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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): May 2, 2001

EB2B COMMERCE, INC.
(Exact Name of Registrant as Specified in Charter)

NEW JERSEY (State or Other Jurisdiction of Incorporation)	0-10039 (Commission File Number)	22-2267658 (I.R.S. Employer Identification Number)
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757 THIRD AVENUE, NEW YORK, NEW YORK (Address of Registrant's Principal Executive Offices)	10017 (Zip Code)
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(212) 703-2000
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS

On May 2, 2001, eB2B Commerce, Inc. (the "Company") completed a private placement of convertible notes and warrants (the "Financing"). The gross proceeds of this transaction were \$7,500,000 and are intended to be utilized to help facilitate continued growth of the Company.

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 common stock (\$.50 per share), and warrants to purchase an aggregate 15,000,000 shares of common stock at \$.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 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. Reference is made to the form of Convertible Note for all the terms and provisions thereof, a copy of which is attached hereto as Exhibit 4.1 and incorporated herein by reference.

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, as discussed below, (ii) the date shareholder such approval is no

longer required, whether because the common stock of the Company is no longer listed on NASDAQ or otherwise, or (iii) October 1, 2001 (if the holders exercise their right to accelerate the initial exercise date due to the Company's failure to receive shareholder approval). The Private Warrants are redeemable in certain circumstances. Reference is made to the Warrant Agreement (the "Warrant Agreement"), dated April 16, 2001, among the Company, American Stock Transfer & Trust Company and Commonwealth Associates, L.P. ("Commonwealth"), which Warrant Agreement governs the terms of the Private Warrants, a copy of which is attached hereto as Exhibit 4.2 and incorporated herein by reference.

Both the Convertible Notes and the Private Warrants contain anti-dilution protection in certain events, including the issuances of shares by the Company at less than market price or the applicable conversion or exercise price.

In connection with the closing of the Financing, the Company canceled a line of credit issued in April 2001, pursuant to which it had not borrowed any funds. The issuer of the line of credit was issued warrants to purchase 900,000 shares of common stock at \$.50 per share (the "Credit Line Warrant") in consideration of the availability of such line. Reference is made to the Credit Line Warrant for all the terms and conditions thereof, a copy of which is attached hereto as Exhibit 4.3 and incorporated herein by reference.

Commonwealth and Gruntal & Co., LLC ("Gruntal") acted as placement agents for the Financing. Such placement agents were issued, as part of their compensation, five year Unit Purchase Options to purchase Series C preferred stock, convertible into an aggregate of 2,250,000 shares of common stock (\$.50 per share), and warrants to purchase an aggregate of 2,250,000 shares of common stock at \$.93 per share (the "Placement Agent Options"). Reference is made to the form of Placement Agent Option for all the terms thereof, a copy of which are attached hereto as Exhibit 4.4 and incorporated herein by reference.

The Financing and the Credit Line Warrant triggered anti-dilution provisions affecting the conversion price of the Company's Series B preferred stock and the exercise price of and number of shares issuable under various outstanding warrants. As a result, approximately 7,000,000 additional shares of common stock will be issuable with respect to the Series B preferred stock and approximately 8,000,000 additional shares of common stock will be issuable with respect to the warrants. In view of such adjustment, on April 17, 2001, the Company canceled its proposal to convert the Series B preferred shares and certain warrants to common stock. The Company is considering the possibility of making a conversion offer under revised terms in the near future.

Commonwealth has been given the right to designate two directors to the Company's Board of Directors, provided that it may only designate one additional director until such time as the holders of the Series B preferred stock no longer have the right to designate a director. This right is in addition to Commonwealth's current right to designate one director. It is contemplated that the Company will have a seven member Board of Directors. Reference is made to the Agency Agreement, dated April 4, 2001, among the Company, Commonwealth and Gruntal (the "Agency Agreement") for the provisions related to directorships, as well as the other terms and provisions thereof, a copy of which is attached hereto as Exhibit 4.5 and incorporated herein by reference.

The Company intends to seek shareholder approval of the Financing, as required by the rules of NASDAQ. Pending such approval, conversion of the Convertible Notes (or Series C preferred shares) 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 the Company shall fail to obtain the necessary approval of shareholders by September 30, 2001, it 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 the Company would face delisting from NASDAQ.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

Exhibits:

4.1 Form of Convertible Note.

- 4.2 The Warrant Agreement.
- 4.3 Credit Line Warrant.
- 4.4 Form of Placement Agent Option.
- 4.5 The Agency Agreement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 8, 2001

eB2B Commerce, Inc.

By: /s/ John J. Hughes, Jr., Esq.

Name: John J. Hughes, Jr., Esq.
Title: Executive Vice President
and General Counsel

THIS NOTE AND THE SHARES OF SERIES C PREFERRED STOCK OR COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE HAVE BEEN ACQUIRED FOR INVESTMENT PURPOSES ONLY AND MAY NOT BE TRANSFERRED UNTIL (i) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") SHALL HAVE BECOME EFFECTIVE WITH RESPECT THERETO OR (ii) RECEIPT BY THE COMPANY OF AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY TO THE EFFECT THAT REGISTRATION UNDER THE SECURITIES ACT IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED TRANSFER NOR IS SUCH TRANSFER IN VIOLATION OF ANY APPLICABLE STATE SECURITIES LAWS. THIS LEGEND SHALL BE ENDORSED UPON ANY NOTE ISSUED IN EXCHANGE FOR THIS NOTE OR ANY SHARES OF SERIES C PREFERRED STOCK OR COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF THE COMPANY AND PAYEE HEREUNDER ARE SUBJECT TO THE SUBORDINATION PROVISIONS SET FORTH IN SECTION 3 HEREOF. IN THE EVENT OF A CONFLICT BETWEEN ANY TERMS OF THIS NOTE AND THE TERMS OF SUCH SECTION 3, THE TERMS OF SECTION 3 SHALL GOVERN.

eB2B COMMERCE, INC.

No. _____

\$ _____

CONVERTIBLE NOTE

eB2B Commerce, Inc., a New Jersey corporation (the "Company"), for value received, hereby promises to pay to the order of _____ (the "Payee") on the earlier of: (i) October 16, 2002; (ii) the date on which the Company raises a minimum of \$10,000,000 of gross proceeds from any debt placement or a minimum of \$15,000,000 of gross proceeds from any equity placement; or (iii) the date on which there occurs a merger or combination of the Company where the shareholders of the Company own, on a fully-diluted basis, less than a majority of the equity securities of the merged or combined entity or the sale of all or substantially all of the assets of the Company or the purchase of a single entity or person or group of affiliated entities or persons of more than 50% of the voting stock of the Company (the "Maturity Date") at the offices of the Company, subject to the following sentence, the principal sum of _____ Dollars (\$ _____) or such lesser principal amount as shall at such time be outstanding hereunder (the "Principal Amount"). In the event the Maturity Date results from clause (iii) above, the Company shall also pay to the Payee a premium equal to 33% of the Principal Amount (the "Premium"). Each payment by the Company pursuant to this Note shall be made without set-off or counterclaim and shall be made in lawful currency of the United States of America and in immediately available funds. Interest on this Note shall accrue on the Principal Amount outstanding from time to time at a rate per annum computed in accordance with Section 4 hereof and shall be payable quarterly in arrears on each March 31, June 30, September 30 and December 31 (each, an "Interest Payment Date) commencing June 30, 2001.

The Principal Amount of this Note together with interest accrued and unpaid thereon, and the Premium (if applicable) shall be payable on the Maturity Date unless this Note is converted in accordance with Sections 1 or 7 hereof.

The amount of all repayments of principal, interest rates applicable thereto and interest accrued thereon shall be recorded on the records of the Company and, prior to any transfer of, or any action to collect on, this Note shall be endorsed on this Note. Any such recordation or endorsement shall constitute prima facie evidence of the accuracy of the information so recorded or endorsed, but the failure to record any such amount or rate shall not limit or otherwise affect the obligations of the Company hereunder to make payments of principal or interest when due. All payments by the Company hereunder shall be applied first to pay any interest which is due, but unpaid, then to reduce the Principal Amount.

The Company (i) waives presentment, demand, protest or notice of any kind in connection with this Note and (ii) agrees to pay to the holder hereof, on

demand, all costs and expenses (including reasonable legal fees and expenses) incurred in connection with the enforcement and collection of this Note.

This Note is issued in connection with a bridge financing (the "Bridge Financing") through Commonwealth Associates, L. P. and Gruntal & Co., LLC (the "Agents") of notes (the "Notes") and common stock purchase warrants (the "Warrants") pursuant to a Subscription Agreement, between the Company and the Payee (the "Subscription Agreement"), a copy of which agreement is available for inspection at the Company's principal office. Notwithstanding any provision to the contrary contained herein, this Note is subject and entitled to those terms, conditions, covenants and agreements contained in the Subscription Agreement that are expressly applicable to the Notes. Any transferee of this Note, by its acceptance hereof, assumes the obligations of the Payee in the Subscription Agreement with respect to the conditions and procedures for transfer of this Note. Reference to the Subscription Agreement shall in no way impair the absolute and unconditional obligation of the Company to pay both principal hereof and interest hereon as provided herein.

1. Conversion into Subsequent Placement. If the Company completes a private placement of its securities prior to the Maturity Date (the "Subsequent Placement"), the Payee shall have the right, but not the obligation, to have the outstanding Principal Amount canceled as payment for the Payee's investment in the securities sold in the Subsequent Placement. The Payee's investment in the Subsequent Placement shall be on the same terms and conditions as other investors in the Subsequent Placement. Upon cancellation of this Note in connection with the Payee's investment in the Subsequent Placement, all accrued interest shall be paid. This Note is also subject to the conversion provisions of Section 7 hereof.

2. Prepayment. The Principal Amount of this Note may not be prepaid in whole or in part except as set forth in Section 7D hereof.

3. Subordination. The Company, for itself, its successors and assigns, covenants and agrees, and the Payee and each successive holder of this Note, by its acceptance of this Note, likewise covenants and agrees (expressly for the benefit of the present and future holders of the Senior Debt (as hereinafter defined)), that the payment of principal of, and interest on, this Note is hereby expressly subordinated in right of payment to the prior payment in full of the principal of, premium (if any) and interest on, all Senior Debt of the Company (other than the Notes), hereafter incurred or created. "Senior Debt" means, collectively, (i) all Indebtedness for Borrowed Money (and all renewals, extensions, refundings, amendments and modifications of

any such Indebtedness for Borrowed Money); and (ii) all payment obligations of the Company pursuant to any capitalized lease with an entity that is not an affiliate of the Company, unless by the terms of the instrument creating or evidencing any such indebtedness it is expressly provided that such indebtedness is not superior in right of payment to the Notes.

"Indebtedness for Borrowed Money" means (i) all payment obligations of the Company to a bank, insurance company, finance company or other institutional lender or other entity regularly engaged in the business of extending credit in the form of borrowed money, provided such entity is not an affiliate of the Company (each of the foregoing, an "Institutional Lender") in respect of extensions of credit to the Company (or to a subsidiary of the Company to the extent such obligations are guaranteed by the Company pursuant to a written guarantee executed by the appropriate officers of the Company) and (ii) all obligations, contingent or otherwise, relative to the face amount of all letters of credit, whether or not drawn, and banker's acceptances, in each case issued for the account of the Company (other than such as may be for the benefit of an affiliate of the Company). The Company may only incur Senior Debt in an amount not to exceed 200% of its preceding 12 months' EBITDA.

The provisions of this Section 3 are not for the benefit of the Company, but are solely for the purpose of defining the relative rights of the holders of the Senior Debt, on the one hand, and the holders of the Notes, on the other hand. Nothing contained herein (i) shall impair, as between the Company and the holder of this Note, the obligations of the Company, which are absolute and unconditional, to pay to the holder hereof all amounts payable in respect of this Note as and when the same shall become due and payable in accordance with the terms hereof or (ii) is intended to or shall affect the relative rights of

the holder of this Note and the creditors of the Company, or (iii) shall prevent the holder of this Note from exercising all rights, powers and remedies otherwise permitted by applicable law or upon a default or Event of Default under this Note as set forth in these subordination provisions.

4. Computation of Interest. All computations of interest hereunder shall be made based on the actual number of days elapsed in a year of 360 days (including the first day but excluding the last day during which any such Principal Amount is outstanding).

A. Base Interest Rate. Subject to subsection 4B below, the outstanding Principal Amount shall bear interest at the rate of seven percent (7%) per annum.

B. Maximum Rate. In the event that it is determined that, under the laws relating to usury applicable to the Company or the indebtedness evidenced by this Note ("Applicable Usury Laws"), the interest charges and fees payable by the Company in connection herewith or in connection with any other document or instrument executed and delivered in connection herewith cause the effective interest rate applicable to the indebtedness evidenced by this Note to exceed the maximum rate allowed by law (the "Maximum Rate"), then such interest shall be recalculated for the period in question and any excess over the Maximum Rate paid with respect to such period shall be credited, without further agreement or notice, to the Principal Amount outstanding hereunder to reduce said balance by such amount with the same force and effect as though the Company had specifically designated such extra sums to be so applied to principal and the Payee had agreed to accept such extra payment(s) as a premium-free prepayment. All such deemed prepayments shall be applied to the principal balance payable at

maturity. In no event shall any agreed-to or actual exaction as consideration for this Note exceed the limits imposed or provided by Applicable Usury Laws in the jurisdiction in which the Company is resident applicable to the use or detention of money or to forbearance in seeking its collection in the jurisdiction in which the Company is resident.

C. Method of Payment. Interest on this Note shall be payable in cash, in additional identical Notes or in shares of Common Stock valued at the lower of the Conversion Price (as defined herein) or market price as of the Interest Payment Date, the method of payment to be at the option of the Company.

5. Covenants of Company.

A. Affirmative Covenants. The Company covenants and agrees that, so long as this Note shall be outstanding, it will perform the obligations set forth in this Section 5A:

(i) Notice of Certain Events. The Company will give prompt written notice (with a description in reasonable detail) to the Payee of:

(a) the occurrence of any Event of Default or any event which, with the giving of notice or the lapse of time, would constitute an Event of Default; or

(b) the occurrence of any event of default or any event which, with the giving of notice or the lapse of time, would constitute an event of default under any document or instrument evidencing or governing any indebtedness of the Company in the principal amount exceeding \$100,000 and the delivery of any notice effecting the acceleration of any such indebtedness.

B. Negative Covenants. The Company covenants and agrees that, so long as this Note shall be outstanding, it will perform the obligations set forth in this Section 5B:

(i) Liquidation, Dissolution. The Company will not liquidate or dissolve, consolidate with, or merge into or with, any corporation or entity as a result of which the shareholders of the Company prior to such transaction will not hold a majority of the outstanding voting stock of the surviving or combined entity after such transaction, except that any wholly-owned subsidiary may merge with another wholly-owned subsidiary or with the Company (so long as the Company is the surviving corporation and no Event of Default shall occur as a result thereof);

(ii) Sales of Assets. The Company will not sell, transfer, lease or otherwise dispose of, or grant options, warrants or other rights with respect to, all or substantially all of its properties or assets to any person or entity;

(iii) Transactions with Affiliates. The Company will not enter into any transaction, including, without limitation, the purchase, sale, lease or exchange of property, real or personal, the purchase or sale of any security, the borrowing or lending of any money, or the rendering of any service, with any person or entity affiliated with the Company (including officers, directors and shareholders owning 3% or more of the Company's outstanding capital

stock), except upon terms not less favorable than would be obtained in a comparable arms-length transaction with any other person or entity not affiliated with the Company except (a) transactions valued at less than \$25,000 entered into in the ordinary course of and pursuant to the reasonable requirements of its business and upon fair and reasonable terms not less favorable than would be obtained in a comparable arms-length transaction with any other person or entity not affiliated with the Company, (b) transactions with the Agents or (c) transactions approved by the majority of the independent members of the Board of Directors;

(iv) Proration of Payments. The Company shall not make or permit any payment or other recovery (whether voluntary, involuntary, by application of setoff or otherwise) on account of Principal Amount or Premium or interest payable hereunder in excess of the Payee's pro rata share of payments then being made in respect of all Notes;

(v) Indebtedness. The Company will not create, incur, assume or suffer to exist, contingently or otherwise, any indebtedness for borrowed money that is senior in right of payment to the Notes or if such indebtedness at the time of incurrence would preclude the timely repayment of this Note or otherwise render the Company unable to pay its debts as they become due; provided, however, that the Company may incur Senior Debt only as set forth in Section 3 hereof;

(vi) Dividends. The Company will not declare or pay any dividends or distributions on its outstanding capital stock other than as provided for in any certificates of designation for with respect to shares of preferred stock;

(vii) Charter Documents. The Company shall not (a) repeal, amend or otherwise change the designation governing the Series C Preferred Stock or the Articles of Incorporation of the Company, as amended, in a manner which would alter or change the powers, preferences, rights privileges, restrictions and conditions of the Series C Preferred Stock so as to adversely affect the Series C Preferred Stock or (b) permit, effect or validate the creation and issuance of any series of preferred stock or other security of the Company which is senior as to liquidation and/or dividend rights to the Series C Preferred Stock.

6. Events of Default.

A. The term "Event of Default" shall mean any of the events set forth in this Section 6A:

(i) Non-Payment of Obligations. The Company shall default in the payment of the Principal Amount or Premium when and as the same shall become due and payable, whether by acceleration or otherwise or, within 10 business days of its becoming due, accrued interest on this Note;

(ii) Non-Performance of Negative Covenants. The Company shall default in any material respect in the due observance or performance of any covenant set forth in Section 5B;

(iii) Non-Performance of Other Obligations. The Company shall default in the due observance or performance of any other material covenant or agreement on the part of the Company to be observed or performed pursuant to

the terms hereof, which default shall continue uncured for five (5) days after such default has been discovered by the Company;

(iv) Bankruptcy, Insolvency, etc. The Company shall:

(a) become insolvent or generally fail or be unable to pay, or admit in writing its inability to pay, its debts as they become due;

(b) apply for, consent to, or acquiesce in, the appointment of a trustee, receiver, sequestrator or other custodian for the Company or any of its property, or make a general assignment for the benefit of creditors;

(c) in the absence of such application, consent or acquiesce in, permit or suffer to exist the appointment of a trustee, receiver, sequestrator or other custodian for the Company or for any part of its property;

(d) permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of the Company and, if such case or proceeding is not commenced by the Company or converted to a voluntary case, such case or proceeding shall be consented to or acquiesced in by the Company or shall result in the entry of an order for relief or shall remain for 60 days undismissed; or

(e) take any corporate or other action authorizing or in furtherance of, any of the foregoing.

(v) Breach of Warranty. Any material representation or warranty of the Company contained in the Subscription Agreement is or shall be incorrect in any material respect when made;

(vi) Cross-Acceleration. Any indebtedness for borrowed money of the Company or any subsidiary in an aggregate principal amount exceeding \$100,000 (1) shall be duly declared to be or shall become due and payable prior to the stated maturity thereof, or (2) shall not be paid as and when the same becomes due and payable, including any applicable grace period;

B. Action if Bankruptcy. If any Event of Default described in clauses (iv) (a) through (d) of Section 6A shall occur, the outstanding Principal Amount of this Note and all other obligations hereunder shall automatically be and become immediately due and payable, without notice or demand.

C. Action if Other Event of Default. If any Event of Default (other than any Event of Default described in clauses (iv) (a) through (d) of Section 6A) shall occur for any reason, whether voluntary or involuntary, and be continuing, the Holders may, upon notice to the Company, declare all or any portion of the outstanding Principal Amount of this Note, together

with the Premium (if applicable) and interest accrued thereon to be due and payable and any or all other obligations hereunder to be due and payable, whereupon the full unpaid Principal Amount, such accrued interest and any and all other such obligations which shall be so declared due and payable shall be and become immediately due and payable, without further notice, demand, or presentment.

D. Remedies. Subject to the provisions of Section 6C and 8A hereof, in case any Event of Default shall occur and be continuing, the holders of not less than 25% of the outstanding aggregate Principal Amount of the Notes may proceed to protect and enforce its rights by a proceeding seeking the specific performance of any covenant or agreement contained in this Note or in aid of the exercise of any power granted in this Note or may proceed to enforce the payment of this Note or to enforce any other legal or equitable rights as such holder shall determine.

7. Conversion of Note.

A. Optional Conversion. Subject to the provisions of Section 7D below, the Payee shall have the right, at its option, at any time up to and

including the later of the Maturity Date or three business days following receipt of a Maturity Notice (as defined in Section 7K hereof), to convert all or the maximum permissible amount of the outstanding Principal Amount of this Note, together with accrued and unpaid interest, if any, into shares of the Company's common stock at the Common Conversion Price. The "Common Conversion Price" shall be \$0.50, subject to adjustment as provided in Section 7E. The shares of Series C Preferred Stock (see 7B(ii) below) or Common Stock to be issued upon such conversion are herein referred to as the "Conversion Shares."

B. Automatic Conversion Upon Certain Events. This Note shall automatically convert upon either of the following events.

(i) Qualified Public Offering. Subject to the provisions of Section 7D below, in the event that prior to the Maturity Date, the Company completes a public offering of its securities resulting in gross proceeds to the Company in excess of \$25,000,000 at a per share price in excess of \$2.00, this Note shall automatically convert into Common Stock at the Common Conversion Price, provided that (a) the Common Stock is then trading on the Nasdaq SmallCap, Nasdaq National Market or a national securities exchange, (b) either (x) a registration statement covering the Conversion Shares has been declared effective by the Securities and Exchange Commission and remain effective or (y) Rule 144(k) is available for resale of the Conversion Shares, and (c) the Conversion Shares are not subject to more than a six-month lock-up agreement required by the Company or its underwriter.

(ii) Stockholder Consent. In the event that prior to the Maturity Date, the Company receives the required consent of the registered holders of the shares of the Company's Series B convertible preferred stock (the "Series B Preferred Stock") to (A) the issuance of shares of the Company's Series C convertible preferred stock (the "Series C Preferred Stock") or (B) an amendment to the certificate of designation governing the Series B Preferred Stock removing the right of the holders of the Series B Preferred Stock to consent to the issuance of Series C Preferred Stock (either, the "Consent"), this Note shall automatically

convert into Series C Preferred Stock at the Preferred Conversion Rate. The "Preferred Conversion Rate" shall mean one share of Series C Preferred Stock for each \$10.00 Principal Amount of the Note.

C. Automatic Conversion by the Company. Subject to the provisions of Section 7D below, the Company shall have the right, at its sole discretion, to convert the outstanding Principal Amount, together with accrued and unpaid interest, into Common Stock at the Common Conversion Price if (i) the closing bid price per share of the Company's Common Stock equals or exceeds 200% of the then Common Conversion Price for twenty (20) consecutive trading days ending within five days of each notice to the Payee of conversion pursuant to this Section 7C (the "20-day trailing period"); (ii) the Common Stock is then trading on the Nasdaq SmallCap, the Nasdaq National Market or a national securities exchange; and (iii) either a registration statement covering the resale of the Conversion Shares has been declared effective by the Securities and Exchange Commission and remains effective or at least two years has elapsed since the issuance date of the Note and the Conversion Shares are not subject to an contractual restrictions on transferability required by the Company, its underwriter or agent; provided, however, that the aggregate Principal Amount that may be converted by the Company during any thirty (30) day period shall not exceed the amount that would convert into the number of Conversion Shares equal to ten (10) times the average trading volume of the Common Stock during the 20-day trailing period.

D. Conversion Limitation.

(i) In order to comply with rules of the Nasdaq Stock Market relating to shareholder approval of a transaction by an issuer other than in a public offering, the Notes are not convertible into the number of shares of Common Stock that, in the aggregate, would result in the issuance of more than 19.9% of the shares of Common Stock outstanding immediately prior to the Bridge Financing (the "Conversion Limitation") until such time as the Company receives shareholder approval of the transaction (the "Approval"). The Company agrees to seek the Approval at its next special or annual meeting of shareholders, which meeting shall occur no later than September 30, 2001. The Conversion Limitation shall be applied on a pro rata basis among the registered holders of the Notes.

(ii) If the Company shall fail to hold an annual or special meeting of shareholders on or before September 30, 2001 or to obtain at such meeting the Approval contemplated in Section 7D(i), then Commonwealth Associates, L. P. ("Commonwealth") and a committee to be designated by Commonwealth whose members hold in the aggregate not less than 50% of the Principal Amount of the Notes, may, by delivery of written notice to the Company, elect to take any of the following actions with respect to the terms of the Notes:

(a) Waive the Conversion Limitation; or

(b) Cause the Company to prepay the Notes at a price equal to the greater of (i) 200% of the Principal Amount plus accrued and unpaid interest or (ii) the difference between the Common Conversion Price and the market price of the Common Stock on the earlier of September 30, 2001 or the date of the meeting at which the Approval was not obtained multiplied by the number of shares of Common Stock into which the Notes are then

convertible (without reference to the Conversion Limitation). Such amount shall be payable, at the option of the Company, in cash or in shares of Common Stock at the then current market price; provided that (i) a registration statement covering the Conversion Shares filed under the Securities Act has been declared effective and remains effective or at least two years has elapsed since the issuance date of the Note and (ii) no lock-up agreement with the Company or its underwriter or agent would prohibit the sale or transfer of the Conversion Shares.

Notwithstanding anything contained in this Section 7D to the contrary, if the shares of Common Stock of the Company are no longer listed for trading on the Nasdaq Stock Market or the Company has received a waiver from Nasdaq with respect to the Conversion Limitation and/or the Approval, then the provisions of Subsection 7D(ii) (b) shall no longer be applicable.

E. Adjustment of Conversion Price. The Common Conversion Price in effect at any time and the number and kind of securities issuable upon conversion of the Notes shall be subject to adjustment from time to time upon the happening of certain events as follows:

(i) In case the Company shall hereafter (a) declare a dividend or make a distribution on its outstanding shares of Common Stock in shares of Common Stock, (b) subdivide or reclassify its outstanding shares of Common Stock into a greater number of shares, or (c) combine or reclassify its outstanding shares of Common Stock into a smaller number of shares, the Common Conversion Price in effect at the time of such dividend or distribution or of the effective date of such subdivision, combination or reclassification shall be adjusted so that it shall equal the price determined by multiplying the Common Conversion Price by a fraction, the denominator of which shall be the number of shares of Common Stock outstanding after giving effect to such action, and the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such action. Such adjustment shall be made successively whenever any event listed above shall occur;

(ii) Subject to the provisions of Subsection (x) below, in case the Company shall fix a record date for the issuance of rights or warrants to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price (the "Subscription Price") (or having a conversion price per share) less than the current market price on such record date or less than the Common Conversion Price on such record date, the Common Conversion Price shall be adjusted so that the same shall equal the lower of (i) the price determined by multiplying the Common Conversion Price in effect immediately prior to the date of such issuance by a fraction, the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding on the record date mentioned below and (y) the number of additional shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered (or the aggregate conversion price of the convertible securities so offered) would purchase at such current market price per share of the Common Stock, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding on such record date and (y) the number of additional shares of Common Stock offered for subscription or purchase (or into which the convertible securities so offered are convertible) and (ii) in the event the Subscription Price is

equal to or higher than the current market price but is less than the Common Conversion Price, the price determined by multiplying the Common Conversion Price in effect immediately

prior to the date of issuance by a fraction, the numerator of which shall be the sum of the (x) number of shares outstanding on the record date mentioned below and (y) the number of additional shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered (or the aggregate conversion price of the convertible securities so offered) would purchase at the Common Conversion Price in effect immediately prior to the date of such issuance, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding on the record date mentioned below and (y) the number of additional shares of Common Stock offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such rights or warrants are issued and shall become effective immediately after the record date for the determination of shareholders entitled to receive such rights or warrants; and to the extent that shares of Common Stock are not delivered (or securities convertible into Common Stock are not delivered) after the expiration of such rights or warrants the Common Conversion Price shall be readjusted to the Common Conversion Price which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made upon the basis of delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered;

(iii) In case the Company shall hereafter distribute to the holders of its Common Stock evidences of its indebtedness or assets (excluding cash dividends or distributions and dividends or distributions referred to in Subsection (i) above) or subscription rights or warrants (excluding those referred to in Subsection (ii) above), then in each such case the Common Conversion Price in effect thereafter shall be determined by multiplying the Common Conversion Price in effect immediately prior thereto by a fraction, the numerator of which shall be (x) the total number of shares of Common Stock outstanding multiplied by the current market price per share of Common Stock, less (y) the fair market value (as determined by the Company's Board of Directors) of said assets or evidences of indebtedness so distributed or of such rights or warrants, and the denominator of which shall be the total number of shares of Common Stock outstanding multiplied by such current market price per share of Common Stock. Such adjustment shall be effective at the time any such distribution is made;

(iv) Subject to the provisions of Subsection (x) below, in case the Company shall hereafter issue shares of its Common Stock (excluding shares issued (a) in any of the transactions described in Subsection (i) above, (b) upon exercise of options granted to the Company's officers, directors, employees and consultants under a plan or plans adopted by the Company's Board of Directors and approved by its shareholders, if such shares would otherwise be included in this Subsection (iv) (but only to the extent that the aggregate number of shares excluded hereby and issued after the date hereof shall not exceed 5% of the Company's Common Stock outstanding, on a fully diluted basis, at the time of any issuance unless such excess issuances are approved by the independent (i.e., non-employee) members of the Company's Board of Directors), (c) upon exercise of options, rights, warrants, convertible securities and convertible debentures outstanding as of the date hereof, issued in transactions described in Subsection (ii) above or upon issuance of, subsequent exercise or conversion of or payment of in-kind interest or dividends on, any securities issued to investors or the Placement Agents and/or their designees in connection with the Bridge Financing or upon conversion or exercise of such securities, (d) to shareholders of any corporation which merges into the Company in

proportion to their stock holdings of such corporation immediately prior to such merger, upon such merger, (e) issued in a private placement where the Offering Price (as defined below) is at least 85% of the current market price, (f) issued in a bona fide public offering pursuant to a firm commitment underwriting, or (g) issued in connection with an acquisition of a business or technology which has been approved by the Company's Board of Directors but only if no adjustment is required pursuant to any other specific subsection of this Section 8 with respect to the transaction giving rise to such rights) for a consideration per share (the "Offering Price") less than the current market

price or less than the Common Conversion Price, the Common Conversion Price shall be adjusted immediately thereafter so that it shall equal the lower of (i) the price determined by multiplying the Common Conversion Price in effect immediately prior thereto by a fraction, the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares and (y) the number of shares of Common Stock which the aggregate consideration received for the issuance of such additional shares would purchase at such current market price per share of Common Stock, and the denominator of which shall be the number of shares of Common Stock outstanding immediately after the issuance of such additional shares or (ii) in the event the Offering Price is equal to or higher than the current market price per share but less than the Common Conversion Price, the price determined by multiplying the Common Conversion Price in effect immediately prior to the date of issuance by a fraction, the numerator of which shall be (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares and (y) the number of shares of Common Stock which the aggregate consideration received (determined as provided in Subsection (vii) below) for the issuance of such additional shares would purchase at the Common Conversion Price in effect immediately prior to the date of such issuance, and the denominator of which shall be the number of shares of Common Stock outstanding immediately after the issuance of such additional shares. Such adjustment shall be made successively whenever such an issuance is made;

(v) Subject to the provisions of Subsection (x) below, in case the Company shall hereafter issue any securities convertible into or exercisable or exchangeable for its Common Stock (excluding securities issued in transactions described in Subsections (ii), (iii) and (iv)(a) through (g) above) for a consideration per share of Common Stock (the "Exchange Price") initially deliverable upon conversion, exercise or exchange of such securities (determined as provided in Subsection (vii) below) less than the current market price or less than the Common Conversion Price, the Common Conversion Price shall be adjusted immediately thereafter so that it shall equal the lower of (i) the price determined by multiplying the Common Conversion Price in effect immediately prior thereto by a fraction, the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such securities and (y) the number of shares of Common Stock which the aggregate consideration paid for such securities (or the aggregate exercise price if such convertible securities are options or warrants) would purchase at such current market price per share of Common Stock, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to such issuance and (y) the maximum number of shares of Common Stock of the Company deliverable upon conversion, exercise or exchange of such securities at the initial Exchange Price or (ii) in the event the Exchange Price is equal to or higher than the current market price per share but less than the Common Conversion Price, the price determined by multiplying the Common Conversion Price in effect immediately prior to

the date of issuance by a fraction, the numerator of which shall be the sum of (x) the number of shares outstanding immediately prior to the issuance of such securities and (y) the number of shares of Common Stock which the aggregate consideration received (determined as provided in Subsection (vii) below) for such securities would purchase at the Common Conversion Price in effect immediately prior to the date of such issuance, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such securities and (y) the maximum number of shares of Common Stock of the Company deliverable upon conversion of or in exchange for such securities at the initial conversion or exchange price or rate. Such adjustment shall be made successively whenever such an issuance is made;

(vi) No adjustment in the Common Conversion Price shall be required unless such adjustment would require an increase or decrease of at least five cents (\$0.05) in such price; provided, however, that any adjustments which by reason of this Section 7E are not required to be made shall be carried forward and taken into account in any subsequent adjustment required to be made hereunder;

(vii) For purposes of any computation respecting consideration received pursuant to Subsections (iv) and (v) above, the following shall apply:

(a) in the case of the issuance of shares of Common Stock for cash, the consideration shall be the amount of such cash, provided that

in no case shall any deduction be made for any commissions, discounts or other expenses incurred by the Company for any underwriting of the issue or otherwise in connection therewith;

(b) in the case of the issuance of shares of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined in good faith by the Board of Directors of the Company (irrespective of the accounting treatment thereof), whose determination shall be conclusive; and

(c) in the case of the issuance of securities convertible into or exchangeable for shares of Common Stock, the aggregate consideration received therefor shall be deemed to be the consideration received by the Company for the issuance of such securities plus the additional minimum consideration, if any, to be received by the Company upon the conversion or exchange thereof (the consideration in each case to be determined in the same manner as provided in clauses (a) and (b) of this Subsection (vii)).

(viii) For the purpose of any computation under Subsections (ii), (iii), (iv) and (v) above or Sections 4C or 7D, the current market price per share of Common Stock at any date shall be deemed to be the higher of (x) the average of the prices for 30 consecutive business days before such date or (y) the average of the prices for the five consecutive business days immediately preceding such date determined as follows:

(a) If the Common Stock is listed on a national securities exchange or admitted to unlisted trading privileges on such exchange or listed for trading on the Nasdaq National Market, the current market value shall be the last reported sale price of the

Common Stock on such exchange or market on such business day or if no such sale is made on such day, the average closing bid and asked prices for such day on such exchange or market;

(b) If the Common Stock is not so listed or admitted to unlisted trading privileges, but is traded on the Nasdaq SmallCap Market, the current market value shall be the closing price for such business day on such market and if the Common Stock is not so traded, the current market value shall be the mean of the last reported bid and asked prices reported by the National Quotation Bureau, Inc. for such business day; or

(c) If the Common Stock is not so listed or admitted to unlisted trading privileges and bid and asked prices are not so reported, the current market value shall be an amount, not less than book value thereof as at the end of the most recent fiscal year of the Company ending prior to such business day, determined in such reasonable manner as may be prescribed by the Board of Directors of the Company.

(ix) All calculations under this Section 7E shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be. Anything in this Section 7E to the contrary notwithstanding, the Company shall be entitled, but shall not be required, to make such changes in the Common Conversion Price, in addition to those required by this Section 7E, as it shall determine, in its sole discretion, to be advisable in order that any dividend or distribution in shares of Common Stock, or any subdivision, reclassification or combination of Common Stock, hereafter made by the Company shall not result in any Federal Income tax liability to the holders of Common Stock or securities convertible into Common Stock (including the Notes and the Warrants);

(x) Notwithstanding the provisions of this Section 7E, in the event that the Company shall at any time prior to April 16, 2002 issue securities under Subsections (ii), (iv) or (v) (but subject to the exemptions specified therein and subject to a de minimus exception of an aggregate of 50,000 shares of Common Stock issued or underlying the securities) having an Offering Price, Subscription Price or Conversion Price less than the Common Conversion Price (whether initially or due to provisions in such securities requiring price reductions as a result of anti-dilution adjustments, the passage of time, "discount to market" or similar provisions), then the Common Conversion Price shall be immediately reset to equal such lower Offering Price, Subscription Price or Conversion Price;

(xi) No adjustment under Subsections (ii), (iii), (iv) and (v) shall be required for issuances below the current market price if (a) the current market price is at least 200% of the Common Conversion Price then in effect and (b) either a registration statement covering the Conversion Shares is in effect and remains in effect for the 90 days after such issuance or Rule 144(k) under the Securities Act of 1933, as amended (the "Act") is available for resale of all of the Conversion Shares; or

(xii) In the event that at any time, as a result of an adjustment made pursuant to Subsection (i) above, the Payee thereafter shall become entitled to receive any shares of the Company, other than Common Stock, thereafter the number of such other shares so receivable upon conversion of this Note shall be subject to adjustment from time to time in a

manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Subsections (i) to (xi), inclusive above.

F. Mechanics of Conversion.

(i) Optional Conversion. Before the Payee shall be entitled to convert this Note into Conversion Shares in accordance with Section 7A, the Payee shall surrender this Note at the office of the Company, and shall give written notice to the Company at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for the Conversion Shares are to be issued. The Company shall, as soon as practicable thereafter, issue and deliver to the Payee, or to the nominee or nominees of Payee, a certificate or certificates for the number of Conversion Shares to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the Note to be converted, and the person or persons entitled to receive the Conversion Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date.

(ii) Automatic Conversion. In the event of a conversion pursuant to the provisions of Section 7B hereof, or if the Company determines to force conversion of the Notes pursuant to the provisions of Section 7C hereof, the Company shall deliver to the Payee at its address appearing on the records of the Company a written notice of the imminent conversion of this Note (the "Conversion Notice"), requesting surrender of this Note for cancellation and written instructions regarding the registration and delivery of certificates for the Conversion Shares. In the event the Payee receives a Conversion Notice, the Payee shall be required to surrender this Note for cancellation within five business days of the Conversion Notice (the "Conversion Date"), but the failure of the Payee so to surrender this Note shall not affect the conversion of the outstanding Principal Amount into Conversion Shares, provided that if the Note is not surrendered, an affidavit of lost note shall be provided. No holder of this Note shall be entitled upon conversion of this Note to have the Conversion Shares registered in the name of another person or entity without first complying with all applicable restrictions on the transfer of this Note. In the event the Payee does not provide the Company with written instructions regarding the registration and delivery of certificates for the Conversion Shares, the Company shall issue such shares in the name of the Payee and shall forward such certificates to the Payee at its address appearing on the records of the Company. The person entitled to receive the Conversion Shares shall be deemed to have become the holder of record of such shares at the close of business on the Conversion Date and the person entitled to receive share certificates for the Conversion Shares shall be regarded for all corporate purposes after the Conversion Date as the record holder of the number of Conversion Shares to which it is entitled upon the conversion. The Company may rely on record ownership of this Note for all corporate purposes, notwithstanding any contrary notice. After the Conversion Date, this Note shall, until surrendered to the Company, represent the right to receive the Conversion Shares; provided, however, that the Company shall have no obligation to issue the Conversion Shares until the Payee has delivered either this Note or an affidavit of loss.

G. Cash Payments. No fractional shares (or scrip representing fractional shares) of Series C Preferred Stock or Common Stock, as the case may be, shall be issued upon

conversion of this Note. In the event that the conversion of the Principal Amount of this Note would result in the issuance of a fractional share of Series C Preferred Stock or Common Stock, as the case may be, the Company shall pay a cash adjustment in lieu of such fractional share to the holder of this Note based upon the Conversion Price.

H. Stamp Taxes, etc. The Company shall pay all documentary, stamp or other transactional taxes attributable to the issuance or delivery of shares of Series C Preferred Stock or Common Stock, as the case may be, upon conversion of this Note; provided, however, that the Company shall not be required to pay any taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificate for such shares in a name other than that of the holder of this Note, and the Company shall not be required to issue or deliver any such certificate unless and until the person requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the Company's satisfaction that such tax has been paid.

I. Validity of Stock. All shares of Series C Preferred Stock or Common Stock, as the case may be, that may be issued upon conversion of this Note will, upon issuance by the Company in accordance with the terms of this Note, be validly issued, free from all taxes and liens with respect to the issuance thereof (other than those created by the holders), free from all pre-emptive or similar rights and fully paid and non-assessable.

J. Reservation of Shares. The Company covenants and agrees that it will at all times have authorized and reserved, solely for the purpose of such possible conversion, out of its authorized but unissued shares, a sufficient number of shares of its Series C Preferred Stock and Common Stock to provide for the exercise in full of the conversion rights contained in this Note.

K. Notice of Certain Transactions. In case at any time:

(i) The Company shall declare any dividend upon, or other distribution in respect of, its Common Stock;

(ii) The Company shall offer for subscription to the holders of its Common Stock any additional shares of stock of any class or any other securities convertible into shares of stock or any rights to subscribe thereto;

(iii) There shall be any capital reorganization or reclassification of the capital stock of the Company, or a sale of all or substantially all of the assets of the Company, or a consolidation or merger of the Company with another corporation (other than a merger with a subsidiary in which merger the Company is the continuing corporation and which does not result in any reclassification);

(iv) There shall be a voluntary or involuntary dissolution; liquidation or winding up of the Company; or

(v) The Common Conversion Price shall have been adjusted in accordance with the provisions of Section 7E;

then, in any one or more of said cases, the Company shall cause to be mailed to the Payee at the earliest practicable time (and, in any event not less than 10 days before any record date or other date set for definitive action), written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution or subscription rights or such reorganization, reclassification, sale, consolidation, merger or dissolution, liquidation or winding-up shall take place, as the case may be. Such notice shall also set forth such facts as shall indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Common Conversion Price and the kind and amount of the shares of stock and other securities and property deliverable upon the conversion of this Note. Such notice shall also specify the date as of which the holders of the Common Stock of record shall participate in said dividend, distribution or subscription rights or shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, reclassification, sale, consolidation, merger or dissolution, liquidation or winding-up, as the case may

be.

Nothing herein shall be construed as the consent of the holder of this Note to any action otherwise prohibited by the terms of this Note or as a waiver of any such prohibition.

L. Notice of Maturity Date. The Company shall give written notice to the Payee not less than 10 business days prior to event described in clause (ii) or (iii) of the first paragraph of this Note which results in the Maturity Date (a "Maturity Notice").

8. Amendments and Waivers.

A. The provisions of this Note may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Company and the Holders of not less than 50% in principal amount of the Notes then outstanding (the "Required Holders"); provided, however, that no such amendment, modification or waiver which would (i) modify this Section 8A, (ii) extend the Maturity Date for more than one year, or (iii) reduce the Principal Amount payable hereunder shall be made without the consent of the Payee of each Note so affected.

B. No failure or delay on the part of the Payee in exercising any power or right under this Note shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Company in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by the Payee shall, except as may be otherwise stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval hereunder shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

C. To the extent that the Company makes a payment or payments to the Payee, and such payment or payments or any part thereof are subsequently for any reason invalidated, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

D. After any waiver, amendment or supplement under this section becomes effective, the Company shall mail to the Payee a copy thereof.

9. Miscellaneous

A. Registered Holder. The Company may consider and treat the person in whose name this Note shall be registered as the absolute owner thereof for all purposes whatsoever (whether or not this Note shall be overdue) and the Company shall not be affected by any notice to the contrary. In case of transfer of this Note by operation of law, the transferee agrees to notify the Company of such transfer and of its address, and to submit appropriate evidence regarding such transfer so that this Note may be registered in the name of the transferee. This Note is transferable only on the books of the Company by the Holder hereof, in person or by attorney, on the surrender hereof, duly endorsed. Communications sent to any registered owner shall be effective as against all Holders or transferees of the Note not registered at the time of sending the communication.

B. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New York. Sections 5-1401 and 5-1402 of the General Obligations Law of the State of New York shall apply to this Note and the Company hereby waives any right to stay or dismiss on the basis of forum non conveniens any action or proceeding brought before the courts of the State of New York sitting in New York County or of United States of America for the Southern District of New York and hereby submits to the jurisdiction of such courts.

C. Notices. Unless otherwise provided, all notices required or permitted under this Note shall be in writing and shall be deemed

effectively given (i) upon personal delivery to the party to be notified, (ii) upon confirmed delivery by Federal Express or other nationally recognized courier service providing next-business-day delivery, or (iii) three business days after deposit with the United States Postal Service, by registered or certified mail, postage prepaid and addressed to the party to be notified, in each case at the address set forth below, or at such other address as such party may designate by written notice to the other party (provided that notice of change of address shall be effective upon receipt by the party to whom such notice is addressed).

If sent to Payee, notices shall be sent to the address set forth in the Subscription Agreement.

If sent to the Company, notices shall be sent to the following address:

eB2B Commerce, Inc.
757 Third Avenue, Suite 302
New York, New York 10017
Attention: John J. Hughes, Jr., Esq.

D. Parties in Interest. All covenants, agreements and undertakings in this Note binding upon the Company or the Payee shall bind and inure to the benefit of the successors and permitted assigns of the Company and the Payee, respectively, whether so expressed or not.

E. Waiver of Jury Trial. THE PAYEE AND THE COMPANY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS NOTE OR ANY OTHER DOCUMENT OR INSTRUMENT EXECUTED AND DELIVERED IN CONNECTION HERewith, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN), OR ACTIONS OF THE PAYEE OR THE COMPANY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PAYEE'S PURCHASING THIS NOTE.

IN WITNESS WHEREOF, the Company has caused this Note to be signed in its name by its duly authorized officer.

eB2B COMMERCE, INC.

By

Name: Alan Andreini
Title: Chief Executive Officer

WARRANT AGREEMENT

AGREEMENT, dated as of this 16th day of April, 2001, by and among EB2B COMMERCE, INC., a New Jersey corporation (the "Company"), AMERICAN STOCK TRANSFER & TRUST COMPANY (the "Warrant Agent"), and COMMONWEALTH ASSOCIATES, L. P., a New York limited partnership ("Commonwealth"), as representative of the placement agents (the "Placement Agents").

W I T N E S S E T H

WHEREAS, in connection with a private placement (the "Bridge Financing") of up to 100 units ("Units"), each Unit consisting of (i) \$100,000 principal amount of 117% promissory notes (the "Notes"), and (ii) 200,000 common stock purchase warrants (the "Warrants"), each Warrant exercisable to purchase one share of the Company's common stock (the "Common Stock"), the Company will issue up to 20,000,000 Warrants; and

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to so act, in connection with the issuance, registration, transfer and exchange of the Warrants, the issuance of certificates representing the Warrants, the exercise of the Warrants, and the rights of the holders thereof;

NOW THEREFORE, in consideration of the premises and the mutual agreements hereinafter set forth and for the purpose of defining the terms and provisions of the Warrants and the certificates representing the Warrants and the respective rights and obligations thereunder of the Company, the holders of certificates representing the Warrants and the Warrant Agent, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. As used herein, the following terms shall have the following meanings, unless the context shall otherwise require:

(a) "Call Price" shall mean the price at which the Company may, at its option in accordance with the terms hereof, redeem the Warrants, which price shall be \$0.05 per Warrant.

(b) "Common Stock" shall mean stock of the Company of any class, whether now or hereafter authorized, which has the right to participate in the distributions of earnings and assets of the Company without limit as to amount or percentage, which at the date hereof consists of 200,000,000 authorized shares of Common Stock.

(c) "Corporate Office" shall mean the office of the Warrant Agent (or its successor) at which at any particular time its principal business shall be administered, which office is located at 59 Maiden Lane, New York, New York 10038.

(d) "Exercise Date" shall mean, as to any Warrant, the date on which the Warrant Agent shall have received both (a) the certificate representing such Warrant (the "Warrant Certificate"), with the exercise form thereon duly executed by the Registered Holder thereof or his attorney duly authorized in writing, and (b) if payment is to be made in cash, cash or an official bank or certified check made payable to the Company,

of an amount in lawful money of the United States of America equal to the Exercise Price.

(e) "Exercise Price" shall mean the purchase price to be paid upon exercise of each Warrant in accordance with the terms hereof, which price shall be \$.93 per share, subject to adjustment from time to time pursuant to the provisions of Section 8 hereof and subject further to the Company's right to reduce the Exercise Price upon notice to all Registered Holders.

(f) "Initial Warrant Exercise Date" shall mean the earlier of (i) the date on which the Company shall have obtained the Shareholder Approval, as defined in Section 15, (ii) the date the Shareholder Approval is no longer

required, whether because the Common Stock is no longer listed on the Nasdaq Stock Market or otherwise, or (iii) the Acceleration Date, as defined in Section 15.

(g) "Registered Holder" shall mean the person in whose name any certificate representing Warrants shall be registered on the books maintained by the Warrant Agent pursuant to Section 6.

(h) "Transfer Agent" shall mean American Stock Transfer & Trust Company, as the Company's transfer agent, or its authorized successor, as such.

(i) "Warrant Expiration Date" shall mean 5:00 P.M. (New York time) on the second anniversary of the Initial Warrant Exercise Date or, with respect to Warrants which are outstanding as of the Optional or Mandatory Redemption Date (as defined in Sections 11 and 15, respectively), the applicable Redemption Date, whichever is earlier; provided that if such date shall in the State of New York be a holiday or a day on which banks are authorized to close, then 5:00 P.M. (New York time) on the next following day which in the State of New York is not a holiday or a day on which banks are authorized to close. Upon notice to all warrant holders the Company shall have the right to extend the Warrant Expiration Date.

(j) "Warrant Shares" shall mean the shares of Common Stock deliverable upon exercise of the Warrants, as adjusted from time to time.

SECTION 2. WARRANTS AND ISSUANCE OF WARRANT CERTIFICATES.

(a) A Warrant shall initially entitle the Registered Holder of the Warrant Certificate representing such Warrant to purchase one share of Common Stock upon the exercise thereof, in accordance with the terms hereof, subject to modification and adjustment as provided in Section 8.

(b) From time to time, up to the Warrant Expiration Date, the Transfer Agent shall execute and deliver stock certificates in required whole number denominations representing up to an aggregate of 20,000,000 shares of Common Stock, subject to adjustment as described in Sections 8 and 15 hereof, upon the exercise of Warrants in accordance with this Agreement.

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(c) From time to time, up to the Warrant Expiration Date, the Warrant Agent shall execute and deliver Warrant Certificates in required whole number denominations to the persons entitled thereto in connection with any transfer or exchange permitted under this Agreement; provided that no Warrant Certificates shall be issued except (i) those initially issued hereunder, (ii) those issued on or after the Initial Warrant Exercise Date, upon the exercise of fewer than all Warrants represented by any Warrant Certificate, to evidence any unexercised Warrants held by the exercising Registered Holder, (iii) those issued upon any transfer or exchange pursuant to Section 6; (iv) those issued in replacement of lost, stolen, destroyed or mutilated Warrant Certificates pursuant to Section 7; and (v) at the option of the Company, in such form as may be approved by the its Board of Directors, to reflect (a) any adjustment or change in the Exercise Price or the number of shares of Common Stock purchasable upon exercise of the Warrants, made pursuant to Section 8 hereof and (b) any acceleration of the Initial Warrant Exercise Date pursuant to Section 15 hereof and (c) other modifications approved in accordance with Section 18 hereof.

SECTION 3. FORM AND EXECUTION OF WARRANT CERTIFICATES.

(a) The Warrant Certificates shall be substantially in the form annexed hereto as Exhibit A (the provisions of which are hereby incorporated herein) and may have such letters, numbers or other marks of identification or designation and such legends, summaries or endorsements printed, lithographed, engraved or typed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Warrants may be listed, or to conform to usage. The Warrant Certificates shall be dated the date of issuance thereof

(whether upon initial issuance, transfer, exchange or in lieu of mutilated, lost, stolen, or destroyed Warrant Certificates) and issued in registered form. Warrants shall be numbered serially with the letters BFW.

(b) Warrant Certificates shall be executed on behalf of the Company by its Chairman of the Board, Chief Executive Officer, President or any Vice President and by its Chief Financial Officer, Secretary or an Assistant Secretary, by manual signatures or by facsimile signatures printed thereon. In case any officer of the Company who shall have signed any of the Warrant Certificates shall cease to be such officer of the Company before the date of issuance of the Warrant Certificates and issue and delivery thereof, such Warrant Certificates may nevertheless be issued and delivered with the same force and effect as though the person who signed such Warrant Certificates had not ceased to be such officer of the Company. After execution by the Company, Warrant Certificates shall be delivered by the Warrant Agent to the Registered Holder.

SECTION 4. EXERCISE.

(a) Each Warrant may be exercised by the Registered Holder thereof at any time on or after the Initial Warrant Exercise Date, but not after the Warrant Expiration Date, upon the terms and subject to the conditions set forth herein and in the applicable Warrant Certificate. A Warrant shall be deemed to have been exercised immediately prior to the close of business on the Exercise Date and the person entitled to receive the

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securities deliverable upon such exercise shall be treated for all purposes as the holder upon exercise thereof as of the close of business on the Exercise Date. As soon as practicable on or after the Exercise Date the Warrant Agent shall deposit the proceeds received from the exercise of a Warrant, and promptly after clearance of checks received in payment of the Exercise Price pursuant to such Warrants, cause to be issued and delivered by the Transfer Agent, to the person or persons entitled to receive the same, a certificate or certificates for the securities deliverable upon such exercise (plus a certificate for any remaining unexercised Warrants of the Registered Holder). Notwithstanding the foregoing, in the case of payment made in the form of a check drawn on an account of Commonwealth or such other investment banks and brokerage houses as the Company shall approve, certificates shall immediately be issued without any delay. Upon the exercise of any Warrant and clearance of the funds received, the Warrant Agent shall promptly remit the payment received for the Warrant to the Company or as the Company may direct in writing.

(b) The Registered Holder may, at its option, exchange this Warrant on a cashless basis, in whole or in part (a "Warrant Exchange"), into the number of Warrant Shares determined in accordance with this Section (4) (b), by surrendering the Warrant Certificate at the principal office of the Company or at the office of its stock transfer agent, accompanied by an irrevocable notice stating such Registered Holder's intent to effect such exchange, the number of Warrant Shares to be exchanged and the date of the notice of such intent to exchange (the "Notice of Exchange"). The Registered Holder may send a Notice of Exchange to the Company prior to the Initial Warrant Exercise Date. The Warrant Exchange shall take place on the later of (i) the date the Notice of Exchange is received by the Company or (ii) the Initial Warrant Exercise Date (the "Exchange Date"). Certificates for the shares issuable upon such Warrant Exchange and, if applicable, a new warrant of like tenor evidencing the balance of the shares remaining subject to such Warrant, shall be issued as of the Exchange Date and delivered to the Registered Holder as soon as is reasonably practicable following the Exchange Date. In connection with any Warrant Exchange, a Warrant shall represent the right to subscribe for and acquire the number of Warrant Shares (rounded to the next highest integer) equal to (i) the number of Warrant Shares specified by the Registered Holder in its Notice of Exchange (the "Total Number") less (ii) the number of Warrant Shares equal to the quotient obtained by dividing (A) the product of the Total Number and the existing Exercise Price by (B) the current market value of a share of Common Stock. Current market value shall have the meaning set forth Section (10) (a) hereof, except that for purposes hereof, the date of exercise, as used in such Section (10) (a) hereof, shall mean the date of the Notice of Exchange.

(c) The holders of the Notes may at any time prior to the Maturity Date present the Notes to the Company in payment of the Exercise Price of all or any portion of the Warrants.

SECTION 5. RESERVATION OF SHARES; LISTING; PAYMENT OF TAXES; ETC.

(a) The Company covenants that it will at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issue upon exercise of

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Warrants, such number of shares of Common Stock as shall then be issuable upon the exercise of all outstanding Warrants. The Company covenants that all shares of Common Stock which shall be issuable upon exercise of the Warrants and payment of the Exercise Price shall, at the time of delivery, be duly and validly issued, fully paid, nonassessable and free from all taxes, liens and charges with respect to the issue thereof (other than those which the Company shall promptly pay or discharge).

(b) The Company will use reasonable efforts to obtain appropriate approvals or registrations under state "blue sky" securities laws with respect to the exercise of the Warrants; provided, however, that the Company shall not be obligated to file any general consent to service of process or qualify as a foreign corporation in any jurisdiction. With respect to any such securities laws, however, Warrants may not be exercised by, or shares of Common Stock issued to, any Registered Holder in any state in which such exercise would be unlawful.

(c) The Company shall pay all documentary, stamp or similar taxes and other governmental charges that may be imposed with respect to the issuance of Warrants, or the issuance, or delivery of any shares upon exercise of the Warrants; provided, however, that if the shares of Common Stock are to be delivered in a name other than the name of the Registered Holder of the Warrant Certificate representing any Warrant being exercised, then no such delivery shall be made unless the person requesting the same has paid to the Warrant Agent the amount of transfer taxes or charges incident thereto, if any.

(d) The Warrant Agent is hereby irrevocably authorized to requisition the Company's Transfer Agent from time to time for certificates representing shares of Common Stock required upon exercise of the Warrants, and the Company will authorize the Transfer Agent to comply with all such proper requisitions.

SECTION 6. EXCHANGE AND REGISTRATION OF TRANSFER. Subject to the restrictions on transfer contained in the Warrant Certificates and the Subscription Agreements between the Company and the purchasers of Units:

(a) Warrant Certificates may be exchanged for other Warrant Certificates representing an equal aggregate number of Warrants of the same class or may be transferred in whole or in part. Warrant Certificates to be exchanged shall be surrendered to the Warrant Agent at its Corporate Office, and upon satisfaction of the terms and provisions hereof, the Company shall execute, and the Warrant Agent shall countersign, issue and deliver in exchange therefor the Warrant Certificate or Certificates which the Registered Holder making the exchange shall be entitled to receive.

(b) The Warrant Agent shall keep at its office books in which, subject to such reasonable regulations as it may prescribe, it shall register Warrant Certificates and the transfer thereof in accordance with its regular practice. Upon due presentment for registration of transfer of any Warrant Certificate at its office, the Company shall execute and the

Warrant Agent shall issue and deliver to the transferee or transferees a new Warrant Certificate or Certificates representing an equal aggregate number of Warrants.

(c) With respect to all Warrant Certificates presented for registration of transfer, or for exchange or exercise, the subscription form on the reverse thereof shall be

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duly endorsed, or be accompanied by a written instrument or instruments of transfer and subscription, in form satisfactory to the Company, duly executed by the Registered Holder or his attorney-in-fact duly authorized in writing.

(d) The Company may require payment by such holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

(e) All Warrant Certificates surrendered for exercise or for exchange in case of mutilated Warrant Certificates shall be promptly canceled by the Warrant Agent and thereafter retained by the Warrant Agent until termination of this Agreement or resignation of the Warrant Agent, or disposed of or destroyed, at the direction of the Company.

(f) Prior to due presentment for registration of transfer thereof, the Company and the Warrant Agent may deem and treat the Registered Holder of any Warrant Certificate as the absolute owner thereof and of each Warrant represented thereby (notwithstanding any notations of ownership or writing thereon made by anyone other than a duly authorized officer of the Company or the Warrant Agent) for all purposes and shall not be affected by any notice to the contrary.

SECTION 7. LOSS OR MUTILATION. Upon receipt by the Company and the Warrant Agent of evidence satisfactory to them of the ownership of and loss, theft, destruction or mutilation of any Warrant Certificate and (in case of loss, theft or destruction) of indemnity satisfactory to them, and (in the case of mutilation) upon surrender and cancellation thereof, the Company shall execute and the Warrant Agent shall (in the absence of notice to the Company and/or Warrant Agent that the Warrant Certificate has been acquired by a bona fide purchaser) countersign and deliver to the Registered Holder in lieu thereof a new Warrant Certificate of like tenor representing an equal aggregate number of Warrants. Applicants for a substitute Warrant Certificate shall comply with such other reasonable regulations and pay such other reasonable charges as the Warrant Agent may prescribe. SECTION 8.

ANTI-DILUTION PROVISIONS. The Exercise Price in effect at any time and the number and kind of securities purchasable upon the exercise of the Warrants shall be subject to adjustment from time to time upon the happening of certain events as follows:

(a) In case the Company shall hereafter (i) declare a dividend or make a distribution on its outstanding shares of Common Stock in shares of Common Stock, (ii) subdivide or reclassify its outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect at the time of such dividend or distribution or of the effective date of such subdivision, combination or reclassification shall be adjusted so that it shall equal the price determined by multiplying the Exercise Price by a fraction, the denominator of which shall be the number of shares of Common Stock outstanding after giving effect to such action, and the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such action. Such adjustment shall be made successively whenever any event listed above shall occur.

(b) In case the Company shall fix a record date for the issuance of rights or warrants to all holders of its Common Stock entitling them to

shares of Common Stock (or securities convertible into Common Stock) at a price (the "Subscription Price") (or having a conversion price per share) less than the current market price on such record date or less than the Exercise Price on such record date, the Exercise Price shall be adjusted so that the same shall equal the lower of (i) the price determined by multiplying the Exercise Price in effect immediately prior to the date of such issuance by a fraction, the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding on the record date mentioned below and (y) the number of additional shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered (or the aggregate conversion price of the convertible securities so offered) would purchase at such current market price per share of the Common Stock, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding on such record date and (y) the number of additional shares of Common Stock offered for subscription or purchase (or into which the convertible securities so offered are convertible) or (ii) in the event the Subscription Price is equal to or higher than the current market price but is less than the Exercise Price, the price determined by multiplying the Exercise Price in effect immediately prior to the date of issuance by a fraction, the numerator of which shall be the sum of the (x) number of shares outstanding on the record date mentioned below and (y) the number of additional shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered (or the aggregate conversion price of the convertible securities so offered) would purchase at the Exercise Price in effect immediately prior to the date of such issuance, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding on the record date mentioned below and (y) the number of additional shares of Common Stock offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such rights or warrants are issued and shall become effective immediately after the record date for the determination of shareholders entitled to receive such rights or warrants; and to the extent that shares of Common Stock are not delivered (or securities convertible into Common Stock are not delivered) after the expiration of such rights or warrants the Exercise Price shall be readjusted to the Exercise Price which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made upon the basis of delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered.

(c) In case the Company shall hereafter distribute to the holders of its Common Stock evidences of its indebtedness or assets (excluding cash dividends or distributions and dividends or distributions referred to in Subsection (a) above) or subscription rights or warrants (excluding those referred to in Subsection (b) above), then in each such case the Exercise Price in effect thereafter shall be determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be (x) the total number of shares of Common Stock outstanding multiplied by the current market price per share of Common Stock, less (y) the fair market value (as determined by the Company's Board of Directors) of said assets or evidences of indebtedness so distributed or of such rights or warrants, and the denominator of which shall be the total number of shares of Common Stock outstanding multiplied by such current market price per share of Common Stock. Such adjustment shall be effective at the time any such distribution is made.

(d) In case the Company shall hereafter issue shares of its Common Stock (excluding shares issued (i) in any of the transactions described in Subsection (a) above, (ii) upon exercise of options granted to the Company's officers, directors, employees and consultants under a plan or plans adopted by the Company's Board of Directors and approved by its shareholders, if such shares would otherwise be included in this Subsection (d) (but only to the extent that the aggregate number of shares excluded hereby and issued after the date hereof shall not exceed 5% of the Company's Common Stock outstanding, on a fully diluted basis, at the time

of any issuance unless such excess issuances are approved by the independent (i.e., non-employee) members of the Company's Board of Directors), (iii) upon exercise of options, rights, warrants, convertible securities and convertible debentures outstanding as of the date hereof, issued in transactions describe in Subsection (b) above, or upon issuance of, subsequent exercise or conversion of or payment of in-kind interest or dividends on, any securities issued to investors or Placement Agents and/or their designees in the Bridge Financing or upon conversion or exercise of such securities, (iv) to shareholders of any corporation which merges into the Company in proportion to their stock holdings of such corporation immediately prior to such merger, upon such merger, (v) issued in a private placement where the Offering Price (as defined below) is at least 85% of the current market price, (vi) issued in a bona fide public offering pursuant to a firm commitment underwriting, or (vii) issued in connection with an acquisition of a business or technology which has been approved by the Company's Board of Directors but only if no adjustment is required pursuant to any other specific subsection of this Section 8 with respect to the transaction giving rise to such rights) for a consideration per share (the "Offering Price") less than the current market price or less than the Exercise Price, the Exercise Price shall be adjusted immediately thereafter so that it shall equal the lower of (i) the price determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares and (y) the number of shares of Common Stock which the aggregate consideration received for the issuance of such additional shares would purchase at such current market price per share of Common Stock, and the denominator of which shall be the number of shares of Common Stock outstanding immediately after the issuance of such additional shares and (ii) in the event the Offering Price is equal to or higher than the current market price per share but less than the Exercise Price, the price determined by multiplying the Exercise Price in effect immediately prior to the date of issuance by a fraction, the numerator of which shall be (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares and (y) the number of shares of Common Stock which the aggregate consideration received (determined as provided in Subsection (h) below) for the issuance of such additional shares would purchase at the Exercise Price in effect immediately prior to the date of such issuance, and the denominator of which shall be the number of shares of Common Stock outstanding immediately after the issuance of such additional shares. Such adjustment shall be made successively whenever such an issuance is made.

(e) In case the Company shall hereafter issue any securities convertible into or exercisable or exchangeable for its Common Stock (excluding securities issued in transactions described in Subsections (b), (c) and (d) (i) through (vii) above) for a consideration per share of Common Stock (the "Exchange Price") initially deliverable

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upon conversion, exercise or exchange of such securities (determined as provided in Subsection (h) below) less than the current market price or less than the Exercise Price, the Exercise Price shall be adjusted immediately thereafter so that it shall equal the lower of (i) the price determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such securities and (y) the number of shares of Common Stock which the aggregate consideration paid for such securities (or the aggregate exercise price if such convertible securities are options or warrants) would purchase at such current market price per share of Common Stock, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to such issuance and (y) the maximum number of shares of Common Stock of the Company deliverable upon conversion, exercise or exchange of such securities at the initial Exchange Price or (ii) in the event the Exchange Price is equal to or higher than the current market price per share but less than the Exercise Price, the price determined by multiplying the Exercise Price in effect immediately prior to the date of issuance by a fraction, the numerator of which shall be the sum of (x) the number of shares outstanding immediately prior to the issuance of such securities and (y) the number of shares of Common Stock which the aggregate consideration received (determined as

provided in Subsection (h) below) for such securities would purchase at the Exercise Price in effect immediately prior to the date of such issuance, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such securities and (y) the maximum number of shares of Common Stock of the Company deliverable upon conversion of or in exchange for such securities at the initial conversion or exchange price or rate. Such adjustment shall be made successively whenever such an issuance is made.

(f) Whenever the Exercise Price payable upon exercise of each Warrant is adjusted pursuant to Subsections (a), (b), (c), (d) and (e) above or (k) below, the number of shares of Common Stock purchasable upon exercise of this Warrant shall simultaneously be adjusted by multiplying the number of shares of Common Stock initially issuable upon exercise of this Warrant by the Exercise Price in effect on the date hereof and dividing the product so obtained by the Exercise Price, as adjusted.

(g) No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least five cents (\$0.05) in such price; provided, however, that any adjustments which by reason of this Section 8 are not required to be made shall be carried forward and taken into account in any subsequent adjustment required to be made hereunder;

(h) For purposes of any computation respecting consideration received pursuant to Subsections (d) and (e) above, the following shall apply:

(A) in the case of the issuance of shares of Common Stock for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions, discounts or other expenses incurred by the Company for any underwriting of the issue or otherwise in connection therewith;

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(B) in the case of the issuance of shares of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined in good faith by the Board of Directors of the Company (irrespective of the accounting treatment thereof), whose determination shall be conclusive; and

(C) in the case of the issuance of securities convertible into or exchangeable for shares of Common Stock, the aggregate consideration received therefor shall be deemed to be the consideration received by the Company for the issuance of such securities plus the additional minimum consideration, if any, to be received by the Company upon the conversion or exchange thereof (the consideration in each case to be determined in the same manner as provided in clauses (A) and (B) of this Subsection (h)).

(i) For the purpose of any computation under Subsections (b), (c), (d) and (e) above and Section 15(a) below, the current market price per share of Common Stock at any date shall be deemed to be the higher of (i) the average of the prices for 30 consecutive business days before such date, or (ii) the average of the prices for five consecutive business days immediately preceding such date determined as follows: (i) If the Common Stock is listed on a national securities exchange or admitted to unlisted trading privileges on such exchange or listed for trading on the Nasdaq National Market, the current market value shall be the last reported sale price of the Common Stock on such exchange or market on the last business day prior to the date of exercise of this Warrant or if no such sale is made on such day, the average closing bid and asked prices for such day on such exchange or market;

(ii) If the Common Stock is not so listed or admitted to unlisted trading privileges, but is traded on the Nasdaq SmallCap Market, the current market value shall be the closing price for such business day on such market and if the Common Stock is not

so traded, the current market value shall be the mean of the last reported bid and asked prices reported by the National Quotation Bureau, Inc. on the last business day prior to the date of the exercise of this Warrant; or

(iii) If the Common Stock is not so listed or admitted to unlisted trading privileges and bid and asked prices are not so reported, the current market value shall be an amount, not less than book value thereof as at the end of the most recent fiscal year of the Company ending prior to such business day, determined in such reasonable manner as may be prescribed by the Board of Directors of the Company.

(j) All calculations under this Section 8 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be. Anything in this Section 8 to the contrary notwithstanding, the Company shall be entitled, but shall not be required, to make such changes in the Excise Price, in addition to those required by this Section 8, as it shall determine, in its sole discretion, to be advisable in order that any dividend or

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distribution in shares of Common Stock, or any subdivision, reclassification or combination of Common Stock, hereafter made by the Company shall not result in any Federal Income tax liability to the holders of Common Stock or securities convertible into Common Stock (including the Notes and the Warrants);

(k) No adjustment under Subsections (b), (c), (d) and (e) shall be required for issuances below the current market price if (A) the current market price is at least 200% of the Exercise Price then in effect and (B) a registration statement covering the Warrant Shares is in effect and remains in effect for the 90 days after such issuance or Rule 144(k) under the Securities Act of 1933, as amended (the "Securities Act") is available for resale of all of the Warrant Shares.

(l) In the event that at any time, as a result of an adjustment made pursuant to Subsection (a) above, the Holder of this Warrant thereafter shall become entitled to receive any shares of the Company, other than Common Stock, thereafter the number of such other shares so receivable upon exercise of this Warrant shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Subsections (a) to (k), inclusive above.

(m) In case of any reclassification or capital reorganization, or in case of any consolidation or merger of the Company with or into another corporation (other than a merger with a subsidiary in which merger the Company is the continuing corporation and which does not result in any reclassification or capital reorganization) or in case of any sale, lease or conveyance to another corporation of the property of the Company as an entirety, the Company shall, as a condition precedent to such transaction, cause effective provisions to be made so that the holder of this Warrant shall have the right thereafter upon conversion of this Warrant in accordance with the provisions of this Section 8, to purchase the kind and amount of shares of stock and other securities and property receivable upon such reclassification, capital reorganization, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock which might have been received upon conversion of this Warrant immediately prior to such reclassification, consolidation, merger, sale or conveyance. Any such provision shall include provision for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Warrant. The Company shall not effect any such consolidation, merger, sale, transfer or other disposition, unless prior to or simultaneously with the consummation thereof the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing or otherwise acquiring such properties shall assume, by written instrument executed and mailed or delivered to the holder of this Warrant at the last address of such holder appearing on the books of the Company,

the obligation to deliver to such holder such shares of stock, securities, cash or properties as, in accordance with the foregoing provisions, such holder may be entitled to acquire. The above provisions of this paragraph shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, sales, transfers or other dispositions.

SECTION 9. REGISTRATION UNDER THE SECURITIES ACT OF 1933. The Company agrees to register the Warrant Shares for resale under the Securities Act on the terms

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and subject to the conditions set forth in Article IV of the Subscription Agreement between the Company and each of the investors in the Bridge Financing.

SECTION 10. FRACTIONAL WARRANTS AND FRACTIONAL SHARES. If the number of shares of Common Stock purchasable upon the exercise of each Warrant is adjusted pursuant to Section 8 hereof, the Company shall nevertheless not be required to issue fractions of shares, upon exercise of the Warrants or otherwise, or to distribute certificates that evidence fractional shares. With respect to any fraction of a share called for upon any exercise hereof, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the current market value of such fractional share, determined as follows:

(a) If the Common Stock is listed on a national securities exchange or admitted to unlisted trading privileges on such exchange or listed for trading on the Nasdaq National Market System ("NMS"), the current market value shall be the average of the last reported sale prices of the Common Stock on such exchange for the 10 trading days prior to the date of exercise of this Warrant; provided that if no such sale is made on a day within such period or no closing sale price is quoted, that day's market value shall be the average of the closing bid and asked prices for such day on such exchange or system; or

(b) If the Common Stock is listed in the over-the-counter market (other than on NMS) or admitted to unlisted trading privileges, the current market value shall be the mean of the last reported bid and asked prices reported by the National Quotation Bureau, Inc. for the 10 trading days prior to the date of the exercise of this Warrant; or

(c) If the Common Stock is not so listed or admitted to unlisted trading privileges and bid and asked prices are not so reported, the current market value shall be an amount determined in a reasonable manner by the Board of Directors of the Company.

SECTION 11. OPTIONAL REDEMPTION

(a) On not less than 30 days' written notice (the "Optional Redemption Notice") to Registered Holders of the Warrants being redeemed, the Warrants may be redeemed, at the option of the Company, at the Call Price, provided (i) the market price (determined in accordance with Section 10 hereof) shall exceed 300% of the then current Exercise Price for the 20 consecutive trading days ending on the fifth trading day prior to the date of the Optional Redemption Notice (the "Target Price"), subject to adjustment as set forth in Section 11(f) hereof, (ii) the Common Stock is traded on a national securities exchange or the Nasdaq SmallCap or National Market System, (iii) a registration statement covering the Warrant Shares filed under the Securities Act has been declared effective and remains effective for at least 90 days following the date fixed for redemption of the Warrants (the "Optional Redemption Date"), and (iv) no lock-up agreement with the Company or its underwriter or agent would prohibit the sale or transfer of the Warrant Shares.

(b) If the conditions set forth in Section 11(a) are met, and the Company desires to exercise its right to redeem the Warrants, it shall mail an Optional Redemption Notice to each of the Registered Holders of the Warrants to be redeemed, first class, postage prepaid, not later than the thirtieth day before the date fixed for redemption, at

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their last address as shall appear on the records maintained pursuant to Section 6(b). Any notice mailed in the manner provided herein shall be conclusively presumed to have been duly given whether or not the Registered Holder receives such notice.

(c) The Optional Redemption Notice shall specify (i) the Call Price, (ii) the Optional Redemption Date, (iii) the place where the Warrant Certificates shall be delivered and the redemption price paid, and (iv) that the right to exercise the Warrant shall terminate at 5:00 P.M. (New York time) on the business day immediately preceding the Optional Redemption Date. No failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for such redemption except as to a Registered Holder (a) to whom notice was not mailed or (b) whose notice was defective. An affidavit of the Warrant Agent or of the Secretary or an Assistant Secretary of the Company that notice of redemption has been mailed shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(d) Any right to exercise a Warrant shall terminate at 5:00 P.M. (New York time) on the business day immediately preceding the Optional Redemption Date. On and after the Optional Redemption Date, Registered Holders of the Warrants shall have no further rights except to receive, upon surrender of the Warrant, the Call Price.

(e) From and after the Optional Redemption Date, the Company shall, at the place specified in the Optional Redemption Notice, upon presentation and surrender to the Company by or on behalf of the Registered Holder thereof of one or more Warrant Certificates evidencing Warrants to be redeemed, deliver or cause to be delivered to or upon the written order of such Registered Holder a sum in cash equal to the Call Price of each such Warrant. From and after the Optional Redemption Date and upon the deposit or setting aside by the Company of a sum sufficient to redeem all the Warrants called for redemption, such Warrants shall expire and become void and all rights hereunder and under the Warrant Certificates, except the right to receive payment of the Call Price, shall cease.

SECTION 12. WARRANT HOLDERS NOT DEEMED STOCKHOLDERS. No holder of Warrants shall, as such, be entitled to vote or to receive dividends or be deemed the holder of Common Stock that may at any time be issuable upon exercise of such Warrants for any purpose whatsoever, nor shall anything contained herein be construed to confer upon the holder of Warrants, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issue or reclassification of stock, change of par value or change of stock to no par value, consolidation, merger or conveyance or otherwise), or to receive notice of meetings, or to receive dividends or subscription rights, until such Holder shall have exercised such Warrants and been issued shares of Common Stock in accordance with the provisions hereof.

SECTION 13. RIGHTS OF ACTION. All rights of action with respect to this Agreement are vested in the respective Registered Holders of the Warrants, and any Registered Holder of a Warrant, without consent of the Warrant Agent or of the holder of any other Warrant, may, on his own behalf and for his own benefit, enforce against the Company his right

to exercise his Warrants for the purchase of shares of Common Stock in the manner provided in the Warrant Certificate and this Agreement.

SECTION 14. AGREEMENT OF WARRANT HOLDERS. Every holder of a Warrant, by his acceptance thereof, consents and agrees with the Company, the Warrant Agent and every other holder of a Warrant that:

(a) The Warrants are transferable only on the registry books of the Warrant Agent by the Registered Holder thereof in person or by his attorney duly authorized in writing and only if the Warrant Certificates representing such Warrants are surrendered at the office of the Warrant Agent, duly endorsed or accompanied by a proper instrument of transfer satisfactory to the Warrant Agent and the Company in their sole discretion,

together with payment of any applicable transfer taxes; and

(b) The Company may deem and treat the person in whose name the Warrant Certificate is registered as the holder and as the absolute, true and lawful owner of the Warrants represented thereby for all purposes, and the Company shall not be affected by any notice or knowledge to the contrary, except as otherwise expressly provided in Section 7 hereof.

SECTION 15. SHAREHOLDER APPROVAL.

(a) If the Company shall fail to obtain shareholder approval described in Section 7 of the Notes and Section 6(c) of the designation of rights, powers and preferences governing the Series C Convertible Preferred Stock issuable in connection with the Bridge Financing (the "Shareholder Approval") in accordance with rules of the Nasdaq Stock Market on or before September 30, 2001, then the holders of not less than 50% of the outstanding Warrants may, by delivery of written notice to the Company, elect to take either or both of the following actions with respect to the Warrants:

(i) Accelerate the Initial Warrant Exercise Date to October 1, 2001 or such later date (the "Acceleration Date") as shall be specified in the written notice to the Company; or

(ii) Cause the Company to redeem all of the Warrants at a redemption price per Warrant equal to the greater of (1) 200% of the Exercise Price or (2) the difference between the Exercise Price and the market price of the Common Stock on the earlier of September 30, 2001 or the date of the meeting at which Shareholder Approval was not obtained (the "Mandatory Redemption Price"). The Mandatory Redemption Price shall be payable, at the option of the Company, in cash or in Warrant Shares at the then current market price of the Company's Common Stock, provided that (i) a registration statement covering the Warrant Shares filed under the Securities Act has been declared effective and remains effective for at least 90 days following the date fixed for redemption of the Warrants (the "Mandatory Redemption Date") and (ii) no lock-up agreement with the Company or its underwriter or agent would prohibit the sale or transfer of the Warrant Shares

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(b) If the Company is required to redeem the Warrants pursuant to Section 15(a) hereof (the "Mandatory Redemption"), then the Company shall,

(i) within 10 days of the date the holder delivers written notice of the election to the Company (the "Election Date"), mail a written notice (the "Mandatory Redemption Notice") to each Registered Holder of the Warrants, first class, postage prepaid, at his last address as shall appear on the records by the Company. The Mandatory Redemption Notice shall specify (1) the Mandatory Redemption Date, which shall be 20 days after the Election Date, (2) the Mandatory Redemption Price, (3) whether the Warrants will be redeemed in cash or for shares of Common Stock, (4) the place where Warrant Certificates shall be delivered and the redemption price paid, and (5) that the right to exercise any Warrants being redeemed shall terminate at 5:00 P.M. (New York time) on the business day preceding the Mandatory Redemption Date;

(ii) from and after the Mandatory Redemption Date, at the place specified in the Mandatory Redemption Notice, upon presentation and surrender to the Company by or on behalf of the Registered Holder thereof of one or more Warrant Certificates evidencing Warrants to be redeemed, deliver or cause to be delivered to or upon the written order of such Registered Holder a sum of cash or a number of shares of Common Stock equal to the Mandatory Redemption Price of each such Warrant. From and after the Mandatory Redemption Date and upon the deposit or setting aside by the Company of a sum of cash or of shares of Common

Stock sufficient to redeem all the Warrants called for redemption, any Warrants called for redemption shall expire and become void and all rights hereunder and under the Warrant Certificates representing such Warrants, except the right to receive payment of the Mandatory Redemption Price upon the surrender of such Warrant Certificates, shall cease.

Notwithstanding anything contained in Section 15(b) to the contrary, if the shares of Common Stock of the Company are no longer listed for trading on the Nasdaq Stock Market or the Company has received a waiver from Nasdaq with respect to the Conversion Limitation (as defined in Section 7 of the Notes) and/or the Shareholder Approval, then the provisions of Subsections 15(a) (i) and (ii) shall no longer be applicable.

SECTION 16. CANCELLATION OF WARRANT CERTIFICATES. If the Company shall purchase or acquire any Warrant or Warrants, the Warrant Certificate or Warrant Certificates evidencing the same shall thereupon be canceled by it and retired. The Warrant Agent shall also cancel Common Stock following exercise of any or all of the Warrants represented thereby or delivered to it for transfer, splitup, combination or exchange.

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SECTION 17. CONCERNING THE WARRANT AGENT.

(a) The Warrant Agent acts hereunder as agent and in a ministerial capacity for the Company, and its duties shall be determined solely by the provisions hereof. The Warrant Agent shall not, by issuing and delivering Warrant Certificates or by any other act hereunder be deemed to make any representations as to the validity, value or authorization of the Warrant Certificates or the Warrants represented thereby or of any securities or other property delivered upon exercise of any Warrant or whether any stock issued upon exercise of any Warrant is fully paid and nonassessable.

(b) The Warrant Agent shall account promptly to the Company with respect to Warrants exercised and concurrently pay the Company, as provided in Section 4, all moneys received by the Warrant Agent upon the exercise of such Warrants. The Warrant Agent shall, upon request of the Company from time to time, deliver to the Company such complete reports of registered ownership of the Warrants and such complete records of transactions with respect to the Warrants and the shares of Common Stock as the Company may request. The Warrant Agent shall also make available to the Company for inspection by its agents or employees, from time to time as it may request, such original books of accounts and record (including original Warrant Certificates surrendered to the Warrant Agent upon exercise of Warrants) as may be maintained by the Warrant Agent in connection with the issuance and exercise of Warrants hereunder, such inspections to occur at the Warrant Agent's office as specified in Section 17, during normal business hours.

(c) The Warrant Agent shall not at any time be under any duty or responsibility to any holder of Warrant Certificates to make or cause to be made any adjustment of the Exercise Price provided in this Agreement, or to determine whether any fact exists which may require any such adjustments, or with respect to the nature or extent of any such adjustment, when made, or with respect to the method employed in making the same. It shall not (i) be liable for any recital or statement of facts contained herein or for any action taken, suffered or omitted by it in reliance on any Warrant Certificate or other document or instrument believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties, (ii) be responsible for any failure on the part of the Company to comply with any of its covenants and obligations contained in this Agreement or in any Warrant Certificate, or (iii) be liable for any act or omission in connection with this Agreement except for its own negligence or willful misconduct.

The Warrant Agent may at any time consult with counsel satisfactory to it (who may be counsel for the Company) and shall incur no liability or responsibility for any action taken, suffered or omitted by it in good faith in accordance with the opinion or advice of such counsel.

(d) Any notice, statement, instruction, request, direction, order or

demand of the Company shall be sufficiently evidenced by an instrument signed by the Chairman of the Board, Chief Executive Officer, President, any Vice President, its Secretary, or any Assistant Secretary (unless other evidence in respect thereof is herein specifically prescribed). The Warrant Agent shall not be liable for any action taken, suffered or

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omitted by it in accordance with such notice, statement, instruction, request, direction, order or demand believed by it to be genuine.

(e) The Company agrees to pay the Warrant Agent reasonable compensation for its services hereunder and to reimburse it for its reasonable expenses hereunder; it further agrees to indemnify the Warrant Agent and save it harmless against any and all losses, expenses and liabilities, including judgments, costs and counsel fees, for anything done or omitted by the Warrant Agent in the execution of its duties and powers hereunder except losses, expenses and liabilities arising as a result of the Warrant Agent's negligence or wilful misconduct.

(f) The Warrant Agent may resign its duties and be discharged from all further duties and liabilities hereunder (except liabilities arising as a result of the Warrant Agent's own negligence or wilful misconduct), after giving 30 days' prior written notice to the Company. At least 15 days prior to the date such resignation is to become effective, the Warrant Agent shall cause a copy of such notice of resignation to be mailed to the Registered Holder of each Warrant Certificate at the Company's expense. Upon such resignation, or any inability of the Warrant Agent to act as such hereunder, the Company shall appoint a new warrant agent in writing. If the Company shall fail to make such appointment within a period of 15 days after it has been notified in writing of such resignation by the resigning Warrant Agent, then the Registered Holder of any Warrant Certificate may apply to any court of competent jurisdiction for the appointment of a new warrant agent. Any new warrant agent, whether appointed by the Company or by such a court, shall be a bank or trust company having a capital and surplus, as shown by its last published report to its stockholders, of not less than \$10,000,000 or a stock transfer company. After acceptance in writing of such appointment by the new warrant agent is received by the Company, such new warrant agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as the Warrant Agent, without any further assurance, conveyance, act or deed; but if for any reason it shall be necessary or expedient to execute and deliver any further assurance, conveyance, act or deed, the same shall be done at the expense of the Company and shall be legally and validly executed and delivered by the resigning Warrant Agent. Not later than the effective date of any such appointment the Company shall file notice thereof with the resigning Warrant Agent and shall forthwith cause a copy of such notice to be mailed to the Registered Holder of each Warrant Certificate.

(g) Any corporation into which the Warrant Agent or any new warrant agent may be converted or merged or any corporation resulting from any consolidation to which the Warrant Agent or any new warrant agent shall be a party or any corporation succeeding to the trust business of the Warrant Agent shall be a successor warrant agent under this Agreement without any further act, provided that such corporation is eligible for appointment as successor to the Warrant Agent under the provisions of the preceding paragraph. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed to the Company and to the Registered Holder of each Warrant Certificate.

(h) The Warrant Agent, its subsidiaries and affiliates, and any of its or their officers or directors, may buy and hold or sell Warrants or other securities of the

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Company and otherwise deal with the Company in the same manner and to the same extent and with like effects as though it were not Warrant Agent. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

SECTION 18. MODIFICATION OF AGREEMENT. The parties hereto may by supplemental agreement make any changes or corrections in this Agreement (i) that it shall deem appropriate to cure any ambiguity or to correct any defective or inconsistent provision or manifest mistake or error herein contained; (ii) to reflect an increase in the number of Warrants which are to be governed by this Agreement resulting from an increase in the size of the Bridge Financing; (iii) to reflect an increase in the number of Warrants which are to be governed by this Agreement resulting from the conversion of warrants issued to the Placement Agents or their designees in connection with the Bridge Financing; or (iv) that it may deem necessary or desirable and which shall not adversely affect the interests of the holders of Warrant Certificates; provided, however, that this Agreement shall not otherwise be modified, supplemented or altered in any respect except with the consent in writing of the Company, Commonwealth and the holders of at least a majority of the outstanding Warrants except that nothing shall prevent the Company and a Registered Holder from consenting to modifications to this Agreement which affect or are applicable to such Registered Holder only.

SECTION 19. NOTICES. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been made when delivered or mailed first class registered or certified mail, postage prepaid as follows: if to the Registered Holder of a Warrant Certificate, at the address of such holder as shown on the registry books maintained by the Warrant Agent; if to the Company, at 757 Third Avenue, Suite 302, New York, New York 10017, Attention: John J. Hughes, Jr., Esq.; if to the Warrant Agent, at its Corporate Office and if to the Placement Agents, c/o Commonwealth Associates, L.P., 830 Third Avenue, New York, New York 10022, Attention: Carl Kleidman.

SECTION 20. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 21. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the Company and the Warrant Agent (and their respective successors and assigns) and the holders from time to time of Warrant Certificates. Nothing in this Agreement is intended or shall be construed to confer upon any other person any right, remedy or claim, in equity or at law, or to impose upon any other person any duty, liability or obligation.

SECTION 22. TERMINATION. This Agreement shall terminate on the earlier to occur of (i) the close of business on the second day following the Warrant Expiration Date; or (ii) the date upon which all Warrants have been exercised.

SECTION 23. COUNTERPARTS. This Agreement may be executed in several counterparts, which taken together shall constitute a single document.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

EB2B COMMERCE, INC.

By: /s/ Alan Andreini

Name: Alan Andreini

Title: Chief Executive Officer

AMERICAN STOCK TRANSFER & TRUST COMPANY

By: /s/ Herb Lemmer

Name: Herb Lemmer

Title: General Counsel

COMMONWEALTH ASSOCIATES, L.P.

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By: Commonwealth Associates Management
Company, Inc., its general partner

By: /s/ Joseph Wynne

Name: Joseph Wynne
Title: Secretary

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THIS WARRANT AND ANY SHARES OF COMMON STOCK ISSUABLE UPON ITS EXERCISE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED UNTIL (1) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") SHALL HAVE BECOME EFFECTIVE WITH RESPECT THERETO, OR (2) RECEIPT BY THE ISSUER OF AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER TO THE EFFECT THAT REGISTRATION UNDER THE SECURITIES ACT IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED TRANSFER NOR IS SUCH TRANSFER IN VIOLATION OF ANY APPLICABLE STATE SECURITIES LAWS.

No. BFW _____; _____ Warrants

VOID AFTER _____, 200_

WARRANT CERTIFICATE FOR PURCHASE OF COMMON STOCK

EB2B COMMERCE, INC.

This certifies that FOR VALUE RECEIVED _____ or registered assigns (the "Registered Holder") is the owner of the number of Warrants ("Warrants") specified above. Each Warrant initially entitles the Registered Holder to purchase, subject to the terms and conditions set forth in this Certificate and the Warrant Agreement (as hereinafter defined), one fully paid and nonassessable share of common stock ("Common Stock") of eB2B Commerce, Inc., a New Jersey corporation (the "Company"), at any time commencing on the Initial Exercise Date (as defined in the Warrant Agreement) and prior to the Expiration Date (as hereinafter defined), upon the presentation and surrender of this Warrant Certificate with the Subscription Form on the reverse hereof duly executed, at the corporate office of American Stock Transfer & Trust Company, as warrant agent, or its successor (the "Warrant Agent"), accompanied by payment of an amount equal to \$.93 per share for each Warrant (the "Exercise Price") in lawful money of the United States of America in cash or by official bank or certified check made payable to eB2B Commerce, Inc. The Company may, at its election, reduce the Exercise Price.

This Warrant Certificate and each Warrant represented hereby are issued pursuant to and are subject in all respects to the terms and conditions set forth in the Warrant Agreement (the "Warrant Agreement"), dated _____, 2001 by and among the Company, the Warrant Agent and Commonwealth Associates, L.P., as representative of the placement agents.

In the event of certain contingencies provided for in the Warrant Agreement, the Exercise Price or the number of shares of Common Stock subject to purchase upon the exercise of each Warrant represented hereby are subject to modification or adjustment.

Each Warrant represented hereby is exercisable at the option of the Registered Holder, but no fractional shares of Common Stock will be issued. In the case of the exercise of less than all the Warrants represented hereby, the Company shall cancel this Warrant Certificate upon the surrender hereof and shall execute and deliver a new Warrant Certificate or Warrant Certificates of like tenor, which the Warrant Agent shall countersign, for the balance of such Warrants.

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The term "Expiration Date" shall mean 5:00 P.M. (New York time) on the second anniversary of the Initial Closing Date. If such date shall in the State of New York be a holiday or a day on which the banks are authorized to close, then the Expiration Date shall mean 5:00 P.M. (New York time) the next following day which in the State of New York is not a holiday or a day on which banks are authorized to close. The Company may, at its election, extend the Expiration Date.

This Warrant Certificate is exchangeable, upon the surrender hereof

by the Registered Holder at the corporate office of the Warrant Agent, for a new Warrant Certificate or Warrant Certificates of like tenor representing an equal aggregate number of Warrants, each of such new Warrant Certificates to represent such number of Warrants as shall be designated by such Registered Holder at the time of such surrender. Upon due presentment with any tax or other governmental charge imposed in connection therewith, for registration of transfer of this Warrant Certificate at such office, a new Warrant Certificate or Warrant Certificates representing an equal aggregate number of Warrants will be issued to the transferee in exchange therefor, subject to the limitations provided in the Warrant Agreement.

Prior to the exercise of any Warrant represented hereby, the Registered Holder shall not be entitled to any of the rights of a stockholder of the Company, including, without limitation, the right to vote or to receive dividends or other distributions, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided in the Warrant Agreement.

Prior to due presentment for registration of transfer hereof, the Company may deem and treat the Registered Holder as the absolute owner hereof and of each Warrant represented hereby (notwithstanding any notations of ownership or writing hereon made by anyone other than a duly authorized officer of the Company) for all purposes and shall not be affected by any notice to the contrary.

The Warrants are subject to optional and mandatory redemption by the Company under certain circumstances described in the Warrant Agreement.

This Warrant Certificate shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be duly executed, manually or in facsimile by two of its officers thereunto duly authorized and a facsimile of its corporate seal to be imprinted hereon.

EB2B COMMERCE, INC.

Dated: May 1, 2001;

By: _____
Name: Alan Andreini
Title: Chief Executive Officer

By: _____
Name: Victor Cisario
Title: Chief Financial Officer

SUBSCRIPTION FORM
To Be Executed by the Registered Holder
in Order to Exercise Warrants

The undersigned Registered Holder hereby irrevocably elects to exercise Warrants represented by this Warrant Certificate, and to purchase the securities issuable upon the exercise of such Warrants, and requests that certificates for such securities shall be issued in the name of

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER

[please print or type name and address]

and be delivered to

[please print or type name and address]

and if such number of Warrants shall not be all the Warrants evidenced by this Warrant Certificate, that a new Warrant Certificate for the balance of such Warrants be registered in the name of, and delivered to, the Registered Holder at the address stated below.

Dated: _____ Number of Warrants Exercised _____
X _____

_____ Check if Cashless Exercise Election _____
----- (Section 4(b) of Warrant Agreement)

Address

Taxpayer Identification Number

Signature Guaranteed

ASSIGNMENT

To Be Executed by the Registered Holder
in Order to Assign Warrants

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER

[please print or type name and address]

_____ of the Warrants represented by this Warrant Certificate, and hereby irrevocably constitutes and appoints

_____ Attorney to transfer this Warrant Certificate on the books of the Company, with full power of substitution in the premises.

Dated: _____
X _____

Signature Guaranteed

THE SIGNATURE TO THE ASSIGNMENT OR THE SUBSCRIPTION FORM MUST CORRESPOND TO THE NAME AS WRITTEN UPON THE FACE OF THIS WARRANT CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER, AND MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (A BANK, STOCKBROKER, SAVINGS AND LOAN ASSOCIATION OR CREDIT UNION WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM) PURSUANT TO RULE 17Ad-15 OF THE SECURITIES EXCHANGE ACT OF 1934.

THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN ACQUIRED FOR INVESTMENT PURPOSES ONLY AND MAY NOT BE TRANSFERRED UNTIL (i) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") SHALL HAVE BECOME EFFECTIVE WITH RESPECT THERETO OR (ii) RECEIPT BY THE COMPANY OF AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY TO THE EFFECT THAT REGISTRATION UNDER THE SECURITIES ACT IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED TRANSFER NOR IS SUCH TRANSFER IN VIOLATION OF ANY APPLICABLE STATE SECURITIES LAWS. THIS LEGEND SHALL BE ENDORSED UPON ANY WARRANT ISSUED IN EXCHANGE FOR THIS WARRANT OR ANY SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT.

WARRANT TO PURCHASE COMMON STOCK

OF

eB2B COMMERCE, INC.

LCW-3

This is to Certify That, FOR VALUE RECEIVED, ComVest Venture Partners L.P. or assigns (the "Holder"), is entitled to purchase, subject to the provisions of this Warrant, from eB2B Commerce, Inc., a New Jersey corporation (the "Company"), Nine Hundred Thousand (900,000) fully paid, validly issued and nonassessable shares of the Common Stock at a price equal to the Exercise Price, subject to adjustment as set forth herein. The number of shares of Common Stock to be received upon the exercise of this Warrant and the price to be paid for each share of Common Stock may be adjusted from time to time as hereinafter set forth. This Warrant, together with warrants of like tenor, constituting in the aggregate warrants (the "Warrants") to purchase up to 900,000 shares of Common Stock, was originally issued in consideration of a line of credit (the "Credit Line") issued by ComVest Venture Partners L.P. ("ComVest") in favor of the Company pursuant to the terms of a commitment letter dated April 16, 2001 (the "Commitment Letter"). Such Credit Line has subsequently been cancelled.

(a) DEFINITIONS. As used herein, the following terms shall have the following meanings, unless the context shall otherwise require:

(1) "Call Price" shall mean the price at which the Company may, at its option in accordance with the terms hereof, redeem the Warrants, which price shall be \$0.05 per Warrant.

(2) "Common Stock" shall mean stock of the Company of any class, whether now or hereafter authorized, which has the right to participate in the distributions of earnings and assets of the Company without limit as to amount or percentage, which at the date hereof consists of 200,000,000 authorized shares of Common Stock.

(3) "Exercise Date" shall mean, as to any Warrant, the date on which the Company shall have received both (a) the certificate representing such Warrant (the "Warrant Certificate"), with the exercise form thereon duly executed by the Registered Holder thereof or his attorney duly authorized in writing, and (b) if payment is to be made in cash, cash or an official bank or certified check made payable to the Company, of an amount in lawful money of the United States of America equal to the Exercise Price.

(4) "Exercise Price" shall mean the purchase price to be paid upon exercise of each Warrant in accordance with the terms hereof, which price shall be \$.50 per share, subject to adjustment from time to time pursuant to the provisions of Section (f) hereof and subject further to the Company's right to reduce the Exercise Price upon notice to all Registered Holders.

(5) "Initial Warrant Exercise Date" shall mean the earlier of (i) the date on which the Company shall have obtained the Shareholder Approval, as defined in Section (l), (ii) the date the Shareholder Approval is no longer required, whether because the Common Stock is no longer listed on the Nasdaq Stock Market or otherwise, or (iii) the Acceleration Date, as defined in Section (l).

(6) "Registered Holder" shall mean the person in whose name any

certificate representing Warrants shall be registered on the books maintained by the Company pursuant to Section (d).

(7) "Warrant Expiration Date" shall mean 5:00 P.M. (New York time) on the fifth anniversary of the Initial Warrant Exercise Date or, with respect to Warrants which are outstanding as of the Optional or Mandatory Redemption Date (as defined in Sections (i) and (l), respectively), the applicable Redemption Date, whichever is earlier; provided that if such date shall in the State of New York be a holiday or a day on which banks are authorized to close, then 5:00 P.M. (New York time) on the next following day which in the State of New York is not a holiday or a day on which banks are authorized to close. Upon notice to all warrant holders the Company shall have the right to extend the Warrant Expiration Date.

(8) "Warrant Shares" shall mean the shares of Common Stock deliverable upon exercise of the Warrants, as adjusted from time to time.

(b) EXERCISE OF WARRANTS

(1) Each Warrant may be exercised by the Registered Holder thereof at any time on or after the Initial Warrant Exercise Date, but not after the Warrant Expiration Date, upon the terms and subject to the conditions set forth herein and in the applicable Warrant Certificate. A Warrant shall be deemed to have been exercised immediately prior to the close of business on the Exercise Date and the person entitled to receive the securities deliverable upon such exercise shall be treated for all purposes as the holder upon exercise thereof as of the close of business on the Exercise Date. As soon as practicable on or after the Exercise Date the Company shall deposit the proceeds received from the exercise of a Warrant, and promptly after clearance of checks received in payment of the Exercise Price pursuant to such Warrants, issue and deliver to the person or persons entitled to receive the same a certificate or certificates for the securities deliverable upon such exercise (plus a certificate for any remaining unexercised Warrants of the Registered Holder).

(2) The Registered Holder may, at its option, exchange this Warrant on a cashless basis, in whole or in part (a "Warrant Exchange"), into the number of Warrant Shares determined in accordance with this Section (b) (2), by surrendering the Warrant Certificate at the principal office of the Company or at the office of its stock transfer agent, accompanied by an irrevocable notice stating such Registered Holder's intent to effect such exchange, the number of Warrant Shares to be exchanged and the date of the notice of such intent to exchange (the "Notice of Exchange"). The Registered Holder may send a Notice of Exchange to the Company

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prior to the Initial Warrant Exercise Date. The Warrant Exchange shall take place on the later of (i) the date the Notice of Exchange is received by the Company or (ii) the Initial Warrant Exercise Date (the "Exchange Date"). Certificates for the shares issuable upon such Warrant Exchange and, if applicable, a new warrant of like tenor evidencing the balance of the shares remaining subject to such Warrant, shall be issued as of the Exchange Date and delivered to the Registered Holder as soon as is reasonably practicable following the Exchange Date. In connection with any Warrant Exchange, a Warrant shall represent the right to subscribe for and acquire the number of Warrant Shares (rounded to the next highest integer) equal to (i) the number of Warrant Shares specified by the Registered Holder in its Notice of Exchange (the "Total Number") less (ii) the number of Warrant Shares equal to the quotient obtained by dividing (A) the product of the Total Number and the existing Exercise Price by (B) the current market value of a share of Common Stock. Current market value shall have the meaning set forth Section (f) (9) hereof, except that for purposes hereof, the date of exercise, as used in such Section (f) (9) hereof, shall mean the date of the Notice of Exchange.

(3) The Holder may at any time prior to the maturity date of the notes issued pursuant to the Credit Line present such notes to the Company in payment of the Exercise Price of all or any portion of the Warrants.

(c) RESERVATION OF SHARES; LISTING; PAYMENT OF TAXES; ETC.

(1) The Company covenants that it will at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issue upon exercise of Warrants, such number of shares of Common Stock as

shall then be issuable upon the exercise of all outstanding Warrants. The Company covenants that all shares of Common Stock which shall be issuable upon exercise of the Warrants and payment of the Exercise Price shall, at the time of delivery, be duly and validly issued, fully paid, nonassessable and free from all taxes, liens and charges with respect to the issue thereof (other than those which the Company shall promptly pay or discharge).

(2) The Company will use reasonable efforts to obtain appropriate approvals or registrations under state "blue sky" securities laws with respect to the exercise of the Warrants; provided, however, that the Company shall not be obligated to file any general consent to service of process or qualify as a foreign corporation in any jurisdiction. With respect to any such securities laws, however, Warrants may not be exercised by, or shares of Common Stock issued to, any Registered Holder in any state in which such exercise would be unlawful.

(3) The Company shall pay all documentary, stamp or similar taxes and other governmental charges that may be imposed with respect to the issuance of Warrants, or the issuance, or delivery of any shares upon exercise of the Warrants; provided, however, that if the shares of Common Stock are to be delivered in a name other than the name of the Registered Holder of the Warrant Certificate representing any Warrant being exercised, then no such delivery shall be made unless the person requesting the same has paid to the Company the amount of transfer taxes or charges incident thereto, if any.

(d) EXCHANGE, TRANSFER OR ASSIGNMENT. This Warrant is exchangeable, without expense, at the option of the Holder, upon presentation and surrender hereof to the Company or at the office of its stock transfer agent, if any, for other warrants of different denominations entitling the holder thereof to purchase in the aggregate the same

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number of shares of Common Stock purchasable hereunder. Upon surrender of this Warrant to the Company at its principal office or at the office of its stock transfer agent, if any, with the Assignment Form annexed hereto duly executed and funds sufficient to pay any transfer tax, the Company shall, without charge, execute and deliver a new Warrant in the name of the assignee named in such instrument of assignment and this Warrant shall promptly be canceled. This Warrant may be divided or combined with other warrants which carry the same rights upon presentation hereof at the principal office of the Company or at the office of its stock transfer agent, if any, together with a written notice specifying the names and denominations in which new Warrants are to be issued and signed by the Holder hereof. The term "Warrant" as used herein includes any Warrants into which this Warrant may be divided or exchanged.

(e) LOSS OR MUTILATION. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, the Company will execute and deliver a new Warrant of like tenor and date. Any such new Warrant executed and delivered shall constitute an additional contractual obligation on the part of the Company, whether or not this Warrant so lost, stolen, destroyed, or mutilated shall be at any time enforceable by anyone.

(f) ANTI-DILUTION PROVISIONS. The Exercise Price in effect at any time and the number and kind of securities purchasable upon the exercise of the Warrants shall be subject to adjustment from time to time upon the happening of certain events as follows:

(1) In case the Company shall hereafter (i) declare a dividend or make a distribution on its outstanding shares of Common Stock in shares of Common Stock, (ii) subdivide or reclassify its outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect at the time of such dividend or distribution or of the effective date of such subdivision, combination or reclassification shall be adjusted so that it shall equal the price determined by multiplying the Exercise Price by a fraction, the denominator of which shall be the number of shares of Common Stock outstanding after giving effect to such action, and the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such

action. Such adjustment shall be made successively whenever any event listed above shall occur.

(2) In case the Company shall fix a record date for the issuance of rights or warrants to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price (the "Subscription Price") (or having a conversion price per share) less than the current market price on such record date or less than the Exercise Price on such record date, the Exercise Price shall be adjusted so that the same shall equal the lower of (i) the price determined by multiplying the Exercise Price in effect immediately prior to the date of such issuance by a fraction, the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding on the record date mentioned below and (y) the number of additional shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered (or the aggregate conversion price of the convertible securities so offered) would purchase at such current market price per share of the Common Stock, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding on such record date and (y) the number of

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additional shares of Common Stock offered for subscription or purchase (or into which the convertible securities so offered are convertible) or (ii) in the event the Subscription Price is equal to or higher than the current market price but is less than the Exercise Price, the price determined by multiplying the Exercise Price in effect immediately prior to the date of issuance by a fraction, the numerator of which shall be the sum of the (x) number of shares outstanding on the record date mentioned below and (y) the number of additional shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered (or the aggregate conversion price of the convertible securities so offered) would purchase at the Exercise Price in effect immediately prior to the date of such issuance, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding on the record date mentioned below and (y) the number of additional shares of Common Stock offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such rights or warrants are issued and shall become effective immediately after the record date for the determination of shareholders entitled to receive such rights or warrants; and to the extent that shares of Common Stock are not delivered (or securities convertible into Common Stock are not delivered) after the expiration of such rights or warrants the Exercise Price shall be readjusted to the Exercise Price which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made upon the basis of delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered.

(3) In case the Company shall hereafter distribute to the holders of its Common Stock evidences of its indebtedness or assets (excluding cash dividends or distributions and dividends or distributions referred to in Subsection (1) above) or subscription rights or warrants (excluding those referred to in Subsection (2) above), then in each such case the Exercise Price in effect thereafter shall be determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be (x) the total number of shares of Common Stock outstanding multiplied by the current market price per share of Common Stock, less (y) the fair market value (as determined by the Company's Board of Directors) of said assets or evidences of indebtedness so distributed or of such rights or warrants, and the denominator of which shall be the total number of shares of Common Stock outstanding multiplied by such current market price per share of Common Stock. Such adjustment shall be effective at the time any such distribution is made.

(4) In case the Company shall hereafter issue shares of its Common Stock (excluding shares issued (i) in any of the transactions described in Subsection (1) above, (ii) upon exercise of options granted to the Company's officers, directors, employees and consultants under a plan or plans adopted by the Company's Board of Directors and approved by its shareholders, if such shares would otherwise be included in this Subsection (4) (but only to the extent that the aggregate number of shares excluded hereby and issued after the date hereof shall not exceed 5% of the Company's Common Stock outstanding, on a fully diluted basis, at the time of any issuance unless such excess issuances are approved by the independent (i.e., non-employee) members of the Company's

Board of Directors), (iii) upon exercise of options, rights, warrants, convertible securities and convertible debentures outstanding as of the date hereof, issued in transactions describe in Subsection (2) above, or upon issuance of, subsequent exercis or conversion of or payment of in-kind interest or dividends on, any securities issued to investors or the placement agents and/or their designees in the Company's bridge financing through Commonwealth Associates L.P. and Gruntal & Co., LLC (the "Bridge Financing") or upon

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conversion or exercise of such securities, (iv) to shareholders of any corporation which merges into the Company in proportion to their stock holdings of such corporation immediately prior to such merger, upon such merger, (v) issued in a private placement where the Offering Price (as defined below) is at least 85% of the current market price, (vi) issued in a bona fide public offering pursuant to a firm commitment underwriting, or (vii) issued in connection with an acquisition of a business or technology which has been approved by the Company's Board of Directors but only if no adjustment is required pursuant to any other specific subsection of this Section (h) with respect to the transaction giving rise to such rights) for a consideration per share (the "Offering Price") less than the current market price or less than the Exercise Price, the Exercise Price shall be adjusted immediately thereafter so that it shall equal the lower of (i) the price determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares and (y) the number of shares of Common Stock which the aggregate consideration received for the issuance of such additional shares would purchase at such current market price per share of Common Stock, and the denominator of which shall be the number of shares of Common Stock outstanding immediately after the issuance of such additional shares and (ii) in the event the Offering Price is equal to or higher than the current market price per share but less than the Exercise Price, the price determined by multiplying the Exercise Price in effect immediately prior to the date of issuance by a fraction, the numerator of which shall be (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares and (y) the number of shares of Common Stock which the aggregate consideration received (determined as provided in Subsection (8) below) for the issuance of such additional shares would purchase at the Exercise Price in effect immediately prior to the date of such issuance, and the denominator of which shall be the number of shares of Common Stock outstanding immediately after the issuance of such additional shares. Such adjustment shall be made successively whenever such an issuance is made.

(5) In case the Company shall hereafter issue any securities convertible into or exercisable or exchangeable for its Common Stock (excluding securities issued in transactions described in Subsections (2), (3) and (4) (i) through (vii) above) for a consideration per share of Common Stock (the "Exchange Price") initially deliverable upon conversion, exercise or exchange of such securities (determined as provided in Subsection (8) below) less than the current market price or less than the Exercise Price, the Exercise Price shall be adjusted immediately thereafter so that it shall equal the lower of (i) the price determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such securities and (y) the number of shares of Common Stock which the aggregate consideration paid for such securities (or the aggregate exercise price if such convertible securities are options or warrants) would purchase at such current market price per share of Common Stock, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to such issuance and (y) the maximum number of shares of Common Stock of the Company deliverable upon conversion, exercise or exchange of such securities at the initial Exchange Price or (ii) in the event the Exchange Price is equal to or higher than the current market price per share but less than the Exercise Price, the price determined by multiplying the Exercise Price in effect immediately prior to the date of issuance by a fraction, the numerator of which shall be the sum of (x) the number of shares outstanding immediately prior to the issuance of such securities and (y) the number of shares of Common

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Stock which the aggregate consideration received (determined as provided in Subsection (8) below) for such securities would purchase at the Exercise Price

in effect immediately prior to the date of such issuance, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such securities and (y) the maximum number of shares of Common Stock of the Company deliverable upon conversion of or in exchange for such securities at the initial conversion or exchange price or rate. Such adjustment shall be made successively whenever such an issuance is made.

(6) Whenever the Exercise Price payable upon exercise of each Warrant is adjusted pursuant to Subsections (1), (2), (3), (4) and (5) above or (11) below, the number of shares of Common Stock purchasable upon exercise of this Warrant shall simultaneously be adjusted by multiplying the number of shares of Common Stock initially issuable upon exercise of this Warrant by the Exercise Price in effect on the date hereof and dividing the product so obtained by the Exercise Price, as adjusted.

(7) No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least five cents (\$0.05) in such price; provided, however, that any adjustments which by reason of this Section (f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment required to be made hereunder;

(8) For purposes of any computation respecting consideration received pursuant to Subsections (4) and (5) above, the following shall apply:

(A) in the case of the issuance of shares of Common Stock for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions, discounts or other expenses incurred by the Company for any underwriting of the issue or otherwise in connection therewith;

(B) in the case of the issuance of shares of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined in good faith by the Board of Directors of the Company (irrespective of the accounting treatment thereof), whose determination shall be conclusive; and

(C) in the case of the issuance of securities convertible into or exchangeable for shares of Common Stock, the aggregate consideration received therefor shall be deemed to be the consideration received by the Company for the issuance of such securities plus the additional minimum consideration, if any, to be received by the Company upon the conversion or exchange thereof (the consideration in each case to be determined in the same manner as provided in clauses (A) and (B) of this Subsection (8)).

(9) For the purpose of any computation under Subsections (2), (3), (4) and (5) above and Section (1) below, the current market price per share of Common Stock at any date shall be deemed to be the higher of (i) the average of the prices for 30 consecutive business days before such date, or (ii) the average of the prices for five consecutive business days immediately preceding such date determined as follows:

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(A) If the Common Stock is listed on a national securities exchange or admitted to unlisted trading privileges on such exchange or listed for trading on the Nasdaq National Market, the current market value shall be the last reported sale price of the Common Stock on such exchange or market on the last business day prior to the date of exercise of this Warrant or if no such sale is made on such day, the average closing bid and asked prices for such day on such exchange or market;

(B) If the Common Stock is not so listed or admitted to unlisted trading privileges, but is traded on the Nasdaq SmallCap Market, the current market value shall be the closing price for such business day on such market and if the Common Stock is not

so traded, the current market value shall be the mean of the last reported bid and asked prices reported by the National Quotation Bureau, Inc. on the last business day prior to the date of the exercise of this Warrant; or

(C) If the Common Stock is not so listed or admitted to unlisted trading privileges and bid and asked prices are not so reported, the current market value shall be an amount, not less than book value thereof as at the end of the most recent fiscal year of the Company ending prior to such business day, determined in such reasonable manner as may be prescribed by the Board of Directors of the Company.

(10) All calculations under this Section (f) shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be. Anything in this Section (f) to the contrary notwithstanding, the Company shall be entitled, but shall not be required, to make such changes in the Exercise Price, in addition to those required by this Section (f), as it shall determine, in its sole discretion, to be advisable in order that any dividend or distribution in shares of Common Stock, or any subdivision, reclassification or combination of Common Stock, hereafter made by the Company shall not result in any Federal Income tax liability to the holders of Common Stock or securities convertible into Common Stock (including the Notes and the Warrants);

(11) No adjustment under Subsections (2), (3), (4) and (5) shall be required for issuances below the current market price if (A) the current market price is at least 200% of the Exercise Price then in effect and (B) a registration statement covering the Warrant Shares is in effect and remains in effect for the 90 days after such issuance or Rule 144(k) under the Securities Act of 1933, as amended (the "Securities Act") is available for resale of all of the Warrant Shares.

(12) In the event that at any time, as a result of an adjustment made pursuant to Subsection (1) above, the Holder of this Warrant thereafter shall become entitled to receive any shares of the Company, other than Common Stock, thereafter the number of such other shares so receivable upon exercise of this Warrant shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Subsections (1) to (11), inclusive above.

(13) In case of any reclassification or capital reorganization, or in case of any consolidation or merger of the Company with or into another corporation (other than a merger with a subsidiary in which merger the Company is the continuing corporation and which does

not result in any reclassification or capital reorganization) or in case of any sale, lease or conveyance to another corporation of the property of the Company as an entirety, the Company shall, as a condition precedent to such transaction, cause effective provisions to be made so that the holder of this Warrant shall have the right thereafter upon conversion of this Warrant in accordance with the provisions of this Section (f), to purchase the kind and amount of shares of stock and other securities and property receivable upon such reclassification, capital reorganization, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock which might have been received upon conversion of this Warrant immediately prior to such reclassification, consolidation, merger, sale or conveyance. Any such provision shall include provision for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Warrant. The Company shall not effect any such consolidation, merger, sale, transfer or other disposition, unless prior to or simultaneously with the consummation thereof the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing or otherwise acquiring such properties shall assume, by written instrument executed and mailed or delivered to the holder of this Warrant at the last address of such holder appearing on the books of the Company, the obligation to deliver to such holder such shares of stock, securities, cash or properties as, in accordance with the foregoing provisions, such holder may be entitled to acquire. The above provisions of this paragraph shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, sales, transfers or

other dispositions.

(g) REGISTRATION UNDER THE SECURITIES ACT OF 1933. The Holder shall have the registration rights with respect to the Warrant Shares set forth in the Registration Rights Agreement between the Company and ComVest.

(h) FRACTIONAL WARRANTS AND FRACTIONAL SHARES. If the number of shares of Common Stock purchasable upon the exercise of each Warrant is adjusted pursuant to Section (f) hereof, the Company shall nevertheless not be required to issue fractions of shares, upon exercise of the Warrants or otherwise, or to distribute certificates that evidence fractional shares. With respect to any fraction of a share called for upon any exercise hereof, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the current market value of such fractional share, determined in accordance with Section (f) (9) hereof.

(i) OPTIONAL REDEMPTION

(1) On not less than 30 days' written notice (the "Optional Redemption Notice") to Registered Holders of the Warrants being redeemed, the Warrants may be redeemed, at the option of the Company, at the Call Price, provided (i) the market price (determined in accordance with Section (f) (9) hereof) shall exceed 600% of the then current Exercise Price for the 20 consecutive trading days ending on the fifth trading day prior to the date of the Optional Redemption Notice (the "Target Price"), (ii) the Common Stock is traded on a national securities exchange or the Nasdaq SmallCap or National Market System, (iii) a registration statement covering the Warrant Shares filed under the Securities Act has been declared effective and remains effective for at least 90 days following the date fixed for redemption of the Warrants (the "Optional Redemption Date"), and (iv) no lock-up agreement with the Company or its underwriter or agent would prohibit the sale or transfer of the Warrant Shares.

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(2) If the conditions set forth in Section (i) (1) are met, and the Company desires to exercise its right to redeem the Warrants, it shall mail an Optional Redemption Notice to each of the Registered Holders of the Warrants to be redeemed, first class, postage prepaid, not later than the thirtieth day before the date fixed for redemption, at their last address as shall appear on the records maintained by the Company. Any notice mailed in the manner provided herein shall be conclusively presumed to have been duly given whether or not the Registered Holder receives such notice.

(3) The Optional Redemption Notice shall specify (i) the Call Price, (ii) the Optional Redemption Date, (iii) the place where the Warrant Certificates shall be delivered and the redemption price paid, and (iv) that the right to exercise the Warrant shall terminate at 5:00 P.M. (New York time) on the business day immediately preceding the Optional Redemption Date. No failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for such redemption except as to a Registered Holder (a) to whom notice was not mailed or (b) whose notice was defective. An affidavit of the Secretary or an Assistant Secretary of the Company that notice of redemption has been mailed shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(4) Any right to exercise a Warrant shall terminate at 5:00 P.M. (New York time) on the business day immediately preceding the Optional Redemption Date. On and after the Optional Redemption Date, Registered Holders of the Warrants shall have no further rights except to receive, upon surrender of the Warrant, the Call Price.

(5) From and after the Optional Redemption Date, the Company shall, at the place specified in the Optional Redemption Notice, upon presentation and surrender to the Company by or on behalf of the Registered Holder thereof of one or more Warrant Certificates evidencing Warrants to be redeemed, deliver or cause to be delivered to or upon the written order of such Registered Holder a sum in cash equal to the Call Price of each such Warrant. From and after the Optional Redemption Date and upon the deposit or setting aside by the Company of a sum sufficient to redeem all the Warrants called for redemption, such Warrants shall expire and become void and all rights hereunder and under the Warrant Certificates, except the right to receive payment of the Call Price, shall cease.

(j) WARRANT HOLDERS NOT DEEMED STOCKHOLDERS. No holder of Warrants shall, as such, be entitled to vote or to receive dividends or be deemed the holder of Common Stock that may at any time be issuable upon exercise of such Warrants for any purpose whatsoever, nor shall anything contained herein be construed to confer upon the holder of Warrants, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issue or reclassification of stock, change of par value or change of stock to no par value, consolidation, merger or conveyance or otherwise), or to receive notice of meetings, or to receive dividends or subscription rights, until such Holder shall have exercised such Warrants and been issued shares of Common Stock in accordance with the provisions hereof.

(k) AGREEMENT OF WARRANT HOLDERS. Every holder of a Warrant, by his acceptance thereof, consents and agrees with the Company and every other holder of a Warrant that:

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(1) The Warrants are transferable only on the registry books of the Company by the Registered Holder thereof in person or by his attorney duly authorized in writing and only if the Warrant Certificates representing such Warrants are surrendered at the office of the Company, duly endorsed or accompanied by a proper instrument of transfer satisfactory to the Company in its sole discretion, together with payment of any applicable transfer taxes; and

(2) The Company may deem and treat the person in whose name the Warrant Certificate is registered as the holder and as the absolute, true and lawful owner of the Warrants represented thereby for all purposes, and the Company shall not be affected by any notice or knowledge to the contrary, except as otherwise expressly provided for herein.

(1) SHAREHOLDER APPROVAL.

(1) If the Company shall fail to obtain shareholder approval described in Section 6(c) of the designation of rights, powers and preferences governing the Company's Series C Convertible Preferred Stock (the "Shareholder Approval") in accordance with rules of the Nasdaq Stock Market on or before September 30, 2001, then the holders of not less than 50% of the outstanding Warrants may, by delivery of written notice to the Company, elect to take either or both of the following actions with respect to the Warrants:

(A) Accelerate the Initial Warrant Exercise Date to October 1, 2001 or such later date (the "Acceleration Date") as shall be specified in the written notice to the Company; or

(B) Cause the Company to redeem all of the Warrants at a redemption price per Warrant equal to the greater of (1) 200% of the Exercise Price or (2) the difference between the Exercise Price and the market price of the Common Stock on the earlier of September 30, 2001 or the date of the meeting at which Shareholder Approval was not obtained (the "Mandatory Redemption Price"). The Mandatory Redemption Price shall be payable, at the option of the Company, in cash or in Warrant Shares at the then current market price of the Company's Common Stock, provided that (i) a registration statement covering the Warrant Shares filed under the Securities Act has been declared effective and remains effective for at least 90 days following the date fixed for redemption of the Warrants (the "Mandatory Redemption Date") and (ii) no lock-up agreement with the Company or its underwriter or agent would prohibit the sale or transfer of the Warrant Shares

(2) If the Company is required to redeem the Warrants pursuant to Section (1) above (the "Mandatory Redemption"), then the Company shall,

(A) within 10 days of the date the holder delivers written notice of the election to the Company (the "Election Date"), mail a written notice (the "Mandatory Redemption Notice") to each Registered Holder of the Warrants, first class, postage prepaid, at his last address as shall appear on the records by the

Company. The Mandatory Redemption Notice shall specify (1) the Mandatory Redemption Date, which shall be 20 days after the Election Date, (2) the Mandatory Redemption Price, (3) whether the Warrants will be redeemed in cash or for shares of Common Stock, (4) the place where Warrant Certificates shall be

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delivered and the redemption price paid, and (5) that the right to exercise any Warrants being redeemed shall terminate at 5:00 P.M. (New York time) on the business day preceding the Mandatory Redemption Date;

(B) from and after the Mandatory Redemption Date, at the place specified in the Mandatory Redemption Notice, upon presentation and surrender to the Company by or on behalf of the Registered Holder thereof of one or more Warrant Certificates evidencing Warrants to be redeemed, deliver or cause to be delivered to or upon the written order of such Registered Holder a sum of cash or a number of shares of Common Stock equal to the Mandatory Redemption Price of each such Warrant. From and after the Mandatory Redemption Date and upon the deposit or setting aside by the Company of a sum of cash or of shares of Common Stock sufficient to redeem all the Warrants called for redemption, any Warrants called for redemption shall expire and become void and all rights hereunder and under the Warrant Certificates representing such Warrants, except the right to receive payment of the Mandatory Redemption Price upon the surrender of such Warrant Certificates, shall cease.

Notwithstanding anything contained in Section (1)(2) to the contrary, if the shares of Common Stock of the Company are no longer listed for trading on the Nasdaq Stock Market or the Company has received a waiver from Nasdaq with respect to the Conversion Limitation (as defined in Section 7 of the notes issued in the Bridge Financing) and/or the Shareholder Approval, then the provisions of Subsections (1)(1)(A) and (B) shall no longer be applicable.

(m) CANCELLATION OF WARRANT CERTIFICATES. If the Company shall purchase or acquire any Warrant or Warrants, the Warrant Certificate or Warrant Certificates evidencing the same shall thereupon be canceled by it and retired.

(n) MODIFICATION OF AGREEMENT. The parties hereto may by supplemental agreement make any changes or corrections in this Agreement (i) that it shall deem appropriate to cure any ambiguity or to correct any defective or inconsistent provision or manifest mistake or error herein contained or (ii) that it may deem necessary or desirable and which shall not adversely affect the interests of the holders of Warrant Certificates; provided, however, that this Agreement shall not otherwise be modified, supplemented or altered in any respect except with the consent in writing of the Company, ComVest and the holders of at least a majority of the outstanding Warrants except that nothing shall prevent the Company and a Registered Holder from consenting to modifications to this Agreement which affect or are applicable to such Registered Holder only.

(o) NOTICES. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been made when delivered or mailed first class registered or certified mail, postage prepaid as follows: if to the Registered Holder of a Warrant Certificate, at the address of such holder as shown on the registry books maintained by the Company; if to the Company, at 757 Third Avenue, Suite 302, New York, New York 10017, Attention: John J. Hughes, Jr., Esq.; and if to ComVest, at 830 Third Avenue, New York, New York 10022, Attention: Carl Kleidman.

(p) GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

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(q) BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the Company (and its respective successors and assigns) and the holders from time to time of Warrant Certificates. Nothing in this Agreement is

intended or shall be construed to confer upon any other person any right, remedy or claim, in equity or at law, or to impose upon any other person any duty, liability or obligation.

(r) TERMINATION. This Agreement shall terminate on the earlier to occur of (i) the close of business on the second day following the Warrant Expiration Date; or (ii) the date upon which all Warrants have been exercised.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

eB2B COMMERCE, INC.

By: /s/ Alan Andreini

Alan Andreini
Chief Executive Officer

Dated: May 2, 2001

PURCHASE FORM

Dated _____

The undersigned hereby irrevocably elects to exercise the within Warrant to the extent of purchasing shares of Common Stock.

_____ Check if Cashless Exercise (Section (b) (2) of Warrant)

If not Cashless Exercise, the undersigned hereby makes payment of \$ _____ in payment of the actual exercise price thereof.

INSTRUCTIONS FOR REGISTRATION OF STOCK

Name _____
(Please typewrite or print in block letters)

Address _____

Signature _____

ASSIGNMENT FORM

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto

Name _____
(Please typewrite or print in block letters)

Address _____

the right to purchase Common Stock represented by this Warrant to the extent of _____ shares as to which such right is exercisable and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the same on the books of the Company with full power of substitution in the premises.

Date _____

Signature _____

THIS OPTION AND THE SHARES OF PREFERRED STOCK AND WARRANTS ISSUABLE UPON EXERCISE OF THIS OPTION HAVE BEEN ACQUIRED FOR INVESTMENT PURPOSES ONLY AND MAY NOT BE TRANSFERRED UNTIL (i) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") SHALL HAVE BECOME EFFECTIVE WITH RESPECT THERETO OR (ii) RECEIPT BY THE COMPANY OF AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY TO THE EFFECT THAT REGISTRATION UNDER THE SECURITIES ACT IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED TRANSFER NOR IS SUCH TRANSFER IN VIOLATION OF ANY APPLICABLE STATE SECURITIES LAWS. THIS LEGEND SHALL BE ENDORSED UPON ANY OPTION ISSUED IN EXCHANGE FOR THIS OPTION OR ANY SHARES OF PREFERRED STOCK AND WARRANTS ISSUABLE UPON EXERCISE OF THIS OPTION.

UNIT PURCHASE OPTION

OF

EB2B COMMERCE, INC.

No. UPO-1

This is to Certify That, FOR VALUE RECEIVED, [Commonwealth Associates, L.P.] [Gruntal & Co., LLC], or its respective assigns (the "Holder"), is entitled to purchase, subject to the provisions of this option (this "Option"), from EB2B Commerce, Inc., a New Jersey corporation (the "Company"), up to _____ (_____) units (the "Units"), each Unit consisting of 10,000 shares (the "Preferred Shares") of the Company's series C convertible preferred stock (the "Preferred Stock") and 200,000 common stock purchase warrants (the "Warrants") in the form attached hereto as Appendix A, for a purchase price of \$100,000 per Unit (the "Exercise Price"). The Holder may exercise this Option at any time from the date hereof through April 16, 2006 (the "Exercise Period").

This Option, together with options of like tenor, constituting in the aggregate options (the "Options") to purchase up to ____ Units (the "Option Units") was originally issued pursuant to an agency agreement (the "Agency Agreement") between the Company and Commonwealth Associates, L.P. and Gruntal & Co., LLC (together, the "Placement Agents") in connection with a private placement of the Company's securities (the "Private Placement") through the Placement Agents pursuant to the terms of a confidential term sheet dated April 4, 2001 (the "Term Sheet"). Except as specifically otherwise provided herein, the Preferred Shares and the Warrants issuable upon exercise of this Option shall have the same terms and conditions as described in the Term Sheet-- The Preferred Shares shall be governed by the Certificate of Designation, Preferences and Rights of Series C Convertible Preferred Stock (the "Designation") filed in connection with, and the Warrants shall be governed by the Warrant Agreement among the Company, American Stock Transfer & Trust Company and the Placement Agents (the "Warrant Agreement") executed in connection with, the Private Placement.

1. EXERCISE OF OPTION.

(a) This Option may be exercised in whole or in part at any time or from time to time during the Exercise Period; provided, however, that if either such day is a day on which banking institutions in the State of New York are authorized by law to close, then on the next succeeding day which shall not be such a day. This Option may be exercised by

presentation and surrender hereof to the Company at its principal office with the Purchase Form attached hereto as Annex A duly executed and accompanied by payment of the Exercise Price for the number of Option Units specified in such form. As soon as practicable after each such exercise of the Options, but not later than seven (7) days following the receipt of good and available funds, the Company shall issue and deliver to the Holder a certificate or certificate for the Preferred Shares and Warrants comprising the Option Units issuable upon such exercise, registered in the name of the Holder or its designee. If this Option should be exercised in part only, the Company shall, upon surrender of this Option for cancellation, execute and deliver a new Option evidencing the rights of the Holder thereof to purchase the balance of the Option Units purchasable thereunder. Upon receipt by the Company of this Option at its office in proper form for exercise, the Holder shall be deemed to be the holder of record of the Preferred Shares and Warrants issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be

closed or that certificates representing such Preferred Shares and Warrants shall not then be physically delivered to the Holder.

(b) At any time during the Exercise Period, the Holder may, at its option, exercise this Option on a cashless basis by exchanging this Option, in whole or in part (an "Option Exchange"), into the number of Option Units determined in accordance with this Section 1(b), by surrendering this Option at the principal office of the Company or at the office of its stock transfer agent, accompanied by a notice stating such Holder's intent to effect such exchange, the number of Option Units for which this Option is to be exchanged and the date on which the Holder requests that such Option Exchange occur (the "Notice of Exchange"). The Option Exchange shall take place on the date specified in the Notice of Exchange or, if later, the date the Notice of Exchange is received by the Company (the "Exchange Date"). Certificates for the Preferred Shares and Warrants issuable upon such Option Exchange and, if applicable, a new option of like tenor evidencing the balance of the Option Units remaining subject to this Option, shall be issued as of the Exchange Date and delivered to the Holder within seven (7) days following the Exchange Date. In connection with any Option Exchange, this Option shall represent the right to subscribe for and acquire the number of Option Units equal to (i) the number of Option Units specified by the Holder in its Notice of Exchange (the "Total Number") less (ii) the number of Option Units equal to the quotient obtained by dividing (A) the product of the Total Number and the existing Exercise Price by (B) the aggregate current market value of all of the Preferred Shares and Warrants which comprise a Unit. Current market value shall have the meaning set forth Section 3 below except that for purposes hereof, the date of exercise, as used in such Section 3, shall mean the Exchange Date.

2. RESERVATION OF SHARES. The Company covenants and agrees that (i) the Preferred Shares that may be issued upon exercise of this Option and (ii) the Common Stock that may be issued upon conversion of the Preferred Shares and exercise of the Warrants comprising the Option Units will, upon issuance, be duly and validly issued, fully paid and nonassessable and no personal liability will attach to the holder thereof. The Company further covenants and agrees that during the periods within which this Option may be exercised, the Company will at all times have authorized and reserved a sufficient number of shares of its Preferred Stock to provide for the exercise of this Option and that it will have authorized and reserved a sufficient number of shares of Common Stock for issuance upon conversion of the Preferred Stock and exercise of the Warrants included in the Option Units.

3. FRACTIONAL SHARES. No fractional shares of Preferred Stock or Warrants or script representing fractional shares shall be issued upon the exercise of this Option. With respect to any fraction of a Preferred Share or Warrant called for upon any exercise hereof, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the current market value of a share, determined as follows:

(a) If the Common Stock is listed on a national securities exchange or admitted to unlisted trading privileges on such exchange or listed for trading on the Nasdaq National Market, (i) the current market value of a share of Preferred Stock shall be the last reported sale price of the Common Stock on such exchange or market on the last business day prior to the date of exercise of this Option or if no such sale is made on such day, the average of the closing bid and asked prices for such day on such exchange or market (the "Exchange Sale Price"), in either case multiplied by the number of shares of Common Stock into which a share of Preferred Stock is then convertible and (ii) the current market value of a Warrant shall be the difference between the Exchange Sale Price and the then exercise price of a Warrant multiplied by the number of shares of Common Stock for which a Warrant is then exercisable; or

(b) If the Common Stock is not so listed or admitted to unlisted trading privileges, but is traded on the Nasdaq SmallCap Market, (i) the current market value of a share of Preferred Stock shall be the average of the closing bid and asked prices for such day on such market and if the Common Stock is not so traded, the current market value shall be the mean of the last reported bid and asked prices reported by the NASD Electronic Bulletin Board on the last business day prior to the date of the exercise of this Option (the "SmallCap Sale Price"), in either case multiplied by the number of shares of Common Stock into which a share of Preferred Stock is then convertible and (ii) the current market value of a Warrant shall be the difference between the SmallCap Sale Price and the then exercise price of a Warrant multiplied by the

number of shares of Common Stock for which a Warrant is then exercisable; or

(c) If the Common Stock is not so listed or admitted to unlisted trading privileges and bid and asked prices are not so reported, the current market value of a share of Preferred Stock and Warrant shall be an amount, not less than book value thereof as at the end of the most recent fiscal year of the Company ending prior to the date of the exercise of the Option, determined in such reasonable manner as may be prescribed by the Board of Directors of the Company.

4. EXCHANGE, TRANSFER, ASSIGNMENT OR LOSS OF OPTION. This Option is exchangeable, without expense, at the option of the Holder, upon presentation and surrender hereof to the Company or at the office of its stock transfer agent, if any, for other options of different denominations entitling the holder thereof to purchase in the aggregate the same number of Option Units purchasable hereunder. Upon surrender of this Option to the Company at its principal office or at the office of its stock transfer agent, if any, with the Assignment Form annexed hereto duly executed and funds sufficient to pay any transfer tax, the Company shall, without charge, execute and deliver a new Option in the name of the assignee named in such instrument of assignment and this Option shall promptly be canceled. This Option may be divided or combined with other options which carry the same rights upon presentation hereof at the principal office of the Company or at the office of its stock transfer agent, if any, together with a written notice specifying the names and denominations in which

new Options are to be issued and signed by the Holder hereof. The term "Option" as used herein includes any Options into which this Option may be divided or exchanged. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Option, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Option, if mutilated, the Company will execute and deliver a new Option of like tenor and date. Any such new Option executed and delivered shall constitute an additional contractual obligation on the part of the Company, whether or not this Option so lost, stolen, destroyed, or mutilated shall be at any time enforceable by anyone.

5. RIGHTS OF THE HOLDER. This Option shall not entitle the Holder to any voting rights or any other rights, or subject the Holder to any liabilities, as a stockholder of the Company.

6. ANTI-DILUTION PROVISIONS. The number of shares of Common Stock or other securities issuable upon conversion of the Preferred Stock included in the Option Units and the conversion price of the Preferred Stock shall be subject to adjustment in accordance with Section 6 of the Designation, which Section 6 is incorporated herein by reference in its entirety. The number of shares of Common Stock issuable upon exercise of the Warrants included in the Option Units and the exercise price of such Warrants shall be subject to adjustment from time to time in accordance with the terms set forth in Section 8 of the Warrant Agreement, which Section 8 is incorporated herein by reference in its entirety.

7. OFFICER'S CERTIFICATE. Whenever the Exercise Price shall be adjusted as required by the provisions of the foregoing Section, the Company shall forthwith file in the custody of its Secretary or an Assistant Secretary at its principal office and with its stock transfer agent, if any, an officer's certificate showing the adjusted Exercise Price determined as herein provided, setting forth in reasonable detail the facts requiring such adjustment, including a statement of the number of additional Option Units, if any, and such other facts as shall be necessary to show the reason for and the manner of computing such adjustment. Each such officer's certificate shall be made available at all reasonable times for inspection by the holder or any holder of an Option executed and delivered pursuant to Section 1 and the Company shall, forthwith after each such adjustment, mail a copy by certified mail of such certificate to the Holder or any such holder.

8. NOTICES TO OPTION HOLDERS. So long as this Option shall be outstanding, (i) if the Company shall pay any dividend or make any distribution upon the Common or Preferred Stock or (ii) if the Company shall offer to the holders of Common or Preferred Stock for subscription or purchase by them any share of any class or any other rights or (iii) if any capital

reorganization of the Company, reclassification of the capital stock of the Company, consolidation or merger of the Company with or into another corporation, sale, lease or transfer of all or substantially all of the property and assets of the Company to another corporation, or voluntary or involuntary dissolution, liquidation or winding up of the Company shall be effected, then in any such case, the Company shall cause to be mailed by certified mail to the Holder, at least fifteen days prior the date specified in (x) or (y) below, as the case may be, a notice containing a brief description of the proposed action and stating the date on which (x) a record is to be taken for the purpose of such dividend, distribution or rights, or (y) such reclassification, reorganization, consolidation, merger, conveyance, lease, dissolution, liquidation

or winding up is to take place and the date, if any is to be fixed, as of which the holders of Common or Preferred Stock or other securities shall receive cash or other property deliverable upon such reclassification, reorganization, consolidation, merger, conveyance, dissolution, liquidation or winding up.

9. RECLASSIFICATION, REORGANIZATION OR MERGER. In case of any reclassification, capital reorganization or other change of outstanding shares of Preferred Stock of the Company, or in case of any consolidation or merger of the Company with or into another corporation (other than a merger with a subsidiary in which merger the Company is the continuing corporation and which does not result in any reclassification, capital reorganization or other change of outstanding shares of Preferred Stock of the class issuable upon exercise of this Option) or in case of any sale, lease or conveyance to another corporation of the property of the Company as an entirety, the Company shall, as a condition precedent to such transaction, cause effective provisions to be made so that the Holder shall have the right thereafter by exercising this Option at any time prior to the expiration of the Option, to purchase the kind and amount of shares of stock and other securities and property receivable upon such reclassification, capital reorganization and other change, consolidation, merger, sale or conveyance by a holder of the number of Preferred Shares and Warrants which might have been purchased upon exercise of this Option immediately prior to such reclassification, change, consolidation, merger, sale or conveyance. Any such provision shall include provision for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Option. The foregoing provisions of this Section 9 shall similarly apply to successive reclassifications, capital reorganizations and changes of shares of Common Stock and to successive consolidations, mergers, sales or conveyances.

10. REGISTRATION RIGHTS.

(a) The Company hereby agrees to use its best efforts to file a registration statement with the SEC covering the resale of the shares of Common Stock issuable upon conversion of the Preferred Shares comprising the Option Units and the shares of Common Stock issuable upon exercise of the Warrants comprising the Option Units (collectively, the "Reserved Shares") within three months after the initial closing of the Private Placement (the "Initial Closing") and shall use its best efforts to cause such registration statement to become effective as soon 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 Commonwealth, then the conversion price of 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 obligation of the Company under this Section 10(a) shall be limited to one registration statement and will apply to all Reserved Shares prior to acquisition of the Option Units issuable upon exercise of the Option and even though the Holder has not given notice of exercise of this Option or the underlying Warrants or conversion of the underlying Preferred Shares.

(b) 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 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 Options, the Option Units, the Preferred Shares, the Warrants and the Reserved Shares. Upon the written request from any of such holders (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 10(b) shall be underwritten in whole or in part, the Company may require that the Reserved Shares requested for inclusion pursuant to this Section 10(b) 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 Requesting Holders 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 10(b) shall not apply to Reserved Shares that at such time are eligible for immediate resale pursuant to Rule 144(k) under the Act.

The Holder may, at its option request the registration of the Reserved Shares in a registration statement made by the Company as contemplated by this Section 10(b) prior to acquisition of the Option Units issuable upon exercise of the Option and acquisition of the shares of Common Stock issuable upon conversion of the Preferred Stock and exercise of the Warrants comprising the Option Units and even though the Holder has not given notice of exercise of the Option or the Warrants or conversion of the Preferred Shares; provided, however, that in the event of an underwritten offering, notice of exercise of the Option and Warrants and conversion of the Preferred Shares must be delivered prior to effectiveness of the registration statement, which notice may state that it is effective only upon the effectiveness of such registration statement.

(c) The Company will, in connection with any registration pursuant to the provisions of Sections 10(a) or (b) hereof:

(i) 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;

(ii) 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;

(iii) 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;

(iv) 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;

(v) 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;

(vi) 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;

(vii) 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 Preferred Stock by such Holders;

(viii) 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

(ix) 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.

(d) With respect to any registration required pursuant to Sections 10(a) or (b) hereof, all fees, costs and expenses of and incidental to such registration, inclusion and public offering 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. The fees, costs and expenses of registration to be borne by the Company 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 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.

(e) The Company will indemnify and hold harmless each Holder of Reserved Shares which are included in a registration statement pursuant to the provisions of Sections 10(a) or (b) 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.

(f) Each Holder of Reserved Shares included in a registration pursuant to the provisions of Sections 10(a) or (b) 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.

(g) Promptly after receipt by an indemnified party pursuant to the provisions of Sections 10(e) or (f) 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 Sections 10(e) or (f), 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 Sections 10(e) or (f) 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.

11. REDEMPTION PROVISION. The Warrants included in the Option Units shall not be subject to redemption until this Option has been exercised and the Warrants are outstanding, and thereafter shall be subject to redemption only as set forth in Appendix A.

IN WITNESS WHEREOF, eB2B Commerce, Inc. has caused this Option to be executed this ___ day of April, 2001.

;

EB2B COMMERCE, INC.

By: _____

Name:
Title:

By: _____

Name:
Title:

ANNEX A

PURCHASE FORM

Dated

The undersigned hereby irrevocably elects to exercise the within Option to the extent of purchasing _____ shares of Preferred Stock and _____ Warrants and hereby makes payment of _____ in payment of the actual exercise price thereof.

INSTRUCTIONS FOR REGISTRATION OF STOCK

Name

(Please typewrite or print in block letters)

Address

Signature

ASSIGNMENT FORM

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____

Name

(Please typewrite or print in block letters)

Address

the right to purchase Preferred Stock and Warrants represented by this Option to the extent of _____ shares and _____ warrants as to which such right is exercisable and does hereby irrevocably constitute and appoint Attorney, to transfer the same on the books of the Company with full power of substitution in the premises.

Date

Signature

APPENDIX A

THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN ACQUIRED FOR INVESTMENT PURPOSES ONLY AND MAY NOT BE TRANSFERRED UNTIL (i) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") SHALL HAVE BECOME EFFECTIVE WITH RESPECT THERETO OR (ii) RECEIPT BY THE COMPANY OF AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY TO THE EFFECT THAT REGISTRATION UNDER THE SECURITIES ACT IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED TRANSFER NOR IS SUCH

TRANSFER IN VIOLATION OF ANY APPLICABLE STATE SECURITIES LAWS. THIS LEGEND SHALL BE ENDORSED UPON ANY WARRANT ISSUED IN EXCHANGE FOR THIS WARRANT OR ANY SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT.

WARRANT TO PURCHASE COMMON STOCK

OF

eB2B COMMERCE, INC.

No. BFAW-1

This is to Certify That, FOR VALUE RECEIVED, _____, or assigns ("Holder"), is entitled to purchase, subject to the provisions of this Warrant, from eB2B Commerce, Inc., a New Jersey corporation ("Company"), _____ (_____) fully paid, validly issued and nonassessable shares of common stock of the Company ("Common Stock") at a price equal to the Exercise Price, subject to adjustment as set forth herein. The Exercise Price is subject to reduction in the event the Company fails to timely file the registration statement required by Section 10 of the Unit Purchase Option of eB2B Commerce, Inc. (the "Unit Purchase Option") pursuant to which this Warrant was issued.

(a) DEFINITIONS. As used herein, the following terms shall have the following meanings, unless the context shall otherwise require:

(1) "Call Price" shall mean the price at which the Company may, at its option in accordance with the terms hereof, redeem the Warrants, which price shall be \$0.05 per Warrant.

(2) "Common Stock" shall mean stock of the Company of any class, whether now or hereafter authorized, which has the right to participate in the distributions of earnings and assets of the Company without limit as to amount or percentage, which at the date hereof consists of 200,000,000 authorized shares of Common Stock.

(3) "Exercise Date" shall mean, as to any Warrant, the date on which the Company shall have received both (a) the certificate representing such Warrant (the "Warrant Certificate"), with the exercise form thereon duly executed by the Registered Holder thereof or his attorney duly authorized in writing, and (b) if payment is to be made in cash, cash or an official bank or certified check made payable to the Company, of an amount in lawful money of the United States of America equal to the Exercise Price.

(4) "Exercise Price" shall mean the purchase price to be paid upon exercise of each Warrant in accordance with the terms hereof, which price shall be \$.93 per share, subject to adjustment from time to time pursuant to the provisions of Section (f) hereof and subject further to the Company's right to reduce the Exercise Price upon notice to all Registered Holders.

(5) "Initial Warrant Exercise Date" shall mean the earlier of (i) the date on which the Company shall have obtained the Shareholder Approval, as defined in Section (l), (ii) the date the Shareholder Approval is no longer required, whether because the Common Stock is no longer listed on the Nasdaq Stock Market or otherwise, (iii) the Acceleration Date, as defined in Section (l), or (iv) the issuance date of the Warrant.

(6) "Registered Holder" shall mean the person in whose name any certificate representing Warrants shall be registered on the books maintained by the Company pursuant to Section (d).

(7) "Warrant Expiration Date" shall mean 5:00 P.M. (New York time) on the fifth anniversary of the Initial Warrant Exercise Date or, with respect to Warrants which are outstanding as of the Optional or Mandatory Redemption Date (as defined in Sections (i) and (l), respectively), the applicable Redemption Date, whichever is earlier; provided that if such date shall in the State of New York be a holiday or a day on which banks are authorized to close, then 5:00 P.M. (New York time) on the next following day which in the State of New York is not a holiday or a day on which banks are authorized to close. Upon notice to all warrant holders the Company shall have

the right to extend the Warrant Expiration Date.

(8) "Warrant Shares" shall mean the shares of Common Stock deliverable upon exercise of the Warrants, as adjusted from time to time.

(b) EXERCISE OF WARRANTS

(1) Each Warrant may be exercised by the Registered Holder thereof at any time on or after the Initial Warrant Exercise Date, but not after the Warrant Expiration Date, upon the terms and subject to the conditions set forth herein and in the applicable Warrant Certificate. A Warrant shall be deemed to have been exercised immediately prior to the close of business on the Exercise Date and the person entitled to receive the securities deliverable upon such exercise shall be treated for all purposes as the holder upon exercise thereof as of the close of business on the Exercise Date. As soon as practicable on or after the Exercise Date the Company shall deposit the proceeds received from the exercise of a Warrant, and promptly after clearance of checks received in payment of the Exercise Price pursuant to such Warrants, issue and deliver to the person or persons entitled to receive the same a certificate or certificates for the securities deliverable upon such exercise (plus a certificate for any remaining unexercised Warrants of the Registered Holder).

(2) The Registered Holder may, at its option, exchange this Warrant on a cashless basis, in whole or in part (a "Warrant Exchange"), into the number of Warrant Shares determined in accordance with this Section (b) (2), by surrendering the Warrant Certificate at the principal office of the Company or at the office of its stock transfer agent, accompanied by an irrevocable notice stating such Registered Holder's intent to effect such

exchange, the number of Warrant Shares to be exchanged and the date of the notice of such intent to exchange (the "Notice of Exchange"). The Registered Holder may send a Notice of Exchange to the Company prior to the Initial Warrant Exercise Date. The Warrant Exchange shall take place on the later of (i) the date the Notice of Exchange is received by the Company or (ii) the Initial Warrant Exercise Date (the "Exchange Date"). Certificates for the shares issuable upon such Warrant Exchange and, if applicable, a new warrant of like tenor evidencing the balance of the shares remaining subject to such Warrant, shall be issued as of the Exchange Date and delivered to the Registered Holder as soon as is reasonably practicable following the Exchange Date. In connection with any Warrant Exchange, a Warrant shall represent the right to subscribe for and acquire the number of Warrant Shares (rounded to the next highest integer) equal to (i) the number of Warrant Shares specified by the Registered Holder in its Notice of Exchange (the "Total Number") less (ii) the number of Warrant Shares equal to the quotient obtained by dividing (A) the product of the Total Number and the existing Exercise Price by (B) the current market value of a share of Common Stock. Current market value shall have the meaning set forth Section (f) (9) hereof, except that for purposes hereof, the date of exercise, as used in such Section (f) (9) hereof, shall mean the date of the Notice of Exchange.

(c) RESERVATION OF SHARES; LISTING; PAYMENT OF TAXES; ETC.

(1) The Company covenants that it will at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issue upon exercise of Warrants, such number of shares of Common Stock as shall then be issuable upon the exercise of all outstanding Warrants. The Company covenants that all shares of Common Stock which shall be issuable upon exercise of the Warrants and payment of the Exercise Price shall, at the time of delivery, be duly and validly issued, fully paid, nonassessable and free from all taxes, liens and charges with respect to the issue thereof (other than those which the Company shall promptly pay or discharge).

(2) The Company will use reasonable efforts to obtain appropriate approvals or registrations under state "blue sky" securities laws with respect to the exercise of the Warrants; provided, however, that the Company shall not be obligated to file any general consent to service of process or qualify as a foreign corporation in any jurisdiction. With respect to any such securities laws, however, Warrants may not be exercised by, or shares of Common Stock issued to, any Registered Holder in any state in which such exercise would be unlawful.

(3) The Company shall pay all documentary, stamp or similar taxes

and other governmental charges that may be imposed with respect to the issuance of Warrants, or the issuance, or delivery of any shares upon exercise of the Warrants; provided, however, that if the shares of Common Stock are to be delivered in a name other than the name of the Registered Holder of the Warrant Certificate representing any Warrant being exercised, then no such delivery shall be made unless the person requesting the same has paid to the Company the amount of transfer taxes or charges incident thereto, if any.

(d) EXCHANGE, TRANSFER OR ASSIGNMENT. This Warrant is exchangeable, without expense, at the option of the Holder, upon presentation and surrender

hereof to the Company or at the office of its stock transfer agent, if any, for other warrants of different denominations entitling the holder thereof to purchase in the aggregate the same number of shares of Common Stock purchasable hereunder. Upon surrender of this Warrant to the Company at its principal office or at the office of its stock transfer agent, if any, with the Assignment Form annexed hereto duly executed and funds sufficient to pay any transfer tax, the Company shall, without charge, execute and deliver a new Warrant in the name of the assignee named in such instrument of assignment and this Warrant shall promptly be canceled. This Warrant may be divided or combined with other warrants which carry the same rights upon presentation hereof at the principal office of the Company or at the office of its stock transfer agent, if any, together with a written notice specifying the names and denominations in which new Warrants are to be issued and signed by the Holder hereof. The term "Warrant" as used herein includes any Warrants into which this Warrant may be divided or exchanged.

(e) LOSS OR MUTILATION. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, the Company will execute and deliver a new Warrant of like tenor and date. Any such new Warrant executed and delivered shall constitute an additional contractual obligation on the part of the Company, whether or not this Warrant so lost, stolen, destroyed, or mutilated shall be at any time enforceable by anyone.

(f) ANTI-DILUTION PROVISIONS. The Exercise Price in effect at any time and the number and kind of securities purchasable upon the exercise of the Warrants shall be subject to adjustment from time to time upon the happening of certain events as follows:

(1) In case the Company shall hereafter (i) declare a dividend or make a distribution on its outstanding shares of Common Stock in shares of Common Stock, (ii) subdivide or reclassify its outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect at the time of such dividend or distribution or of the effective date of such subdivision, combination or reclassification shall be adjusted so that it shall equal the price determined by multiplying the Exercise Price by a fraction, the denominator of which shall be the number of shares of Common Stock outstanding after giving effect to such action, and the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such action. Such adjustment shall be made successively whenever any event listed above shall occur.

(2) In case the Company shall fix a record date for the issuance of rights or warrants to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price (the "Subscription Price") (or having a conversion price per share) less than the current market price on such record date or less than the Exercise Price on such record date, the Exercise Price shall be adjusted so that the same shall equal the lower of (i) the price determined by multiplying the Exercise Price in effect immediately prior to the date of such issuance by a fraction, the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding on the record date mentioned below and (y) the number of additional shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered (or the aggregate conversion price of the convertible securities so offered) would purchase at such current market price per share of the Common Stock, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding on such record date and (y) the number of additional shares of

Common Stock offered for subscription or purchase (or into which the convertible securities so offered are convertible) or (ii) in the event the Subscription Price is equal to or higher than the current market price but is less than the Exercise Price, the price determined by multiplying the Exercise Price in effect immediately prior to the date of issuance by a fraction, the numerator of which shall be the sum of the (x) number of shares outstanding on the record date mentioned below and (y) the number of additional shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered (or

the aggregate conversion price of the convertible securities so offered) would purchase at the Exercise Price in effect immediately prior to the date of such issuance, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding on the record date mentioned below and (y) the number of additional shares of Common Stock offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such rights or warrants are issued and shall become effective immediately after the record date for the determination of shareholders entitled to receive such rights or warrants; and to the extent that shares of Common Stock are not delivered (or securities convertible into Common Stock are not delivered) after the expiration of such rights or warrants the Exercise Price shall be readjusted to the Exercise Price which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made upon the basis of delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered.

(3) In case the Company shall hereafter distribute to the holders of its Common Stock evidences of its indebtedness or assets (excluding cash dividends or distributions and dividends or distributions referred to in Subsection (1) above) or subscription rights or warrants (excluding those referred to in Subsection (2) above), then in each such case the Exercise Price in effect thereafter shall be determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be (x) the total number of shares of Common Stock outstanding multiplied by the current market price per share of Common Stock, less (y) the fair market value (as determined by the Company's Board of Directors) of said assets or evidences of indebtedness so distributed or of such rights or warrants, and the denominator of which shall be the total number of shares of Common Stock outstanding multiplied by such current market price per share of Common Stock. Such adjustment shall be effective at the time any such distribution is made.

(4) In case the Company shall hereafter issue shares of its Common Stock (excluding shares issued (i) in any of the transactions described in Subsection (1) above, (ii) upon exercise of options granted to the Company's officers, directors, employees and consultants under a plan or plans adopted by the Company's Board of Directors and approved by its shareholders, if such shares would otherwise be included in this Subsection (4) (but only to the extent that the aggregate number of shares excluded hereby and issued after the date hereof shall not exceed 5% of the Company's Common Stock outstanding, on a fully diluted basis, at the time of any issuance unless such excess issuances are approved by the independent (i.e., non-employee) members of the Company's Board of Directors), (iii) upon exercise of options, rights, warrants, convertible securities and convertible debentures outstanding as of the date hereof,

issued in transactions describe in Subsection (2) above, or upon issuance of, subsequent exercise or conversion of or payment of in-kind interest or dividends on, any securities issued to investors or the placement agents and/or their designees in the Company's bridge financing through Commonwealth Associates L.P. and Gruntal & Co., LLC (the "Bridge Financing") or upon conversion or exercise of such securities, (iv) to shareholders of any corporation which merges into the Company in proportion to their stock holdings of such corporation immediately prior to such merger, upon such merger, (v) issued in a private placement where the Offering Price (as defined below) is at least 85% of the current market price, (vi) issued in a bona fide public offering pursuant to a firm commitment underwriting, or (vii) issued in connection with an acquisition of a business or technology which has been approved by the Company's Board of Directors but only if no adjustment is required pursuant to any other specific subsection of this Section (h) with

respect to the transaction giving rise to such rights) for a consideration per share (the "Offering Price") less than the current market price or less than the Exercise Price, the Exercise Price shall be adjusted immediately thereafter so that it shall equal the lower of (i) the price determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares and (y) the number of shares of Common Stock which the aggregate consideration received for the issuance of such additional shares would purchase at such current market price per share of Common Stock, and the denominator of which shall be the number of shares of Common Stock outstanding immediately after the issuance of such additional shares and (ii) in the event the Offering Price is equal to or higher than the current market price per share but less than the Exercise Price, the price determined by multiplying the Exercise Price in effect immediately prior to the date of issuance by a fraction, the numerator of which shall be (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares and (y) the number of shares of Common Stock which the aggregate consideration received (determined as provided in Subsection (8) below) for the issuance of such additional shares would purchase at the Exercise Price in effect immediately prior to the date of such issuance, and the denominator of which shall be the number of shares of Common Stock outstanding immediately after the issuance of such additional shares. Such adjustment shall be made successively whenever such an issuance is made.

(5) In case the Company shall hereafter issue any securities convertible into or exercisable or exchangeable for its Common Stock (excluding securities issued in transactions described in Subsections (2), (3) and (4) (i) through (vii) above) for a consideration per share of Common Stock (the "Exchange Price") initially deliverable upon conversion, exercise or exchange of such securities (determined as provided in Subsection (8) below) less than the current market price or less than the Exercise Price, the Exercise Price shall be adjusted immediately thereafter so that it shall equal the lower of (i) the price determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such securities and (y) the number of shares of Common Stock which the aggregate consideration paid for such securities (or the aggregate exercise price if such convertible securities are options or warrants) would purchase at such current market price per share of Common Stock, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to such issuance and (y) the maximum number of shares of Common Stock of the Company deliverable upon conversion, exercise or

exchange of such securities at the initial Exchange Price or (ii) in the event the Exchange Price is equal to or higher than the current market price per share but less than the Exercise Price, the price determined by multiplying the Exercise Price in effect immediately prior to the date of issuance by a fraction, the numerator of which shall be the sum of (x) the number of shares outstanding immediately prior to the issuance of such securities and (y) the number of shares of Common Stock which the aggregate consideration received (determined as provided in Subsection (8) below) for such securities would purchase at the Exercise Price in effect immediately prior to the date of such issuance, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such securities and (y) the maximum number of shares of Common Stock of the Company deliverable upon conversion of or in exchange for such securities at the initial conversion or exchange price or rate. Such adjustment shall be made successively whenever such an issuance is made.

(6) Whenever the Exercise Price payable upon exercise of each Warrant is adjusted pursuant to Subsections (1), (2), (3), (4) and (5) above or (11) below, the number of shares of Common Stock purchasable upon exercise of this Warrant shall simultaneously be adjusted by multiplying the number of shares of Common Stock initially issuable upon exercise of this Warrant by the Exercise Price in effect on the date hereof and dividing the product so obtained by the Exercise Price, as adjusted.

(7) No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least five cents (\$0.05) in such price; provided, however, that any adjustments which by reason of this Section (f) are not required to be made shall be carried forward

and taken into account in any subsequent adjustment required to be made hereunder;

(8) For purposes of any computation respecting consideration received pursuant to Subsections (4) and (5) above, the following shall apply:

(A) in the case of the issuance of shares of Common Stock for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions, discounts or other expenses incurred by the Company for any underwriting of the issue or otherwise in connection therewith;

(B) in the case of the issuance of shares of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined in good faith by the Board of Directors of the Company (irrespective of the accounting treatment thereof), whose determination shall be conclusive; and

(C) in the case of the issuance of securities convertible into or exchangeable for shares of Common Stock, the aggregate consideration received therefor shall be deemed to be the consideration received by the Company for the issuance of such securities plus the additional minimum consideration, if any, to be received by the Company upon the conversion or exchange thereof (the consideration in each case to be determined in the same manner as provided in clauses (A) and (B) of this Subsection (8)).

(9) For the purpose of any computation under Subsections (2), (3), (4) and (5) above and Section (1) below, the current market price per share of Common Stock at any date shall be deemed to be the higher of (i) the average of the prices for 30 consecutive business days before such date, or (ii) the average of the prices for five consecutive business days immediately preceding such date determined as follows:

(A) If the Common Stock is listed on a national securities exchange or admitted to unlisted trading privileges on such exchange or listed for trading on the Nasdaq National Market, the current market value shall be the last reported sale price of the Common Stock on such exchange or market on the last business day prior to the date of exercise of this Warrant or if no such sale is made on such day, the average closing bid and asked prices for such day on such exchange or market;

(B) If the Common Stock is not so listed or admitted to unlisted trading privileges, but is traded on the Nasdaq SmallCap Market, the current market value shall be the closing price for such business day on such market and if the Common Stock is not so traded, the current market value shall be the mean of the last reported bid and asked prices reported by the National Quotation Bureau, Inc. on the last business day prior to the date of the exercise of this Warrant; or (C) If the Common Stock is not so listed or admitted to unlisted trading privileges and bid and asked prices are not so reported, the current market value shall be an amount, not less than book value thereof as at the end of the most recent fiscal year of the Company ending prior to such business day, determined in such reasonable manner as may be prescribed by the Board of Directors of the Company.

(10) All calculations under this Section (f) shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be. Anything in this Section (f) to the contrary notwithstanding, the Company shall be entitled, but shall not be required, to make such changes in the Exercise Price, in addition to those required by this Section (f), as it shall determine, in its sole discretion, to be advisable in order that any dividend or distribution in shares of Common Stock, or any subdivision, reclassification or combination of Common Stock, hereafter made by the Company shall not result in any Federal Income tax liability to the holders of Common Stock or securities convertible into Common Stock (including the Notes and the Warrants);

(11) No adjustment under Subsections (2), (3), (4) and (5) shall be required for issuances below the current market price if (A) the current market price is at least 200% of the Exercise Price then in effect and (B) a registration statement covering the Warrant Shares is in effect and

remains in effect for the 90 days after such issuance or Rule 144(k) under the Securities Act of 1933, as amended (the "Securities Act") is available for resale of all of the Warrant Shares.

(12) In the event that at any time, as a result of an adjustment made pursuant to Subsection (1) above, the Holder of this Warrant thereafter shall become entitled to receive any shares of the Company, other than Common Stock, thereafter the number of such other shares so receivable upon exercise of this Warrant shall be subject to adjustment

from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Subsections (1) to (11), inclusive above.

(13) In case of any reclassification or capital reorganization, or in case of any consolidation or merger of the Company with or into another corporation (other than a merger with a subsidiary in which merger the Company is the continuing corporation and which does not result in any reclassification or capital reorganization) or in case of any sale, lease or conveyance to another corporation of the property of the Company as an entirety, the Company shall, as a condition precedent to such transaction, cause effective provisions to be made so that the holder of this Warrant shall have the right thereafter upon conversion of this Warrant in accordance with the provisions of this Section (f), to purchase the kind and amount of shares of stock and other securities and property receivable upon such reclassification, capital reorganization, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock which might have been received upon conversion of this Warrant immediately prior to such reclassification, consolidation, merger, sale or conveyance. Any such provision shall include provision for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Warrant. The Company shall not effect any such consolidation, merger, sale, transfer or other disposition, unless prior to or simultaneously with the consummation thereof the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing or otherwise acquiring such properties shall assume, by written instrument executed and mailed or delivered to the holder of this Warrant at the last address of such holder appearing on the books of the Company, the obligation to deliver to such holder such shares of stock, securities, cash or properties as, in accordance with the foregoing provisions, such holder may be entitled to acquire. The above provisions of this paragraph shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, sales, transfers or other dispositions.

(g) REGISTRATION UNDER THE SECURITIES ACT OF 1933. The Holder shall have the registration rights with respect to the Warrant Shares set forth in the Unit Purchase Option.

(h) FRACTIONAL WARRANTS AND FRACTIONAL SHARES. If the number of shares of Common Stock purchasable upon the exercise of each Warrant is adjusted pursuant to Section (f) hereof, the Company shall nevertheless not be required to issue fractions of shares, upon exercise of the Warrants or otherwise, or to distribute certificates that evidence fractional shares. With respect to any fraction of a share called for upon any exercise hereof, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the current market value of such fractional share, determined in accordance with Section (f) (9) hereof.

(i) OPTIONAL REDEMPTION

(1) At any time after the issuance date of the Warrants, on not less than 30 days' written notice (the "Optional Redemption Notice") to the Holders, the Warrants may be redeemed, at the option of the Company, at the Call Price, provided (i) the market price (determined in accordance with Section (f) (9) hereof) shall exceed 300% of the then current Exercise Price for the 20 consecutive trading days ending on the fifth trading day prior to

the date of the Optional Redemption Notice (the "Target Price"), (ii) the Common Stock is traded on a national securities exchange or the Nasdaq SmallCap or National Market System, (iii) a registration statement covering the Warrant

Shares filed under the Securities Act has been declared effective and remains effective for at least 90 days following the date fixed for redemption of the Warrants (the "Optional Redemption Date"), and (iv) no lock-up agreement with the Company or its underwriter or agent would prohibit the sale or transfer of the Warrant Shares.

(2) If the conditions set forth in Section (i)(1) are met, and the Company desires to exercise its right to redeem the Warrants, it shall mail an Optional Redemption Notice to each of the Registered Holders of the Warrants to be redeemed, first class, postage prepaid, not later than the thirtieth day before the date fixed for redemption, at their last address as shall appear on the records maintained by the Company. Any notice mailed in the manner provided herein shall be conclusively presumed to have been duly given whether or not the Registered Holder receives such notice.

(3) The Optional Redemption Notice shall specify (i) the Call Price, (ii) the Optional Redemption Date, (iii) the place where the Warrant Certificates shall be delivered and the redemption price paid, and (iv) that the right to exercise the Warrant shall terminate at 5:00 P.M. (New York time) on the business day immediately preceding the Optional Redemption Date. No failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for such redemption except as to a Registered Holder (a) to whom notice was not mailed or (b) whose notice was defective. An affidavit of the Secretary or an Assistant Secretary of the Company that notice of redemption has been mailed shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(4) Any right to exercise a Warrant shall terminate at 5:00 P.M. (New York time) on the business day immediately preceding the Optional Redemption Date. On and after the Optional Redemption Date, Registered Holders of the Warrants shall have no further rights except to receive, upon surrender of the Warrant, the Call Price.

(5) From and after the Optional Redemption Date, the Company shall, at the place specified in the Optional Redemption Notice, upon presentation and surrender to the Company by or on behalf of the Registered Holder thereof of one or more Warrant Certificates evidencing Warrants to be redeemed, deliver or cause to be delivered to or upon the written order of such Registered Holder a sum in cash equal to the Call Price of each such Warrant. From and after the Optional Redemption Date and upon the deposit or setting aside by the Company of a sum sufficient to redeem all the Warrants called for redemption, such Warrants shall expire and become void and all rights hereunder and under the Warrant Certificates, except the right to receive payment of the Call Price, shall cease.

(j) WARRANT HOLDERS NOT DEEMED STOCKHOLDERS. No holder of Warrants shall, as such, be entitled to vote or to receive dividends or be deemed the holder of Common Stock that may at any time be issuable upon exercise of such Warrants for any purpose whatsoever, nor shall anything contained herein be construed to confer upon the holder of Warrants, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting

thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issue or reclassification of stock, change of par value or change of stock to no par value, consolidation, merger or conveyance or otherwise), or to receive notice of meetings, or to receive dividends or subscription rights, until such Holder shall have exercised such Warrants and been issued shares of Common Stock in accordance with the provisions hereof.

(k) AGREEMENT OF WARRANT HOLDERS. Every holder of a Warrant, by his acceptance thereof, consents and agrees with the Company and every other holder of a Warrant that:

(1) The Warrants are transferable only on the registry books of the Company by the Registered Holder thereof in person or by his attorney duly authorized in writing and only if the Warrant Certificates representing such Warrants are surrendered at the office of the Company, duly endorsed or accompanied by a proper instrument of transfer satisfactory to the Company in its sole discretion, together with payment of any applicable transfer taxes; and

(2) The Company may deem and treat the person in whose name

the Warrant Certificate is registered as the holder and as the absolute, true and lawful owner of the Warrants represented thereby for all purposes, and the Company shall not be affected by any notice or knowledge to the contrary, except as otherwise expressly provided for herein.

(1) SHAREHOLDER APPROVAL.

(1) If the Company shall fail to obtain shareholder approval described in Section 6(c) of the designation of rights, powers and preferences governing the Company's Series C Convertible Preferred Stock (the "Shareholder Approval") in accordance with rules of the Nasdaq Stock Market on or before September 30, 2001, then the Holders of not less than 50% of the outstanding Warrants may, by delivery of written notice to the Company, elect to take either or both of the following actions with respect to the Warrants:

(2) Accelerate the Initial Warrant Exercise Date to October 1, 2001 or such later date (the "Acceleration Date") as shall be specified in the written notice to the Company; or

(3) Cause the Company to redeem all of the Warrants at a redemption price per Warrant equal to the greater of (1) 200% of the Exercise Price or (2) the difference between the Exercise Price and the market price of the Common Stock on the earlier of September 30, 2001 or the date of the meeting at which Shareholder Approval was not obtained (the "Mandatory Redemption Price"). The Mandatory Redemption Price shall be payable, at the option of the Company, in cash or in Warrant Shares at the then current market price of the Company's Common Stock, provided that (i) a registration statement covering the Warrant Shares filed under the Securities Act has been declared effective and remains effective for at least 90 days following the date fixed for redemption of the Warrants (the "Mandatory Redemption Date") and (ii) no lock-up agreement with the Company or its underwriter or agent would prohibit the sale or transfer of the Warrant Shares

(4) If the Company is required to redeem the Warrants pursuant to Section (1) above (the "Mandatory Redemption"), then the Company shall,

(A) within 10 days of the date the holder delivers written notice of the election to the Company (the "Election Date"), mail a written notice (the "Mandatory Redemption Notice") to each Registered Holder of the Warrants, first class, postage prepaid, at his last address as shall appear on the records by the Company. The Mandatory Redemption Notice shall specify (1) the Mandatory Redemption Date, which shall be 20 days after the Election Date, (2) the Mandatory Redemption Price, (3) whether the Warrants will be redeemed in cash or for shares of Common Stock, (4) the place where Warrant Certificates shall be delivered and the redemption price paid, and (5) that the right to exercise any Warrants being redeemed shall terminate at 5:00 P.M. (New York time) on the business day preceding the Mandatory Redemption Date;

(B) from and after the Mandatory Redemption Date, at the place specified in the Mandatory Redemption Notice, upon presentation and surrender to the Company by or on behalf of the Registered Holder thereof of one or more Warrant Certificates evidencing Warrants to be redeemed, deliver or cause to be delivered to or upon the written order of such Registered Holder a sum of cash or a number of shares of Common Stock equal to the Mandatory Redemption Price of each such Warrant. From and after the Mandatory Redemption Date and upon the deposit or setting aside by the Company of a sum of cash or of shares of Common Stock sufficient to redeem all the Warrants called for redemption, any Warrants called for redemption shall expire and become void and all rights hereunder and under the Warrant Certificates representing such Warrants, except the right to receive payment of the Mandatory Redemption Price upon the surrender of such Warrant Certificates, shall cease.

Notwithstanding anything contained in Section (1)(2) to the contrary, if the shares of Common Stock of the Company are no longer listed for trading on the Nasdaq Stock Market or the Company has received a waiver from Nasdaq with respect to the Conversion Limitation (as defined in Section 7 of the notes issued in the Bridge Financing) and/or the Shareholder Approval, then the provisions of Subsections (1)(1)(A) and (B) shall no longer be applicable.

(m) CANCELLATION OF WARRANT CERTIFICATES. If the Company shall purchase or acquire any Warrant or Warrants, the Warrant Certificate or

Warrant Certificates evidencing the same shall thereupon be canceled by it and retired.

(n) MODIFICATION OF AGREEMENT. The parties hereto may by supplemental agreement make any changes or corrections in this Agreement (i) that it shall deem appropriate to cure any ambiguity or to correct any defective or inconsistent provision or manifest mistake or error herein contained or (ii) that it may deem necessary or desirable and which shall not adversely affect the interests of the holders of Warrant Certificates; provided, however, that this Agreement shall not otherwise be modified, supplemented or altered in any respect except with the consent in writing of the Company, ComVest and the holders of at least a majority of the outstanding Warrants except that nothing shall prevent the Company and a Registered Holder from consenting to modifications to this Agreement which affect or are applicable to such Registered Holder only.

(o) NOTICES. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been made when delivered or mailed first class registered or certified mail, postage prepaid as follows: if to the Registered Holder of a Warrant Certificate, at the address of such holder as shown on the registry books maintained by the Company; if to the Company, at 757 Third Avenue, Suite 302, New York, New York 10017, Attention: John J. Hughes, Jr., Esq.; and if to the Holder, c/o Commonwealth Associates, L.P., at 830 Third Avenue, New York, New York 10022, Attention: Joseph Wynne.

(p) GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(q) BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the Company (and its respective successors and assigns) and the holders from time to time of Warrant Certificates. Nothing in this Agreement is intended or shall be construed to confer upon any other person any right, remedy or claim, in equity or at law, or to impose upon any other person any duty, liability or obligation.

(r) TERMINATION. This Agreement shall terminate on the earlier to occur of (i) the close of business on the second day following the Warrant Expiration Date; or (ii) the date upon which all Warrants have been exercised.

(s) COUNTERPARTS. This Agreement may be executed in several counterparts, which taken together shall constitute a single document.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

eB2B COMMERCE, INC.

By: _____
Alan Andreini
Chief Executive Officer

Dated: April __, 2001

PURCHASE FORM

Dated _____

The undersigned hereby irrevocably elects to exercise the within Warrant to the extent of purchasing _____ shares of Common Stock.

_____ Check if Cashless Exercise (Section (b) (2) of Warrant)

If not Cashless Exercise, the undersigned hereby makes payment of \$ _____ in payment of the actual exercise price thereof.

Name _____

(Please typewrite or print in block letters)

Address _____

Signature _____

ASSIGNMENT FORM

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto

Name _____

(Please typewrite or print in block letters)

Address _____

the right to purchase Common Stock represented by this Warrant to the extent of shares as to which such right is exercisable and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the same on the books of the Company with full power of substitution in the premises.

Date _____

Signature _____

EB2B COMMERCE, INC.

AGENCY AGREEMENT

eB2B Commerce, Inc.
757 Third Avenue, Suite 302
New York, New York 10017

April 4, 2001

Gentlemen:

eB2B Commerce, Inc., a New Jersey corporation (the "Company"),

proposes to offer for sale to "accredited investors," in a private placement (the "Bridge Financing"), a minimum of 30 (the Minimum Offering") and a maximum of 70 (the "Maximum Offering") units (the "Units") at \$100,000 per Unit, each Unit consisting of: (i) \$100,000 principal amount of 7% convertible promissory notes (the "Notes") in the form attached hereto as Appendix A; and (ii) two-year warrants (the "Warrants") in the form attached hereto as Appendix B to purchase 200,000 shares of the Company's common stock (the "Common Stock"). The Notes shall be convertible into either shares of Common Stock or shares of Series C Convertible Preferred Stock (the "Preferred Stock") having the rights and preferences set forth in the form of certificate of designation attached hereto as Appendix C (the "Designation"). The Maximum Offering may be increased by up to 30 Units to cover over-subscriptions by mutual agreement of the Company and the Placement Agents (as defined below). The Minimum Offering will be made on a "best efforts - all or none" basis and the balance of the Bridge Financing will be made on a "best efforts" basis.

The Company also intends to undertake a \$10,000,000 private placement of equity securities in the form of either convertible preferred stock, common stock or an equity line of credit (the "Securities") to institutional investors on terms to be negotiated among the Company, the investors and the Placement Agents (the "Private Placement"). The Bridge Financing and the Private Placement are collectively referred to herein as the "Placements." Commonwealth Associates, L.P. ("Commonwealth") and Gruntal & Co., LLC ("Gruntal") will serve as placement agents (each, a "Placement Agent" and together, the "Placement Agents") in connection with the Placements. The Units and the Securities are being offered in accordance with Section 4(2) of the Securities Act of 1933, as amended (the "1933 Act") and Regulation D promulgated thereunder.

The Company has arranged with ComVest Venture Partners L.P. ("ComVest") for a line of credit (the "Credit Line") of up to an aggregate principal amount of up to \$5,000,000, the maximum amount of the Credit Line to be determined on or prior to April 17, 2001. The Credit Line shall be on such terms and subject to such conditions as are set forth in the form of commitment letter attached hereto as Appendix D (the "Loan Commitment Letter"). In consideration of the Credit Line, the Company will issue to ComVest or its designees five-year warrants to purchase 2,000,000 shares of common stock of the Company for each \$1,000,000 of Credit Line at an exercise price of \$.50 per share (the "Loan Warrants"). Borrowings under the

Credit Line will be secured by all assets of the Company, including but not limited to its contract rights, intellectual property and other assets, and by a pledge all of the Company's shares of the capital stock of Netlan Merger Corp. ("Netlan"), a wholly-owned subsidiary of the Company. Borrowings under the Credit Line will be evidenced by convertible promissory notes in the form attached as Appendix D hereto. ComVest and its transferees shall have registration rights substantially identical to the investors in the Bridge Financing.

The Company will prepare a term sheet for use in connection with the Bridge Financing (the "Term Sheet") and an executive summary for use in connection with the Private Placement (the "Summary"). The Term Sheet (including all exhibits thereto) and the Summary (including all exhibits thereto), together with the

form of proposed subscription agreement between the Company and each subscriber for the Placements (the "Subscription Agreements") and the exhibits that are part of the Subscription Agreements are collectively referred to herein as the "Offering Documents." The Company will prepare and deliver to you a reasonable number of copies of the Offering Documents in form and substance satisfactory to you and your counsel.

Each prospective investor subscribing to purchase Units in the Bridge Financing or Securities in the Private Placement (each a "Subscriber") will be required to deliver, among other things, a Subscription Agreement and a confidential purchaser questionnaire ("Questionnaire") in the form to be provided to offerees. Capitalized terms used herein, unless otherwise defined or unless the context otherwise indicates, shall have the same meanings provided in the Offering Documents.

1. Appointment of Placement Agents.

(a) Commonwealth and Gruntal are hereby appointed exclusive Placement Agents of the Company (subject to their right to have selected dealers ("Selected Dealers") in good standing with the National Association of Securities Dealers ("NASD") participate in the Placements) for the purposes of assisting the Company in finding qualified Subscribers for the Placements.

(b) The offering period for the Bridge Financing shall commence on the date the Term Sheet is delivered to the Placement Agents and shall continue until April 16, 2001, unless extended by up to 30 days by mutual agreement of the Company and the Placement Agents; 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. The offering period for the Private Placement shall commence on the day the Offering Documents are first made available by the Company for delivery in connection with the offering for sale of the Securities and shall continue until the earlier to occur of: (i) the sale of all of the Securities; or (ii) May 31, 2001 (the "Placement Termination Date").

(c) Subject to the performance by the Company of all of its obligations to be performed under this Agreement and to the completeness and accuracy of all representations and warranties of the Company contained in this Agreement, each Placement Agent hereby accepts such agency and agrees to use its best efforts to assist the Company in finding qualified subscribers for the Placements. It is understood that the Placement Agents have no commitment

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to sell the Units or the Securities. The agency of the Placement Agents hereunder is not terminable by the Company prior to the Placement Termination Date.

(d) Subscriptions for Units and Securities shall be evidenced by the execution by Subscribers of a Subscription Agreement. No Subscription Agreement shall be effective unless and until it is accepted by the Company. The Placement Agents shall not have any obligation to independently verify the accuracy or completeness of any information contained in any Subscription Agreement or the authenticity, sufficiency, or validity of any check delivered by any prospective investor in payment for Units or Securities.

(e) The Placement Agents and/or their affiliates may be investors in the Placements.

2. Representations and Warranties of the Company. The Company represents and warrants to each Placement Agent and each Selected Dealer, if any, as follows:

(a) Securities Law Compliance. The offer, offer for sale, and sale of the Units and the Securities have not been registered with the United States Securities and Exchange Commission (the "SEC"). The Units and Securities are to be offered, offered for sale and sold in reliance upon the exemptions from the registration requirements of Section 5 of the 1933 Act. The Company will use its best efforts to conduct the Placements in compliance with the requirements of Regulation D of the General Rules and Regulations under the 1933 Act, and the Company will file all appropriate notices of offering with the SEC. The Company has prepared the Offering Documents. The Offering Documents will not

contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading. If at any time prior to the completion of the Placements or other termination of this Agreement any event shall occur as a result of which it might become necessary to amend or supplement the Offering Documents so that they do not include any untrue statement of any material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then existing, not misleading, the Company will promptly notify you and will supply you with amendments or supplements correcting such statement or omission. The Company will also provide the Placement Agents for delivery to all offerees and purchasers and their representatives, if any, any information, documents and instruments which the Placement Agents deems reasonably necessary to comply with applicable state and federal law.

(b) Organization. The Company is a corporation duly organized, validly existing and in good standing under the laws of the state of New Jersey and has all requisite corporate power and authority to own and lease its properties, to carry on its business as currently conducted and as described in the Offering Documents, to execute and deliver this Agreement and to carry out the transactions contemplated by this Agreement, as appropriate, and is duly licensed or qualified to do business as a foreign corporation in New York and in each other jurisdiction in which the conduct of its business or ownership or leasing of its properties requires it to be so qualified, except where the failure to be so licensed or qualified would not, in the aggregate, have a material adverse effect on the business or financial condition of the Company (a "Material Adverse Effect").

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(c) Capitalization. The authorized, issued and outstanding capital stock of the Company as of February 28, 2001 is as set forth in the Term Sheet. All issued and outstanding shares of the Company are validly issued, fully paid and nonassessable and such shares have not been issued in violation of the preemptive rights of any stockholder of the Company. Except as set forth in Schedule 2(c) to this Agreement, all prior sales of securities of the Company were either registered under the 1933 Act and applicable state securities laws or exempt from such registration, and no security holder has any rescission rights with respect thereto.

(d) Warrants, Preemptive Rights, Etc. Except as set forth in or contemplated by the Term Sheet, there are not, nor will there be immediately after the Closing (as hereinafter defined), any outstanding warrants, options, agreements, convertible securities, preemptive rights to subscribe for or other commitments pursuant to which the Company is, or may become, obligated to issue any shares of its capital stock or other securities of the Company and neither of the Placements will cause any anti-dilution adjustments to such securities or commitments except as set forth in Schedule 2(d) to this Agreement.

(e) Subsidiaries and Investments. Other than as set forth in Schedule 2(e) to this Agreement, the Company has no subsidiaries and the Company does not own, directly or indirectly, any capital stock or other equity ownership or proprietary interests in any other corporation, association, trust, partnership, joint venture or other entity.

(f) Financial Statements. The financial statements included in the Company's filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise provided to investors in connection with the Offering Documents are hereinafter referred to collectively as the "Financial Statements." The Financial Statements have been prepared in conformity with generally accepted accounting principles ("GAAP") consistently applied and show all material liabilities, absolute or contingent, of the Company required to be recorded thereon and present fairly the financial position and results of operations of the Company as of the dates and for the periods indicated.

(g) Absence of Changes. Since the date of the Financial Statements, except with respect to the contemplated restatement of the Company's 1999 financial statements or other matters of which the Company has notified you in writing, the Company has not incurred any liabilities or obligations, direct or contingent, not in the ordinary course of business, or entered into any transaction not in the ordinary course of business, which is material to the

business of the Company, and there has not been any change in the capital stock (other than as a result of security conversions and exercises) of, or any incurrence of long-term debt by, the Company, or any issuance of options, warrants or other rights to purchase the capital stock of the Company, or any adverse change or any development involving, so far as the Company can now reasonably foresee, a prospective adverse change in the condition (financial or otherwise), net worth, results of operations, business, key personnel or properties that would be material to the business or financial condition of the Company, and the Company has not become a party to, and neither the business nor the property of the Company has become the subject of, any material litigation whether or not in the ordinary course of business.

(h) Title. The Company has good and marketable title to all properties and assets owned by it, free and clear of all liens, charges, encumbrances or restrictions, except such as are

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not significant or important in relation to the Company's business; all of the material leases and subleases under which the Company is the lessor or sublessor of properties or assets or under which the Company holds properties or assets as lessee or sublessee are in full force and effect, and the Company is not in default in any material respect with respect to any of the terms or provisions of any of such leases or subleases, and no material claim has been asserted by anyone adverse to rights of the Company as lessor, sublessor, lessee or sublessee under any of the leases or subleases mentioned above, or affecting or questioning the right of the Company to continued possession of the leased or subleased premises or assets under any such lease or sublease. The Company owns or leases all such properties as are necessary to its operations as described in the Offering Documents.

(i) Proprietary Rights. The Company owns or possesses enforceable rights to use all patents, patent applications, trademarks, service marks, copyrights, trade secrets, processes, formulations, technology or know-how used in or necessary for the conduct of its business (the "Proprietary Rights"). The Company has not received any notice of any claims, nor does it have any knowledge of any threatened claims, and knows of no facts which would form the basis of any claim, asserted by any person to the effect that the sale or use of any product or process now used or offered by the Company or proposed to be used or offered by the Company infringes on any patents or infringes upon the use of any such Proprietary Rights of another person and, to the best of the Company's knowledge, no others have infringed the Company's Proprietary Rights.

(j) Litigation. Other than as set forth in Schedule 2(j) hereto, there is no material action, suit, investigation, customer complaint, claim or proceeding at law or in equity by or before any arbitrator, governmental instrumentality or other agency now pending or, to the knowledge of the Company, threatened against the Company (or basis therefor known to the Company), the adverse outcome of which would have a Material Adverse Effect. The Company is not subject to any judgment, order, writ, injunction or decree of any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign that have a Material Adverse Effect.

(k) Non-Defaults; Non-Contravention. The Company is not in violation of or default under, nor will the execution and delivery of this Agreement, any of the Offering Documents, the Notes, the warrant agreement among the Company, American Stock Transfer & Trust Company and the Placement Agents (the "Warrant Agreement"), the agreement regarding mergers, sales and other transactions between the Company and the Placement Agents (the "Sale/Transaction Agreement"), the agreement regarding transactions with SPS Commerce Inc. (the "SPS Agreement"), the fund escrow agreement between the Company and American Stock Transfer & Trust Company (the "Escrow Agreement"), the Loan Commitment Letter, the security agreement between the Company and ComVest (the "Security Agreement") or the stock pledge agreement between the Company and ComVest (the "Stock Pledge Agreement") or consummation of the transactions contemplated herein or therein result in a violation of or constitute a default in the performance or observance of any obligation under: (i) its Certificate of Incorporation or its By-laws, as amended to date; or (ii) any indenture, mortgage, contract, material purchase order or other agreement or instrument to which the Company is a party or by which it or its property is bound; or (iii) any order, writ, injunction or decree of any court of any federal, state, municipal or other governmental department, commission, board, bureau, agency or

instrumentality, domestic or foreign, and there exists no condition, event or act that

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constitutes, nor that after notice, the lapse of time or both, could constitute a default under any of the foregoing.

(l) Taxes. The Company has filed all federal, state, local and foreign tax returns that are required to be filed by it or otherwise met its disclosure obligations to the relevant agencies and all such returns are true and correct. The Company has paid or adequately provided for all tax liabilities of the Company as reflected on such returns or pursuant to any assessments received by it or that it is obligated to withhold from amounts owing to any employee, creditor or third party. The Company has properly accrued all taxes required to be accrued by GAAP consistently applied. The tax returns of the Company have never been audited by any state, local or federal authorities. The Company has not waived any statute of limitations with respect to taxes or agreed to any extension of time with respect to any tax assessment or deficiency.

(m) Compliance With Laws; Licenses, Etc. The Company has not received notice of any violation of or noncompliance with any federal, state, local or foreign, laws, ordinances, regulations and orders applicable to its business that has not been cured. The Company has all licenses and permits and other governmental certificates, authorizations and permits and approvals (collectively, "Licenses") required by every federal, state and local government or regulatory body for the operation of its business as currently conducted and the use of its properties. The Licenses are in full force and effect and to the Company's knowledge no violations currently exist in respect of any License and no proceeding is pending or threatened to revoke or limit any thereof.

(n) Authorization of Agreement, Etc. This Agreement has been duly and validly authorized, executed and delivered by the Company and the execution, delivery and performance by the Company of this Agreement, the Subscription Agreements, the Notes, the Warrant Agreement, the Sale/Transaction Agreement, the SPS Agreement, the Escrow Agreement, the Loan Commitment Letter, the Security Agreement and the Stock Pledge Agreement have been duly authorized by all requisite corporate action by the Company and when delivered, constitute or will constitute the legal, valid and binding obligations of the Company, enforceable in accordance with their respective terms, subject to applicable laws regarding insolvency and to principles of equity.

(o) Authorization of Notes, Warrants Etc. The issuance, sale and delivery of the Notes, the Warrants, the Preferred Stock, the Agents' Options (as defined herein) and the Loan Warrants have been duly authorized by all requisite corporate action of the Company. When so issued, sold and delivered in accordance with the Offering Documents for the consideration set forth therein, the Notes, the Warrants, the Preferred Stock, the Agents' Options and the Loan Warrants will be duly executed, issued and delivered and will constitute valid and legal obligations of the Company enforceable in accordance with their respective terms and, in each case, will not be subject to preemptive or any other similar rights of the stockholders of the Company or others which rights shall not have been waived prior to the initial closing of the Bridge Financing (the "Initial Bridge Closing").

(p) Authorization of Reserved Shares. The issuance, sale and delivery by the Company of the shares of Preferred Stock issuable upon conversion of the Notes and the shares of Common Stock issuable upon conversion or exercise of the Notes, the Warrants, the Preferred

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Stock, the Agents' Options and the Loan Warrants (the "Reserved Shares") have been duly authorized by all requisite corporate action of the Company, and the Reserved Shares have been duly reserved for issuance upon exercise of all or any of the Warrants, the Agent's Options and the Loan Warrants and conversion of all or any of the Notes and Preferred Stock and when so issued, sold, paid for and delivered for the consideration set forth in the Offering Documents, the Reserved Shares will be validly issued and outstanding, fully paid and nonassessable, and not subject to preemptive or any other similar rights of the

stockholders of the Company or others which rights shall not have been waived prior to the Initial Bridge Closing.

(q) Exemption from Registration. Assuming (i) the accuracy of the information provided by the respective Subscribers in the Subscription Documents and (ii) that each Placement Agent has complied in all material respects with the provisions of Regulation D promulgated under the 1933 Act, the offer and sale of the Units and the Securities pursuant to the terms of this Agreement are exempt from the registration requirements of the 1933 Act and the rules and regulations promulgated thereunder. The Company is not disqualified from the exemption under Regulation D by virtue of the disqualifications contained in Rule 505(b)(2)(iii) or Rule 507 promulgated thereunder.

(r) Registration Rights. Except with respect to holders of the Units, the Notes, the Warrants, the Preferred Stock, the Agents' Options and the Loan Warrants, holders of the Securities and otherwise as set forth on Schedule 2(r) to this Agreement, no person has any right to cause the Company to effect the registration under the 1933 Act of any securities of the Company. The Company shall grant registration rights under the 1933 Act to the investors in the Bridge Financing and/or their transferees as more fully described in the Subscription Agreement.

(s) Brokers. Neither the Company nor any of its officers, directors, employees or stockholders has employed any broker or finder in connection with the transactions contemplated by this Agreement other than the Placement Agents.

(t) Title to Securities. When certificates representing the Notes and the Warrants have been duly delivered to the purchasers participating in the Bridge Financing and the Loan Warrants have been delivered to ComVest and payment shall have been made therefor, the recipients shall receive from the Company good and marketable title to such securities free and clear of all liens, encumbrances and claims whatsoever (with the exception of claims arising through the acts or omissions of the purchasers and except as arising from applicable federal and state securities laws), and the Company shall have paid all taxes, if any, in respect of the original issuance thereof.

(u) Compliance with Reporting Requirements. The Company is subject to Section 13 or 15(d) of Exchange Act. The Company is in compliance with the requirements of the 1933 Act and the Exchange Act, and has, except as set forth in Schedule 2 (u) hereto, timely filed all reports required to be filed pursuant to the Exchange Act. No such filing contained any untrue statement of a material fact required to be stated therein or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(v) Right of First Refusal. Except for the right of first refusal granted to Gruntal herein, no person, firm or other business entity is a party to any agreement, contract or

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understanding, written or oral entitling such party to a right of first refusal with respect to offerings by the Company.

3. Closing; Placement and Fees.

(a) Closing. Provided the Minimum Offering shall have been subscribed for and funds representing the sale thereof shall have cleared, the Initial Bridge Closing shall take place at the offices of Commonwealth, 830 Third Avenue, New York, New York no later than three business days following the Termination Date, which closing date may be accelerated or adjourned by agreement between the Company and the Placement Agents. At each closing of the Bridge Financing, payment for the Units issued and sold by the Company shall be made against delivery of the Notes and Warrants comprising such Units. In addition, subsequent closings of the Bridge Financing (if applicable) may be scheduled at the discretion of the Company and Placement Agents, each of which shall be deemed a "Closing" hereunder.

(b) Conditions to Placement Agents' Obligations. The obligations of each Placement Agent hereunder with respect to the Bridge Financing will be subject to the accuracy of the representations and warranties of the Company herein contained as of the date hereof and as of each Closing, to the

performance by the Company of its obligations hereunder and to the following additional conditions:

(i) Due Qualification or Exemption. (A) The Bridge Financing will become qualified or be exempt from qualification under the securities laws of the several states pursuant to paragraph 4(d) below not later than the Closing Date, and (B) at the Closing Date no stop order suspending the sale of the Units shall have been issued, and no proceeding for that purpose shall have been initiated or threatened;

(ii) No Material Misstatements. Neither the Blue Sky qualification materials nor the Offering Documents, nor any supplement thereto, will contain any untrue statement of a fact which in the opinion of the Placement Agents is material, or omits to state a fact, which in the opinion of the Placement Agents is material and is required to be stated therein, or is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(iii) Compliance with Agreements. The Company will have complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to each Closing;

(iv) Corporate Action. The Company will have taken all necessary corporate action, including, without limitation, (i) obtaining the approval of the Company's Board of Directors (the "Board"), for the execution and delivery of this Agreement, the performance by the Company of its obligations hereunder and the Bridge Financing contemplated hereby; provided, however, that the Company shall only be required, as a condition to closing, to initiate obtaining the consent of the holders of the series B convertible preferred stock required for the filing of the Designation with the secretary of state of the State of New Jersey (the "Preferred Stockholder Consent");

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(v) Opinions of Counsel. The Placement Agents shall receive the opinions of Jenner & Block, LLC, counsel to the Company, and Kaufman & Moomjian, LLC, counsel to the Company, together substantially to the effect that:

(A) the Company is validly existing and in good standing under the laws of the State of the New Jersey, has all requisite corporate power and authority necessary to own or hold its respective properties and conduct its business and is duly qualified or licensed to do business as a foreign corporation in New York and in each other jurisdiction in which the ownership or leasing of its properties or conduct of its business requires such qualification, except where the failure to so qualify or be licensed would not have a Material Adverse Effect;

(B) each of this Agreement, the Subscription Agreement, the Notes, the Sale/Transaction Agreement, the SPS Agreement, the Escrow Agreement, the Warrant Agreement, the Warrants, the Agents' Options, the Loan Commitment Letter, the Security Agreement, the Stock Pledge Agreement and the Loan Warrants has been duly and validly authorized, executed and delivered by the Company, and is the valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject to any applicable bankruptcy, insolvency or other laws affecting the rights of creditors generally and to general equitable principles;

(C) to such counsel's knowledge, the authorized, issued and outstanding capital stock of the Company as of the date hereof (before giving effect to the transactions contemplated by this Agreement) is as set forth in Schedule 2(c) hereto. To such counsel's knowledge, there are no outstanding warrants, options, agreements, convertible securities, preemptive rights or other commitments pursuant to which the Company is, or may become, obligated to issue any shares of its capital stock or other securities of the Company other than as set forth in Schedule 2(c). To such counsel's knowledge, all of the shares of capital stock of the Company issued subsequent to the merger of the Company and eB2B Commerce, Inc., a Delaware corporation, have been duly and validly authorized and issued, are fully paid and nonassessable and to such counsel's knowledge have not been issued in violation of the preemptive rights of any securityholder of the Company. To such counsel's knowledge, the offers and sales of such securities were either registered under the 1933 Act

and applicable state securities laws or exempt from such registration requirements;

(D) assuming (i) the accuracy of the information provided by the Subscribers in the Subscription Documents; and (ii) that each Placement Agent has complied with the requirements of section 4(2) of the 1933 Act (and the provisions of Regulation D promulgated thereunder), the issuance and sale of the Units is exempt from the registration requirements set forth in Section 5 of the 1933 Act;

(E) neither the execution and delivery of this Agreement, the Sale/Transaction Agreement, the SPS Agreement, the Subscription Agreement, the Warrant Agreement, the Escrow Agreement, the Loan Commitment Letter, the Security Agreement, or the Stock Pledge Agreement nor compliance with the terms hereof or thereof, nor the consummation of the transactions herein or therein contemplated, nor the issuance of the Notes, the Warrants, the Preferred Stock, the Agents' Options or the Loan Warrants, has, nor will, conflict with, result in a breach of, or constitute a default under the Certificate of Incorporation

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or By-laws of the Company, or any material contract, instrument or document known to such counsel and identified to such counsel by the Company as material to which the Company is a party, or by which it or any of its properties is bound or violate any applicable law, rule, regulation, judgment, order or decree known to us of any governmental agency or court having jurisdiction over the Company or any of its properties or business;

(F) to the best of such counsel's knowledge, except as set forth in the Company's Exchange Act filings and the draft Annual Report on Form 10-K for the year ended December 31, 2000, there are no claims, actions, suits, investigations or proceedings before or by any arbitrator, court, governmental authority or instrumentality pending or, to such counsel's knowledge, threatened against or affecting the Company or involving the properties of the Company that might materially and adversely affect the business, properties or financial condition of the Company or that might materially adversely affect the transactions or other acts contemplated by this Agreement or the validity or enforceability of this Agreement; and

(G) such counsel has reviewed the Term Sheet, excluding exhibits thereto, and the draft Annual Report on Form 10-K for the year ended December 31, 2000 and nothing has come to the attention of such counsel to cause them to have reason to believe that such documents contained any untrue statement of a material fact required to be stated therein or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading (except for the financial statements, notes thereto and other financial information and statistical data contained therein, as to which such counsel need express no opinion).

(vi) Officers' Certificate. The Placement Agents shall receive a certificate of the Company, signed by the Chief Executive Officer and Chief Financial Officer thereof, that (i) the representations and warranties contained in Section 2 hereof are true and accurate in all material respects at such closing with the same effect as though expressly made at such closing and (ii) the Company has no outstanding debt other than accounts payable and capital lease obligations other than as set forth in such certificate.

(vii) Additional Agreements. The Placement Agents shall have received duly executed copies of the Warrant Agreement, the Sale Transaction Agreement, the SPS Agreement and the Escrow Agreement.

(viii) Irrevocable Proxies. Each of the officers and directors of the Company shall deliver an irrevocable proxy granting Commonwealth a proxy to vote their shares for the election of directors solely for the purpose of enforcing Commonwealth's rights described in Section 4(1) hereof.

(ix) Lock-Up Agreement. Commonwealth, as agent for the Placement Agents, shall receive an agreement from Peter J. Fiorillo, a principal shareholder of the Company, to the effect that such individual shall not sell, assign or transfer any of his securities of the Company already subject to a

prior lock-up agreement for a period of one year from the Initial Bridge Closing, such securities to equal 50% of the securities held by such individual.

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(c) Blue Sky. Counsel to the Placement Agents will prepare and file the necessary documents so that offers and sales of the securities to be offered in the Placements may be made in certain jurisdictions. It is understood that such filings may be based on or rely upon: (i) the representations of each Subscriber set forth in the Subscription Agreement delivered by such Subscriber; (ii) the representations, warranties and agreements of the Company set forth in Section 2 of this Agreement; and (iii) the representations of the Company set forth in the certificate to be delivered at each closing pursuant to paragraph (vi) of Section 3(b).

(d) Placement Fee and Expenses.

(i) Bridge Financing. Simultaneously with payment for and delivery of the Units at the closing of 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 all accountable expenses of the Placement Agents in connection with the Bridge Financing as provided in Section 4(b) hereunder, and (C) issue to the Placement Agents or its 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 in the Bridge Financing 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 (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 its designees Agents' Options to purchase that number of Units as equals 10% of the Units issued to such investors at a price equal to \$100,000. 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.

(ii) Private Placement. Simultaneously with payment for and delivery of the Securities at each closing of the Private Placement, the Company shall (A) pay to the Placement Agents a placement fee equal to 7% of the aggregate purchase price of the Securities sold in the Private Placement, (B) reimburse all accountable expenses of the Placement Agents in connection with the Private Placement as provided in Section 4(b) hereunder, and (C) issue to the Placement Agents or its designees five-year warrants (the "Agents' Warrants") to purchase that number of Securities as equals 10% of the Securities issued to investors in the Private Placement upon terms and at a price substantially identical to the Securities purchased by and/or issued or granted to the investors in the Private Placement. The Company shall also pay all expenses in connection with the qualification of the Securities under the securities or Blue Sky laws of the states which the Placement Agents shall designate, including legal fees and filing fees.

(iii) Sale/Purchase Transaction. If at any time prior to the Placement Termination Date, the Company chooses to enter into any other transaction, including the sale of any securities or assets or the Company or the purchase of any securities or assets of another Company other than in the ordinary course of business, any merger, consolidation, exchange offer, recapitalization or other combination thereof (a "Sale/Purchase Transaction") or any other transaction the parties hereto may mutually agree to undertake in writing, upon the closing of the Sale/Purchase Transaction or such other transaction, the Company shall pay to the Placement

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Agents a transaction fee equal to 3% of the consideration received or paid by the investors in the Sale/Purchase Transaction or such other transaction, such consideration to be inclusive of all cash, securities, notes, consulting agreements, agreements not to compete, the total value of liabilities assumed, contingent payments, payments made in installments and consideration paid for assets owned by affiliates of the Company.

(iv) Equity Line of Credit. If at any time prior to the

Placement Termination Date, the Company enters into an agreement for an equity line of credit (the "Equity Line"), the Company shall pay to the Placement Agents a placement fee equal to 5% of the actual loan amount upon each draw down of the Equity Line.

(v) Allocation of Fees. The fees and expenses under this Section 3(d), and under Sections 4(b) hereof, shall be allocated between Commonwealth and Gruntal in the following manner:

(A) Bridge Financing. With respect to the 10% placement fee paid by the Company to the Placement Agents, 7% shall be considered a sales concession, all of which the Company shall pay to that Placement Agent who introduced the investor to the Company, and the remaining 3% of which the Company shall evenly divide between the Placement Agents, paying 50% to Gruntal and 50% to Commonwealth. With respect to the 15% Agents' Options, the Company shall issue 10% to that Placement Agent who introduced the investor to the Company, and the Company shall evenly divide the remaining 5% between the Placement Agents, issuing 50% of the remaining Agents' Options to Gruntal and/or its designees and 50% of the remaining Agents' Options to Commonwealth and/or its designees.

(B) Private Placement. With respect to the 7% placement fee to be paid to the Placement Agents in the Private Placement, the Company shall pay 5.25% of such fee to that Placement Agent who introduced the investor to the Company, and the Company shall pay 1.75% of such fee to the other Placement Agent. The Company shall allocate the Agents' Warrants between Commonwealth and Gruntal on the same basis as the placement fee (i.e., 75% of the Agents' Warrants to that Placement Agent who introduced the investor to the Company and 25% of the Agents' Warrants to the other Placement Agent).

(C) Sales/Purchase Transaction, Equity Line of Credit and Break-Up Fee. Any fees derived from a Sale/Purchase Transaction, an Equity Line or the Break-Up Fee (as defined herein) shall be paid 50% to Gruntal and 50% to Commonwealth.

(vi) Interest. In the event that for any reason the Company shall fail to pay to the Placement Agents all or any portion of the fees payable hereunder when due, interest shall accrue and be payable on the unpaid cash balance due hereunder from the date when first due through and including the date when actually collected by the Placement Agents, at a rate equal to four percent above the prime rate of Citibank, N.A., in New York, New York, computed on a daily basis and adjusted as announced from time to time.

(e) Bring-Down Opinions and Certificates. If there is more than one Closing, then at each such Closing there shall be delivered to the Placement Agents updated opinion and certificate as described in (v) and (vi) of Section 3(b) above, respectively.

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(f) No Adverse Changes. There shall not have occurred, at any time prior to the applicable closing (i) any domestic or international event, act or occurrence has materially disrupted, or in the Placement Agents' opinion will in the immediate future materially disrupt, the securities markets; (ii) a general suspension of, or a general limitation on prices for, trading in securities on the New York Stock Exchange or the Nasdaq - Amex Stock Exchange or in the over-the-counter market; (iii) any outbreak of major hostilities or other national or international calamity; (iv) any banking moratorium declared by a state or federal authority; (v) any moratorium declared in foreign exchange trading by major international banks or other persons; (vi) any material interruption in the mail service or other means of communication within the United States; (vii) any material adverse change in the business, properties, assets, results of operations, or financial condition of the Company; or (viii) any change in the market for securities in general or in political, financial, or economic conditions which, in the Placement Agents' reasonable judgment, makes it inadvisable to proceed with the Placement.

4. Covenants of the Company.

(a) Use of Proceeds. The net proceeds of the Bridge Financing will be used for general working capital purposes. The Company shall not use any of the proceeds from the Placements to repay any indebtedness of the Company (other

than trade payables in the ordinary course), including but not limited to indebtedness to any current executive officers, directors or principal stockholders of the Company.

(b) Expenses of Offering. The Company shall be responsible for, and shall bear all expenses directly incurred in connection with, the proposed Placements including, but not limited to, (i) legal fees of the Company's counsel relating to the costs of preparing the Offering Documents and all amendments, supplements and exhibits thereto and preparing and delivering all Placement Agent and selling documents, Notes and Warrant certificates; and (ii) blue sky fees, filing fees and the fees and disbursements of Placement Agents' counsel in connection with blue sky matters (the "Company Expenses"). In addition, the Company shall reimburse the Placement Agents for all of their out-of-pocket expenses incurred in connection with the Placement, including, without limitation the Placement Agents' mailing, printing, copying, telephone, travel, background searches, due diligence investigations, legal and consulting fees or other similar expenses (the "Placement Agents' expenses") up to a maximum of \$250,000 for the Placements.

If the Company decides not to proceed with the Bridge Financing for any reason or if the Placement Agents decide not to proceed with the Bridge Financing because of a material breach by the Company of its representations, warranties, or covenants in this Agreement or as a result of material adverse changes in the affairs of the Company, then in addition to any rights the Placement Agents may have at law or in equity, the Company will be obligated to (i) pay the Placement Agents any and all compensation previously received by or owed to the Placement Agents, (ii) pay the Placement Agents a financial advisory and structuring fee of \$250,000 (the "Break-Up Fee"), and (iii) reimburse the Placement Agents for the Placement Agents' expenses as set forth above, provided that the Company will not be obligated to pay the Placement Agents such Break-Up Fee in the event that the Bridge Financing is not consummated as a result of (i) a Sale/Purchase Transaction in which the Placement Agents are acting as mutual financial advisors of the Company and receive fees set forth in Section 3(d)(iii) above, or (ii) the Private Placement

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in which case any fees paid to the Placement Agents in connection with the Placement will be credited against the Break-Up Fee. The Placement Agents shall have no liability to the Company for any reason should the Placement Agents choose not to proceed with the Placements contemplated hereby.

(c) Notification. The Company shall notify the Placement Agents immediately, and in writing, (i) when any event shall have occurred during the period commencing on the date hereof and ending on the Termination Date as a result of which the Offering Documents would include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) of the receipt of any notification with respect to the modification, rescission, withdrawal or suspension of the qualification or registration of the Units, or of any exemption from such registration or qualification, in any jurisdiction. The Company will use its best efforts to prevent the issuance of any such modification, rescission, withdrawal or suspension and, if any such modification, rescission, withdrawal or suspension is issued and you so request, to obtain the lifting thereof as promptly as possible.

(d) Blue Sky. The Company will use its best efforts to qualify or register the securities to be offered in the Placement for offering and sale under, or establish an exemption from such qualification or registration under, the securities or "blue sky" laws of such jurisdictions as you may reasonably request; provided however, that the Company will not be obligated to qualify as a dealer in securities in any jurisdiction in which it is not so qualified. The Company will not consummate any sale of securities pursuant to the Placements in any jurisdiction in which it is not so qualified or in any manner in which such sale may not be lawfully made.

(e) Form D Filing. The Company shall file five copies of a Notice of Sales of Securities on Form D with the SEC no later than 15 days after the first sale of the Units and no later than 15 days after the first sale of the Securities. The Company shall file promptly such amendments to such Notices on Form D as shall become necessary and shall also comply with any filing requirement imposed by the laws of any state or jurisdiction in which offers and

sales are made. The Company shall furnish the Placement Agents with copies of all such filings.

(f) Press Releases, Etc. The Company shall not, during the period commencing on the date hereof and ending on the Placement Termination Date, issue any press release or other communication, or hold any press conference with respect to the Company, its financial condition, results of operations, business, properties, assets, or liabilities, without the prior consent of the Placement Agents, which consent shall not be unreasonably withheld, provided, however, the Company may issue any such releases which in the reasonable opinion of counsel to the Company are required for compliance. Furthermore, the Company shall not at any time include information with respect to the Placements or use the Placement Agents' names in any press release, advertisement or on any website maintained by the Company without the prior written consent of the Placement Agents, which consent, with respect to information regarding the Placements only, shall not be unreasonably withheld.

(g) Transmittal Letters. Within five days after each closing of the Placements, the Placement Agents shall receive copies of all letters from the Company to the investors

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transmitting the securities sold in such Placement and shall receive a letter from the Company confirming transmittal of the securities to the investors.

(h) Right of First Refusal. Notwithstanding anything herein to the contrary, the provisions of this Section 4(h) should be read in conjunction with the final sentence hereof. For the one-year period commencing on the closing of the later of the Bridge Financing, the Private Placement, a Sales/Purchase Transaction or any other transaction contemplated by this Agreement, both of Commonwealth and Gruntal shall have the right of first refusal (the "Right of First Refusal") for a period of one year from the date of such termination to act as exclusive placement agent, underwriter or financial advisor in connection with any Sale/Purchase Transaction, any public offering, any Rule 144A offering or any private placement of the Company's securities on terms and conditions customary to the Placement Agent and reflecting industry standards for similar transactions; provided that Gruntal and/or Commonwealth may decline such engagement each in its sole and absolute discretion at any time. Accordingly, if during such period the Company intends to engage in any Sale/Purchase Transaction, any public offering, any Rule 144A offering or any private placement of its securities, the Company shall notify Gruntal and Commonwealth in writing of such intention and of the proposed terms of the transaction. The Company shall thereafter promptly furnish Gruntal and Commonwealth with such information concerning the business, condition and prospects of the Company as either may reasonably request. If within 15 business days of the mailing by registered mail addressed to Gruntal and Commonwealth of such notice of intention and statement of terms it does not accept in writing such offer to act as underwriter or agent with respect to such offering or investment banker with respect to such transaction, upon the terms proposed, the Company shall be free to negotiate terms with other underwriters or agents with respect to such offering and investment banker with respect to such transaction, and to effect such offering or transaction on such proposed terms. Before the Company shall accept any proposal less favorable to the Company from such underwriter or agent or investment banker or if such transaction is not consummated within six (6) months, the preferential right of Gruntal and Commonwealth shall be reinstated and the same procedure with respect to such modified proposal as provided above shall be adopted.. The failure by Gruntal or Commonwealth to exercise its Right of First Refusal in any particular instance shall not affect in any way such right with respect to any other subsequent transaction. In addition to the foregoing Right of First Refusal, in the event that any of the following events shall occur, Gruntal and Commonwealth shall have only rights of participation on the terms set forth below: (i) if the Company seeks to raise more than \$15 million but less than \$30 million in gross proceeds in a public offering, then Gruntal shall have the right to participate as a co-manager of such public offering and shall be entitled to receive not less than 50% of any fees and other consideration paid in connection with such public offering, and (ii) if the Company seeks to raise more than \$30 million in gross proceeds in a public offering, then Gruntal shall have the right to participate as a co-manager in such public offering and shall be entitled to receive not less than 25% of any fees and other consideration paid in connection therewith. The terms of such engagements shall be set forth in separate agreements and may be subject to,

among other things, satisfactory completion of due diligence by Gruntal and Commonwealth, market conditions, the absence of adverse changes to the Company's business or financial condition, approval of Gruntal's and Commonwealth's internal committees and any other conditions that Gruntal and/or Commonwealth may deem appropriate for any transactions of such nature. Notwithstanding the foregoing, the provisions of this Section 4(h) shall only be for the benefit of Gruntal with respect to a public offering of the Company's securities.

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(i) Designation Filing. The Company shall immediately upon receipt of the Preferred Stockholder Consent, file the Designation with the secretary of state of the State of New Jersey.

(j) Executive Compensation. The compensation of the Company's executive officers shall not increase during the three-year period following the Initial Bridge Closing without the approval of a majority of the independent members of the Company's Board.

(k) Shareholder Meeting. The Company shall use its best efforts to obtain shareholder approval of the Bridge Financing on or before July 31, 2001; provided, however, that in no event shall a meeting of shareholders for such purpose be held later than September 30, 2001.

(l) Board Designees. In the event the Bridge Financing is completed, the Company agrees that until such time as the Preferred Stock has converted into Common Stock pursuant to the terms of the automatic conversion features set forth in the Designation or there is otherwise less than 20% of the originally issued shares of Preferred Stock outstanding, Commonwealth shall have the right to appoint two additional members of the Board; provided, however, that Commonwealth agrees that it may only designate one of such additional directors until such time as the holders of the Company's Series B Convertible Preferred Stock no longer have the right to designate a director. Any director designated by Commonwealth may be replaced at any time. In addition, in the event that any director designated by Commonwealth resigns or for any reason no longer serves as a director, then Commonwealth shall designate a replacement for such director.

5. Indemnification.

(a) The Company agrees to indemnify and hold harmless each Placement Agent and each Selected Dealer, if any, and their respective shareholders, directors, officers, agents and controlling persons (an "Indemnified Party") against any and all loss, liability, claim, damage and expense whatsoever (and all actions in respect thereof), and to reimburse each Placement Agent for reasonable legal fees and related expenses as incurred (including, but not limited to the costs of investigating, preparing or defending any such action or claim whether or not in connection with litigation in which either Placement Agent is a party and the costs of giving testimony or furnishing documents in response to a subpoena or otherwise), arising out of any untrue statement or alleged untrue statement of a material fact contained in the Offering Documents or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in light of the circumstances under which the were made, not misleading, provided, however, that the Company shall not be liable in any such case to the extent that any such loss, liability, claim, damage or expense arises out of or is based upon any untrue statement of a material fact or alleged untrue statement or a material fact provided by either Placement Agent in writing to the Company specifically for use in the Offering Documents, or arises out of or is based upon the gross negligence of either Placement Agent or any of its shareholders, directors, officers, employees or controlling persons;

(b) The Company agrees to indemnify and hold harmless an Indemnified Party to the same extent as the foregoing indemnity, against any and all loss, liability, claim, damage and

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expense whatsoever directly arising out of the exercise by any person of any right under the 1933 Act or the 1934 Act or the securities or Blue Sky laws of any state on account of violations of the representations, warranties or agreements set forth in Section 2 hereof.

(c) Promptly after receipt by an Indemnified Party under this Section of notice of the commencement of any action, the indemnified party will, if a claim in respect thereof is to be made against the Company under this Section, notify in writing the Company of the commencement thereof; but the omission so to notify the Company will not relieve it from any liability which it may have to the Indemnified Party otherwise than under this Section except to the extent the defense of the claim is prejudiced. In case any such action is brought against an Indemnified Party, and it notifies the Company of the commencement thereof, the Company will be entitled to participate in, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, subject to the provisions herein stated, with counsel reasonably satisfactory to the Indemnified Party, and after notice from the Company to the Indemnified Party of its election so to assume the defense thereof, the Company will not be liable to the Indemnified Party under this Section for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation (provided the Company has been advised in writing that such investigation is being undertaken). The Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the Company if the Company has assumed the defense of the action with counsel reasonably satisfactory to the Indemnified Party; provided that the fees and expenses of such counsel shall be at the expense of the Company if (i) the employment of such counsel has been specifically authorized in writing by the Company or (ii) the named parties to any such action (including any impleaded parties) include both the Indemnified Party or Parties and the Company and, in the reasonable judgment of counsel for the Indemnified Party, it is advisable for the Indemnified Party or Parties to be represented by separate counsel due to an actual conflict of interest (in which case the Company shall not have the right to assume the defense of such action on behalf of an Indemnified Party or Parties), it being understood, however, that the Company shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for all the Indemnified Parties. No settlement of any action against an Indemnified Party shall be made unless such an Indemnified Party is fully and completely released in connection therewith.

6. Contribution.

To provide for just and equitable contribution, if (i) an Indemnified Party makes a claim for indemnification pursuant to Section 5 but it is found in a final judicial determination, not subject to further appeal, that such indemnification may not be enforced in such case, even though this Agreement expressly provides for indemnification in such case, or (ii) any indemnified or indemnifying party seeks contribution under the 1933 Act, the 1934 Act, or otherwise, then the Company (including for this purpose any contribution made by or on behalf of any officer, director, employee or agent for the Company, or any controlling person of the Company), on the one hand, and the Placement Agents and any Selected Dealers (including for this purpose any contribution by or on behalf of an indemnified party), on the other hand, shall

contribute to the losses, liabilities, claims, damages, and expenses whatsoever to which any of them may be subject, in such proportions as are appropriate to reflect the relative benefits received by the Company, on the one hand, and the Placement Agents and the Selected Dealers, on the other hand; provided, however, that if applicable law does not permit such allocation, then other relevant equitable considerations such as the relative fault of the Company and the Placement Agents and the Selected Dealers in connection with the facts which resulted in such losses, liabilities, claims, damages, and expenses shall also be considered. In no case shall the Placement Agents or a Selected Dealer be responsible for a portion of the contribution obligation in excess of the compensation received by it pursuant to Section 3 hereof or the Selected Dealer Agreement, as the case may be. No person guilty of a fraudulent misrepresentation shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 6, each person, if any, who controls a Placement Agent or a Selected Dealer within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act and each officer, director, stockholder, employee and agent of a Placement Agent or

a Selected Dealer, shall have the same rights to contribution as the Placement Agent or the Selected Dealer, and each person, if any who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act and each officer, director, employee and agent of the Company, shall have the same rights to contribution as the Company, subject in each case to the provisions of this Section 6. Anything in this Section 6 to the contrary notwithstanding, no party shall be liable for contribution with respect to the settlement of any claim or action effected without its written consent. This Section 6 is intended to supersede any right to contribution under the 1933 Act, the 1934 Act, or otherwise.

7. Miscellaneous.

(a) Survival. Any termination of the Placements without consummation thereof shall be without obligation on the part of any party except that the indemnification provided in Section 5 hereof and the contribution provided in Section 6 hereof shall survive any termination and shall survive the final Closing of the Placements for a period of five years.

(b) Representations, Warranties and Covenants to Survive Delivery. The respective representations, warranties, indemnities, agreements, covenants and other statements as of the date hereof shall survive execution of this Agreement and delivery of the Units and the Securities and the termination of this Agreement for a period of three years after such respective event.

(c) No Other Beneficiaries. This Agreement is intended for the sole and exclusive benefit of the parties hereto and their respective successors and controlling persons, and no other person, firm or corporation shall have any third-party beneficiary or other rights hereunder.

(d) Governing Law; Resolution of Disputes. This Agreement shall be governed by and construed in accordance with the law of the State of New York without regard to conflict of law provisions. The Placement Agents and the Company will attempt to settle any claim or controversy arising out of this Agreement through consultation and negotiation in good faith and a spirit of mutual cooperation. Should such attempts fail, then the dispute will be mediated by a mutually acceptable mediator to be chosen by the Placement Agents and the Company within 15

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days after written notice from either party demanding mediation. Neither party may unreasonably withhold consent to the selection of a mediator, and the parties will share the costs of the mediation equally. Any dispute which the parties cannot resolve through negotiation or mediation within six months of the date of the initial demand for it by one of the parties may then be submitted to the courts for resolution. The use of mediation will no be construed under the doctrine of laches, waiver or estoppel to affect adversely the rights of either party. Nothing in this paragraph will prevent either party from resorting to judicial proceedings if (a) good faith efforts to resolve the dispute under these procedures have been unsuccessful or (b) interim relief from a court is necessary to prevent serious and irreparable injury.

(e) Counterparts. This Agreement may be signed in counterparts with the same effect as if both parties had signed one and the same instrument.

(f) Notices. Any communications specifically required hereunder to be in writing, if sent to the Placement Agents, will be sent by overnight courier providing a receipt of delivery or by certified or registered mail to them at Commonwealth Associates, 830 Third Avenue, New York, New York 10022, Att: Carl Kleidman, with a copy to Loeb & Loeb LLP, 345 Park Avenue, New York, New York 10154, Att: Fran Stoller and if sent to the Company, will be sent by overnight courier providing a receipt of delivery or by certified or registered mail to it at 757 Third Avenue, Suite 302, New York, New York 10017, Att: John J. Hughes, Jr., with a copy to Jenner & Block, One IBM Plaza, Chicago, Illinois 60611-3608, Att: Tom Monson.

(g) Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the matters herein referred and supersedes all prior agreements and understandings, written and oral, between the parties with respect to the subject matter hereof. Neither this Agreement nor any term hereof may be changed, waived or terminated orally, except by an instrument in writing signed by the party against which enforcement of the change, waiver or

termination is sought.

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If you find the foregoing is in accordance with our understanding, kindly sign and return to us a counterpart hereof, whereupon this instrument along with all counterparts will become a binding agreement between us.

Very truly yours,

EB2B COMMERCE, INC..

By: /s/ Alan Andreini

Name: Alan Andreini
Title: Chief Executive Officer

Agreed:

COMMONWEALTH ASSOCIATES, L.P.

By: Commonwealth Associates Management Company, Inc.,
its general partner

By: /s/ Joseph Wynne

Name: Joseph Wynne
Title: Chief Financial Officer

GRUNTAL & CO., LLC

By:

By: /s/ William J. McCluskey

Name: William J. McCluskey
Title: Senior Managing Director

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