appearance of being demeaned by the Company; a change in the Company's executive offices (other than within the same greater metropolitan area); the assignment of Executive of any duties or responsibilities which are inconsistent with his status, title or position and which causes Executive embarrassment or creates the appearance of being demeaned by the Company; or any removal of Executive from or failure to reappoint or reelect him to any of such offices or positions and which causes Executive embarrassment or creates the appearance of being demeaned by the Company; except in connection with the termination of his employment for "Disability", for "cause" (as defined above), as a result of his death, or by Executive for other than "Good Reason".

6.7 Obligations of the Company Upon Certain Terminations.

6.7.1 Options. In the event that Executive's employment with the Company is terminated pursuant to Section 6.2 of this Agreement, those Options granted to Executive that would have vested within 60 after the date of such termination shall accelerate and immediately vest and remain exercisable until the earlier of two years from the date of termination or 10 years from the date of grant of the Options. In the event that Executive's employment with the Company is terminated pursuant to Sections 6.4 or 6.6 of this Agreement, those Options granted to Executive that would have vested within one year after the date of such termination shall accelerate and immediately vest and remain exercisable until the earlier of two years from the date of termination or 10 years from the date of grant of the Options. The Options shall be subject to the provisions of the Option Plan and the specific Stock Option

Agreement in effect with regard to each Option grant, provided that, to the extent the provisions of the Stock Option Agreement are inconsistent with this Section 6.7.1, this Section shall control.

6.7.2 Termination Payments. If Executive's employment with the Company is terminated pursuant to Sections 6.2, 6.4 or 6.6 of this Agreement, the Company will pay Executive (or, if applicable, Executive's estate) an amount equal to his Base Salary and any Bonus Compensation to which he may be entitled for a period of six months following the date of termination of employment (together with any unreimbursed business expenses) in a manner

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consistent with the Company's then applicable payroll practices, and, notwithstanding anything in this Agreement to the contrary, the Company shall have no further obligations to Executive.

7. Survival of Agreement Upon Termination. In the event that Executive's employment is terminated, the rights and obligations of the Parties which are set forth in Sections 7 through 11 of this Agreement shall survive the employment termination for a period from the date of such employment termination through the first anniversary of such date (unless otherwise stated in the applicable provision).

#### 8. Restrictive Covenants.

8.1 Acknowledgment. Executive acknowledges that (i) the Company's business is all aspects of business-to-business electronic commerce including, but not limited to, building, owning and operating business to business e-commerce solutions for transaction processing between buyers and suppliers, and providing systems integration and consulting services relating thereto, and (ii) fulfillment of the obligations hereunder will result in Executive becoming familiar with the business affairs of the Company and any present or future parent, subsidiary and/or affiliate.

8.2 Covenant Not to Compete. In consideration for the compensation provided for in this Agreement, and as a condition to the performance by the Company of all obligations under this Agreement, Executive agrees that during the Initial Employment Term or any Succeeding Employment Terms of this Agreement and for the period from the date of termination of Executive's employment through the first anniversary of such date (the "Non-compete Term"), Executive shall not directly or indirectly through any other entity, firm or corporation compete with or be engaged in the same business or "participate in" any other business or organization which during such period competes with or is engaged in the same business as the Company. The term "participate in" shall mean: "directly or indirectly, for his own benefit or for, with, or through any other entity, firm, or corporation, own, manage, operate, control, loan money to, or participate in the ownership, management, operation, or control of, or be connected as a director, officer, Executive, partner, consultant, agent, or independent contractor." Notwithstanding the foregoing, nothing in this provision is intended to restrict or limit the ability of Executive to work as a "consultant or independent contractor" for a business which is in the same business as the Company following the termination of Executive's employment, provided any such role is limited in duration and scope so as not to appear to circumvent the purpose and spirit of this provision. The Non-compete Term, for purposes of this Section 8.2 but not Section 8.3, shall be reduced from one year to 6 months from termination of employment in the event of termination pursuant to Section 6.2 of this Agreement. Notwithstanding the foregoing, it shall not be a breach of the provisions of this Section 8.2 if, during or after the Non-compete Term of this Agreement, Executive is a passive investor in any publicly held entity and Executive owns two (2%) percent or less of the equity interests therein. It shall not be a breach of the foregoing non-competition covenant, if Executive performs services for any publicly traded firm or enterprise in which the competing portions of such entities' business represents less than 10% of that entity's net revenues and Executive does not provide services or perform



functions for that portion of said entity's business or operations.

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8.3 No Solicitation of Executives. In addition, during the Non-compete Term Executive agrees not to recruit, contract or hire any Executive, agent, consultant or advisor of the Company, or otherwise induce such Executive, agent, consultant or advisor to leave or terminate his or her employment or engagement with the Company, to become an Executive of or otherwise be associated with him or any company or business with which he, directly or indirectly, is or may become associated with, or competes with the business of the Company.

8.4 Restrictive Covenants Necessary and Reasonable. Executive agrees that the provisions of this Section 8 are necessary and reasonable to protect the Company in the conduct of its business. If any restriction contained in this Section 8 shall be deemed to be invalid, illegal, or unenforceable by reason of the extent, duration or geographical scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, geographical scope, or other provisions hereof and in its reduced form such restriction shall then be enforceable in the manner contemplated hereby.

9. Injunctive Relief. Executive, recognizing that irreparable injury shall result to the Company in the event of Executive's breach of the terms and conditions of this Agreement, agrees that in the event of his breach or threatened breach, the Company shall be entitled to seek injunctive relief restraining Executive, and any and all persons or entities acting for or with him, from such breach or threatened breach. Nothing herein contained, however, shall be construed as prohibiting the Company from pursuing any other remedies available to it by reason of such breach or threatened breach.

10. Indemnification.

10.1 To the full extent allowed by law, the Company shall hold harmless and indemnify Executive, his executors, administrators or assigns, against any and all judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including attorneys' fees) actually incurred by Executive (net of any related insurance proceeds or other amounts received by Executive or paid by or on behalf of the Company on Executive's behalf in compensation of such judgments, penalties, fines, settlements or expenses) in connection with any threatened, actual or completed action, suit or proceeding, whether civil, criminal, arbitral, administrative or investigative, or any appeal in such action, suit or proceeding, to which Executive was, is or is threatened to be made a named defendant or respondent (a "Proceeding"), because Executive is or was a director or officer or senior executive of the Company, or was serving at the request of the Company as a director, officer, partner, venturer, proprietor, trustee, Executive, agent or similar functionary (an "Affiliate Executive") of another corporation, partnership, joint venture, sole proprietorship, trust, Executive benefit plan or other enterprise (each, a "Company Affiliate"). Upon authorization of indemnification of Executive by the Board in accordance with the applicable provisions of the corporation law of the Company's domicile, Executive shall be presumed to be entitled to such indemnification under this Agreement upon submission of a Claim (as hereinafter defined). Thereafter, the Company shall have the burden of proof to overcome the presumption that Executive is so entitled. Such presumption shall only be overcome by a judgment or other final

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adjudication, after all appeals and all time for appeals have expired ("Final Determination"), adverse to Executive establishing that such indemnification is

not permitted hereunder or by law. An actual determination by the Company (including its Board, legal counsel, or its stockholders) that Executive has not met the applicable standard of conduct for indemnification shall not be a defense to the action or create a presumption that Executive has not met the applicable standard of conduct. The purchase, establishment or maintenance of any Indemnification Arrangement shall not in any way diminish, restrict, limit or affect the rights and obligations of the Company or of Executive under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and Executive shall not in any way diminish, restrict, limit or affect Executive's right to indemnification from the Company or any other Party or Parties under any other indemnification arrangement, the Certificate of Incorporation or Bylaws of the Company, or applicable state corporate law.

10.2 Subject only to the provisions of this Section 10.2, as long as Executive shall continue to serve as a director and/or officer of the Company (or shall continue at the request of the Company to serve as an Affiliate Executive) and, thereafter, as long as Executive shall be subject to any possible Proceeding by reason of the fact that Executive was or is a director and/or officer of the Company (or served in any of said other capacities), the Company shall, unless no such policies are available in any market, purchase and maintain in effect for the benefit of Executive one or more valid, binding and enforceable policies (the "Insurance Policies") of directors' and officers' liability insurance ("D&O Insurance") providing adequate liability coverage for Executive's acts as a director and/or officer of the Company or as an Affiliate Executive. The Company may promptly notify Executive of any lapse, amendment or failure to renew said policy or policies or any provision thereof relating to the extent or nature of coverage provided thereunder. In the event the Company does not purchase and maintain in effect said policy or policies of D&O Insurance pursuant to the provisions of this Section 10.2, the Company shall, to the full extent permitted by law, in addition to and not in limitation of the other rights granted Executive under this Agreement, hold harmless and indemnify Executive to the full extent of coverage which would otherwise have been provided for the benefit of Executive pursuant to the Insurance Policies.

10.3 Executive shall have the right to receive from the Company on demand, or at his option to have the Company pay promptly on his behalf, in advance of a Final Determination of a Proceeding all expenses payable by the Company pursuant to the terms of this Agreement as corresponding amounts are expended or incurred by Executive in connection with such Proceeding or otherwise expended or incurred by Executive (such amounts so expended or incurred being referred to as "Advanced Amounts"). In making any claim for payment by the Company of any expenses, including any Advanced Amount, pursuant to this Agreement, Executive shall submit to the Company a written request for payment (a "Claim"), which includes a schedule setting forth in reasonable detail the dollar amount expended (or incurred or expected to be expended or incurred). Each item on such schedule shall be supported by the bill, agreement or other documentation relating thereto, a copy of which shall be appended to the schedule as an exhibit. Where Executive is requesting Advanced Amounts, Executive must also provide (i) written affirmation of such Executive's good faith belief that he has met the standard of conduct required by law for indemnification, and (ii) a written undertaking to repay such Advanced Amounts if a Final

Determination is made that Executive is not entitled to indemnification hereunder.

10.4 The Company shall not be liable under this Agreement to make any payment in connection with any claim made against Executive for an accounting of profits made from the purchase or sale by Executive of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of any state statutory law or common law.

10.5 All agreements and obligations of the Company contained

herein shall continue during the period Executive is a director and/or officer of the Company (or is serving at the request of the Company as an Affiliate Executive) and shall continue thereafter so long as Executive shall be subject to any possible Proceeding by reason of the fact that Executive was a director or officer of the Company or was serving as such an Affiliate Executive.

10.6 Promptly after receipt by Executive of notice of the commencement of any Proceeding, Executive shall, if a claim in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof, but failure to so notify the Company will not relieve the Company, to the extent the Company was not prejudiced thereby, from any liability which it may have to Executive. With respect to any such Proceeding: (i) the Company shall be entitled to participate therein at its own expense; (ii) except with prior written consent of Executive, the Company shall not be entitled to assume the defense of any Proceeding; and (iii) the Company shall not settle any Proceeding in any manner which would impose any penalty or limitation on Executive without Executive's prior written consent.

## 11. Miscellaneous.

11.1 Notices. Any and all notices, demands, requests or other communication required or permitted by this Agreement or by law to be served on, given to, or delivered to any Party hereto by any other Party to this Agreement shall be in writing and shall be deemed duly served, given, or delivered when personally delivered to the Party to be notified, or in lieu of such personal delivery, when deposited in the United States mail, registered or certified mail, return receipt requested, or when confirmed as received if delivered by overnight courier, addressed to the Party to be notified, at the address of the Company at its principal office, as first set forth above, or to Executive at the address as first set forth above. The Company or Executive may change the address in the manner required by law for purposes of this paragraph by giving notice of the change, in the manner required by this paragraph, to the respective Parties.

11.2 Amendment. This Agreement may not be modified, changed, amended, or altered except in writing signed by Executive or his duly authorized representative, and by a member of the Board of Directors of the Company (who has been duly authorized by the Board).

11.3 Governing Law. This Agreement shall be interpreted in accordance with the laws of the State of New York. It shall inure to the benefit of and be binding upon the Company, and its successors and assigns.

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11.4 Arbitration. Except for the provisions of Section 9 above, in the event of any dispute under this Agreement, each party agrees the same shall be submitted to the American Arbitration Association ("AAA") in the City of New York, for its determination and decision in accordance with its rules and regulations then in effect. Each of the parties agrees that the decision and/or award made by the AAA may be entered as a judgement of the Courts of the State of New York and shall be enforceable as such.

11.5 Severability. Should any provision or portion of this Agreement be held unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

11.6 Entire Agreement. This Agreement constitutes the sole and only agreement of the Parties hereto respecting the subject matter hereof. Any prior agreements, promises, negotiations, or representations concerning its subject matter not expressly set forth in this Agreement, are of no force and effect.

11.7 Counterparts. This Agreement and any certificates made pursuant hereto may be executed in any number of counterparts and when so executed all of such counterparts shall constitute a single instrument binding upon all Parties hereto notwithstanding the fact that all Parties are not signatory to the original or to the same counterpart.

11.8 Section Headings. The Article and Section headings used in this Agreement are for reference purposes only, and should not be used in construing this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year set forth below.

eB2B Commerce, Inc

By: /s/ John J. Hughes

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John J. Hughes

By: /s/ Richard Cohan

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Richard Cohan

Amendment to Employment Agreement (the "Amendment"), effective as of April , 2001 (the "Effective Date"), between eB2B Commerce, Inc., a New Jersey corporation with principal offices at 757 Third Avenue, New York, NY 10017 (the "Company") and Steve Rabin, residing at RRI, Box 299 Edgartown, MA 02539 ("Employee"). The Company and Employee may be referred to herein collectively as the "Parties" or individually as a "Party."

WHEREAS, the Company and Employee are parties to an Employment Agreement (the "Agreement"), dated effective as of October 31, 2000; and

WHEREAS, the Company and Employee now desire to amend certain of the terms set forth in the Agreement, and to memorialize such amended terms in this Amendment.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein set forth, the Parties do hereby agree as follows:

- 1 Amendment to Section 3.2.2. Section 3.2.2 of the Agreement is hereby amended by deleting the third sentence of the provision and replacing it with the following: "Notwithstanding the foregoing, for each calendar year of this Agreement, the Company will pay Employee a bonus of no less than forty five thousand (\$45,000) dollars (the "Minimum Bonus")."
- 2 Amendment to Section 4.1. Section 4.1 is hereby amended by deleting the last sentence and replacing it with the following sentence: "Employee shall be entitled to the vacation ("paid time off" as defined in the Company's Employee Handbook) during each year of this Agreement in accordance with the standard policies and procedures for similarly situated employees of the Company."
- 3 Amendment to Section 6.2. Section 6.2 of the Agreement is hereby deleted in its entirety, and the following is inserted in its place and stead:

Resignation of Employee for Good Reason. The Parties agree that Employee has the right to voluntarily terminate his employment with the Company for "Good Reason" upon providing twenty (20) days prior written notice to the Company. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following events or conditions:

a change in Employee's status, titles, positions or responsibilities which represents an adverse change from his status, titles, positions or responsibilities as in effect immediately prior thereto and which causes Employee embarrassment or creates the appearance of being demeaned by the Company; the assignment to Employee of any duties or responsibilities which are inconsistent with his status, titles or positions and which causes Employee embarrassment or creates the appearance of being demeaned by the Company; or any removal of Employee from or failure to reappoint or reelect him to any of such offices or positions, except in connection with the termination of his employment for

"Disability" (as defined below), for "Cause" (as defined below), as a result of his death, or by Employee other than for Good Reason; or

a reduction in the Base Salary (which is not associated with an overall plan for decreasing salaries and/or operating expenses of the

Company).

- 4 Amendment to Section 6.2. Section 6.2 is hereby deleted in its entirety, and the following is inserted in its place and stead:

Termination by the Company for Convenience. The Parties agree that the Company has the right to terminate Employee's' employment for convenience during the term of this Agreement upon notice to Employee. The date of termination will be the date specified in a notice from the Company. Employee will cease to have any power of his office as of such date.

- 5 Amendment to Section 6.8. Section 6.8 is hereby deleted in its entirety, and the following is inserted in its place and stead:

Termination Payments. If Employee's employment with the Company is terminated pursuant to Sections 6.2, 6.3 or 6.5 of this Agreement, the Company will pay Employee, in six (6) monthly installments, an amount equal to fifty (50%) percent of his then current Base Salary.

- 6 Amendment to Section 17.1. Section 17.1 of the Agreement is hereby deleted, and the following is inserted in its place and stead:

Notices. Any and all notices, demands, requests or other communication required or permitted by this Agreement or by law to be served on, given to, or delivered to any Party hereto by any other Party to this Agreement shall be provided in writing or orally. If notice is provided in writing, it shall be deemed duly served, given, or delivered when personally delivered to the Party to be notified, or in lieu of such personal delivery, when deposited in the United States mail, registered or certified mail, return receipt requested, or when confirmed as received if delivered by overnight courier, addressed to the to the Party to be notified, at the address of the Company at its principal office, as first set forth above, or to Employee at the address as first set forth above. If notice is provided orally, it shall be deemed duly served, given, or delivered when personally stated to the Party to be notified, and shall be confirmed in writing within 30 days of such notice. Such written confirmation shall be delivered in a manner consistent with the provisions of the second sentence of this provision. The Company or Employee may change the address in the manner required by law for purposes of this paragraph by giving written notice of the change, in the manner required by the second sentence of this provision, to the respective Parties.

- 7 Amendment to Section 17.4. Section 17.4 is hereby deleted in its entirety, and the following is inserted in its place and stead:

Attorney's Fees. In the event of any litigation or arbitration that occurs between the Parties, each Party shall be responsible for their own attorney's fees and costs associated with such litigation or arbitration.

- 8 Agreement to Enter into Restated Agreement. The Parties agree to enter into a restated employment agreement containing the provisions of the

Agreement as modified by this Amendment within 30 days of the date of this Amendment.

- 9 No Further Revisions; Agreement Remains in Full Force and Effect. Except for the revisions to the Agreement set forth above, the Agreement remains unchanged, and in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year set forth below.

eB2B COMMERCE, INC.

By: /s/ Peter Fiorillo  
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Peter Fiorillo

By: /s/ Steve Rabin  
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Steve Rabin

Date: May 2, 2001  
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Date: May 2, 2001  
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EXHIBIT 10.7

eB2B Commerce, Inc.  
SUBSCRIPTION & REGISTRATION RIGHTS AGREEMENT  
SERIES A PREFERRED STOCK

1 Subscription.  
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1.1 The undersigned, intending to be legally bound, hereby irrevocably subscribes to purchase from eB2B Commerce, Inc., a Delaware corporation (the "Company"), the number of shares of the Company's Series A Preferred Stock (the "Series A Shares") set forth on the signature page hereto, for a purchase price of \$1,000 per Series A Share. Subscription payments should be made in the form of a check payable to the Company and should be delivered, together with one originally executed and fully completed copy of this Subscription Agreement (this "Agreement") and one originally executed and fully completed copy of the Investor Questionnaire and Certificate to the following address:

Moskowitz Altman & Hughes LLP  
11 East 44th Street, Suite 504  
New York, NY 10017  
Attn.: John J. Hughes, Jr., Esq.

The Company's acceptance of this subscription offer shall be evidenced by the signature of the Company's duly authorized representative on the signature page hereto.

1.1 The undersigned acknowledges that this subscription is subject to the Company's right to reject this subscription, in whole or in part, in its sole discretion and for any reason including the unavailability of an exemption for this subscription transaction from the registration or qualification requirements under federal or state securities laws. In the event that this subscription is rejected by the Company, the full amount of any subscription payment received from the undersigned will be promptly refunded to the undersigned, without deduction, penalty, or expense to the undersigned, or any interest thereon.

1.2 If this subscription offer is accepted by the Company, in whole or in part, the Company shall deliver to the undersigned (i) a duly executed copy of this Agreement; (ii) a stock certificate evidencing the Series A Shares purchased hereby; and (iii) a copy of the legal opinion, delivered to the Company by the Company's attorneys, stating that the Series A Shares are duly authorized and, when issued in accordance with the terms of this subscription, validly issued and not assessable.

2 Registration Rights.

2.1 Demand Registration Rights. If, at any time following the one-year anniversary of the Company's initial public offering (but not within 180 days of the effective date of any registration of the Company), the holders of at least fifty percent (50%) of the Company's Common Stock issued upon conversion of the Series A Shares purchased hereby (the "Registrable Shares") request that the Company register such Registrable Shares under the Securities Act of 1933 (the "Securities Act"), the Company will use its commercially reasonable efforts to register such Registrable Shares by filing a registration statement with the U.S. Securities and Exchange Commission ("SEC"). These demand registration rights provisions shall be without limitation on the number of registration statements of the Company may be required to file provided that (i) the Company is eligible to use Form S-3 and (ii) the anticipated aggregate offering price for each such registration statement exceeds \$1 million. Notwithstanding the foregoing, the Company shall not be obligated to effect more than one registration under these demand registration rights provisions on a form other than Form S-3.

2.2 Postponement of Registration. Notwithstanding Section 2.1 above, the Company shall be entitled



to postpone the declaration of effectiveness of a registration statement prepared and filed pursuant to Section 2.1 for a reasonable period of time, but not in excess of 180 calendar days after the date by which the Company would otherwise be obligated to cause such registration statement to be declared effective, if the Board of Directors of the Company, acting in good faith, determines that such postponement would be in the best interests of the Company or the Company's stockholders.

2.3 Notice of Piggyback Registration and Inclusion of Registrable Shares. Subject to the terms of this Agreement, in the event the Company undertakes to register any of its Common Stock (either for its own account or for the account of a security holder exercising demand registration rights), other than pursuant to (i) the Company's initial public offering; (ii) a registration statement which exclusively relates to the registration of securities under an employee stock option, purchase, bonus or other benefits plan, a dividend reinvestment plan or a merger or consolidation; or (iii) a registration relating solely to a transaction under Rule 145 promulgated by the SEC, the Company will: (A) promptly give the holders of Registrable Shares written notice thereof (which shall include a list of the jurisdictions in which the Company intends to attempt to qualify such securities under the applicable state securities laws) and (B) include in such registration (and any related qualification under applicable state securities laws or other compliance), and in any underwriting involved therein, all the Registrable Shares specified in a written request delivered to the Company by the holders of such Registrable Shares within fifteen days after delivery of such written notice from the Company. The piggyback registration rights provided in this Section 2.3 are subject to the right of the Company and its underwriters, in view of market conditions, to reduce or eliminate the number of Registrable Shares proposed to be registered by the holder thereof.

2.4 Expenses. The Company shall pay all of the out-of-pocket expenses incurred, other than underwriting or selling discounts and commissions and special counsel fees of selling shareholders, in connection with the registration of Registrable Shares pursuant to this Agreement, including, without limitation, all SEC, National Association of Securities Dealers, Inc. and blue sky registration and filing fees, printing expenses, transfer agents' and registrars' fees, and the fees and disbursements of the Company's outside counsel and independent accountants.

2.5 Lock-up of Common Stock. The undersigned agrees that, if so requested by the Company or its underwriter in connection with the Company's initial public offering, the undersigned shall not sell or otherwise transfer any shares of Common Stock owned (upon the conversion of the Series A Shares) by him, her or it during a period of up to 180 days following the effective date of the registration statement filed with respect to such initial public offering.

2.6 Restrictions on Transfer of Registration Rights. The registration rights contained in this Section 2 may be transferred only to a transferee who is not a competitor of the Company and who acquires no less than twenty-five percent (25%) of the Series A Shares (or Common Stock issued upon conversion of Series A Shares) held by a transferor. Transfer of registration rights to a limited or general partner of a transferor will be without restriction as to minimum transfer. The restrictions on transfer of rights contained in this Section 2.6 are in addition to the restrictions on transfer of Series B Shares (or interest

therein) contained in Section 3 below.

2.7 The registration rights contained in this Section 2 applies only to the Company's Common Stock and the Company shall have no obligation to register any of the Series A Shares.

### 3 Restrictions on Transfer; Company's Right of First Refusal.

3.1 A holder (for the purpose of this Section 3, a "Selling Shareholder") of Series A Shares shall not sell, transfer, assign, or encumber any of his, her or its Series A Shares unless the proposed transferee is (i) a member of an individual Selling Shareholder's immediate family; (ii) a trust for the benefit of the Selling Shareholder or a member of his or her immediate family; (iii) and entity wholly owned by the Selling Shareholder and/or a person identified in clauses (i) or (ii); or (iv) a person or entity who purchases the Series A Shares in accordance with the provisions set forth below in this Section 3. The restrictions on transfer of Series A Shares contained in this Section 3 shall terminate and be of no further effect as of the day prior to the commencement of the Company's initial public offering.

3.2 If a Selling Shareholder receives from an unaffiliated person or entity a bona fide offer (for the purpose of this Section 3, and "Offer") to purchase all or any portion of a Selling Shareholder's Shares which Offer the Selling Shareholder desires to accept, the Selling Shareholder shall deliver written notice (for the purpose of this Section 3, the "Offer Notice") to the Company setting forth all the terms and conditions of the Offer, including the aggregate purchase price, proposed closing date, payment terms and the name and address of the proposed purchaser. No Offer Notice will be effective under this Section 3 it is received by the Company on a date fewer than 30 days prior to the proposed closing date of the proposed sale. For the purpose of verifying the contents of an Offer Notice, a Selling Shareholder hereby authorizes the Company's representatives to directly contact any person identified in any Offer Notice.

3.3 Within 25 days after receiving the Offer Notice, the Company may, by written notice to a Selling Shareholder, elect to purchase, at the price and time and on terms and conditions not less favorable to the Selling Shareholder than those contained in the Offer not less than all of the Shares proposed in the Offer to be purchased.

3.4 If the Company fails to elect to exercise its rights under Section 3.3, the Selling Shareholder may, at any time within (but not after) 40 days after the expiration of the 25-day exercise period referred to in Section 3.3, sell not less than all the Shares proposed in the Offer to be purchased to the proposed purchaser at the price, and on the terms and conditions, contained in the Offer.

3.5 The Company shall not be obligated to recognize or give effect to any sale of Shares under this Section 3 unless and until a proposed transferee has delivered to the Company a written instrument, in a form reasonably acceptable to the Company, evidencing the proposed transferee's consent and agreement to perform and be bound by all of the obligations originally binding on the Selling Shareholder under this Agreement.

4 Representations and Warranties of the Company. The Company represents and warrants to the undersigned as follows, in each case as of the date this Agreement is executed by the Company.

4.1 The Company is a corporation duly organized, validly existing, and in good standing under the

laws of the state of Delaware.

4.2 The Company has full power and authority to accept this subscription offer and to execute and deliver this Agreement and issue the Series A Shares purchased hereby. Without limiting the generality of the foregoing, the Board of Directors has duly authorized the execution, delivery and performance of this Agreement by the company. This Agreement constitutes the valid and legally

binding obligation of the Company, enforceable in accordance with its terms and conditions.

4.3 The authorized capital stock of the Company consists of 20,000,000 shares, of which 19,800,000 shares is Common Stock, \$0.001 par value, and 200,000 shares is Preferred Stock, \$0.001 par value, of which 100,000 shares are designated Series A Preferred Stock, \$0.001 par value.

4.4 Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which the Company is subject or any provision of the charter or bylaws of the Company. The Company need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order for the parties to consummate the transactions contemplated by this Agreement (except such filings and consents as may be required and have been or will timely be made or obtained under federal and state securities laws).

4.5 There is no litigation, arbitration, claim, governmental or other proceeding (formal or informal), or investigation pending or, to the best knowledge of the Company, threatened (or any basis therefor) with respect to the Company or the Company's operations, business, properties or assets. The Company is not in violation of, nor in default with respect to, any law, rule, regulation, order, judgment or decree, nor is the Company required to take any action in order to avoid any such violation or default.

4.6 The shares of Common Stock issuable upon conversion of the Series A Shares have been duly reserved for such issuance. Such shares of Common Stock are duly authorized and, if and when the Series A Shares are converted, the shares of Common Stock issued upon such conversion will be validly issued, fully paid and nonassessable, and will not be issued in violation of any preemptive or other rights of stockholders.

5. Representations and Warranties of the Undersigned. The undersigned represents and warrants that the information provided by the undersigned in this Section 5 is complete and accurate in all material respects as of the date this Agreement is executed and delivered by the undersigned. The Company will use the information provided by the undersigned in this Section 5 to qualify prospective purchasers of the Series A Shares for purposes of federal and state securities laws. Information provided by the undersigned will be kept confidential at all times. However, by signing and delivering this Agreement, the undersigned agrees that the Company may disclose such information to such parties as it deems appropriate to establish the availability of exemptions from registration under state and federal securities laws.

5.1 Representations as to Investment Capability, Receipt of Information and Investment Intent.

5.1.1 If a natural person, the undersigned is a bona fide resident of the state indicated in the address set forth on the signature page to this Agreement, is a least 21 years of age, and is legally competent to execute this Agreement. If an entity, the undersigned is duly authorized to execute this Agreement. This Agreement constitute the legal, valid and binding obligation of the undersigned enforceable against the undersigned in accordance with its terms.

5.1.2 The undersigned has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of this subscription for the Series A Shares, and the undersigned's investment in the Series A Shares is not material when compared to the undersigned's total financial capacity. The undersigned has adequate means of providing for the undersigned's current needs and possible contingencies and has no need for liquidity of the Series A Shares. The undersigned's overall commitment to the Series A Shares is not disproportionate to the undersigned's net worth.

5.1.3 The undersigned (i) has the ability to bear the economic risks of the

undersigned's prospective investment; (ii) is able, without materially impairing his, her or its financial condition, to hold the Series A Shares for an indefinite period of time and to suffer complete loss on such investment; and

5.1.4 The undersigned represents that he is an "accredited investor" as such term is defined in Rule 501 of the Rules and Regulations promulgated under the Securities Act.

5.1.5 The undersigned has received, read carefully and is familiar with all the terms and conditions contained in this Agreement. The undersigned is familiar with the Company's business, plans and financial condition. The undersigned has received all materials which have been requested by the undersigned and has had a reasonable opportunity to ask questions concerning the Company and its representatives; and the Company has answered all inquiries that the undersigned or the undersigned's representatives have put to it. The undersigned acknowledges that the Company is a start-up business with no history of operations.

5.1.6 The Series A Shares issued and sold to the undersigned will be acquired for investment for the undersigned's own account, not as a nominee or agent, and not with a view to the sale or distribution of any part thereof, and the undersigned has no present intention of selling, granting any participation in, or otherwise distributing the same. The undersigned represents that the entire legal and beneficial interest of the Series A Shares will be held for the undersigned's account only, and neither in whole or in part for any other person. By executing and delivering this Agreement, the undersigned further represents that the undersigned has no present contract, undertaking, agreement or arrangement with any person to sell, transfer, or grant participation to such person or to any third person, with respect to any of the Series A Shares.

5.1.7 The undersigned understands and acknowledges that all certificated for the Series A Shares shall bear, in addition to such legends as may be required by any state securities regulatory agency with jurisdiction over this subscription, the following two legends:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). SUCH SECURITIES MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED UNLESS (1) A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT WITH RESPECT TO THE SECURITIES OR (2) THERE IS AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT SUCH REGISTRATION IS NOT REQUIRED OR THAT SUCH TRANSFER MAY BE MADE PURSUANT TO RULE 144 OR RULE 144A OF THE ACT.

THE SECURITIES REPRESENTED HEREBY WERE ISSUED IN ACCORDANCE WITH A CERTAIN SUBSCRIPTION AND REGISTRATION RIGHTS AGREEMENT BETWEEN THE HOLDER AND THE ISSUER HEREOF, AND MAY NOT BE TRANSFERRED, SOLD, ENCUMBERED OR OTHERWISE DISPOSED EXCEPT PURSUANT TO THE TERMS OF SUCH AGREEMENT.

5.1.8 The undersigned understands and acknowledges that the Series A Shares have not been registered under the Securities Act and are issued hereby pursuant to an exemption from registration and that the Company's reliance upon such exemption is predicated upon the undersigned's representations. The undersigned further understands and acknowledges that the Series A Shares must be held indefinitely by any purchaser thereof unless and until subsequently registered under the Securities Act or an exemption from such registration is available. The undersigned further understands and acknowledges that the Company is not under any obligation to register the Series A Shares.

5.1.9 The undersigned is familiar with the provisions of Rule 144, promulgated under the Securities Act, which in substance, permits limited public resale of "restricted securities" acquired directly or indirectly from

the issuer thereof in a non-public offering subject to the satisfaction of

certain conditions, including, among other things: (i) a public trading market then exists for the securities; (ii) the availability of certain public information about the issuer; and (iii) the resale occurs no sooner than the end of the holding period stated by Rule 144. The undersigned further understands that at the time the undersigned wishes to sell the Series A Shares there may be no public market upon which to make such a sale, and that, even if such a public market then exists, the Company may not be in compliance with the current public information requirements of Rule 144, and that, in such event, the undersigned would be precluded from selling the Series A Shares under Rule 144 even if the minimum holding period had been satisfied. The undersigned further understands that in the event all of the applicable requirements of Rule 144 are not satisfied, registration under the Securities Act or some other registration exemption would be required to sell the Series A Shares.

5.1.10 The undersigned covenants that in no event will he, she or it dispose of any Series A Shares except in compliance with the Securities Act and any applicable state securities laws.

5.1.11 It never has been represented, guaranteed or warranted by the Company or any of the officers, directors, stockholders, employees or agents of the Company, or any other persons, whether expressly or by implication, that (i) the Company or the undersigned will realize any given percentage of profits and/or amount or type of consideration, profit or loss as a result of the Company's business activities or the undersigned's investment in the Series A Shares; or the past performance or experience of the management of the Company, or of any other person, will in any way indicate the predictable results of the ownership of the Series A Shares or of the Company's business activities.

5.1.12 The undersigned is not relying on the Company with respect to the tax or other economic considerations of an investment.

5.1.13 The undersigned acknowledges that the representations and agreements made by the undersigned herein shall survive the execution and delivery of this Agreement and the receipt of the Series A Shares.

5.1.14 The undersigned agrees to notify the Company promptly of any changes in the information provided herein by the undersigned which may occur subsequent to the execution and delivery of this Agreement by the undersigned.

5.1.15 The undersigned acknowledges that neither the Company nor any person acting on the Company's behalf offered or sold the Series A Shares to the undersigned by any form of general solicitation or general advertising, including, but not limited to, the following:

- o An advertisement, article, notice or other written or printed communication published in any newspaper, magazine, or similar media or any communication broadcast over television or radio or any communication by means of recorded telephone messages; and
- o Any seminar or meeting whose attendees have been invited by any general solicitation or general advertisement.

5.2.1 Representations contained in the Investor Questionnaire and Certificate. The undersign represents that the statements contained in the Investor Questionnaire and Certificate delivered by the undersigned to the Company simultaneously with this Agreement are true and correct.

6 Indemnification. The undersigned acknowledges that the undersigned understands the meaning and legal consequences of the representation contained in Section 5

hereof, and agrees to indemnify and hold harmless the Company and its incorporators, officers, directors, employees, agents, including their respective attorneys and controlling persons, past, present or future, from and against any and all loss, damage or liability due to or arising out of a breach of any such representation.

7 Miscellaneous. This Agreement will be governed by and construed in accordance with the substantive laws of the State of New York. This Agreement will be binding upon, and inure to the benefit of, each of the parties hereto and its respective successors and assigns. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, and will become effective when one or more counterparts have been signed by the parties hereto and delivered to the other party.

IN WITNESS WHEREOF, the parties hereto have executed this Subscription Agreement as of the date this subscription offer has been accepted by the Company as set forth below.

Number of Series A Shares \_\_\_\_\_  
to be Purchased \_\_\_\_\_  
Purchase Price \$ \_\_\_\_\_

-----  
Print Name of Subscriber

By: \_\_\_\_\_  
Signature of Subscriber or  
authorized representative

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-----  
Address of Subscriber

-----  
Social Security or tax identification  
number

ACCEPTED BY:

eB2B Commerce, Inc.

By: \_\_\_\_\_

Date: \_\_\_\_\_, 1999

eB2B COMMERCE, INC.

SUBSCRIPTION AGREEMENT made as of this \_\_\_\_ day of November, 1999 between eB2B Commerce, Inc., a corporation organized under the laws of the State of Delaware with offices at 29 West 38th Street, 4th Floor, New York, New York 10018 (the "Company"), and the undersigned (the "Subscriber").

WHEREAS, the Company desires to issue a minimum of 40 (the "Minimum Offering") and a maximum of 100 (the "Maximum Offering") units ("Units") in a private placement, each Unit consisting of: (i) 25,000 shares (the "Preferred Shares") of Series B Convertible Preferred Stock (the "Preferred Stock"), each Preferred Share convertible into one share of the Company's common stock, \$.001 par value (the "Common Stock") as described in the Certificate of the Designations, Powers, Preferences and Rights attached as Exhibit D to the Confidential Private Placement Memorandum dated November 1, 1999 (together with all the Exhibits and supplements thereto, the "Memorandum"); and (ii) seven-year warrants (the "Warrants") to purchase 11,364 shares of Common Stock in the form included in the form of Warrant Agreement (the "Warrant Agreement") attached as Exhibit C to the Memorandum on the terms and conditions hereinafter set forth and the Subscriber desires to acquire the number of Units set forth on the signature page hereof;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto do hereby agree as follows:

I. SUBSCRIPTION FOR UNITS AND REPRESENTATIONS BY AND COVENANTS OF SUBSCRIBER

1.1 Subject to the terms and conditions hereinafter set forth, the Subscriber hereby subscribes for and agrees to purchase from the Company such number of Units as is set forth upon the signature page hereof at a price equal to \$250,000 per Unit and the Company agrees to sell such Units to the Subscriber for said purchase price subject to the Company's right to sell to the Subscriber such lesser number of Units as the Company may, in its sole discretion, deem necessary or desirable. The purchase price is payable by certified or bank check made payable to "United States Trust Company of New York, as Escrow Agent for eB2B Commerce, Inc." or by wire transfer of funds, contemporaneously with the execution and delivery of this Subscription Agreement. The Preferred Shares and Warrants will be delivered by the Company within 10 days following the consummation of this offering as set forth in Article III hereof.

1.2 The Subscriber recognizes that the purchase of Units involves a high degree of risk in that (i) the Company has incurred substantial losses from operations; (ii) an investment in the Company is highly speculative and only investors who can afford the loss of their entire investment should consider investing in the Company and the Units; (iii) an investment in the Units is illiquid; and (iv) transferability of the securities comprising the Units is extremely limited, as well as other risk factors as more fully set forth in the Memorandum.

1.3 The Subscriber represents and warrants that he is an "accredited investor" as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933, as exhibit 10.8 amended (the "Act"), as indicated by his responses to the Investor Questionnaire, and that he is able to bear the economic risk of an investment in the Units. The Subscriber further represents and warrants that the information furnished in the Investor Questionnaire is accurate and complete in all material respects.

1.4 The Subscriber acknowledges that he has prior investment experience, including investment in non-listed and non-registered securities and that he recognizes the highly speculative nature of this investment.

1.5 The Subscriber acknowledges receipt and careful review of the Memorandum and all other documents furnished in connection with this transaction (collectively, the "Offering Documents") and hereby represents that

he has been furnished by the Company during the course of this transaction with all information regarding the

Company which he has requested or desires to know; and that such information and documents have, in his opinion, afforded the Subscriber all of the same information that would be provided him in a registration statement filed under the Act; that he has been afforded the opportunity to ask questions of and receive answers from duly authorized officers or other representatives of the Company concerning the terms and conditions of the offering, and any additional information which he had requested.

1.6 The Subscriber acknowledges that this offering of Units may involve tax consequences and that the contents of the Memorandum do not contain tax advice or information. The Subscriber acknowledges that he must retain his own professional advisors to evaluate the tax and other consequences of an investment in the Units.

1.7 The Subscriber acknowledges that this offering of Units has not been reviewed by the United States Securities and Exchange Commission ("SEC") because of the Company's representations that this is intended to be a nonpublic offering pursuant to Sections 4(2) or 3(b) of the Act. The Subscriber represents that the Preferred Shares and Warrants comprising his Units are being purchased for his own account, for investment and not for distribution or resale to others. The Subscriber agrees that he will not sell or otherwise transfer the Preferred Shares or the Warrants unless they are registered under the Act or unless an exemption from such registration is available.

1.8 The Subscriber understands that there is no public market for the Company's securities. The Subscriber understands that Rule 144 (the "Rule") promulgated under the Act requires, among other conditions, a one year holding period prior to the resale (in limited amounts) of securities acquired in a non-public offering without having to satisfy the registration requirements under the Act. The Subscriber understands that the Company makes no representation or warranty regarding its fulfillment in the future of any reporting requirements under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or its dissemination to the public of any current financial or other information concerning the Company, as is required by the Rule as one of the conditions of its availability, and that to date the Company is not subject to the reporting requirements of the Exchange Act. The Subscriber understands and hereby acknowledges that the Company is under no obligation to register the securities comprising the Units under the Act, with the exception of certain registration rights set forth in Article IV herein. The Subscriber consents that the Company may, if it desires, permit the transfer of the Preferred Shares, the shares of Common Stock issuable upon conversion of the Preferred Shares (the "Conversion Shares"), the Warrants or the shares of Common Stock issuable upon exercise of the Warrants (the "Warrant Shares") (collectively, the "Securities") out of his name only when his request for transfer is accompanied by an opinion of counsel reasonably satisfactory to the Company that neither the sale nor the proposed transfer results in a violation of the Act or any applicable state "blue sky" laws (collectively "Securities Laws").

1.9 The Subscriber hereby agrees that, without the prior written consent of Commonwealth Associates, L.P. (the "Placement Agent"), he will not sell, transfer or otherwise dispose of the Securities for one year after the Initial Closing and thereafter will not dispose of more than 25% of the Securities on a cumulative basis during each subsequent 90 day period thereafter (the "Lock-Up Period"); provided, however, that if the Company undertakes a Qualified Private Offering (as defined in the Warrant Agreement) or any public offering within the first 12 months of the Lock-Up Period, the Subscriber will not sell, transfer or otherwise dispose of the Securities for such period of time after such offering (not to exceed one year) as the managing underwriter or placement agent may request in writing and the Placement Agent may agree to. This restriction on transfer will apply to any securities issued in exchange for the Securities in any merger.



1.10 The Subscriber consents to the placement of a legend on any certificate or other document evidencing the Securities stating that they have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale thereof, and to the issuance of stop transfer instructions with respect thereto.

1.11 The Subscriber acknowledges that if he is a Registered Representative of an NASD member firm, he must give such firm the notice required by the NASD's Rules of Fair Practice, receipt of which must be acknowledged by such firm on the signature page hereof.

1.12 If the undersigned Subscriber is a partnership, corporation, trust or other entity, such partnership, corporation, trust or other entity further represents and warrants that: (i) it was not formed for the purpose of investing in the Company; (ii) it is authorized and otherwise duly qualified to purchase and hold the Units; and (iii) that this Subscription Agreement has been duly and validly authorized, executed and delivered constitutes the legal,

binding and enforceable obligation of the undersigned.

1.13 The Subscriber hereby represents that the address of Subscriber furnished by him at the end of this Subscription Agreement is the undersigned's principal residence if he is an individual or its principal business address if it is a corporation or other entity.

1.14 The Subscriber hereby represents that, except as set forth in the Offering Documents, no representations or warranties have been made to the Subscriber by the Company or any agent, employee or affiliate of the Company, including the Placement Agent, and in entering into this transaction, the Subscriber is not relying on any information, other than that contained in the Offering Documents and the results of independent investigation by the Subscriber.

1.15 The Subscriber acknowledges that at such time as the Reserved Shares are registered, sales of such securities will be subject to state securities laws, including those of states which may require any securities sold therein to be sold through a registered broker-dealer or in reliance upon an exemption from registration.

1.16 The Subscriber acknowledges that the Maximum Offering may be increased by up to 32 Units (\$8,000,000) without notice to Subscribers.

1.17 The Subscriber acknowledges that the Placement Agent and a committee to be designated by the Placement Agent whose members hold in the aggregate not less than 20% of the principal amount of the outstanding Preferred Shares or Warrants (the "Committee") may consent to any amendments, modifications or waivers with respect to the Preferred Shares or Warrants, thereby binding the Subscriber to any such amendment, modification or waiver. The Subscriber hereby authorizes the Placement Agent and the Committee to act on the Subscriber's behalf. The Subscriber agrees that neither the Placement Agent nor any of its directors, officers, employees or agents nor the Committee or any of its members shall be liable to any Subscriber for any action taken or omitted to be taken by it in connection therewith, except for wilful misconduct or gross negligence. The Subscriber acknowledges that one or more members of the Committee may be affiliated with the Placement Agent.

## II. REPRESENTATIONS BY THE COMPANY

2.1 The Company represents and warrants to the Subscriber that prior to the consummation of this offering and at the Closing Date:

(a) The Company is a corporation duly organized, existing and in good standing under the laws of the State of Delaware and has the corporate power to conduct the business which it conducts and proposes to conduct.

(b) The execution, delivery and performance of this Subscription Agreement by the Company will have been duly approved by the Board of Directors of the Company and all other actions required to authorize and effect the offer and sale of the Units and the securities contained therein will have been duly taken and approved.

(c) The Preferred Shares and Warrants have been duly and validly authorized and when issued and paid for in accordance with the terms hereof, will be duly and validly issued and fully paid and non assessable.

(d) The Company will at all times have authorized and reserved a sufficient number of Conversion Shares and Warrant Shares (collectively, the "Reserved Shares") to provide for conversion of the Preferred Shares and exercise of the Warrants.

(e) The Company has, to the best of its knowledge, obtained, or is in the process of obtaining, all licenses, permits and other governmental authorizations necessary to the conduct of its business; such licenses, permits and other governmental authorizations obtained are in full force and effect; and the Company is in all material respects complying therewith; except where such failure to obtain such licenses, permits and other governmental authorizations necessary to the conduct of its business would not have a material adverse effect on the

Company's business or financial condition.

(f) The Company knows of no pending or threatened legal or governmental proceedings to which the Company is a party which could materially adversely affect the business, property, financial condition or operations of the Company.

(g) The Company is not in violation of or default under, nor will the execution and delivery of this Subscription Agreement, the issuance of the Preferred Shares or the Warrants, and the incurrence of the obligations herein and therein set forth and the consummation of the transactions herein or therein contemplated, result in a violation of, or constitute a default under, the Company's articles of incorporation or by-laws, any material obligations, 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 it or any of its properties may be bound or any material order, rule, regulation, writ, injunction, or decree of any government, governmental instrumentality or court, domestic or foreign; except where such violation or default would not have a material adverse effect on the Company's business or financial condition.

(h) The financial information contained in the Memorandum presents fairly the financial condition of the Company as of the dates and for the periods indicated.

### III. TERMS OF SUBSCRIPTION

3.1 The subscription period will begin as of November 1, 1999 and will terminate at 11:59 PM Eastern time on December 30, 1999, unless extended by the Company and the Placement Agent for up to an additional 30 days (the "Termination Date"). Such extension may be effected without notice to the Subscribers. Of the Units, 16 will be offered on a "best efforts-all or none" basis and the remaining Units will be offered on a "best efforts" basis.

3.2 As compensation for its services, the Placement Agent will receive: (i) a commission equal to 7% of the aggregate purchase price of the Units sold, except for up to \$500,000 of Units which may be purchased by investors introduced by the Company or its officers or directors (the "Affiliate Units"); (ii) a structuring fee equal to 3% of the aggregate purchase price of the Units sold, except for the Affiliate Units; (iii) reimbursement of up to

\$50,000 of accountable expenses (including expenses incurred in connection with the Bridge Financing); and (iv) seven-year warrants (the "Agent's Warrants") to purchase that number of shares of Common Stock as equals 19.23% of the shares of Common Stock underlying the Preferred Shares and Warrants sold in the Minimum Offering, including any Affiliate Units or 19.69% in the event of the Maximum Offering. The Company shall also pay all expenses in connection with the qualification of the Units under the securities or Blue Sky laws of the states which the Placement Agent shall designate, including legal fees and filing fees.

3.3 Pending the sale of the Units, all funds paid hereunder shall be deposited by the Company in escrow with United States Trust Company of New York. If the Company shall not have obtained subscriptions (including this subscription) for purchases of 40 Units for an aggregate purchase price of \$10,000,000 on or before the Termination Date, then this subscription shall be void and all funds paid hereunder by the Subscriber, without interest, shall be promptly returned to the Subscriber, subject to paragraph 3.5 hereof. If 40 Units are sold at or prior to the Termination Date, then all subscription proceeds shall be paid over to the Company within five business days thereafter at an initial closing (the "Initial Closing"). In such event, placements of additional Units may continue until the Termination Date, with subsequent releases of funds to be at the mutual consent of the Company and the Placement Agent.

3.4 The Subscriber hereby authorizes and directs the Company to deliver certificates representing the securities to be issued to such Subscriber pursuant to this Subscription Agreement either (a) to the residential or business address indicated in the Confidential Purchaser Questionnaire or (b) directly to the Subscriber's account maintained with the Placement Agent, if any.

3.5 The Subscriber hereby authorizes and directs the Company to return any funds for unaccepted subscriptions to the same account from which the funds were drawn, including any customer account maintained with the Placement Agent.

3.6 If the Subscriber is not a United States person, such Subscriber hereby represents that it has satisfied itself as to the full observance of the laws of its jurisdiction in connection with any invitation to subscribe for the securities comprising the Units or any use of this Subscription Agreement, including (i) the legal requirements within its jurisdiction for the purchase of the Units, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale or transfer of the securities comprising the Units. Such Subscriber's subscription and payment for, and his or her continued beneficial ownership of the Units, will not violate any applicable securities or other laws of the Subscriber's jurisdiction.

#### IV. REGISTRATION RIGHTS

4.1 Demand Registration. Upon written request (the "Demand Notice") from either the Placement Agent or any record holder or holders of Securities (collectively, the "Holders") representing beneficial ownership of an aggregate of more than 50% of the Reserved Shares, the Company shall, at any time during the five year period commencing six months after the Company has completed an IPO or is otherwise subject to the reporting requirements of Section 13 or Section 15 of the Exchange Act (the "Registration Rights Period"), prepare and file with the SEC by the later of (i) three weeks after receipt of the Demand Notice (five weeks if the Company is not then eligible to use Form S-3 for the resale of securities) or (ii) the first day of the Registration Rights Period, a registration statement under the Act covering the Reserved Shares which are the subject of such request and shall use its best efforts to cause such registration statement to become effective as soon thereafter as possible. In addition, upon the receipt of the Demand Notice, the Company shall promptly give written notice to all other record holders of Securities that such

registration is to be effected. The Company shall include in such registration statement such Reserved Shares for which it has received written requests to register by such other record holders within 15 days after the delivery of the Company's written notice to such other record holders (all of such participating holders being referred to herein as the "Requesting Holders").

The obligation of the Company under this Section 4.1 shall be limited to one (1) registration statement and shall not apply to any Reserved Shares that at such time are eligible for immediate resale pursuant to Rule 144(k) under the Act. The Company shall pay the expenses described in Section 4.3 for the registration statement filed pursuant to this Section 4.1, except for underwriting discounts and commissions and legal fees of the Requesting Holders, which shall be borne by the Requesting Holders. In the event the Company fails to file the registration statement required hereunder within the time frame set forth above, the exercise price of the Warrants shall be reduced by 10% and shall be further reduced by 10% for each subsequent month that the registration statement has not been filed.

4.2 "Piggyback" Registration Rights. During the Registration Rights Period, if the Company shall determine to proceed with the actual preparation and filing of a registration statement under the Act in connection with the proposed offer and sale of any of its securities by it or any of its security holders (other than a registration statement on Form S-4, S-8 or other limited purpose form), the Company will give written notice of its determination to all record holders of the Securities. Upon the written request from any Requesting Holders, within 15 days after receipt of any such notice from the Company, the Company will, except as herein provided, cause all such Reserved Shares to be included in such registration statement, all to the extent requisite to permit the sale or other disposition by the prospective seller or sellers of the Reserved Shares to be so registered; provided, further, that nothing herein shall prevent the Company from, at any time, abandoning or delaying any registration. If any registration pursuant to this Section 4.2 shall be underwritten in whole or in part, the Company may require that the Reserved Shares requested for inclusion pursuant to this Section 4.2 be included in the underwriting on the same terms and conditions as the securities otherwise being sold through the underwriters. In such event, the Requesting Holders shall, if requested by the underwriters, execute an underwriting agreement containing customary representations and warranties by selling stockholders and a lock-up on shares not being sold. If in the good faith judgment of the managing underwriter of such public offering the inclusion of all of the Reserved Shares originally covered by a request for registration (the "Requested Stock") would reduce the number of shares to be offered by the Company or interfere with the successful marketing of the shares of stock offered by the Company, the number of shares of Requested Stock otherwise to be included in the underwritten public offering may be reduced pro rata (by number of shares) among the holders thereof requesting such registration or excluded in their entirety if so required by the underwriter. To the extent only a portion of the Requested Stock is included in the underwritten public offering, those shares of Requested Stock which are thus

excluded from the underwritten public offering shall be withheld from the market by the holders thereof for a period, not to exceed 90 days, which the managing underwriter reasonably determines is necessary in order to effect the underwritten public offering.

The obligation of the Company under this Section 4.2 shall not apply to Reserved Shares that at such time are eligible for immediate resale pursuant to Rule 144(k) under the Act.

4.3 Registration Procedures. The Company will, upon due demand pursuant to the provisions of Sections 4.1 or 4.2:

(a) prepare and file with the SEC a registration statement with respect to such securities, and use its best efforts to cause such registration statement to become and remain effective;

(b) prepare and file with the SEC such amendments to such registration statement and supplements to the prospectus contained therein as may be necessary to keep such registration statement effective;

(c) furnish to the Holders participating in such registration and to the underwriters of the securities being registered such reasonable number of copies of the registration statement, preliminary prospectus, final prospectus and such other documents as such underwriters may reasonably request in order to facilitate the public offering of such securities;

(d) use its best efforts to register or qualify the securities covered by such registration statement under such state securities or blue sky laws of such jurisdictions as the Holders may reasonably request in writing within 20 days following the original filing of such registration statement, except that the Company shall not for any purpose be required to execute a general consent to service of process or to qualify to do business as a foreign corporation in any jurisdiction wherein it is not so qualified;

(e) notify the Holders, promptly after it shall receive notice thereof, of the time when such registration statement has become effective or a supplement to any prospectus forming a part of such registration statement has been filed;

(f) notify the Holders promptly of any request by the SEC for the amending or supplementing of such registration statement or prospectus or for additional information;

(g) prepare and file with the SEC, promptly upon the request of any Holders, any amendments or supplements to such registration statement or prospectus which, in the opinion of counsel for such Holders (and concurred in by counsel for the Company), is required under the Act or the rules and regulations thereunder in connection with the distribution of Common Stock by such Holders;

(h) prepare and promptly file with the SEC and promptly notify such Holders of the filing of such amendment or supplement to such registration statement or prospectus as may be necessary to correct any statements or omissions if, at the time when a prospectus relating to such securities is required to be delivered under the Act, any event shall have occurred as the result of which any such prospectus or any other prospectus as then in effect would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading; and

(i) advise the Holders, promptly after it shall receive notice or obtain knowledge thereof, of the issuance of any stop order by the SEC suspending the effectiveness of such registration statement or the initiation or threatening of any proceeding for that purpose and promptly use its best efforts to prevent the issuance of any stop order or to obtain its withdrawal if such stop order should be issued.

The Holders shall cooperate with the Company in providing the information necessary to effect the registration of their Reserved Shares, including completion of customary questionnaires.

#### 4.3 Expenses.

(a) With respect to the registration required pursuant to Sections 4.1 or 4.2 hereof, all fees, costs and expenses of and incidental to such registration, inclusion and public offering (as specified in paragraph (b) below) in connection therewith shall be borne by the Company, provided, however, that the Holders shall bear their pro rata share of the underwriting discount and commissions and transfer taxes and the cost of their own counsel.

(b) The fees, costs and expenses of registration to be borne by the Company as provided in paragraph (a) above shall include, without limitation, all registration, filing, and NASD fees, printing expenses, fees and disbursements of counsel and accountants for the Company, and all legal fees and disbursements and other expenses of complying with state securities or blue sky laws of any jurisdictions in which the securities to be offered are to be registered and qualified (except as provided in 4.3(a) above). Fees and disbursements of counsel and accountants for the Holders and any other expenses incurred by the Holders not expressly included above shall be borne by the Holders.

#### 4.4 Indemnification.

(a) The Company will indemnify and hold harmless each Holder of Reserved Shares which are included in a registration statement pursuant to the provisions of Section 4.1 or Section 4.2 hereof, its directors and officers, and any underwriter (as defined in the Act) for such Holder and each person, if any, who controls such Holder or such underwriter within the meaning of the Act, from and against, and will reimburse such Holder and each such underwriter and controlling person with respect to, any and all loss, damage, liability, cost and expense to which such Holder or any such underwriter or controlling person may become subject under the Act or otherwise, insofar as such losses, damages, liabilities, costs or expenses are caused by any untrue statement or alleged untrue statement of any material fact contained in such registration statement, any prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; provided, however, that the Company will not be liable in any such case to the extent that any such loss, damage, liability, cost or expenses arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by or on behalf of such Holder, such underwriter or such controlling person in writing specifically for use in the preparation thereof.

(b) Each Holder of Reserved Shares included in a registration pursuant to the provisions of Section 4.1 or Section 4.2 hereof will indemnify and hold harmless the Company, its directors and officers, any controlling person and any underwriter from and against, and will reimburse the Company, its directors and officers, any controlling person and any underwriter with respect to, any and all loss, damage, liability, cost or expense to which the Company or any controlling person and/or any underwriter may become subject under the Act or otherwise, insofar as such losses, damages, liabilities, costs or expenses are caused by any untrue statement or alleged untrue statement of any material fact contained in such registration statement, any prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was so made in reliance upon and in strict conformity with written information furnished by or on behalf of such Holder specifically for use in the preparation thereof.

(c) Promptly after receipt by an indemnified party pursuant to the provisions of paragraph (a) or (b) of this Section 4.4 of notice of the commencement of any action involving the subject matter of the foregoing indemnity provisions such indemnified party will, if a claim thereof is to be made against the indemnifying party pursuant to the provisions of said paragraph (a) or (b), promptly notify the indemnifying party of the commencement thereof; but the omission to so notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than hereunder. In case such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party shall have the right 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 satisfactory to such indemnified party, provided, however, if counsel for the indemnifying party concludes that a single counsel cannot under applicable legal and ethical considerations, represent both the indemnifying party and the indemnified party, the indemnified party or parties have the right to select separate

counsel to participate in the defense of such action on behalf of such indemnified party or parties. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party pursuant to the provisions of said paragraph (a) or (b) for any legal or other expense subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation, unless (i) the indemnified party shall have employed counsel in accordance with the provisions of the preceding sentence, (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after the notice of the commencement of the action or (iii) the indemnifying party has, in its sole discretion, authorized the employment of counsel for the indemnified party at the expense of the indemnifying party.

V. MISCELLANEOUS

5.1 Any notice or other communication given hereunder shall be deemed sufficient if in writing and sent by registered or certified mail, return receipt requested, addressed to the Company, at its registered office, 29 West 38th Street, 4th Floor, New York, New York 10018, Attention: Chief Executive Officer and to the Subscriber at his address indicated on the last page of this Subscription Agreement. Notices shall be deemed to have been given on the date of mailing, except notices of change of address and notices sent from outside the continental United States, which shall be deemed to have been given when received.

5.2 This Subscription Agreement shall not be changed, modified or amended except by a writing signed by the parties to be charged, and this Subscription Agreement may not be discharged except by performance in accordance with its terms or by a writing signed by the party to be charged.

5.3 This Subscription Agreement shall be binding upon and inure to the benefit of the parties hereto and to their respective heirs, legal representatives, successors and assigns. This Subscription Agreement sets forth the entire agreement and understanding between the parties as to the subject matter thereof and merges and supersedes all prior discussions, agreements and understandings of any and every nature among them.

5.4 Notwithstanding the place where this Subscription Agreement may be executed by any of the parties hereto, the parties expressly agree that all the terms and provisions hereof shall be construed in accordance with and governed by the laws of the State of New York without regard to such states laws regarding conflicts of laws. The parties hereby agree that any dispute which may arise between them arising out of or in connection with this Subscription Agreement shall be adjudicated before a court located in New York City and they hereby submit to the exclusive jurisdiction of the courts of the State of New York located in New York, New York and of the federal courts in the Southern District of New York with respect to any action or legal proceeding commenced by any party, and irrevocably waive any objection they now or hereafter may have respecting the venue of any such action or proceeding brought in such a court or respecting the fact that such court is an inconvenient forum, relating to or arising out of this Subscription Agreement or any acts or omissions relating to the sale of the securities hereunder, and consent to the service of process in any such action or legal proceeding by means of registered or certified mail, return receipt requested, in care of the address set forth below or such other address as the undersigned shall furnish in writing to the other.

5.5 This Subscription Agreement may be executed in counterparts. Upon the execution and delivery of this Subscription Agreement by the Subscriber, this Subscription Agreement shall become a binding obligation of the Subscriber with respect to the purchase of Units as herein provided; subject, however, to the right hereby reserved to the Company to enter into the same agreements with other subscribers and to add and/or to delete other persons as subscribers.

5.6 The holding of any provision of this Subscription Agreement to be invalid or unenforceable by a court of competent jurisdiction shall not affect any other provision of this Subscription Agreement, which shall remain in full force and effect.

5.7 It is agreed that a waiver by either party of a breach of any provision of this Subscription Agreement shall not operate, or be construed, as a waiver of any subsequent breach by that same party.

5.8 The parties agree to execute and deliver all such further documents, agreements and

instruments and take such other and further action as may be necessary or appropriate to carry out the purposes and intent of this Subscription Agreement.

VI. BLUE SKY LEGENDS

California The sale of securities which are the subject of this agreement has not been qualified with the Commissioner of Corporations of the State of California and the issuance of such securities or the payment or receipt of any part of the consideration for such securities prior to such qualification is unlawful, unless the sale of securities is exempt from qualification by Section 25100, 25102 or 25105 of the California Corporations Code. The rights of all parties to this agreement are expressly conditioned upon such qualification being obtained, unless the sale is so exempt.

Connecticut The undersigned acknowledges that the Securities have not been registered under the Connecticut Uniform Securities Act, as amended (the "Act") and are subject to restrictions on transferability and sale of securities as set forth herein. The undersigned hereby agrees that such Securities will not be transferred or sold without registration under the Act or exemption therefrom.

Pennsylvania The undersigned hereby acknowledges that the Issuer is relying upon the exemption from registration of securities set forth in Section 203(d) of the Pennsylvania Securities Act of 1972, as amended (the "Pennsylvania Act") in connection with the sale of the Securities to the undersigned.

In accordance with the requirements of Section 203(d) of the Pennsylvania Act, the undersigned hereby agrees not to sell his Securities within twelve (12) months from the date of purchase except pursuant to Section 204.01 of the Blue Sky Regulations of the Pennsylvania Securities Act of 1972. Additionally, the undersigned is aware of the right of withdrawal under Section 207(m) of the Act described in the cover pages of the Term Sheet.

Texas The undersigned hereby acknowledges that the Securities cannot be sold unless they are subsequently registered under the Securities Act of 1933, as amended, and the Texas Securities Act, or an exemption from registration is available. The undersigned further acknowledges that because the Securities are not readily transferable, he must bear the economic risk of his investment for an indefinite period of time.

IN WITNESS WHEREOF, the parties have executed this Subscription Agreement as of the day and year first written above.

-----  
Signature of Subscriber

-----  
Signature of Co-Subscriber

-----  
Name of Subscriber  
[please print]

-----  
Name of Co-Subscriber  
[please print]



-----  
Address of Subscriber

-----  
Address of Co-Subscriber

-----  
Social Security or Taxpayer  
Identification Number of Subscriber

-----  
Social Security or Taxpayer  
Identification Number of Co-Subscriber

-----  
Subscriber's Account Number  
at Commonwealth Associates

-----  
Dollar Amount of Units Subscribed For

\*If Subscriber is a Registered Representative  
with an NASD member firm, have the following  
acknowledgment signed by the appropriate party:

The undersigned NASD member firm  
acknowledges receipt of the notice  
required by Rule 3050 of the NASD  
Conduct Rules.

Subscription Accepted:

EB2B COMMERCE, INC.

Name of NASD Member Firm

-----  
By:

-----  
Name: Peter J. Fiorillo  
Title: Chief Executive Officer

By

-----  
Authorized Officer

-----  
Dollar Amount of Unit Subscription Accepted

eB2B COMMERCE, INC.

SUBSCRIPTION AGREEMENT made as of this 1st day of May, 2001 between eB2B Commerce, Inc., a corporation organized under the laws of the State of New Jersey with offices at 757 Third Avenue, Suite 302, New York, New York 10017 (the "Company"), and the undersigned (the "Subscriber").

WHEREAS, the Company desires to issue a minimum of 30 (the "Minimum Offering") and a maximum of 70 (the "Maximum Offering") units ("Units") in a private placement (the "Bridge Financing"), each Unit consisting of: (i) \$100,000 principal amount of 7% convertible promissory notes (the "Notes"), in the form attached as an exhibit to the confidential term sheet dated April 4, 2001 (the "Term Sheet"), and (ii) two-year warrants (the "Warrants") to purchase 200,000 shares of the Company's common stock, \$.0001 par value (the "Common Stock") at an exercise price equal to \$1.00 per share, the Warrants to be governed by the warrant agreement in the form attached as an exhibit to the Term Sheet (the "Warrant Agreement") on the terms and conditions hereinafter set forth and the Subscriber desires to acquire the number of Units set forth on the signature page hereof;

WHEREAS, the Notes are initially convertible into either shares (the "Preferred Shares") of the Company's series C convertible preferred stock (the "Preferred Stock") having the rights and preferences set forth in the Certificate of the Designations, Powers, Preferences and Rights (the "Designation") attached as an exhibit to the Term Sheet or into shares of Common Stock;

WHEREAS, Gruntal & Co., LLC and Commonwealth Associates, L.P. (each a "Placement Agent" and collectively, the "Placement Agents") are acting as placement agents in connection with the Bridge Financing.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto do hereby agree as follows:

I. SUBSCRIPTION FOR UNITS AND REPRESENTATIONS BY AND COVENANTS OF SUBSCRIBER

1.1 Subject to the terms and conditions hereinafter set forth, the Subscriber hereby subscribes for and agrees to purchase from the Company such number of Units as is set forth upon the signature page hereof at a price equal to \$100,000 per Unit and the Company agrees to sell such Units to the Subscriber for said purchase price subject to the Company's right to sell to the Subscriber such lesser number of Units as the Company may, in its sole discretion, deem necessary or desirable. The purchase price is payable by certified or bank check made payable to "American Stock Transfer & Trust Company, as Escrow Agent for eB2B Commerce, Inc." or by wire transfer of funds, contemporaneously with the execution and delivery of this Subscription Agreement. The Notes and Warrants will be delivered by the Company within 10 days following the consummation of the Bridge Financing as set forth in Article III hereof.

1.2 The Subscriber recognizes that the purchase of Units involves a high degree of risk in that (i) an investment in the Company is highly speculative and only investors who can afford the loss of their entire investment should consider investing in the Company and the Units; (ii) an investment in the Units is illiquid; (iii) transferability of the securities comprising the Units is extremely limited; and (iv) the Company will be unable to repay the Notes without obtaining additional financing, as well as other risk factors as more fully set forth in the Term Sheet or in the Company's filings with the United States Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (the "Exchange Act") or the Securities Act of 1933, as amended (the "Securities Act").

1.3 The Subscriber represents and warrants that he is an "accredited investor" as such term in defined in Rule 501 of Regulation D

promulgated under the Securities Act, as indicated by his responses to the investor questionnaire to be completed in connection with the Bridge Financing (the "Investor Questionnaire"), and that he is able to bear the economic risk of an investment in the Units. The Subscriber further represents and warrants that the information furnished in the Investor Questionnaire is accurate and complete in all material respects.

1.4 The Subscriber acknowledges that he has prior investment experience, including investment in non-listed and non-registered securities with a limited trading market and that he recognizes the highly speculative nature of this investment.

1.5 The Subscriber hereby represents that he has been furnished by the Company during the course of this transaction with all information regarding the Company that he has requested or desires to know and that he has been afforded the opportunity to ask questions of and receive answers from duly authorized officers or other representatives of the Company concerning the terms and conditions of the Bridge Financing. The Subscriber represents that he was not induced to invest by any form of general solicitation or general advertising including, but not limited to, the following: (i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over the news or radio; and (ii) any seminar or meeting whose attendees were invited by any general solicitation or advertising.

1.6 The Subscriber acknowledges that this offering of Units may involve tax consequences and that neither the Company nor either of the Placement Agents has provided him with tax advice or information. The Subscriber acknowledges that he must retain his own professional advisors to evaluate the tax and other consequences of an investment in the Units.

1.7 The Subscriber acknowledges that the Bridge Financing has not been reviewed by the SEC because of the Company's representations that this is intended to be a nonpublic offering pursuant to Sections 4(2) or 3(b) of the Securities Act. The Subscriber represents that the Notes and Warrants comprising his Units are being purchased for his own account, for investment and not for distribution or resale to others. The Subscriber agrees that he will not sell or otherwise transfer the Notes or the Warrants unless they are registered under the Securities Act or unless an exemption from such registration is available.

1.8 The Subscriber understands that Rule 144 (the "Rule") promulgated under the Securities Act requires, among other conditions, a one year holding period prior to the resale (in limited amounts) of securities acquired in a non-public offering without having to satisfy the

registration requirements under the Securities Act. The Subscriber understands that the Company makes no representation or warranty regarding its fulfillment in the future of any reporting requirements under the Exchange Act, or its dissemination to the public of any current financial or other information concerning the Company, as is required by the Rule as one of the conditions of its availability. The Subscriber understands and hereby acknowledges that the Company is under no obligation to register the securities comprising the Units under the Securities Act, with the exception of certain registration rights set forth in Article IV herein. The Subscriber agrees that the Company may, if it desires, permit the transfer of the Notes, the Warrants, the Preferred Shares (collectively, the "Securities") and the shares of Common Stock issuable upon conversion of the Notes or Preferred Shares (collectively, the "Conversion Shares") and exercise of the Warrants (the "Warrant Shares") out of his name only when his request for transfer is accompanied by an opinion of counsel reasonably satisfactory to the Company that neither the sale nor the proposed transfer results in a violation of the Securities Act or any applicable state "blue sky" laws.

1.9 The Subscriber consents to the placement of a legend on any certificate or other document evidencing the Securities stating that they have not been registered under the Securities Act and setting forth or referring to the restrictions on transferability and sale thereof, and to the issuance of stop transfer instructions with respect thereto.

1.10 The Subscriber acknowledges that if he is a Registered Representative of an NASD member firm, he must give such firm the notice required by the NASD's Rules of Fair Practice, receipt of which must be

acknowledged by such firm on the signature page hereof.

1.11 If the undersigned Subscriber is a partnership, corporation, trust or other entity, such partnership, corporation, trust or other entity further represents and warrants that: (i) it was not formed for the purpose of investing in the Company; (ii) it is authorized and otherwise duly qualified to purchase and hold the Units; and (iii) that this Subscription Agreement has been duly and validly authorized, executed and delivered constitutes the legal, binding and enforceable obligation of the undersigned.

1.12 The Subscriber hereby represents that the address of Subscriber furnished by him at the end of this Subscription Agreement is the undersigned's principal residence if he is an individual or its principal business address if it is a corporation or other entity.

1.13 The Subscriber hereby represents that, except as set forth in the Term Sheet or the exhibits thereto (collectively, the "Offering Documents"), no representations or warranties have been made to the Subscriber by the Company or any agent, employee or affiliate of the Company, including the Placement Agents, and in entering into this transaction, the Subscriber is not relying on any information, other than that contained in the Offering Documents and the results of independent investigation by the Subscriber.

1.14 The Subscriber acknowledges that at such time as the Conversion Shares and the Warrant Shares (collectively, the "Reserved Shares") are registered, sales of such securities will be subject to state securities laws, including those of states which may require any securities sold therein to be sold through a registered broker-dealer or in reliance upon an exemption from registration.

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1.15 The Subscriber acknowledges that the Maximum Offering may be increased by up to 30 Units (\$3,000,000) without notice to Subscribers.

## II. REPRESENTATIONS BY THE COMPANY

2.1 The Company represents and warrants to the Subscriber that at the date hereof and at each Closing (as hereinafter defined):

(a) The Company is a corporation duly organized, existing and in good standing under the laws of the State of New Jersey and has the corporate power to conduct the business which it conducts and proposes to conduct.

(b) The execution, delivery and performance of this Subscription Agreement by the Company will have been duly approved by the board of directors of the Company and all other actions required to authorize and effect the offer and sale of the Units and the securities contained therein will have been duly taken and approved.

(c) The Units have been duly and validly authorized and when issued and paid for in accordance with the terms hereof, will be the binding obligations of the Company.

(d) The Company will at all times have authorized and reserved a sufficient number of Preferred Shares, Conversion Shares and Warrant Shares to provide for conversion of the Notes and the Preferred Shares and exercise of the Warrants.

(e) The issuance of (i) the Preferred Shares or Common Stock, as the case may be, upon conversion of the Notes in accordance with the terms thereof, (ii) the Warrant Shares upon the exercise of the Warrants in accordance with the terms of the Warrant Agreement, and (iii) the Common Stock upon conversion of the Preferred Shares in accordance with the terms of the Designation, shall be, against payment therefor (if any), validly issued, fully paid and nonassessable.

(f) The Company has obtained, or is in the process of obtaining, all licenses, permits and other governmental authorizations necessary to the conduct of its business, except where the failure to obtain any of the same would not be reasonably likely to have a material adverse effect on the Company; such licenses, permits and other governmental authorizations obtained are in full force and effect; and the Company is in all material respects complying therewith.

(g) The Company knows of no pending or threatened legal or governmental proceedings to which the Company is a party which would be reasonably likely to materially adversely affect the business, property, financial condition or operations of the Company.

(h) The Company is not in violation of or default under, nor will the execution and delivery of this Subscription Agreement, the issuance of the Units, and the incurrence of the obligations herein and therein set forth and the consummation of the transactions herein or therein contemplated, result in a violation of, or constitute a default under, the Company's articles of incorporation or by-laws, any material obligations, 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

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instrument to which the Company is a party or by which it or any of its properties may be bound or any material order, rule, regulation, writ, injunction, or decree of any government, governmental instrumentality or court, domestic or foreign.

### III. TERMS OF SUBSCRIPTION

3.1 The subscription period will begin as of the date hereof and will terminate at 11:59 PM Eastern time on April 16, 2001, unless extended by mutual agreement of the Company and the Placement Agents for up to an additional 30 days (the "Termination Date"); provided, however, that the Placement Agents shall have the right to the 30-day extension if 50 Units have been subscribed for prior to April 12, 2001. Such extension may be effected without notice to the Subscribers. Of the Units, 30 will be offered on a "best efforts-all or none" basis and the remaining Units will be offered on a "best efforts" basis.

3.2 As compensation for the Placement Agents' services in connection with the Bridge Financing, the Company shall (A) pay to the Placement Agents a placement fee equal to 10% of the aggregate purchase price of the Units sold in the Bridge Financing, (B) reimburse the accountable expenses of the Placement Agents, and (C) issue to the Placement Agents or their designees five-year options (the "Agents' Options") to purchase that number of Units as equals 15% of the Units issued to investors in the Bridge Financing at a price equal to \$100,000 per Unit; provided, however, that with respect to Units purchased by any investor introduced by the Company to the Placement Agents and for whom the Company is obligated to pay a finder's fee to an unrelated third party, the Company shall, in lieu of the fees specified in the preceding part of this sentence, (A) pay to the Placement Agents a placement fee equal to 7% of the aggregate purchase price of the Units sold to such investors and (B) issue to the Placement Agents or their respective designees Agents' Options to purchase that number of Units as equals 10% of the Units issued to such investors. The Company shall also pay all expenses in connection with the qualification of the Units under the securities or blue sky laws of the states which the Placement Agents shall designate, including legal fees and filing fees.

3.3 Pending the sale of the Units, all funds paid hereunder shall be deposited by the Company in escrow with American Stock Transfer & Trust Company. If the Company shall not have obtained subscriptions (including this subscription) for purchases of \$3,000,000 of Units on or before the Termination Date, then this subscription shall be void and all funds paid hereunder by the Subscriber, without interest, shall be promptly returned to the Subscriber, subject to paragraph 3.5 hereof. If 30 Units have been subscribed for at or prior to the Termination Date, then all subscription proceeds shall be paid over to the Company within five business days thereafter at an initial closing (the "Initial Closing"). In such event, placements of additional Units may continue until the Termination Date, with subsequent releases of funds (each, a "Closing") to be at the mutual consent of the Company and the Placement Agents.

3.4 The Subscriber hereby authorizes and directs the Company to deliver certificates representing the securities to be issued to such Subscriber pursuant to this Subscription Agreement either (a) to the residential or business address indicated in the Investor Questionnaire or (b) directly to the Subscriber's account, if any, maintained with either of the Placement Agents.

3.5 The Subscriber hereby authorizes and directs the Company to return any funds for unaccepted subscriptions to the same account from which the funds were drawn, including any customer account maintained with a Placement Agent.

3.6 If the Subscriber is not a United States person, such Subscriber hereby represents that it has satisfied itself as to the full observance of the laws of its jurisdiction in connection with any invitation to subscribe for the securities comprising the Units or any use of this Subscription Agreement, including (i) the legal requirements within its jurisdiction for the purchase of the Units, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale or transfer of the securities comprising the Units (and the Subscriber consents to the withholding of U.S. federal income tax with respect to interest on the Notes). Such Subscriber's subscription and payment for, and his or her continued beneficial ownership of the Units, will not violate any applicable securities or other laws of the Subscriber's jurisdiction.

#### IV. REGISTRATION RIGHTS

4.1 Automatic Registration. The Company hereby agrees with the holders of the Securities or their transferees (collectively, the "Holders") that no later than three months following the date of the Initial Closing, the Company shall prepare and file a registration statement under the Securities Act with the SEC covering the Reserved Shares, and the Company will use its best efforts to cause such registration to become effective as promptly as practicable and within two months thereafter. In the event that the Company's registration statement has not been declared effective by the SEC within six months following the date of the Initial Closing or if the registration statement has been suspended beyond periods mutually agreed upon by the Company and the Placement Agents, then the conversion price of the Notes and the Preferred Shares and the exercise price of the Warrants shall be reduced by 5% for each month or portion thereof that such registration statement is not effective or has been suspended until such time as the registration statement is declared effective or the suspension ceases and the prospectus may be used. The Company's obligation to keep the registration statement effective shall continue until the Reserved Shares are eligible for resale pursuant to Rule 144(k) under the Securities Act.

4.2 "Piggyback" Registration Rights. At any time commencing six months after the Initial Closing, if the Company shall determine to proceed with the actual preparation and filing of a registration statement under the Securities Act in connection with the proposed offer and sale of any of its securities by it or any of its security holders (other than a registration statement on Form S-4, S-8 or other limited purpose form), the Company will give written notice of its determination to all record holders of the Securities. Upon the written request from any record holders participating in the Bridge Financing (the "Requesting Holders"), within 15 days after receipt of any such notice from the Company, the Company will, except as herein provided, cause all such Reserved Shares to be included in such registration statement, all to the extent requisite to permit the sale or other disposition by the prospective seller or sellers of the Reserved Shares to be so registered; provided, further, that nothing herein shall prevent the Company from, at any time, abandoning or delaying any registration. If any registration pursuant to this Section 4.2 shall be underwritten in whole or in part, the Company may require that the Reserved Shares requested for inclusion pursuant to this Section 4.2 be included in the underwriting on the same terms and conditions as the securities otherwise being sold through the

underwriters, execute an underwriting agreement containing customary representations and warranties by selling stockholders and a lock-up on shares not being sold. If in the good faith judgment of the managing underwriter of such public offering the inclusion of all of the Reserved Shares originally covered by a request for registration (the "Requested Stock") would reduce the number of shares to be offered by the Company or interfere with the successful marketing of the shares of stock or other securities offered by the Company, the number of shares of Requested Stock otherwise to be included in the underwritten public offering may be reduced pro rata (by number of shares) among the holders thereof requesting such registration or excluded in their entirety if so required by the underwriter. To the extent only a portion of the Requested Stock is included in the underwritten public offering, those shares of Requested Stock which are thus excluded from the underwritten public offering shall be withheld from the market by the holders thereof for a period, not to exceed 90 days, which the managing underwriter reasonably determines is necessary in order to effect the underwritten public offering.

The obligation of the Company under this Section 4.2 shall not apply to Reserved Shares that at such time are eligible for immediate resale pursuant to Rule 144(k) under the Securities Act.

4.3 Registration Procedures. To the extent required by Section 4.1 and Section 4.2, the Company will:

(a) prepare and file with the SEC a registration statement with respect to such securities, and use its best efforts to cause such registration statement to become and remain effective;

(b) prepare and file with the SEC such amendments to such registration statement and supplements to the prospectus contained therein as may be necessary to keep such registration statement effective;

(c) furnish to the Holders participating in such registration and to the underwriters of the securities being registered such reasonable number of copies of the registration statement, preliminary prospectus, final prospectus and such other documents as such underwriters may reasonably request in order to facilitate the public offering of such securities;

(d) use its best efforts to register or qualify the securities covered by such registration statement under such state securities or blue sky laws of such jurisdictions as the Holders may reasonably request in writing within 20 days following the original filing of such registration statement, except that the Company shall not for any purpose be required to execute a general consent to service of process or to qualify to do business as a foreign corporation in any jurisdiction wherein it is not so qualified;

(e) notify the Holders, promptly after it shall receive notice thereof, of the time when such registration statement has become effective or a supplement to any prospectus forming a part of such registration statement has been filed;

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(f) notify the Holders promptly of any request by the SEC for the amending or supplementing of such registration statement or prospectus or for additional information;

(g) prepare and file with the SEC, promptly upon the request of any Holders, any amendments or supplements to such registration statement or prospectus which, in the opinion of counsel for such Holders (and concurred in by counsel for the Company), is required under the Securities Act or the rules and regulations thereunder in connection with the distribution of Common Stock by such Holders;

(h) prepare and promptly file with the SEC and promptly notify such Holders of the filing of such amendment or supplement to such registration statement or prospectus as may be necessary to correct any statements or omissions if, at the time when a prospectus relating to such securities is required to be delivered under the Securities Act, any event shall have occurred as the result of which any such prospectus or any other prospectus as then in effect would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading; and

(i) advise the Holders, promptly after it shall receive notice or obtain knowledge thereof, of the issuance of any stop order by the SEC suspending the effectiveness of such registration statement or the initiation or threatening of any proceeding for that purpose and promptly use its best efforts to prevent the issuance of any stop order or to obtain its withdrawal if such stop order should be issued.

The Holders shall cooperate with the Company in providing the information necessary to effect the registration of their Reserved Shares, including completion of customary questionnaires.

#### 4.4 Expenses.

(a) With respect to the registration required pursuant to Sections 4.1 or 4.2 hereof, all fees, costs and expenses of and incidental to such registration, inclusion and public offering (as specified in paragraph (b) below) in connection therewith shall be borne by the Company, provided, however, that the Holders shall bear their pro rata share of the underwriting discount and commissions and transfer taxes and the cost of their own counsel.

(b) The fees, costs and expenses of registration to be borne by the Company as provided in paragraph (a) above shall include, without limitation, all registration, filing, and NASD fees, printing expenses, fees and disbursements of counsel and accountants for the Company, and all legal fees and disbursements and other expenses of complying with state securities or blue sky laws of any jurisdictions in which the securities to be offered are to be registered and qualified (except as provided in 4.4(a) above). Fees and disbursements of counsel and accountants for the Holders and any other expenses incurred by the Holders not expressly included above shall be borne by the Holders.

#### 4.5 Indemnification.

(a) The Company will indemnify and hold harmless each Holder of Reserved Shares which are included in a registration statement pursuant to the provisions of Section 4.1 or

Section 4.2 hereof, its directors and officers, and any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or such underwriter within the meaning of the Securities Act, from and against, and will reimburse such Holder and each such underwriter and controlling person with respect to, any and all loss, damage, liability, cost and expense to which such Holder or any such underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, damages, liabilities, costs or expenses are caused by any untrue statement or alleged untrue statement of any material fact contained in such registration statement, any prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; provided, however, that the Company will not be liable in any such case to the extent that any such loss, damage, liability, cost or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by or on behalf of such Holder, such underwriter or such controlling person in writing specifically for use in the preparation thereof.

(b) Each Holder of Reserved Shares included in a registration pursuant to the provisions of Section 4.1 or Section 4.2 hereof will indemnify and hold harmless the Company, its directors and officers, any controlling person and any underwriter from and against, and will reimburse the Company, its directors and officers, any controlling person and any underwriter with respect to, any and all loss, damage, liability, cost or expense to which the Company or any controlling person and/or any underwriter may become subject under the Securities Act or otherwise, insofar as such losses, damages, liabilities, costs or expenses are caused by any untrue statement or alleged untrue statement of any material fact contained in such registration statement, any prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged



untrue statement or omission or alleged omission was so made in conformity with written information furnished by or on behalf of such Holder specifically for use in the preparation thereof.

(c) Promptly after receipt by an indemnified party pursuant to the provisions of paragraph (a) or (b) of this Section 4.5 of notice of the commencement of any action involving the subject matter of the foregoing indemnity provisions such indemnified party will, if a claim thereof is to be made against the indemnifying party pursuant to the provisions of said paragraph (a) or (b), promptly notify the indemnifying party of the commencement thereof; but the omission to so notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party hereunder, except to the extent that the indemnifying party is actually prejudiced thereby. In case such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party shall have the right 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 satisfactory to such indemnified party, provided, however, if counsel for the indemnifying party concludes that a single counsel cannot under applicable legal and ethical considerations, represent both the indemnifying party and the indemnified party, the indemnified party or parties have the right to select separate counsel to participate in the defense of such action on behalf of such indemnified

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party or parties. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party pursuant to the provisions of said paragraph (a) or (b) for any legal or other expense subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation, unless (i) the indemnified party shall have employed counsel in accordance with the provisions of the preceding sentence, (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after the notice of the commencement of the action or (iii) the indemnifying party has, in its sole discretion, authorized the employment of counsel for the indemnified party at the expense of the indemnifying party.

#### V. MISCELLANEOUS

5.1 Any notice or other communication given hereunder shall be deemed sufficient if in writing and sent by registered or certified mail, return receipt requested, addressed to the Company, at its registered office, 757 Third Avenue, Suite 302, New York, New York 10017, Attention: John J. Hughes, Jr., Esq. and to the Subscriber at his address indicated on the last page of this Subscription Agreement. Notices shall be deemed to have been given on the date of mailing, except notices of change of address and notices sent from outside the continental United States, which shall be deemed to have been given when received.

5.2 This Subscription Agreement shall not be changed, modified or amended except by a writing signed by the parties to be charged, and this Subscription Agreement may not be discharged except by performance in accordance with its terms or by a writing signed by the party to be charged.

5.3 This Subscription Agreement shall be binding upon and inure to the benefit of the parties hereto and to their respective heirs, legal representatives, successors and assigns. This Subscription Agreement sets forth the entire agreement and understanding between the parties as to the subject matter thereof and merges and supersedes all prior discussions, agreements and understandings of any and every nature among them.

5.4 Notwithstanding the place where this Subscription Agreement may be executed by any of the parties hereto, the parties expressly agree that all the terms and provisions hereof shall be construed in accordance with and governed by the laws of the State of New York without regard to such states laws regarding conflicts of laws. The parties hereby agree that any dispute which may arise between them arising out of or in connection with this Subscription Agreement shall be adjudicated before a court located in New York City and they hereby submit to the exclusive jurisdiction of the courts of the State of New York located in New York, New York and of the federal courts in the Southern District of New York with respect to any action or legal proceeding commenced by any party, and irrevocably waive any objection they now or

hereafter may have respecting the venue of any such action or proceeding brought in such a court or respecting the fact that such court is an inconvenient forum, relating to or arising out of this Subscription Agreement or any acts or omissions relating to the sale of the securities hereunder, and consent to the service of process in any such action or legal proceeding by means of registered or certified mail, return receipt requested, in care of the address set forth below or such other address as the undersigned shall furnish in writing to the other.

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5.5 This Subscription Agreement may be executed in counterparts. Upon the execution and delivery of this Subscription Agreement by the Subscriber, this Subscription Agreement shall become a binding obligation of the Subscriber with respect to the purchase of Units as herein provided; subject, however, to the right hereby reserved to the Company to enter into the same agreements with other subscribers and to add and/or to delete other persons as subscribers.

5.6 The holding of any provision of this Subscription Agreement to be invalid or unenforceable by a court of competent jurisdiction shall not affect any other provision of this Subscription Agreement, which shall remain in full force and effect.

5.7 It is agreed that a waiver by either party of a breach of any provision of this Subscription Agreement shall not operate, or be construed, as a waiver of any subsequent breach by that same party.

5.8 The parties agree to execute and deliver all such further documents, agreements and instruments and take such other and further action as may be necessary or appropriate to carry out the purposes and intent of this Subscription Agreement.

#### VI. BLUE SKY LEGENDS

California The sale of securities which are the subject of this agreement has not been qualified with the Commissioner of Corporations of the State of California and the issuance of such securities or the payment or receipt of any part of the consideration for such securities prior to such qualification is unlawful, unless the sale of securities is exempt from qualification by Section 25100, 25102 or 25105 of the California Corporations Code. The rights of all parties to this agreement are expressly conditioned upon such qualification being obtained, unless the sale is so exempt.

Connecticut The undersigned acknowledges that the Securities have not been registered under the Connecticut Uniform Securities Act, as amended (the "Act") and are subject to restrictions on transferability and sale of securities as set forth herein. The undersigned hereby agrees that such Securities will not be transferred or sold without registration under the Act or exemption therefrom.

Pennsylvania The undersigned hereby acknowledges that the Issuer is relying upon the exemption from registration of securities set forth in Section 203(d) of the Pennsylvania Securities Act of 1972, as amended (the "Pennsylvania Act") in connection with the sale of the Securities to the undersigned.

In accordance with the requirements of Section 203(d) of the Pennsylvania Act, the undersigned hereby agrees not to sell his Securities within twelve (12) months from the date of purchase except pursuant to Section 204.01 of the Blue Sky Regulations of the Pennsylvania Securities Act of 1972. Additionally, the undersigned is aware of the right of withdrawal under Section 207(m) of the Act described in the cover pages of the Term Sheet.

Texas The undersigned hereby acknowledges that the Securities cannot be sold unless they are subsequently registered under the Securities Act of 1933, as amended, and the Texas Securities Act, or an exemption from registration is available. The undersigned further

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acknowledges that because the Securities are not readily transferable, he must bear the economic risk of his investment for an indefinite period of time.

IN WITNESS WHEREOF, the parties have executed this Subscription Agreement as of the day and year first written above.

<TABLE>  
<S>

<C>

-----  
Signature of Subscriber

-----  
Signature of Co-Subscriber

-----  
Name of Subscriber  
[please print]

-----  
Name of Co-Subscriber  
[please print]

-----  
Address of Subscriber

-----  
Address of Co-Subscriber

-----  
Social Security or Taxpayer  
Identification Number of Subscriber

-----  
Social Security or Taxpayer Identification  
Number of Co-Subscriber

-----  
Subscriber's Account Number  
at Commonwealth Associates

-----  
Dollar Amount of Units Subscribed For

\*If Subscriber is a Registered Representative with an NASD member firm, have the following acknowledgment signed by the appropriate party: The undersigned NASD member firm acknowledges receipt of the notice required by Rule 3040 of the NASD Conduct Rules

Subscription Accepted:

EB2B COMMERCE, INC.

By: \_\_\_\_\_

-----  
Name of NASD Member

-----  
Name:  
Title

By \_\_\_\_\_

-----  
Authorized Officer

-----  
Dollar Amount of Unit Subscription Accepted

</TABLE>

EXH-23  
EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Amendment No. 1 to Registration Statement No. 333-54410 of eB2B Commerce, Inc. of our report dated April 16, 2001 appearing in the Prospectus, which is a part of such Registration Statement, and to the reference to us under the heading "Experts" in such Prospectus.

/S/ DELOITTE & TOUCHE LLP  
New York, New York  
July 12, 2001

EXH-23  
EXHIBIT 23.2

Consent of Independent Auditors

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated February 22, 2000, except for Notes 3, 10 and 11 as to which the date is March 30, 2001, with respect to the financial statements of eB2B Commerce, Inc. ("former eB2B") as of December 31, 1999 and for the year then ended, included in the Registration Statement (Amendment No. 1 to Form S-3 on Form SB-2 No. 333-54410) and related Prospectus of eB2B Commerce, Inc. (formerly Dynamic Web Enterprises, Inc.) dated July 13, 2001.

/s/ Ernst & Young LLP

New York, New York  
July 13, 2001

EXH-23  
EXHIBIT 23.3

CONSENT OF INDEPENDENT AUDITORS

We consent to the use in this Amendment No. 1 to the Form S-3 Registration Statement/Prospectus on Form SB-2 of our report dated November 19, 1999 (November 23, 1999, with respect to Note M[3]: December 17, 1999 with respect to Note M[4]) on our audits of the financial statements of DynamicWeb Enterprises, Inc., a New Jersey corporation, as of September 30, 1999 and for each of the years in the two-year period ended September 30, 1999. We also consent to the reference of our firm under the captions "Experts" in the Prospectus.

/s/ Richard A. Eisner & Company, LLP

New York, New York  
July 10, 2001

EXHIBIT 23.4

CONSENT OF INDEPENDENT AUDITORS

We consent to the inclusion in Amendment No. 1 to the registration statement of eB2B Commerce, Inc. on Form SB-2 (File No. 333-54410) of our report dated February 22, 2000, except for the last paragraph of Note 17, which is as of February 24, 2000 on our audit of the consolidated financial statements of Netlan Enterprises, Inc. and Subsidiaries as of December 31, 1999 and 1998, and for the years then ended. We also consent to the reference to our firm under the caption "Experts".

/s/ Rothstein, Kass & Company, P.C.

Roseland, New Jersey  
July 13, 2001