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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): JANUARY 2, 2002

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

NEW JERSEY	0-10039	22-2267658
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

757 THIRD AVENUE, NEW YORK, NEW YORK	10017
(Address of Registrant's Principal Executive Offices)	(Zip Code)

(212) 703-2000
(Registrant's telephone number, including area code)

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

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

Effective as of January 2, 2002, eB2B Commerce, Inc. (the "Company") acquired Bac-Tech Systems, Inc. ("Bac-Tech"), a New York City-based privately held company through the merger of Bac-Tech with and into the Company. The acquisition was completed pursuant to an Agreement and Plan of Merger, dated as of January 2, 2002 (the "Merger Agreement"), among the Company, Bac-Tech, and Robert Bacchi ("Bacchi") and Michael Dodier ("Dodier") (Bacchi and Dodier, the sole stockholders of Bac-Tech, being collectively referred to as the "Selling Stockholders").

Pursuant to the Merger Agreement, the Company paid an aggregate of $250,000 in cash and issued an aggregate of 3,000,000 shares of common stock, par value $.0001 per share, of the Company ("Common Stock") and 95,000 shares of Series D convertible preferred stock, par value $.0001 per share, of the Company ("Preferred Stock") to the Selling Stockholders. Each share of Preferred Stock outstanding, inclusive of any dividend accrued on such share, is automatically convertible into 52.631578 shares of Common Stock (an aggregate of 5,000,000 shares of Common Stock) upon the Company receiving stockholder approval of its acquisition of Bac-Tech and/or the issuance of Preferred Stock in connection therewith; provided, however, that if by November 30, 2002 the Company does not obtain such stockholder approval, the Preferred Stock shall be redeemable, at the option of the holders thereof, for $10.00 per share in cash, plus all accrued and unpaid dividends from the date of issuance through November 30, 2002. The Company also issued promissory notes (the "Notes") in the aggregate amount of $600,000, inclusive of principal and interest, to the Selling Stockholders. The Notes are payable in three equal installments on each of May 2, 2003, January 1, 2004 and January 1, 2005. The Notes and all amounts due thereunder are secured by a security interest granted pursuant to a Security Agreement, dated January 2, 2002, between the Company and each of the Selling Stockholders (the "Security Agreement"). Pursuant to the Merger Agreement the

Selling Stockholders may also receive payments of up to an aggregate of $200,000 in the event the Company achieves certain financial performance targets in the year 2002 as set forth therein. For further information regarding the Merger Agreement, the Notes and the Security Agreement, reference is made to these documents attached hereto as Exhibits 2.1, 10.1, 10.2 and 10.3, respectively, and incorporated herein by reference.

The Company determined the amount of consideration based upon a review of Bac-Tech's historical results, projected results, and the synergy of the operations of Bac-Tech with the operations of the Company. The consideration for the acquisition was funded through the private placement of notes and warrants to accredited investors that raised $2,000,000 of gross proceeds for the Company as previously disclosed in the Company's Current Report on Form 8-K (Date of Report: December 26, 2001).

All of the shares of Common Stock that were issued in connection with the acquisition of Bac-Tech were issued in reliance upon an exemption from registration under the Securities Act. As a result, these shares may not be offered or sold in the U.S. absent registration or an applicable exemption from the registration statement requirements of the Securities Act. In accordance with the Merger Agreement, the Company entered into a Registration Rights

Agreement in which the Company agreed, subject to certain conditions, to include all of the shares of Common Stock and Common Stock underlying Preferred Stock issued to the Selling Stockholders in the Company's next amendment to its Registration Statement on Form SB-2, and all pre- and post- effective amendments thereto. The Company also granted the Selling Stockholders one demand registration and piggy back registration rights in connection with any future registration statements filed by the Company under the Securities Act. Reference is made to the Registration Rights Agreement which is attached hereto as Exhibit 10.4 and incorporated herein by reference.

On January 2, 2002, the Company entered into three-year employment agreements (the "Employment Agreements") with each of the Selling Stockholders. The Employment Agreements provide for Mr. Bacchi to serve as the Company's Chief Operating Officer and as a member of its executive committee and for Mr. Dodier to serve as the Executive Vice President-Sales. The agreements provide for, among other things, the Selling Stockholders to receive an annual base salary of $165,000 and granting of options to purchase 500,000 shares of common stock at an exercise price of $0.19 per share. The Employment Agreements also contain restrictions on the Selling Stockholders competing with the Company for the term of the agreements and for one year thereafter, as well as provisions protecting the Company's proprietary rights and information. Reference is made to the Employment Agreements which are attached hereto as Exhibits 10.5 and 10.6 and incorporated herein by reference.

In addition, as additional consideration for the consummation of the merger, the Selling Stockholders, by separate agreements dated as of January 2, 2002, agreed not to compete with the Company for a period of four years from and after the date thereof. Reference is made to the Non-Competition Agreements which are attached hereto as Exhibits 10.7 and 10.8 and incorporated herein by reference.

ITEM 5. OTHER EVENTS.

On January 3, 2002, the Board of Directors of the Company approved a one-for-fifteen (1:15) reverse stock split of the Company's Common Stock. The reverse stock split is to become effective on January 10, 2002.

At the Company's annual meeting of stockholders held on October 17, 2001, the stockholders granted the Board authority to effect a reverse stock split of the Company's Common Stock in either a one-for-five (1:5), one-for-seven (1:7), one-for-ten (1:10), one-for-twelve (1:12) or one-for-fifteen (1:15) ratio. The Board approved a one-for-fifteen (1:15) reverse stock split in order to maintain compliance with Nasdaq's $1.00 minimum bid price requirement for continued listing on the Nasdaq SmallCap Market and to also attract new investors to the Company.

As a result of the reverse stock split, each 15 issued and outstanding shares of Common Stock will be exchanged for one new share of Common Stock. The shares of Common Stock underlying the Company's preferred stock and other

derivative securities will be similarly adjusted. All fractional shares resulting from the reverse stock split will be aggregated per

stockholder and rounded up to the next number of whole shares of Common Stock.

On January 4, 2002, the Company filed a Current Report on Form 8-K disclosing certain anti-dilution provisions affecting the conversion price of the Company's Series B preferred stock and Series C preferred stock and the exercise price of and number of shares issuable under various outstanding warrants triggered as a result of the Company's private placement financing completed on December 26, 2001. As a result of certain revised calculations made by the Company, there are approximately 2,667,000 additional shares of Common Stock issuable with respect to the Series B preferred stock, rather than the 765,000 as originally reported by the Company, and approximately 29,700,000 additional shares of Common Stock issuable with respect to the warrants, rather than the 26,300,000 as originally reported by the Company. The foregoing numbers in this paragraph do not reflect the reverse stock split.

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

(a) FINANCIAL STATEMENTS OF BUSINESS ACQUIRED.

None required.

(b) PRO FORMA FINANCIAL INFORMATION.

None required.

(c) EXHIBITS.

Listed below are all exhibits to this Current Report on Form 8-K.

Exhibit Number	Description
2.1	The Merger Agreement.
4.1	Certificate of Amendment relating to Series D Preferred Stock, dated January 2, 2002.
10.1	Promissory Note, dated January 2, 2002, issued by eB2B Commerce, Inc. in favor of Robert Bacchi.
10.2	Promissory Note, dated January 2, 2002, issued by eB2B Commerce, Inc. in favor of Michael Dodier.
10.3	The Security Agreement.
10.4	Registration Rights Agreement, dated January 2, 2002, between eB2B Commerce, Inc. and each of Robert Bacchi and Michael Dodier.
10.5	Employment Agreement, dated January 2, 2002, between eB2B Commerce, Inc. and Robert Bacchi.
10.6	Employment Agreement, dated January 2, 2002, between eB2B Commerce, Inc. and Michael Dodier.
10.7	Non-Competition Agreement, dated January 2, 2002, between eB2B Commerce, Inc. and Robert Bacchi.
10.8	Non-Competition Agreement, dated January 2, 2002, between eB2B Commerce, Inc. and Michael Dodier.

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: January 10, 2002

eB2B Commerce, Inc.

By: /s/ Richard S. Cohan

Name: Richard S. Cohan
Title: President and
Chief Executive Officer

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement"), made and entered into as of January 2, 2002, among eB2B Commerce, Inc., a New Jersey corporation ("Buyer"), and Bac-Tech Systems, Inc., a New York corporation ("Seller"), Robert Bacchi ("Bacchi"), residing at 85-10 Forrest Parkway, Woodhaven, NY 11421, Michael Dodier ("Dodier"), residing at 119 Alpine Estates Drive, Cranston, Rhode Island (Bacchi and Dodier being hereinafter sometimes collectively referred to as the "Seller Stockholders" and individually as a "Seller Stockholder").

RECITALS

A. Upon the terms and subject to the conditions of this Agreement and in accordance with the New Jersey Business Corporation Act ("New Jersey Law") and the New York Business Corporation Law ("New York Law"), Buyer and Seller will enter into a business combination transaction pursuant to which Seller will merge with and into Buyer (the "Merger").

B. The Board of Directors of Buyer (i) has determined that the Merger is consistent with and in furtherance of the long-term business strategy of Buyer and fair to, and in the best interests of, Buyer and its stockholders and (ii) has approved this Agreement, the Merger and the other transactions contemplated by this Agreement.

C. The Board of Directors of Seller (i) has determined that the Merger is consistent with and in furtherance of the long-term business strategy of Seller and fair to, and in the best interests of, Seller and its stockholders, (ii) has approved this Agreement, the Merger and the other transactions contemplated by this Agreement and (iii) has recommended the approval of this Agreement by the stockholders of Seller.

D. Buyer on the one hand, and Seller and the Seller Stockholders on the other hand, desire to make certain representations and warranties and other agreements in connection with the Merger.

E. The parties intend, by executing this Agreement, to adopt a plan of reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended (the "Code").

NOW, THEREFORE, in consideration of the covenants, premises and representations set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I
THE MERGER

1.1 The Merger. At the Effective Time (as defined in Section 1.2) and subject to and upon the terms and conditions of this Agreement and the applicable provisions of New Jersey Law and New York Law, Seller shall be merged with and into Buyer, the separate corporate existence of Seller shall cease and Buyer shall continue as the surviving corporation. Buyer as the surviving corporation after the Merger is hereinafter sometimes referred to as the "Surviving Corporation."

1.2 Effective Time; Closing. Subject to the provisions of this Agreement, the parties hereto shall cause the Merger to be consummated by (a) filing a Certificate of Merger (the "NJ Certificate of Merger") with the Secretary of State of the State of New Jersey accordance with the relevant provisions of New Jersey and (b) filing a Certificate of Merger (the "NY Certificate of Merger") executed by Seller with the Secretary of State of the State of New York in accordance with the relevant provisions of New York Law (the time of such filings, or such later time as may be agreed in writing by the parties and specified in the Certificates of Merger, being the "Effective Time") as soon as practicable on or after the Closing Date (as herein defined). Unless the context otherwise requires, the term "Agreement" as used herein refers collectively to this Agreement and the Certificates of Merger. The closing of the Merger (the "Closing") shall take place at the offices of Kaufman & Moomjian, LLC, 50 Charles Lindbergh Boulevard - Suite 206, Mitchel Field, New York 11553, at a time and date to be specified by the parties, which shall be no later than the

second business day after the satisfaction or waiver of the conditions set forth in Article VI, or at such other time, date and location as the parties hereto agree in writing (the "Closing Date").

1.3 Effect of the Merger. At the Effective Time, the effect of the Merger shall be as provided in this Agreement and the applicable provisions of New Jersey Law and New York Law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the property, rights, privileges, powers and franchises of Seller shall vest in the Surviving Corporation, and all debts, liabilities and duties of Seller shall become the debts, liabilities and duties of the Surviving Corporation.

1.4 Certificate of Incorporation; Bylaws.

(a) At the Effective Time, the Certificate of Incorporation of Buyer, as in effect immediately prior to the Effective Time, shall be the Certificate of Incorporation of the Surviving Corporation until thereafter amended as provided by law.

(b) At the Effective Time, the Bylaws of Buyer, as in effect immediately prior to the Effective Time, shall be the Bylaws of the Surviving Corporation until thereafter amended as provided by law and such bylaws.

1.5 Directors and Officers. The directors of Buyer immediately prior to the Effective Time shall be the directors of the Surviving Corporation, to serve in such capacity until their respective successors are duly elected and qualified. The officers of Buyer immediately prior to the Effective Time shall be the officers of the Surviving Corporation, to serve in such capacity at

the pleasure of the Board of Directors of the Surviving Corporation and until their successors are duly appointed and qualified.

1.6 Effect on Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of Buyer, Seller or the holders of any of the following securities:

(a) Conversion of Seller Capital Stock. Each share of common stock, no par value, of Seller (the "Seller Capital Stock") issued and outstanding immediately prior to the Effective Time (other than any shares of Seller Capital Stock to be canceled pursuant to Section 1.6(b)) will be canceled and extinguished and automatically converted (subject to Sections 1.6(d)) into the right to receive at the closing (i) $1,250.00 (a total of $250,000 for all shares) in immediately available funds (the "Cash Component"), (ii) 15,000 (the "CS Exchange Ratio") shares of common stock, par value $.0001 per share, of Buyer ("Buyer Common Stock"), (iii) 475 (the "PS Exchange Ratio") shares of preferred stock, par value $.0001 per share, of Buyer ("Buyer Preferred Stock"), and (iv) $3,000.00 in face amount, which is inclusive of principal and interest (the "Note Component"), of a note of Buyer ("Note") in the form attached here to as Exhibit A, upon surrender of the certificate representing such share of Seller Capital Stock in the manner provided in Section 1.7.

(b) Cancellation of Buyer-Owned Stock. Each share of Seller Capital Stock held in the treasury of Seller or owned by Buyer or any direct or indirect wholly-owned subsidiary of Seller or Buyer immediately prior to the Effective Time shall be canceled and extinguished without any conversion thereof.

(c) Capital Stock of Buyer. Each share of Buyer Common Stock issued and outstanding immediately prior to the Effective Time shall be one validly issued, fully paid and nonassessable share of common stock, par value $.0001 per share, of the Surviving Corporation. Each stock certificate of Buyer evidencing ownership of any such shares shall continue to evidence ownership of such shares of capital stock of the Surviving Corporation.

(d) Adjustments to CS Exchange Ratio and PS Exchange Ratio. The CS Exchange Ratio and the PS Exchange Ratio shall be proportionately adjusted to reflect fully the effect of any stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into Buyer Common Stock or Seller Capital Stock), reorganization, recapitalization or other like change with respect to Buyer Common Stock or Seller Capital Stock

occurring on or after the date hereof and prior to the Effective Time.

1.7 Exchange of Certificates.

(a) Exchange Procedures. At the Closing, (i) each holder of record (as of the Effective Time) of Seller Capital Stock shall surrender to Buyer a certificate or certificates (the "Certificates") which immediately prior to the Effective Time represented outstanding shares of Seller Capital Stock whose shares were converted into the right to receive the consideration specified in Section 1.6, (ii) Seller shall deliver to each such holder of record, (A) a certificate representing the number of whole shares of Buyer Common Stock pursuant to Section 1.6, (B) a

certificate representing the number of whole shares of Buyer Preferred Stock pursuant to Section 1.6, (C) the Cash Component for each share of Seller Capital Stock pursuant to Section 1.6, and (D) a Note in the Note Component for each share of Seller Capital Stock pursuant to Section 1.6. Each Certificate surrendered pursuant to clause (i) hereof shall be canceled.

(b) No Liability. Notwithstanding anything to the contrary in this Section 1.7, neither the Buyer, the Surviving Corporation nor any party hereto shall be liable to a holder of shares of Buyer Common Stock or Seller Capital Stock for any amount properly paid to a public official pursuant to any applicable abandoned property, escheat or similar law.

1.8 No Further Ownership Rights in Seller Capital Stock. All shares of Buyer Common Stock and Buyer Preferred Stock issued upon the surrender for exchange of Certificates in accordance with the terms hereof (including any cash paid in respect thereof pursuant to Section 1.6 and 1.7) shall be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Seller Capital Stock, and there shall be no further registration of transfers on the records of the Surviving Corporation of shares of Seller Capital Stock which were outstanding immediately prior to the Effective Time.

1.9 Tax and Accounting Consequences. It is intended by the parties hereto that the Merger shall constitute a reorganization and a statutory merger within the meaning of Section 368(a)(1)(A) of the Code. The parties hereto adopt this Agreement as a "plan of reorganization" within the meaning of Sections 1.368-2(g) and 1.368-3(a) of the United States Income Tax Regulations. The Company is not aware of any facts that could cause the Merger to fail to qualify as a "reorganization" within the meaning of Section 368(a) of the Code and has no plan or intention to take any action that, to its knowledge, is inconsistent with such qualifications.

1.10 Additional Payout. Buyer shall make a performance-based payment to each Seller Stockholder of up to $100,000 (i.e. up to $100,000 each) for Buyer's year ended December 31, 2002 ("Year 2002"), in the following instances:

(a) In the event gross revenue of Buyer for Year 2002 are at least $9,249,000, net of Buyer's training center operations (the "2002 Revenue Target"), then each Seller Stockholder shall be entitled to $60,000.

(b) In the event earnings before interest, taxes, depreciation and amortization for Year 2002 are at least $1,986,000, net of the contribution of the Buyer's training center operations (the "2002 EBITDA Target"), then each Seller Stockholder shall be entitled to $40,000.

(c) In the event that at least 70% but less than 100% of the 2002 Revenue Target and/or the 2002 EBITDA Target is achieved, then Seller Stockholders shall be entitled to a partial payment proportionate to the percentage of the Target achieved. For example, if 80% of the 2002 Revenue Target is achieved and 40% of the 2002 EBITDA Target is achieved, then

each Seller Stockholder shall be entitled to $48,000 (80% of $60,000) with respect to the 2002 Revenue Target and nothing with respect to the 2002 EBITDA Target.

(d) In the event of the acquisition of Buyer during 2002, the determination of the 2002 Revenue Target test and the 2002 EBITDA Target test shall be made as of the closing date of such acquisition. In this case, the two Targets shall be proportionately reduced to reflect the portion of the year that has transpired.

Such amounts shall be as determined, in good faith, by the Buyer and consistent with the financial information presented in the Buyer's filings with the Securities and Exchange Commission.

1.11 Taking of Necessary Action; Further Action. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title and possession to all assets, property, rights, privileges, powers and franchises of Seller, the officers and directors of Seller are fully authorized in the name of its corporation or otherwise to take, and will take, all such lawful and necessary action, so long as such action is consistent with this Agreement.

1.12 In the event of an Event of Default (as defined in the Security Agreement, dated the date hereof, between Buyer and the Seller Stockholders), the Intellectual Property Assets shall revert to the Seller Stockholders. In such event, Buyer and Seller Stockholders shall negotiate in good faith a non-exclusive license for Buyer to utilize such Intellectual Property Assets as appropriate for use in its business, and in any case, may utilize such Intellectual Property Assets for a period of 45 days. Likewise, during such 45 day period, Buyer shall, if requested by Seller Stockholders, negotiate in good faith a non-exclusive license for the Seller Stockholders to utilize modifications to the Intellectual Property Assets made subsequent to the Closing Date and owned by Buyer as appropriate for use by Seller Stockholders, and in any case, the Seller Stockholders may utilize such modifications for a period of 45 days.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller and each Seller Stockholder hereby jointly and severally represent and warrant to Buyer, subject to the exceptions specifically disclosed in writing in the Disclosure Schedules supplied by Seller and the Seller Stockholders to Buyer, as follows:

2.1 Organization; Good Standing; Subsidiaries.

(a) Seller is a corporation duly organized, validly existing, and in good standing under the laws of the State of New York, with full corporate power and authority to conduct its business as it is now being conducted, to own or use the properties and assets that it purports to own or use, and to perform all its obligations under Applicable Contracts. Part 2.1 of the Disclosure Schedule contains a complete and accurate list of the jurisdictions in which the Seller is authorized to do business. Except as set forth in Part 2.1, Seller is duly qualified to do business as a foreign corporation and is in good standing under the laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification (except where the failure to be so qualified will not have a material adverse affect on the business or financial condition of Seller taken as a whole).

(b) Seller has delivered to Buyer copies of the Organizational Documents of Seller as currently in effect.

(c) Seller has no Subsidiaries and owns no stock or other interest in or any securities of any other corporation or entity.

2.2 Authority; No Conflict.

(a) Seller has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Seller, including requisite approval by the

Board of Directors and stockholders of Seller, subject only to the filing of the NJ Certificate of Merger pursuant to New Jersey Law and the NY Certificate of Merger pursuant to New York Law. This Agreement has been duly executed and delivered by Seller and each Seller Stockholder and, assuming the due authorization, execution and delivery by Buyer, constitutes the valid and binding respective obligation of Seller and each Seller Stockholder, enforceable in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally or by equitable principles).

(b) Except as set forth in Part 2.2 of the Disclosure Schedule, neither the execution and delivery of this Agreement nor the consummation or performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time):

(i) contravene, conflict with, or result in a violation of (A) any provision of the Organizational Documents of Seller, or (B) any resolution adopted by the board of directors or stockholders of Seller;

(ii) contravene, conflict with, or result in a violation of, or give any Governmental Body or other Person the right to challenge, any of the Contemplated Transactions or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which either Seller or the Seller Stockholders, as the case may be, or any of the assets owned or used by Seller or either Seller Stockholders, as the case may be, may be subject;

(iii) contravene, conflict with, or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Applicable Contract; or

(iv) result in the imposition or creation of any Encumbrance upon or with respect to any of the assets owned or used by Seller.

Except as set forth in Part 2.2 of the Disclosure Schedule, none of Seller or either Seller Stockholder is or will be required to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

2.3 Capitalization. The authorized capital stock of Seller consist of 200 shares of common stock, no par value ("Shares"), all of which shares are issued and outstanding. No legend or other reference to any purported Encumbrance appears upon any certificate representing securities of Seller. All of the outstanding equity securities of Seller have been duly authorized and validly issued and are fully paid and nonassessable. Except for the Shares, no outstanding stock or other equity securities of any kind of Seller have been issued or authorized for issuance, and except for a shareholders agreement which shall be canceled as of the Closing Date. Seller has no outstanding subscriptions, options, warrants, rights (preemptive or other), calls or other agreements, obligations or commitments of any kind to issue, sell or purchase, or commit any obligations into, nor any restrictions on the transfer or voting of, any stock or security, of any call or any convertible securities. None of the outstanding equity securities or other securities of Seller was issued in violation of the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "Securities Act"), or any other Legal Requirement.

2.4 Financial Statements; Certain Conditions at Closing.

(a) Part 2.4 of the Disclosure Schedule contains (i) the financial statements of Seller as at and for years ended December 31, 1999 and 2000, including the Balance Sheet at each such date and the related consolidated statements of operations and retained earnings and cash flows, and Schedule of General and Administrative Expenses, for the years then ended, and the compilation report thereon of Marcum & Kleigman, LLP, independent certified public accountants, and (ii) the unaudited interim financial statements of

Seller for the eleven months ended November 30, 2001, prepared on a basis consistent with the financial statements for 1999 and 2000, subject to normal year-end adjustments and without all footnotes required in audited financial statements (collectively, the "Prior Financial Statements"). Further, as provided in Section 7.1(j), at the Closing the Buyer shall receive certain Closing Financials (as herein defined and described). The Prior Financial Statements and the Closing Financials are hereinafter sometimes collectively referred to as the "Financial Statements." The Financial Statements are or, in the case of the Closing Financials, will be, true, correct and complete in all material respects and in conformity with the books and records of Seller, have been and will be prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied throughout the periods covered (except as otherwise stated therein) and fairly present and will present in all material respects the financial condition and results of operations and changes in financial position of Seller as at the respective dates thereof and for the respective periods covered thereby. The Financial Statements do not or, in the case of the Closing Financials, will not contain, as of their respective dates, any untrue statement of material fact necessary to make the statements therein not misleading. Except as set forth in Part 2.4 of the Disclosure Schedule, since November 30, 2001, there have been no occurrences or developments which would require any material adverse change(s) to be made in the Prior Financial Statements.

(b) At the time of the Closing, (i) Seller shall have a positive tangible net worth (stockholder's equity less intangible assets) determined in accordance with GAAP applied on a basis consistent with the Prior Financial Statements of at least $135,000 (the "Minimum Net Worth") and (ii) bank debt and equipment lease obligations will not exceed $175,000 (the "Maximum Lease Obligations").

2.5 Books and Records. Except as set forth in Part 2.5 of the Disclosure Schedule, the books of account, minute books, stock record books, and other records of Seller, all of which have been made available to Buyer, are complete and correct in all material respects. Except as set forth in Part 2.5, in all material respects, the minute books of Seller contain accurate and complete records of all meetings held of, and corporate action taken by, the stockholders, the Board of Directors, and committees of the Board of Directors of Seller, and no meeting of any such stockholders, Board of Directors, or committee has been held for which minutes have not been prepared and are not contained in such minute books. At the Closing, all of those books and records will be in the possession of Seller.

2.6 Title to Properties; Leases.

(a) Part 2.6 of the Disclosure Schedule contains a complete and accurate list of all real property, leaseholds, or other interests therein owned by Seller. Seller has good and marketable title to all of its tangible assets, in each case free and clear of all liens and Encumbrances except for Permitted Liens and such minor imperfections in title and other Encumbrances, if any, as does not materially detract from the value or interfere with the present use thereof. All of Seller's machinery, equipment, fixtures and other fixed assets, and the real property leased by it, as referred to in paragraph (b) below, are in satisfactory operating condition, maintenance and repair and conform in all material respects to applicable Legal Requirements, which in the case of real property, shall be tot he Knowledge of either Seller Stockholder.

(b) Seller is not a party to any material lease of real property, whether as lessor or lessee, other than its lease (the "Lease") of premises on the 3rd floor of the building located at 665 Broadway, New York, New York. A true and correct copy of the Lease has been delivered to Buyer. The Lease is in full force and effect, without material default of Seller and, to the Knowledge of either Seller Stockholders, of landlord, and is valid, binding and enforceable in accordance with its provisions (except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, motorium or other similar laws affecting creditors' rights generally or by equitable principles).

2.7 Condition and Sufficiency of Assets. Except as set forth in Part 2.7 of the Disclosure Schedule, the demised premises and equipment of Seller are structurally sound, are in good operating condition and repair, and are adequate for the uses to which they are being put, and none of such demised premises or equipment is in need of maintenance or repairs except for ordinary,

routine maintenance and repairs that are not material in nature or cost. The demised premises and equipment of Seller are sufficient for the continued conduct of Seller's business after the Closing in substantially the same manner as conducted prior to the Closing with respect to the demised premises, this representation and warranty shall be to the Knowledge of either Seller Stockholder.

2.8 Accounts Receivable. All accounts receivable of Seller that are reflected in the Prior Financial Statements or on the accounting records of Seller as of the Closing Date (collectively, the "Accounts Receivable") represent or will represent in all material respects valid obligations arising from sales actually made or services actually performed in the Ordinary Course of Business. Unless paid prior to the Closing Date, the Accounts Receivable are or will be as of the Closing Date current and collectible net of the respective reserves and allowances for bad debts in an aggregate amount not to exceed $30,000. Subject to such reserves, each of the Accounts Receivable either has been or will be collected in full, without any set-off, within ninety days after the day on which it first becomes due and payable. Except as set forth in Part 2.8 of the Disclosure Schedule, there is no written contest, claim, or contractual right, other than returns in the Ordinary Course of Business, under any contract with any obligor of an Accounts Receivable relating to the amount or validity of such Accounts Receivable. Part 2.8 of the

Disclosure Schedule contains a complete and accurate list of all Accounts Receivable as of the date of this Agreement, which list sets forth the aging of such Accounts Receivable.

2.9 No Undisclosed Liabilities. Except as set forth in Part 2.9 of the Disclosure Schedule, Seller has no liabilities or obligations of any nature (whether absolute, accrued, contingent, or otherwise) except for liabilities or obligations reflected or reserved against in the Prior Financial Statements and current liabilities incurred in the Ordinary Course of Business since the respective dates thereof.

2.10 Taxes. Except as set forth in Part 2.10 of the Disclosure Schedule, Seller (i) has filed or caused to be filed (on a timely basis) all Tax Returns that are or were required to be filed pursuant to applicable Legal Requirements and have paid all Taxes required by applicable Legal Requirements (including, without limitatiOn, withholding, social security, payroll and similar Taxes), and all interest and penalties, if any thereon, (ii) are not parties to any pending action or proceeding by any Governmental Body for the assessment or collection of any Taxes, nor is any claim for any Taxes pending or to their knowledge Threatened, and (iii) have not executed any outstanding waiver or consent for the extension of the statute of limitations for, or for any restrictions on, the assessment or collection of any Taxes.

2.11 No Material Adverse Change. Except as set forth in Part 2.11, since September 30, 2001, there has not been any material adverse change in the business, operations, properties, prospects, assets, or condition of Seller as a whole, and no event has occurred or circumstance exists (other than general economic or industry conditions) that may reasonably be expected to result in such a material adverse change.

2.12 Employee Benefits.

(a) As used in this Section 2.12, the following terms have the meanings set forth below.

"ERISA AFFILIATE" means, with respect to Seller, any other person that, together with Seller, would be treated as a single employer under IRC ss. 414.

"OTHER BENEFIT OBLIGATIONS" means all obligations, arrangements, or customary practices to provide benefits, other than salary, as compensation for services rendered, to present or former directors, employees, or agents, other than obligations, arrangements, and practices that are Plans. Other Benefit Obligations include consulting agreements under which the compensation paid does not depend upon the amount of service rendered, sabbatical policies, severance payment policies, and significant fringe benefits.

"PENSION PLAN" has the meaning given in ERISA ss. 3(2)(A).

"PLAN" has the meaning given in ERISA ss. 3(3).

"PLAN SPONSOR" has the meaning given in ERISA ss. 3(16)(B).

"QUALIFIED PLAN" means any Plan that meets or purports to meet the requirements of IRC ss. 401(a).

"SELLER OTHER BENEFIT OBLIGATION" means an Other Benefit Obligation owed, adopted, or followed by Seller or an ERISA Affiliate of Seller.

"SELLER PLAN" means all Plans of which Seller or an ERISA Affiliate of Seller is or was a Plan Sponsor, or to which Seller or an ERISA Affiliate of Seller otherwise contributes or has contributed, or in which Seller or an ERISA Affiliate of Seller otherwise participates or has participated. All references to Plans are to Seller Plans unless the context requires otherwise.

"SELLER VEBA" means a VEBA whose members include employees of Seller or any ERISA Affiliate of Seller.

"TITLE IV PLANS" means all Pension Plans that are subject to Title IV of ERISA, 29 U.S.C. ss. 1301 et seq., other than multi-employer plans.

"VEBA" means a voluntary employees' beneficiary association under IRC ss. 501(c)(9).

"WELFARE PLAN" has the meaning given in ERISA ss. 3(1).

(b) (i) Part 2.12(i) of the Disclosure Schedule contains a complete and accurate list of all Seller Plans, Seller Other Benefit Obligations, and Seller VEBAs.

(ii) Part 2.12(ii) of the Disclosure Schedule contains a complete and accurate list of (A) all ERISA Affiliates of Seller, and (B) all Plans of which any such ERISA Affiliate is or was a Plan Sponsor, in which any such ERISA Affiliate participates or has participated, or to which any such ERISA Affiliate contributes or has contributed.

(iii) Part 2.12(iii) of the Disclosure Schedule sets forth a calculation of the liability of Seller for post-retirement benefits other than pensions, made in accordance with Financial Accounting Statement 106 of the Financial Accounting Standards Board, regardless of whether Seller is required by this Statement to disclose such information.

(c) Except as disclosed in Part 2.12 of the Disclosure Schedule, Seller has delivered to, or given access to Buyer copies of (except where such is neither in possession of Seller nor material);

(i) all documents that set forth the terms of each Seller Plan, Seller Other Benefit Obligation, or Seller VEBA and of any related trust, including (A) all plan descriptions and summary plan descriptions of Seller Plans for which Seller is required to prepare, file, and distribute plan descriptions and summary plan descriptions, and (B) all summaries and descriptions furnished to participants and beneficiaries regarding Seller Plans, Seller Other Benefit Obligations, and Seller VEBAs for which a plan description or summary plan description is not required;

(ii) all personnel, payroll, and employment manuals and policies;

(iii) a written description of any Seller Plan or Seller Other Benefit Obligation that is not otherwise in writing;

(iv) all registration statements filed with respect to any Seller Plan;

(v) all insurance policies purchased by or to provide benefits under

any Seller Plan;

(vi) all contracts with third party administrators, actuaries, investment managers, consultants, and other independent contractors that relate to any Seller Plan, Seller Other Benefit Obligation, or Seller VEBA;

(vii) all reports submitted within the four years preceding the date of this Agreement by third party administrators, actuaries, investment managers, consultants, or other independent contractors with respect to any Seller Plan, Seller Other Seller Obligation, or Seller VEBA;

(viii) the Form 5500 filed in each of the most recent three plan years with respect to each Seller Plan, including all schedules thereto and the opinions of independent accountants;

(d) Except as set forth in Part 2.12(iv) of the Disclosure Schedule:

(i) To the Knowledge of either Seller Stockholder in all material respects, Seller has performed all of its material obligations under all Seller Plans, Seller Other Benefit Obligations. Seller has made appropriate entries in its financial records and statements for all obligations and liabilities under such Plans, VEBAs, and Obligations that have accrued but are not due.

(ii) No statement, either written or oral, has been made by Seller to any Person with regard to any Plan or Other Benefit Obligation that was not in accordance with the Plan or Other Benefit Obligation and that would more likely than not have an adverse economic consequence to Seller or to Buyer.

(iii) To the Knowledge of either Seller Stockholder in all material respects, Seller and its Seller Plans, Seller Other Benefits Obligations, and Seller VEBAs are in full compliance with ERISA, the IRC relating to employee benefits, and other applicable Legal Requirements relating to employee benefits including the provisions of such Legal Requirements expressly mentioned in this Section 2.12, and with any applicable collective bargaining agreement, to the extent material.

(iv) (Except as set forth in Part 2.12 of the Disclosure Schedule, there has been no establishment or amendment of any Seller Plan, Seller VEBA, or Seller Other Benefit Obligation.

(v) No event has occurred or circumstance exists relating specifically to Seller that is likely to result in a material increase in premium costs of Seller Plans and Seller Other Benefit Obligations that are insured, or a material increase in benefit costs of such Plans and Obligations that are self-insured.

(vi) Other than claims for benefits submitted by participants or beneficiaries, no claim against, or legal proceeding involving, any Seller Plan, Seller Other Benefit Obligation, or Seller VEBA is pending or, to the Knowledge of Seller or either of the Seller Stockholders, is Threatened.

(vii) The actuarial report for each Pension Plan of Seller and any ERISA Affiliate of Seller fairly presents the financial condition and the results of operations of each such Plan in accordance with GAAP.

(viii) The consummation of the Contemplated Transactions will not result in the payment, vesting, or acceleration of any benefit.

2.13 Compliance with Legal Requirements; Governmental Authorizations.

(a) Except as set forth in Part 2.13 of the Disclosure Schedule, (i) Seller is, and at all times has been, in compliance in all material respects with each material Legal Requirement (not covered within Section 2.12) that is or was applicable to it or to the conduct or operation of its business or the ownership or use of any of its assets, (ii) no event has occurred or circumstance exists that (with or without notice or lapse of time) (A) would be reasonably expected to constitute or result in a violation by Seller of, or a failure on the part of Seller to comply with, any material Legal Requirement, or (B) will be reasonably expected to give rise to any obligation on the part of

Seller to undertake, or to bear all or any portion of the cost of, any remedial action of any nature, and (iii) Seller has not received any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (A) any actual, alleged, possible, or potential violation of, or failure to comply with, any Legal Requirement, or (B) any actual, alleged, possible, or potential obligation on the part of Seller or the Seller Stockholders to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

(b) Part 2.13 of the Disclosure Schedule contains a complete and accurate list of each Governmental Authorization by or from a governmental body that is held by, or that otherwise relates to the business of, or to any of the assets owned or used by, Seller. Each Governmental Authorization listed or required to be listed in Part 2.13 of the Disclosure Schedule is valid and in full force and effect.

2.14 Legal Proceedings; Orders.

(a) Except as set forth in Part 2.14 of the Disclosure Schedule, there is no pending Proceeding:

(i) that has been commenced by or against any Seller or any of Seller's stockholders or that otherwise relates to or may adversely affect the business of, or any of the assets owned or used by, Seller; or

(ii) involving Seller or Seller Stockholders, that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions.

To the Knowledge of either Seller Stockholder, (1) no such Proceeding has been Threatened, and (2) no event has occurred or circumstance exists that is likely to give rise to or serve as a basis for the commencement of any such Proceeding. Seller has delivered to Buyer copies of all pleadings, correspondence, and other documents relating to each Proceeding listed in Part 2.14 of the Disclosure Schedule. The Proceedings listed in Part 2.14 of the Disclosure Schedule will not have a material adverse effect on the business, operations, assets, condition, or prospects of Seller taken as a whole.

(b) Except as set forth in Part 2.14 of the Disclosure Schedule:

(i) there is no Order to which Seller or either Seller Stockholder, or any of the assets owned or used by Seller, is subject;

(ii) None of Seller or either Seller Stockholder is not subject to any Order that relates to the business of, or any of the assets owned or used by, Seller; and

(iii) no officer, director, agent, or employee of Seller is subject to any Order that prohibits such officer, director, agent, or employee from engaging in or continuing any conduct, activity, or practice relating to the business of Seller.

(iv) Seller is, and at all times has been, in full compliance with all of the terms and requirements of each Order to which it, or any of the assets owned or used by it, is or has been subject;

(v) no event has occurred or circumstance exists that may constitute or result in (with or without notice or lapse of time) a violation of or failure to comply with any term or requirement of any Order to which Seller or either Seller Stockholder, or any of the assets owned or used by Seller, is subject; and

(vi) None of Seller or either Seller Stockholder has received any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding any actual, alleged, possible, or potential violation of, or failure to comply with, any

term or requirement of any Order to which Seller or either Seller Stockholder, or any of the assets owned or used by Seller, is or has been subject.

2.15 Absence of Certain Changes and Events. Except as set forth in Part 2.15 of the Disclosure Schedule, since July 1, 2001, Seller has conducted its business only in the Ordinary Course of Business and there has not been any:

(a) change in Seller's authorized or issued capital stock; grant of any stock option or right to purchase shares of capital stock of Seller; issuance of any security convertible into such capital stock; grant of any registration rights; purchase, redemption, retirement, or other acquisition by Seller of any shares of any such capital stock; or declaration or payment of any dividend or other distribution or payment in respect of shares of capital stock;

(b) amendment to the Organizational Documents of Seller;

(c) payment or increase by Seller of any bonuses, salaries, or other compensation to any stockholder, director, officer, or employee or entry into any employment, severance, or similar contract with any director, officer, or employee except as set forth on Part 2.15(c) of the Disclosure Schedule;

(d) adoption of, or increase in the payments to or benefits under, any profit sharing, bonus, deferred compensation, savings, insurance, pension, retirement, or other employee benefit plan for or with any employees of Seller;

(e) damage to or destruction or loss of any asset or property of Seller, whether or not covered by insurance, materially and adversely affecting the properties, assets, business, financial condition, or prospects of Seller, taken as a whole;

(f) entry into, termination of, or receipt of notice of termination of (i) any license, distributorship, dealer, sales representative, joint venture, credit, or similar agreement, or (ii) any contract or transaction involving a total remaining commitment by or to Seller of at least $10,000 (other than the entry in agreements in the Ordinary Course of Business on terms consistent with prior practice);

(g) sale (other than sales of inventory in the Ordinary Course of Business), lease, or other disposition of any asset or property of Seller or mortgage, pledge, or imposition of any lien or other Encumbrance on any asset or property of Seller, including the sale, lease, or other disposition of any of the Intellectual Property Assets (as defined in Section 2.21);

(h) cancellation or waiver of any claims or rights with a value to Seller in excess of $10,000;

(i) material change in the accounting methods used by Seller;

(j) borrowing or agreement to borrow any money or loan or agreement to loan to, or guarantee or agreement to guarantee the obligations of, any Person except as set forth in Schedule 2.15(j) of the Disclosure Schedule;

(k) cancellation, compromise or waiver of any amounts owing to or any claims heretofore made by Seller except for normal adjustments in the Ordinary Course of Business or any other waiver, surrender or release of any rights, contractual or others, by Seller having a value in the aggregate in excess of $10,000; or

(l) any distributions to stockholders, except for a distribution of $25,000 to each Seller Stockholder (i.e. total $50,000) made in December 2001 in conformance with the agreement of the parties hereto; or

(m) agreement, whether oral or written, by Seller to do any of the foregoing.

2.16 Contracts; No Defaults.

(a) Part 2.16(a) of the Disclosure Schedule contains a complete and accurate list, and Seller has delivered to Buyer true and complete copies, of:

(i) each Applicable Contract that involves performance of services or delivery of goods or materials by or to Seller of an amount or value in excess of $10,000;

(ii) each Applicable Contract that was not entered into in the Ordinary Course of Business and that involves expenditures or receipts of Seller in excess of $10,000;

(iii) each lease, rental or occupancy agreement, license, installment and conditional sale agreement, and other Applicable Contract affecting the ownership of, leasing of, title to, use of, or any leasehold or other interest in, any real or personal property (except personal property leases and installment and conditional sales agreements having a value per item or aggregate payments of less than $10,000 and with terms of less than one year);

(iv) each licensing agreement or other Applicable Contract with respect to patents, trademarks, copyrights, or other intellectual property, including agreements with current or former employees, consultants, or contractors regarding the appropriation or the non-disclosure of any of the Intellectual Property Assets;

(v) each collective bargaining agreement and other Applicable Contract to or with any labor union or other employee representative of a group of employees;

(vi) each joint venture, partnership, and other Applicable Contract (however named) involving a sharing of profits, losses, costs, or liabilities by Seller with any other Person;

(vii) each Applicable Contract containing covenants that in any way purport to restrict the business activity of Seller or limit the freedom of Seller to engage in any line of business or to compete with any Person;

(viii) each Applicable Contract providing for payments to or by any Person based on sales, purchases, or profits, other than direct payments for goods;

(ix) each power of attorney that is currently effective and outstanding;

(x) each Applicable Contract that contains or provides for an express undertaking by Seller to be responsible for consequential damages;

(xi) each Applicable Contract for capital expenditures in excess of $10,000;

(xii) each written warranty, guaranty, and or other similar undertaking with respect to contractual performance extended by Seller other than in the Ordinary Course of Business; and

(xiii) each amendment, supplement, and modification (whether oral or written) in respect of any of the foregoing.

Part 2.16(a) of the Disclosure Schedule sets forth the title and parties to such Applicable Contracts.

(b) Except as set forth in Part 2.16(b) of the Disclosure Schedule, each Applicable Contract identified or required to be identified in Part 2.16(a) of the Disclosure Schedule is in full force and effect and is valid and enforceable in accordance with its terms (except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally or by equitable principals). (c) Except as set forth in Part 2.16(c) of the Disclosure Schedule:

(i) Seller is, and at all times has been, in full compliance with all applicable terms and requirements of each Applicable Contract under which Seller has or had any obligation or liability or by which Seller or any of the assets owned or used by Seller is or was bound, except where such is not material;

(ii) To the Knowledge of either Seller Stockholder, each other Person that has or had any obligation or liability under any Applicable Contract under which Seller has or had any rights is, and at all times has been, in full compliance with all applicable terms and requirements of such Applicable Contract, except where such is not material;

(iii) To the Knowledge of either Seller Stockholder, no event has occurred or circumstance exists that (with or without notice or lapse of time) may contravene, conflict with, or result in a violation or breach of, or give Seller or other Person the right to declare a default or

exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Applicable Contract, except where such is not material; and

(iv) None of Seller or either Seller Stockholder has given to, or received from, any other Person any notice or other communication (whether oral or written) regarding any actual, alleged, possible, or potential violation or breach of, or default under, any Applicable Contract, except where such would be immaterial.

(e) The Applicable Contracts relating to the sale, design, manufacture, or provision of products or services by Seller have been entered into in the Ordinary Course of Business and have been entered into without the commission of any act alone or in concert with any other Person, or any consideration having been paid or promised, that is or would be in violation of any Legal Requirement in all material respects.

2.17 Insurance.

(a) Seller and the Seller Stockholders have delivered to Buyer:

(i) true and complete copies of all policies of insurance to which Seller is a party or under Seller, or any director of Seller, is or has been covered at any time within the three (3) years preceding the date of this Agreement;

(ii) true and complete copies of all pending applications for policies of insurance; and

(iii) any statement by the auditor of Seller's financial statements with regard to the adequacy of Seller's coverage or of the reserves for claims.

(b) Part 2.17(b) of the Disclosure Schedule describes:

(i) any self-insurance arrangement by or affecting Seller, including any reserves established thereunder;

(ii) any contract or arrangement, other than a policy of insurance, for the transfer or sharing of any risk by Seller; and

(iii) all obligations of Seller to third parties with respect to insurance (including such obligations under leases and service agreements).

(c) Part 2.17(c) of the Disclosure Schedule sets forth, by year, for the current policy year and each of the three preceding policy years:

(i) a summary of the loss experience under each policy;

(ii) a statement describing each claim under an insurance policy for an amount in excess of $5,000, which sets forth:

(A) the name of the claimant;

(B) a description of the policy by insurer, type of insurance, and period of coverage; and

(C) the amount and a brief description of the claim; and

(iii) a statement describing the loss experience for all claims that were self-insured, including the number and aggregate cost of such claims.

(d) Except as set forth on Part 2.17(d) of the Disclosure Schedule:

(i) All policies to which Seller is a party or that provide coverage to Seller or any director or officer of Seller, including the Seller Stockholders:

(A) are valid, outstanding, and enforceable;

(B) are issued by an insurer that is financially sound and reputable;

(C) taken together, provide adequate insurance coverage for the assets and the operations of Seller for all risks normally insured against by a Person carrying on the same business or businesses as Seller;

(D) are sufficient for compliance with all Legal Requirements and contracts to which Seller is a party or by which any of them is bound;

(E) will continue in full force and effect following the consummation of the Contemplated Transactions; and

(F) do not provide for any retrospective premium adjustment or other experienced-based liability on the part of Seller.

(ii) Seller has not received within the past three years (A) any refusal of coverage or any notice that a defense will be afforded with reservation of rights, or (B) any notice of cancellation or any other indication that any insurance policy is no longer in full force or effect or will not be renewed or that the issuer of any policy is not willing or able to perform its obligations thereunder.

2.18 Environmental Matters. Except as set forth in Part 2.18 of the Disclosure Schedule:

(a) Seller is, and at all times has been, in full compliance with, and has not been and is not in violation of or liable under, any Environmental Law. Seller has no basis to expect, nor has Seller or any other Person for whose conduct Seller is held to be responsible received, any actual or Threatened order, notice, or other communication from (i) any Governmental Body or private citizen acting in the public interest, or (ii) the current or prior owner or operator of any Facilities, of any actual or potential violation or failure to comply with any Environmental Law, or of any actual or Threatened obligation to undertake or bear the cost of any Environmental, Health, and Safety Liabilities with respect to any of the Facilities or any other properties or assets (whether real, personal, or mixed) in which Seller has had an interest, or with respect to any property or Facility at or to which Hazardous Materials were generated, manufactured, refined, transferred, imported, used, or processed by Seller, or any other Person for whose conduct they are or may be held responsible, or from which Hazardous Materials have been transported, treated, stored, handled, transferred, disposed, recycled, or received.

(b) There are no pending or, to the Knowledge of either Seller Stockholder, Threatened claims, Encumbrances, or other restrictions of any nature, resulting from any Environmental, Health, and Safety Liabilities or arising under or pursuant to any Environmental Law, with respect to or affecting any of the Facilities or any other properties and assets (whether real, personal, or mixed) in which Seller has or had an interest.

(c) Neither Seller Stockholder has Knowledge of, nor has or any other Person for whose conduct Seller is or may be held responsible, received, any citation, directive, inquiry, notice, Order, summons, warning, or other communication that relates to Hazardous Activity, Hazardous Materials, or any

alleged, actual, or potential violation or failure to comply with any Environmental Law, or of any alleged, actual, or potential obligation to undertake or bear the cost of any Environmental, Health, and Safety Liabilities with respect to any of the Facilities or any other properties or assets (whether real, personal, or mixed) in which Seller had an interest, or with respect to any property or facility to which Hazardous Materials generated, manufactured, refined, transferred, imported, used, or processed by Seller, or any other Person for whose conduct they are or may be held responsible, have been transported, treated, stored, handled, transferred, disposed, recycled, or received.

(d) Neither Seller nor any other Person for whose conduct Seller is or may be held responsible, has any Environmental, Health, and Safety Liabilities with respect to the demised premises of Seller or, to the Knowledge of either of the Seller Stockholders, with respect to any other properties and assets (whether real, personal, or mixed) in which Seller (or any predecessor) has or had an interest, or at any property geologically or hydrologically adjoining the demised premises of Seller or any such other property or assets.

(e) To the Knowledge either of the Seller Stockholders, there are no Hazardous Materials present on or in the Environment at the demised premises of Seller, including any Hazardous Materials contained in barrels, above or underground storage tanks, landfills, land deposits, dumps, equipment (whether moveable or fixed) or other containers, either temporary or permanent, and deposited or located in land, water, sumps, or any other part of the demised premises of Seller. Neither Seller nor any other Person for whose conduct Seller is or may be

held responsible or, to the Knowledge of Seller or the Seller Stockholders, any other Person, has permitted or conducted, or is aware of, any Hazardous Activity conducted with respect to the demised premises of Seller or any other properties or assets (whether real, personal, or mixed) in which Seller has or had an interest except in full compliance with all applicable Environmental Laws.

(f) Seller and the Seller Stockholders have delivered to Buyer true and complete copies and results of any reports, studies, analyses, tests, or monitoring possessed or initiated by Seller pertaining to Hazardous Materials or Hazardous Activities in, on, or under the demised premises of Seller, or concerning compliance by Seller or any other Person for whose conduct they are or may be held responsible, with Environmental Laws.

(g) The foregoing representations and warranties in this Section 2.18 are all to the Knowledge of either Seller Stockholder and are only breached to the extent that there is a Material Adverse Effect.

2.19 Employees.

(a) Part 2.19 of the Disclosure Schedule contains a complete and accurate list of the following information for each employee or director of Seller, including each employee on leave of absence or layoff status: employer; name; job title; current compensation paid or payable and any change in compensation over the last two years; vacation accrued; and service credited for purposes of vesting and eligibility to participate under Seller's pension, retirement, profit-sharing, thrift-savings, deferred compensation, stock bonus, stock option, cash bonus, employee stock ownership (including investment credit or payroll stock ownership), severance pay, insurance, medical, welfare, or vacation plan, other Employee Pension Benefit Plan or Employee Welfare Benefit Plan, or any other employee benefit plan or any director Plan.

(b) Except as set forth in Part 2.19(b) of the Disclosure Schedule no employee or director of Seller is a party to, or is otherwise bound by, any agreement or arrangement, including any confidentiality, noncompetition, or proprietary rights agreement, between such employee or director and any other Person ("Proprietary Rights Agreement") that in any way adversely affects or will affect (i) the performance of his duties as an employee or director of Seller, or (ii) the ability of Seller to conduct its business, including any Proprietary Rights Agreement with Seller by any such employee or director. To the Knowledge of Seller or the Seller Stockholders, no director, officer, or other key employee of Seller intends to terminate his employment with Seller.

(c) Part 2.19 of the Disclosure Schedule also contains a complete and accurate list of the following information for each retired employee or director of Seller, or its dependents, receiving benefits or scheduled to receive benefits in the future: name, pension benefit, pension option election, retiree medical insurance coverage, retiree life insurance coverage, and other benefits.

2.20 Labor Relations; Compliance. Seller has not been nor is a party to any collective bargaining or other labor contract. There has not been, there is not presently pending or existing, and there is not Threatened, (a) any strike, slowdown, picketing, work stoppage, or employee grievance process, (b) any Proceeding against Seller relating to the alleged violation of any Legal Requirement pertaining to labor relations or employment matters, including any charge or complaint filed by an employee or union with the National Labor Relations Board, the Equal Employment Opportunity Commission, or any comparable Governmental Body, organizational activity, or other labor or relations dispute against Seller or its premises, or (c) any application for certification of a collective bargaining agent. To the Knowledge of Seller or the Seller Stockholders, no employee or employees are currently intending to terminate their employment or enter into a business competitive with Seller immediately or shortly following the Closing Date.

2.21 Intellectual Property.

(a) Intellectual Property Assets -- The term "Intellectual Property Assets" includes:

(i) the name "Bac-Tech Systems, Inc.", all fictional business names, trading names, registered and unregistered trademarks, service marks, and applications (collectively, "Marks");

(ii) all patents, patent applications, and inventions and discoveries that may be patentable (collectively, "Patents");

(iii) all copyrights in both published works and unpublished works (collectively, "Copyrights");

(iv) all rights in mask works (collectively, "Rights in Mask Works"); and

(v) all know-how, trade secrets, confidential information, customer lists, software, technical information, data, process technology, plans, drawings, and blue prints (collectively, "Trade Secrets") owned, used, or licensed by Seller as licensee or licensor.

(b) Agreements. Part 2.21(b) of the Disclosure Schedule contains a complete and accurate list and summary description, including any royalties paid or received by Seller, of all contracts relating to the Intellectual Property Assets to which Seller is a party or by which Seller is bound, except for any license implied by the sale of a product and perpetual, paid-up licenses for commonly available software programs with a value of less than $5,000 under which Seller is the licensee. There are no outstanding and, to the Knowledge of Seller, no Threatened disputes or disagreements with respect to any such agreement.

(c) Proprietary Information; Know-How Necessary for the Business; Non Competition Covenants

(i) The Intellectual Property Assets are all those necessary for the operation of Seller's business as it is currently conducted. Seller is either the owner of the Intellectual

Property Assets free and clear of all liens, security interests, charges, encumbrances, equities and other adverse claims (except for Permitted Liens and for such imperfections in title and other Encumbrances, if any, as do not materially detract from the value or interfere with the present use thereof), or is licensed or has the right to use the Intellectual Property Assets.

(ii) Except as set forth in Part 2.21(c) of the Disclosure Schedule, all former and current employees of Seller have executed written contracts with Seller that assign to Seller all rights to any inventions, improvements, discoveries, or information relating to the business of Seller. No employee of Seller has entered into any contract that restricts or limits in any way the scope or type of work in which the employee may be engaged or requires the employee to transfer, assign, or disclose information concerning his work to anyone other than Seller.

(iii) Except as set forth in Part 2.21(c) of the Disclosure Schedule, each consultant to Seller has executed written contracts with Seller restricting the disclosure of proprietary information of Seller and assigning to Seller all inventions, improvements, discoveries, or information relating to the business of Seller.

(iv) To Knowledge of Seller or the Seller Stockholders, none of the employees, officers or consultants of Seller, past or present, is in violation of such agreements, and Seller will use its best commercially reasonable efforts to prevent any such violation.

(d) Patents

(i) Seller does not own or have any other interest in any patent or patent application.

(e) Trademarks

(i) Part 2.21(e) of Disclosure Schedule contains a complete and accurate list and summary description of all Marks used by Seller.

(ii) All Marks that have been registered with the United States Patent and Trademark Office by Seller are currently in compliance with all formal legal requirements (including the timely post-registration filing of affidavits of use and incontestability and renewal applications), are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety days after the Closing Date.

(iii) No Mark of Seller has been or is now involved in any opposition, invalidation, or cancellation and, to Knowledge of Seller or the Seller Stockholders, no such action is Threatened with the respect to any of the Marks.

(iv) To Knowledge of either of the Seller Stockholders, there is no potentially interfering trademark or trademark application of any third party with respect to any Mark used by Seller.

(v) To the Knowledge of either Seller Stockholder, no Mark is infringed or, to Knowledge of Seller and the Seller Stockholders, has been challenged or threatened in any way. None of the Marks used by Seller infringes or is alleged to infringe any trade name, trademark, or service mark of any third party.

(vi) Except as disclosed in Part 2.21(e) all products and materials containing a Mark bear the proper federal registration notice where permitted by law.

(f) Copyrights

(i) Part 2.21(f) of the Disclosure Schedule contains certain disclosures regarding the Copyrights of Seller.

(ii) Except as disclosed in Part 2.21(f), all the Copyrights have been registered and are currently in compliance with formal legal requirements, are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety days after the date of Closing.

(iii) To the Knowledge of either Seller Stockholder, no Copyright is infringed or has been challenged or threatened in any way. None of the subject matter of any of the Copyrights infringes or is alleged to infringe any

copyright of any third party or is a derivative work based on the work of a third party.

(iv) Except as disclosed in Part 2.21(f), all works encompassed by the Copyrights have been marked with the proper copyright notice.

(g) Trade Secrets

(i) Except as disclosed in Part 2.21(g), with respect to each Trade Secret, the documentation relating to such Trade Secret is current, accurate, and sufficient in detail and content to identify and explain it and to allow its full and proper use without reliance on the knowledge or memory of any individual.

(ii) Except as disclosed in Part 2.21(g), Seller has taken all reasonable precautions to protect the secrecy, confidentiality, and value of its Trade Secrets.

(iii) Seller has the absolute (but not necessarily exclusive) right to use the Trade Secrets. The trade secrets of Seller are not part of the public knowledge or literature, and, to Knowledge of either of the Seller Stockholders, have not been used, divulged, or appropriated for the benefit of any Person or to the detriment of Seller. No Trade Secret is subject to any adverse claim or has been challenged or Threatened in any way.

(h) No Registrations. Seller does not own, or have any other interest in, any federally registered Mark, Patent or Copyrights and there are no pending applications of Seller with respect to any of the foregoing.

2.22 Seller Software.

(a) Part 2.22(a) of the Disclosure Schedule sets forth a complete list of all software used in connection with the business of Seller other than off-the-shelf software acquired for less than $5,000 per application (the "Seller Software"). Except as set forth in Part 2.22(a), Seller has all technical and descriptive materials for Seller Software as is necessary to run its business in accordance with its historical practices.

(b) The use of Seller Software by Seller does not breach any terms of any contract or agreement of Seller. Seller either owns or to the Knowledge of either Seller Stockholder has been granted under license agreements relating to Seller Software (the "Seller Software License Agreements") valid and subsisting rights with respect to all software comprising Seller Software and such rights may be exercised where Seller does business. Seller is in compliance with each of the terms and conditions of each of Seller Software License Agreements except to the extent failure to so comply, individually or in the aggregate, would not have a material adverse effect on Seller.

(c) Seller Software and the related computer hardware used by Seller in its operations (the "Seller Hardware") are adequate, when taken together with the other assets, resources and personnel of Seller, to run the business of Seller in the same manner as such business has been conducted. Part 2.22(c) of the Disclosure Schedule contains a summary description of any unusual problems experienced by Seller in the twelve months prior to the date of this Agreement with respect to Seller Software or Seller Hardware that would result in an adverse effect on Seller. 2.23 Customers. Part 2.23 of the Disclosure Schedule sets forth a complete list of all customers of Seller and a description of any significant complaints within the past year by any current or former customer received by Seller.

2.24 Certain Payments. Neither Seller nor any director, officer, agent, or employee of Seller, or to Knowledge of either Seller Stockholder any other Person acting for or on behalf of Seller, has directly or indirectly (a) made any illegal contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any Person, private or public, regardless of form, whether in money, property, or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, (iii) to obtain special concessions or for special concessions already obtained, for or in respect of Seller, or (iv) in violation of any Legal Requirement, (b) established or maintained any fund or asset that has not been recorded in the

books and records of Seller.

2.26 Disclosure.

(a) No representation or warranty of Seller or a Seller Stockholder in this Agreement and no statement in the Disclosure Schedule omits to state a material fact necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading.

(b) No notice given pursuant to Section 4.5 will contain any untrue statement or omit to state a material fact necessary to make the statements therein or in this Agreement, in light of the circumstances in which they were made, not misleading.

(c) There is no fact known to Seller or a Seller Stockholder that has specific application to Seller (other than general economic or industry conditions) and that materially adversely affects or, as far as Seller and the Seller Stockholders can reasonably foresee, materially threatens, the assets, business, prospects, financial condition, or results of operations of Seller that has not been set forth in this Agreement or the Disclosure Schedule.

2.27 Receipt of Disclosures. Seller has received copies of Buyer SEC Documents (as defined and described in Section 3.6), and Seller and the Seller Stockholders have read the Buyer SEC Documents and understand the contents thereof.

2.28 Brokers or Finders. Except for Richard Bracket for whose fees the Selling Stockholders are personally paying, Seller and the Seller Stockholders and their respective agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement and will indemnify and hold Buyer harmless from any such payment alleged to be due by or through Seller or the Seller Stockholders as a result of the action of Seller or and the Seller Stockholders or their respective agents.

2.29 Investment Representations.

(a) Investment Intent. Except for intended family distributions and a distribution to Richard Brackett in conformance with the Securities Act and any applicable state securities or blue sky rules, Each Seller Stockholder is acquiring all of the shares of Buyer Common Stock and Buyer Preferred Stock described in Section 1.6 (collectively, the "Buyer Securities") for such Seller Stockholder's own account, for investment only and not with a view to, or for sale in connection with, a distribution thereof or any part thereof, within the meaning of the Securities Act or any applicable state securities or blue-sky laws;

(b) Investor Status. Each Seller Stockholder is an accredited investor as such term is defined under Rule 501 of Regulation D promulgated pursuant to the Securities Act ("Regulation D");

(c) Intent to Transfer. Neither of the Seller Stockholders is a party to or subject to or bound by any contract, undertaking, agreement or arrangement with any person to sell, transfer or pledge the Buyer Securities or any part thereof to any person, and has no present intention to enter into such a contract, undertaking, agreement or arrangement;

(d) Offering Exempt from Registration; Buyer's Reliance.

(i) Buyer has advised the Seller Stockholders that the Buyer Securities have not been registered under the Securities Act or under the laws of any state on the basis that the issuance thereof is exempt from such registration;

(ii) Buyer's reliance on the availability of such exemption is, in part, based upon the accuracy and truthfulness of each Seller Stockholder's representations contained herein;

(iii) As a result of such lack of registration, none of the Buyer Securities may be resold or otherwise transferred or disposed of without registration pursuant to or an exemption therefrom available under the Securities Act and such state securities laws; and

(iv) In furtherance of the provisions of this paragraph (d), all of the certificate representing the Buyer Securities shall bear a restrictive legend substantially in the following form:

> "THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THESE SHARES HAVE BEEN ACQUIRED FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO DISTRIBUTION OR RESALE, AND MAY NOT BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SHARES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER OF THESE SHARES TO THE EFFECT THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT."

(e) Sophistication of the Seller Stockholders. Each Seller Stockholder has evaluated the merits and risks of acquiring the Buyer Securities and has such knowledge and experience in financial and business matters that Seller Stockholder is capable of evaluating the merits and risks of such purchase, is aware of and has considered the financial risks and financial hazards of acquiring Buyer Securities, and is able to bear the economic risk of acquiring Buyer Securities, including the possibility of a complete loss with respect thereto;

(f) Access to Information. Each Seller Stockholder has had access to such information regarding the business and finances of Buyer, the receipt and careful reading of which is hereby acknowledged by the undersigned, and has been provided the opportunity to discuss with the Buyer's management the business, affairs and financial condition of the Buyer and such other matters with respect to Buyer as would concern a reasonable person considering the transactions contemplated by the Agreement and/or concerned with the operations of the Buyer including, without limitation, pursuant to a meeting and/or discussions with management of the Buyer;

(g) No Guarantees. That it never has been represented, guaranteed or warranted to either Seller Stockholder by Buyer, or any of its officers, directors, agents, Representatives or employees, or any other Person, expressly or by implication, that:

(i) Any gain will be realized by Seller Stockholders from their investment in the Buyer Securities; or

(ii) That the past performance or experience on the part of Buyer, its predecessors or of any other person, will in any way indicate any future results of Buyer;

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller and to the Seller Stockholders, subject to the exceptions specifically disclosed in the disclosure schedules supplied by Buyer to Seller (the "Buyer Schedules"), as follows:

3.1 Organization and Good Standing. Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the State of New Jersey.

3.2 Authority; No Conflict.

(a) This Agreement constitutes the legal, valid, and binding obligation of Buyer, enforceable against Buyer in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally or by equitable principles). Buyer has the absolute and unrestricted

right, power, and authority to execute and deliver this Agreement and to perform its obligations under this Agreement.

(b) Except as set forth in a separate schedule ("Schedule 3.2") from the Buyer to Seller, neither the execution and delivery of this Agreement by Buyer nor the consummation or performance of any of the Contemplated Transactions by Buyer will give any Person the right to prevent, delay, or otherwise interfere with any of the Contemplated Transactions pursuant to:

(i) any provision of Buyer's Organizational Documents;

(ii) any resolution adopted by the board of directors or the stockholders of Buyer;

(iii) any Legal Requirement or Order to which Buyer may be subject; or

(iv) any contract to which Buyer is a party or by which Buyer may be bound.

Except as set forth in Schedule 3.2, Buyer is not and will not be required to obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

3.3 Certain Proceedings. There is no pending Proceeding that has been commenced against Buyer and that challenges, or may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions. To the Knowledge of Buyer, no such Proceeding has been Threatened.

3.5 Brokers or Finders. Buyer and its officers and agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or

other similar payment in connection with this Agreement and will indemnify and hold Seller and the Seller Stockholders harmless from any such payment alleged to be due by or through Buyer as a result of the action of Buyer or its agents.

3.6 SEC Documents. Except for one Form 8-K which the SEC informed Buyer was filed late, Buyer has timely filed with the Securities and Exchange Commission ("SEC") all required reports, proxy statements, registration statements, forms and other documents required to be filed by it with the SEC since May 1, 2000 (the "Buyer SEC Documents"). As of their respective dates, and giving effect to any amendment thereto, the Buyer SEC Documents, including any financial statements and schedules included therein, complied in all material respects with requirements of all applicable federal securities laws, and the applicable rules and regulations of the SEC, each as in effect on the date so filed, and none of the Buyer SEC Documents, when filed (or, if amended or superseded by a filing prior to the date hereof, then on the date of such filing), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. No forms, reports and documents filed after the date of this Agreement and prior to the Closing Date by the Buyer will contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. As of December 24, 2001, the issued and outstanding Shares of Buyer Common Stock was 21,185,728.

3.7 Power and Authority. Buyer has all requisite power and authority to own, lease and operate its properties and to conduct its business as presently conducted and as proposed to be conducted and is duly qualified or licensed as a foreign corporation in good standing in each jurisdiction in which the character of its properties or the nature of its business activities require such qualification (except where the failure to be so qualified will not have a Material Adverse Effect).

3.8 Authority for Agreement. The Board of Directors of Buyer has approved

this Agreement and has authorized the execution and delivery thereof.

3.9 No Violation to Result. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby:

(a) are not in violation or breach of, do not conflict with or constitute a default under, and will not accelerate or permit the acceleration of the performance required by, any of the terms of the charter documents or by-laws of Buyer or any note, debt instrument, security agreement, mortgage, lease or license, or any other contract or agreement (collectively, the "Buyer Agreement(s)"), written or oral, to which Buyer is a party or by which Buyer or any of its respective properties or assets are bound;

(b) will not be an event which, after notice or lapse of time or both, will result in any such violation, breach, conflict, default, or acceleration;

(c) assuming the accuracy of Seller's representations and warranties, will not result in violation under any law, judgment, decree, order, rule, regulation or other legal requirement of any governmental authority, court or arbitration tribunal whether federal, state, provincial, municipal or local (within the U.S. or otherwise) and applicable to Buyer; and

(d) will not result in the creation or imposition of any lien, possibility of lien, encumbrance, security agreement, equity, option, claim, charge, pledge or restriction in favor of any third person upon any of the properties or assets of Buyer.

3.10 No Adverse Change. From September 30, 2001 to the date of this Agreement, except as disclosed in Buyer's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2001 (except as otherwise specifically permitted herein):

(a) Buyer and its subsidiaries have not sustained any damage, destruction or loss materially adversely affecting the business, properties, financial condition or operations of Buyer taken as a whole; and

(b) Other than in the usual course of Buyer's business, consistent with the prior year's operations, and financial results consistent with prior periods, there have been no changes in the condition (financial or otherwise), business, net worth, assets, properties, liabilities or obligations (fixed, contingent, known, unknown or otherwise) of Buyer which in the aggregate have has or may have a Material Adverse Effect, and there has been no occurrence, circumstance or combination thereof which might reasonably be expected to result in a Materially Adverse Effect before or after the Closing Date.

3.11 Taxes. Buyer (i) has paid all Taxes required by applicable Legal Requirements (including, without limitation, withholding, social security, payroll and similar Taxes), and all interest and penalties, if any thereon, (ii) is not party to any pending action or proceeding by any Governmental Body for the assessment or collection of any Taxes, nor is any claim for any Taxes pending or to its knowledge Threatened, and (iii) has not executed any outstanding waiver or consent for the extension of the statute of limitations for, or for any restrictions on, the assessment or collection of any Taxes.

3.12 Compliance with Laws. Buyer complied in all material respects with all material Legal Requirements applicable to it, its properties or the operation of its business or properties. Buyer has not received any notice or citation for noncompliance with any of the foregoing, and there exists no condition, situation or circumstance, nor has there existed such a condition, situation or circumstance, which, after notice or lapse of time, or both, would constitute noncompliance with or give rise to future liability with regard to any of the foregoing.

3.13 Litigation. Except as disclosed in Schedule 3.13 and the Buyer SEC Documents, there is no litigation suit, proceeding, action, claim or investigation, at law or in equity, pending or threatened against or affecting Buyer or involving any of its subsidiaries, properties or assets, before any court, agency, authority or arbitration tribunal, including, without limitation, any product liability, workers' compensation or wrongful dismissal claims, or claims, actions, suits

or proceedings relating to toxic materials, hazardous substances, pollution or the environment. To Buyer's Knowledge, there are no facts which, if known to customers, governmental authorities or other persons, might result in any such litigation, suit, proceeding, action, claim or investigation. Buyer is not subject to or in default with respect to any notice, order, writ, injunction or decree of any court, agency authority or arbitration tribunal.

3.14 No Existing Defaults. Buyer is not in default (except where there would be no Material Adverse Effect):

(a) under any of the terms of any material Agreement;

(b) under any law, judgment, decree, order, rule regulation or other legal requirement or any governmental authority, court or arbitration tribunal whether federal, state, provincial, municipal or local (within the U.S. or otherwise) and applicable to it or to any of its properties or assets; or

(c) in the payment of any of its monetary obligations or debt.

ARTICLE IV
ADDITIONAL COVENANTS OF SELLER; CONDUCT PRIOR TO THE EFFECTIVE TIME

4.1 Access and Investigation. Between the date of this Agreement and the Closing Date, Seller will, and will cause its Representatives to, (a) afford Buyer and its Representatives (collectively, "Buyer's Advisors") full and free access to the Seller's personnel, properties, contracts, books and records, and other documents and data, (b) furnish Buyer and Buyer's Advisors with copies of all such contracts, books and records, and other existing documents and data as Buyer may reasonably request, and (c) furnish Buyer and Buyer's Advisors with such additional financial, operating, and other data and information as Buyer may reasonably request.

4.2 Operation of the Business of Seller. Seller, without the prior written approval of Buyer, shall refrain from taking or omitting to take any action or entering into any transactions, and no event shall have occurred, which, had such action been taken or omitted or such transaction entered into or such event occurred immediately prior to the execution of this Agreement, would have caused any of the representations, warranties or agreements of Seller to be untrue, incorrect or inaccurate in any respect as of the time of the execution of this agreement or as of the Closing Date. Seller shall not, for its own account or whether individually or jointly, alone or with each other or others, enter into any contract or arrangement with respect to any business of the kind conducted by Seller. Without limiting the generality of the foregoing, between the date of this Agreement and the Closing Date, Seller and the Seller Stockholders will:

(a) conduct the business of Seller only in the Ordinary Course of Business;

(b) not dispose of any of the assets of Seller as reflected in the Financial Statements or otherwise other than in the Ordinary Course of Business;

(c) use their respective Best Efforts to preserve intact its current business organization, keep available the services of its current officers, employees, and agents, and maintain the relations and good will with suppliers, customers, landlords, creditors, employees, agents, and others having business relationships with Seller;

(d) not make any distribution or other payment to Seller or officers, directors or affiliates of Seller, other than salary or compensation paid in the Ordinary Course of Business, as reflected in Part 2.19 of the Disclosure Schedule, and reasonable.

(e) confer with Buyer concerning operational matters of a material nature; and

(f) otherwise report periodically to Buyer concerning the status of the

business, operations, and finances of Seller.

4.3 Negative Covenant. Except as otherwise expressly permitted by this Agreement, between the date of this Agreement and the Closing Date, Seller will not, without the prior consent of Buyer, take any affirmative action, or fail to take any reasonable action within their or its control, as a result of which any of the changes or events listed in Section 2.15 is likely to occur.

4.4 Required Approvals. As promptly as practicable after the date of this Agreement, Seller will make all filings required by Legal Requirements to be made by them in order to consummate the Contemplated Transactions. Between the date of this Agreement and the Closing Date, Seller and the Seller Stockholders will, (a) cooperate with Buyer with respect to all filings that Buyer elects to make or is required by Legal Requirements to make in connection with the Contemplated Transactions, and (b) cooperate with Buyer in obtaining all consents identified in Schedule 3.2.

4.5 Notification. Between the date of this Agreement and the Closing Date, Seller and the Seller Stockholders will promptly notify Buyer in writing if any of the becomes aware of any fact or condition that causes or constitutes a Breach of any of Seller's representations and warranties as of the date of this Agreement, or if Seller or either Seller Stockholders becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a Breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. During the same period, Seller and the Seller Stockholders will promptly notify Buyer of the occurrence of any Breach of any covenant of Seller or either Seller Stockholder in this Section 4 or of the occurrence of any event that may make the satisfaction of the conditions in Section 6 impossible or unlikely.

4.6 No Negotiation. Until such time, if any, as this Agreement is terminated pursuant to Section 8, Seller will not, and will cause each of its Representatives not to, directly or

indirectly solicit, initiate, or encourage any inquiries or proposals from, discuss or negotiate with, provide any non-public information to, or consider the merits of any unsolicited inquiries or proposals from, any Person (other than Buyer) relating to any transaction involving the sale of the business or assets (other than in the Ordinary Course of Business) of Seller, or any of the capital stock of Seller, or any merger, consolidation, business combination, or similar transaction involving Seller.

4.7 Liabilities. Seller has no, and at Closing will not have any, liability or obligation of any nature, whether absolute, accrued, contingent or otherwise, arising out of acts or omissions occurring before the date of this Agreement, or circumstances currently or previously existing, except for (i) indebtedness, liabilities and obligations arising in the ordinary course of business of Seller other than liabilities set forth in Part 2.9 of the Disclosure Schedule (which Seller has undertaken to pay, discharge or provide for hereunder), and (ii) the contractual indebtedness, liabilities and obligations set forth in Part 2.9 of the Disclosure Schedule (which shall remain or become, as applicable, the obligation of Seller after the Closing).

4.8 Best Efforts. Between the date of this Agreement and the Closing Date, Seller and the Seller Stockholders will use their respective Best Efforts to cause the conditions in Sections 6.1 and 6.2 to be satisfied.

ARTICLE V
ADDITIONAL COVENANTS OF BUYER

5.1 Approvals of Governmental Bodies. As promptly as practicable after the date of this Agreement, Buyer will, and will cause each of its Related Persons to, make all filings required by Legal Requirements to be made by them to consummate the Contemplated Transactions. Between the date of this Agreement and the Closing Date, Buyer will, and will cause each Related Person to, cooperate with Seller and the Seller Stockholders with respect to all filings that Seller or either Seller Stockholder is required by Legal Requirements to make in

connection with the Contemplated Transactions, and (ii) cooperate with Seller and the Seller Stockholders in obtaining all consents identified in Part 2.2 of the Disclosure Schedule; provided that this Agreement will not require Buyer to dispose of or make any change in any portion of its business or to incur any other unreasonable burden to obtain a Governmental Authorization.

5.2 Best Efforts. Except as set forth in the proviso to Section 5.1, between the date of this Agreement and the Closing Date, Buyer will use its Best Efforts to cause the conditions in Sections 6.1 and 6.3 to be satisfied.

5.3 Operation of the Business of Buyer. Buyer, without the prior written approval of Seller or the Seller Stockholders, shall refrain from taking or omitting to take any action or entering into any transactions, and no event shall have occurred, which, had such action been taken or omitted or such transaction entered into or such event occurred immediately prior to the execution of this Agreement, would have caused any of the representations, warranties or agreements of Buyer to be untrue, incorrect or inaccurate in any respect as of the time of the execution of this Agreement or as of the Closing Date.

5.4 Notification. Between the date of this Agreement and the Closing Date, Buyer promptly notify Seller and the Seller Stockholders in writing if it becomes aware of any fact or condition that causes or constitutes a Breach of any of Buyer representations and warranties as of the date of this Agreement, or if Buyer becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a Breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition.

ARTICLE VI
CONDITIONS TO THE MERGER

6.1 Conditions to Obligations of Each Party to Effect the Merger . The respective obligations of each party to this Agreement to effect the Merger shall be subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) Stockholder Approval. This Agreement shall have been approved and adopted, and the Merger shall have been duly approved, by the requisite vote under applicable law by the stockholders of Seller.

(b) No Proceedings. Since the date of this Agreement, there must not have been commenced or Threatened any Proceeding (a) involving any challenge to, or seeking damages or other relief in connection with, any of the Contemplated Transactions, or (b) that may have the effect of preventing, delaying, making illegal, or otherwise interfering with any of the Contemplated Transactions.

(c) No Order. No Governmental Entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and which has the effect of making the Merger illegal or otherwise prohibiting consummation of the Merger.

6.2 Additional Conditions to Obligations of Buyer. The obligations of Buyer to consummate and effect the Merger shall be subject to the satisfaction at or prior to the Effective Time of each of the following conditions, any of which may be waived, in writing, exclusively by Seller:

(a) Accuracy of Representations.

(i) All of Seller's and the Seller Stockholders' representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), must have been accurate in all material respects as of the date of this Agreement, and must be accurate in all material respects as of the Closing Date as if made on the Closing Date.

(ii) No fact not disclosed in this Agreement or the Disclosure Schedule that results in a Material Adverse Effect since the date of the Prior Financial Statements shall have occurred.

(b) Seller's Performance.

(i) All of the covenants and obligations that Seller is required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), must have been duly performed and complied with in all material respects.

(ii) Each document required to be delivered or executed by Seller or the Seller Stockholders pursuant to Section 7.1 must have been delivered or executed.

(c) Consents. Each of the Consents identified in Part 2.2 of the Disclosure Schedule must have been obtained and must be in full force and effect.

(d) Additional Documents . Each of the documents specified in Section 7.1 must have been delivered to Buyer and Seller and the Seller Stockholders must have caused the following documents to be delivered to Buyer: such other documents as Buyer may reasonably request for the purpose of (i) enabling its counsel to provide the opinion referred to in Section 7.2, (ii) evidencing the accuracy of any representation or warranty of Seller or the Seller Stockholders, (iii) evidencing the performance by Seller or the Seller Stockholders of, or the compliance by Seller or the Seller Stockholders with, any covenant or obligation required to be performed or complied with by Seller or the Seller Stockholders, (iv) evidencing the satisfaction of any condition referred to in this Section 6.2, or (v) otherwise facilitating the consummation of any of the Contemplated Transactions.

(e) No Claim Regarding Stock Ownership or Merger Consideration. There must not have been made or Threatened by any Person any claim asserting that such Person (a) is the holder or the beneficial owner of, or has the right to acquire or to obtain beneficial ownership of, any stock of, or any other voting, equity, or ownership interest in, Seller, or (b) is entitled to all or any portion of the consideration specified in Section1.6.

(g) No Prohibition. Neither the consummation nor the performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time), materially contravene, or conflict with, or result in a material violation of, or cause Buyer or any Person affiliated with Buyer to suffer any material adverse consequence under, (a) any applicable Legal Requirement or Order, or (b) any Legal Requirement or Order that has been published, introduced, or otherwise proposed by or before any Governmental Body.

(h) Net Worth and Lease Obligation. At the time of the Closing, Seller shall have at least the Minimum Net Worth and shall not exceed the Maximum Lease Obligations.

6.3 Additional Conditions to Obligations of Seller. The obligations of Seller and the Seller Stockholders to consummate and effect the Merger shall be subject to the satisfaction at or

prior to the Effective Time of each of the following conditions, any of which may be waived, in writing, exclusively by Seller or the Seller Stockholders:

(a) Accuracy of Representations. All of Buyer's representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), must have been accurate in all material respects as of the date of this Agreement and must be accurate in all material respects as of the Closing Date as if made on the Closing Date.

(b) Buyer's Performance.

(i) All of the covenants and obligations that Buyer is required to

perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), must have been performed and complied with in all material respects.

(ii) Buyer must have delivered or executed each of the documents required to be delivered or executed by Buyer pursuant to Section 7.2 and must have made the cash payments required to be made by Buyer pursuant to Section 1.6.

(c) Consents. Each of the Consents identified in Part 2.2 of the Disclosure Schedule must have been obtained and must be in full force and effect.

(d) Additional Documents. Buyer must have caused the following documents to be delivered to Seller: such other documents as Seller may reasonably request for the purpose of (i) enabling its counsel to provide the opinion referred to in Section 7.1, (ii) evidencing the accuracy of any representation or warranty of Buyer, (iii) evidencing the performance by Buyer of, or the compliance by Buyer with, any covenant or obligation required to be performed or complied with by Buyer, (iv) evidencing the satisfaction of any condition referred to in this Section 6.3 or (v) otherwise facilitating the consummation of any of the Contemplated Transactions.

(e) No Prohibition. Neither the consummation nor the performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time), materially contravene, or conflict with, or result in a material violation of, or cause Seller or any Person affiliated with Seller to suffer any material adverse consequence under, (i) any applicable Legal Requirement or Order, or (ii) any Legal Requirement or Order that has been published, introduced, or otherwise proposed by or before any Governmental Body.

ARTICLE VII
DELIVERIES AT CLOSING

7.1 Deliveries to Buyer. At the Closing Seller and the Seller Stockholders shall deliver to Buyer:

(a) Employment Agreements. An Employment Agreement between Buyer and each Seller Stockholder in the form set forth as Exhibit B executed by such Seller Stockholder;

(b) Registration Rights Agreement. A Registration Rights Agreement between Buyer and each Seller Stockholder in the form set forth as Exhibit C executed by such Seller Stockholder;

(c) Lock-Up. Lock-Up Agreement between Buyer and each Seller Stockholder in the form set forth as Exhibit D executed by each Seller Stockholder;

(d) Non-Competition Agreements. A Non-Competition Agreement between Buyer and each Seller Stockholder in the form set forth as Exhibit E, executed by each Seller Stockholder;

(e) Legal Opinion. A legal opinion from Kasowitz, Benson, Torres & Friedman, LLP, counsel for Seller, dated the Closing Date, in the form of Exhibit F;

(f) Certificates of Good Standing. A Certificate of Good Standing issued by the Secretary of State of the State of New York and Certificates of Good Standing from every jurisdiction in which Seller is authorized to do business as a foreign corporation in each case with respect to Seller;

(g) Certificate of Seller Stockholders. A certificate executed by each Seller Stockholder representing and warranting, jointly and severally, to Buyer that the representations and warranties of Seller and the Seller Stockholders in this Agreement were accurate in all respects as of the date of this Agreement and are accurate in all respects as of the Closing Date as if made on the Closing Date;

(h) Resolutions of Board of Directors of Seller. Resolutions of the Board

of Directors of Seller certified by its Secretary or an Assistant Secretary which authorize the execution, delivery and performance by Seller of the Contemplated Transaction Documents to which Seller is or is to be a party;

(i) Certificate of Incumbency. A certificate of incumbency certified by the Secretary or an Assistant Secretary of Seller certifying as to the name of each officer or other representative of Seller (i) who is authorized to sign the Contemplated Transaction Documents to which Seller is or is to be a party (including any certificates contemplated therein), and (ii) who will, until replaced by other officers or representatives duly authorized for that purpose, act as its representative for the purposes of signing documents and giving notices and other communications in connection with the Contemplated Transaction Documents and the Contemplated Transactions;

(j) Financial Statements. Seller shall deliver the Prior Financial Statements and, as of a date no less than 10 days prior to the Closing Date, a management report of the Seller

prepared by Seller in accordance with GAAP with respect to the period from October 31, 2001 through December 18, 2001 (the "Closing Financials"), which Closing Financials shall be in form and substance acceptable to Buyer; and

(k) By laws. the bylaws and similar Organizational Document of Seller certified by the Secretary or an Assistant Secretary of Seller;

7.2 Deliveries to Seller and the Seller Stockholders. At the Closing Buyer shall deliver to Seller and the Seller Stockholders:

(a) Employment Agreements. An Employment Agreement between Buyer and each Seller Stockholder in the form set forth as Exhibit B, executed by Buyer;

(b) Registration Rights Agreement. A Registration Rights Agreement between Buyer and each Seller Stockholder in the form set forth as Exhibit C, executed by Buyer;

(c) Lock-Up Agreement. Lock-Up Agreement between Buyer and the Seller Stockholders in the form set forth as Exhibit D, executed by the Buyer;

(d) Non-Competition Agreements. A Non-Competition Agreement between Buyer and each Seller Stockholder in the form set forth as Exhibit E, executed by Buyer;

(e) Security Agreement. A Security Agreement in the form of Exhibit G, executed by Buyer;

(f) Legal Opinion. A legal opinion of Kaufman & Moomjian, LLC, counsel to Buyer, in the form set forth in Exhibit H;

(g) Notes. Notes in the form set forth as Exhibit A executed by Buyer;

(h) Buyer Common Stock. Certificates evidencing the shares of Buyer Common Stock issuable pursuant to the Merger;

(i) Buyer Preferred Stock. Certificates evidencing the shares of Buyer Preferred Stock issuable pursuant to the Merger;

(h) Cash Component. The Cash Component calculated in accordance Section 1.6 in immediately available funds;

(i) Certificate of Good Standing. Certificate of Good Standing with respect to Buyer issued by the Secretary of State of the State of New Jersey;

(j) Certificate of Officer of Buyer. A certificate executed by Buyer to the effect that, except as otherwise stated in such certificate, each of Buyer's representations and warranties in

this Agreement was accurate in all respects as of the date of this Agreement and is accurate in all respects as of the Closing Date as if made on the Closing Date.

ARTICLE VIII
TERMINATION

8.1 Termination Events. This Agreement may, by notice given prior to or at the Closing, be terminated:

(a) by either Buyer or Seller if a material Breach of any provision of this Agreement has been committed by the other party and such Breach has not been waived following the passage of a reasonable notice and cure period bases on the character and circumstances of such Breach (if reasonable).

(b) (i) by Buyer if any of the conditions in Sections 6.1 or 6.2 has not been satisfied as of the Closing Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of Buyer to comply with its obligations under this Agreement) and Buyer has not waived such condition on or before the Closing Date; or (ii) by Sellers and the Selling Stockholders, if any of the conditions in Sections 6.1 or 6.3 has not been satisfied of the Closing Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of Seller of the Stockholders to comply with their obligations under this Agreement) and Seller and the Stockholders have not waived such condition on or before the Closing Date;

(c) by mutual consent of Buyer, Seller and the Seller Stockholders; or

(d) by either Buyer or Seller or either of the Seller Stockholders if the Closing has not occurred (other than through the failure of any party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before March 15, 2002, or such later date as the parties may agree upon.

8.2 Effect of Termination. Each party's right of termination under Section 8.1 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 8.1, all further obligations of the parties under this Agreement will terminate, except that the obligations in Sections 11.1 and 11.3 will survive; provided, however, that if this Agreement is terminated by a party because of the Breach of the Agreement by the other party or because one or more of the conditions to the terminating party's obligations under this Agreement is not satisfied as a result of the other party's failure to comply with its obligations under this Agreement, the terminating party's right to pursue all legal remedies will survive such termination unimpaired..

ARTICLE IX
INDEMNIFICATIONS; REMEDIES

9.1 Survival. All representations, warranties, covenants, and obligations in this Agreement, the Disclosure Schedule and any certificate or document delivered pursuant to this Agreement will survive the Closing. The right to indemnification, payment of Damages or other remedy based on such representations, warranties, covenants, and obligations will not be affected by any investigation conducted with respect to, or any Knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, or obligation. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, payment of Damages, or other remedy based on such representations, warranties, covenants, and obligations.

9.2 Indemnification and Payment of Damages by Seller Stockholders. The Seller Stockholders jointly and severally will indemnify and hold harmless Buyer, and its respective Representatives, stockholders, controlling persons, and affiliates (collectively, the "Buyer Indemnified Persons") for, and will pay

to the Buyer Indemnified Persons the amount of, any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys' fees) or diminution of value, whether or not involving a third-party claim (collectively, "Damages"), arising, directly or indirectly, from or in connection with:

(a) any Breach of any representation or warranty made by either the Seller or either of the Seller Stockholders in this Agreement or any other certificate or document delivered by the Seller or a Seller Stockholder pursuant to this Agreement;

(b) any Breach by either Seller or either of the Seller Stockholders of any covenant, agreement or obligation of the Seller or such Seller Stockholder in this Agreement;

(c) any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by any such Person with Seller (or any Person acting on behalf) or any Stockholder in connection with any of the Contemplated Transactions.

The remedies provided in this Section 9.2 will not be exclusive of or limit any other remedies that may be available to Buyer or the other Buyer Indemnified Persons.

9.3 Indemnification and Payment of Damages by Buyer. Buyer will indemnify and hold harmless the Seller Stockholders, and will pay to the Seller Stockholders and their respective Representatives, controlling persons and affiliates (the "Seller Indemnified Person") the amount of any Damages arising, directly or indirectly, from or in connection with (a) any Breach of any representation or warranty made by Buyer in this Agreement or in any certificate delivered by Buyer pursuant to this Agreement, (b) any Breach by Buyer of any covenant, agreement or obligation of Buyer in this Agreement, or (c) any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or

understanding alleged to have been made by such Person with Buyer (or any Person acting on its behalf) in connection with any of the Contemplated Transactions.

9.4 Time Limitations. If the Closing occurs, Seller and the Seller Stockholders will have no liability (for indemnification or otherwise) with respect to any representation or warranty, or covenant or obligation to be performed and complied with prior to the Closing Date, other than those in Sections 2.3, 2.10, 2.12, and 2.18, unless on or before 27 months from the Closing Date Buyer notifies such Seller Stockholder of a claim specifying the factual basis of that claim in reasonable detail to the extent then known by Buyer; a claim with respect to Section 2.3, 2.10, 2.12, or 2.18, or a claim for indemnification or reimbursement not based upon any representation or warranty or any covenant or obligation to be performed and complied with prior to the Closing Date, may be made at any time with respect to Section 2.3, and the greater of 30 months or the expiration of the applicable statute of limitations with respect to Sections 2.10, 2.12 and 2.18. If the Closing occurs, Buyer will have no liability (for indemnification or otherwise) with respect to any representation or warranty, or covenant or obligation to be performed and complied with prior to the Closing Date, unless on or before 30 months from the Closing Date either of the Seller Stockholders notifies Buyer of a claim specifying the factual basis of that claim in reasonable detail to the extent then known by Seller and the Seller Stockholders.

9.5 Limitations on Amount -- Seller and the Seller Stockholders. Seller and the Seller Stockholders will have no liability (for indemnification or otherwise) with respect to the matters described in Section 9.2 until the total of all Damages with respect to such matters exceeds $20,000, and then only for the amount by which such Damages exceed $20,000. Notwithstanding the foregoing, this Section 9.5 will not apply to any Breach of Section 2.4(b) or any of Seller's or the Seller Stockholders' representations and warranties of which Seller or any of the Seller Stockholders had Knowledge at any time prior to the date on which such representation and warranty is made or any intentional Breach by Seller or any of the Seller Stockholders of any covenant or obligation, and Seller and the Seller Stockholders will be liable for all Damages with respect

to such Breaches. For purposes of a breach of Section 2.4(b), Seller and the Seller Stockholders will have liability on a dollar for dollar basis to the extent of the greater of (i) the amount of the deficiency in the Minimum Net Worth or (ii) the amount of the excess over the Maximum Lease Obligations. Notwithstanding anything to the contrary set forth in this Agreement, in no event shall the Seller Stockholders or the affiliates thereof collectively be liable for any monetary damages in connection with arising, under or relating to this Agreement, any ancillary agreement or document or the transactions set forth herein and therein in an aggregate amount greater than the consideration payable by Buyer to the Seller Stockholders pursuant to the terms hereof.

9.6 Limitations on Amount -- Buyer. Buyer will have no liability (for indemnification or otherwise) with respect to the matters described in Section 9.3 until the total of all Damages with respect to such matters exceeds $20,000, and then only for the amount by which such Damages exceed $20,000. However, this Section 9.6 will not apply to any Breach of any of Buyer's representations and warranties of which Buyer had Knowledge at any time prior to the date on which such representation and warranty is made or any intentional Breach by

Buyer of any covenant or obligation, and Buyer will be liable for all Damages with respect to such Breaches.

9.7 Procedure for Indemnification -- Third Party Claims.

(a) Promptly after receipt by an indemnified party of notice of the commencement of any Proceeding against it, such indemnified party will, if a claim is to be made against an indemnifying party, give notice to the indemnifying party of the commencement of such claim, but the failure to notify the indemnifying party will not relieve the indemnifying party of any liability that it may have to any indemnified party, except to the extent that the indemnifying party demonstrates that the defense of such action is prejudiced by the indemnifying party's failure to give such notice.

(b) If any Proceeding referred to in Section 9.7(a) is brought against an indemnified party and it gives notice to the indemnifying party of the commencement of such Proceeding, the indemnifying party will, unless the claim involves Taxes, be entitled to participate in such Proceeding and, to the extent that it wishes (unless (i) the indemnifying party is also a party to such Proceeding and the indemnified party reasonably determines in good faith that joint representation would be inappropriate, or (ii) the indemnifying party fails to provide reasonable assurance to the indemnified party of its financial capacity to defend such Proceeding and provide indemnification with respect to such Proceeding), to assume the defense of such Proceeding with counsel reasonably satisfactory to the indemnified party and, after notice from the indemnifying party to the indemnified party of its election to assume the defense of such Proceeding, the indemnifying party will not, as long as it diligently conducts such defense, be liable to the indemnified party under this Section 9 for any fees of other counsel or any other expenses with respect to the defense of such Proceeding, in each case subsequently incurred by the indemnified party in connection with the defense of such Proceeding, other than reasonable costs of investigation. If the indemnifying party assumes the defense of a Proceeding, (i) it will be conclusively established for purposes of this Agreement that the claims made in that Proceeding are within the scope of and subject to indemnification; (ii) no compromise or settlement of such claims may be effected by the indemnifying party without the indemnified party's consent unless (A) there is no finding or admission of any violation of Legal Requirements or any violation of the rights of any Person and no effect on any other claims that may be made against the indemnified party, and (B) the sole relief provided is monetary damages that are paid in full by the indemnifying party; and (iii) the indemnified party will have no liability with respect to any compromise or settlement of such claims effected without its consent. If notice is given to an indemnifying party of the commencement of any Proceeding and the indemnifying party does not, within fifteen days after the indemnified party's notice is given, give notice to the indemnified party of its election to assume the defense of such Proceeding, the indemnifying party will be bound by any determination made in such Proceeding or any compromise or settlement effected by the indemnified party to which the indemnifying party consents, which consent may not be unreasonably withheld.

(c) Notwithstanding the foregoing, if an indemnified party determines in

good faith that there is a reasonable probability that a Proceeding may adversely affect it or its affiliates

other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement, the indemnified party may, by notice to the indemnifying party, assume the exclusive right to defend, compromise, or settle such Proceeding, but the indemnifying party will not be bound by any determination of a Proceeding so defended or any compromise or settlement effected without its consent (which may not be unreasonably withheld).

9.8 Procedure for Indemnification -- Other Claims . A claim for indemnification for any matter not involving a third-party claim may be asserted by notice to the party from whom indemnification is sought.

ARTICLE X

Intentionally left blank.

ARTICLE XI
GENERAL PROVISIONS

11.1 Expenses. Except as otherwise expressly provided in this Agreement, each party to this Agreement will bear its respective expenses incurred in connection with the preparation, execution, and performance of this Agreement and the Contemplated Transactions, including all fees and expenses of agents, representatives, counsel, and accountants. The foregoing combined expenses of Seller and Seller Stockholders shall be borne $20,000 by Buyer and paid at closing (but shall be deducted in determining Minimum Net Worth) and the remainder personally by the Seller Stockholders. In the event of termination of this Agreement, the obligation of each party to pay its own expenses will be subject to any rights of such party arising from a breach of this Agreement by another party.

11.2 Public Announcements. Any public announcement or similar publicity with respect to this Agreement or the Contemplated Transactions will be issued, if at all, at such time and in such manner as Buyer determines. Unless consented to by Buyer in advance or required by Legal Requirements, prior to the Closing Seller and the Seller Stockholders shall keep this Agreement strictly confidential and may not make any disclosure of this Agreement to any Person.

11.3 Confidentiality. Between the date of this Agreement and the Closing Date, Buyer and Acquired Group will maintain in confidence, and will cause the directors, officers, employees, agents, and advisors of Buyer and Seller and the Seller Stockholders to maintain in confidence, and not use to the detriment of another Party any written, oral, or other information obtained in confidence from another Party in connection with this Agreement or the Contemplated Transactions, unless (a) such information is already known to such party or to others not bound by a duty of confidentiality or such information becomes publicly available through no fault of such party, (b) the use of such information is necessary or appropriate in

making any filing or obtaining any consent or approval required for the consummation of the Contemplated Transactions, or (c) the furnishing or use of such information is required by legal proceedings or is required by law to be disclosed. If the Contemplated Transactions are not consummated, each party will return or destroy as much of such written information as the other party may reasonably request. To the extent not inconsistent with this Section 11.3, the Mutual Non-Use and Non-Disclosure Agreement, dated June 19, 2001, between Buyer and the Seller shall remain in effect.

11.4 Notices. All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly

given when (a) delivered by hand (with written confirmation of receipt), (b) sent by telecopier (with written confirmation of receipt), provided that a copy is mailed by registered mail, return receipt requested, or (c) received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and telecopier numbers set forth below (or to such other addresses and telecopier numbers as a party may designate by notice to the other parties):

If to Seller or a Seller Stockholder:	Bac-Tech Systems, Inc. 665 Broadway New York, New York 10012 Attention: Robert Bacchi Facsimile No.: (212) 759-6967
With a copy to:	Kasowitz, Benson, Torres & Friedman, LLP 1633 Broadway New York New York 10019 Attention: Jack Schulman, Esq. Facsimile No.: (212) 541-4244
If to Buyer:	eB2B Commerce, Inc. 757 Third Avenue, 3rd Floor New York, New York 10017 Attention: President Facsimile No.: (212) 703-2076
With a copy to:	Kaufman & Moomjian, LLC 50 Charles Lindbergh Boulevard Mitchel Field, New York 11553 Attention: Gary T. Moomjian, Esq. Facsimile No.: (516) 222-5110

11.5 Jurisdiction; Service of Process. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the parties in the courts of the State of New York, or, if it has or can acquire jurisdiction, in the

United States District Court for the Southern District of New York, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the preceding sentence may be served on any party anywhere in the world.

11.6 Further Assurances. The parties agree (a) to furnish upon request to each other such further information, (b) to execute and deliver to each other such other documents, and (c) to do such other acts and things, all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement and the documents referred to in this Agreement.

11.7 Waiver. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power, or privilege under this Agreement or the documents referred to in this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement or the documents referred to in this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; and (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given.

11.8 Entire Agreement and Modification. This Agreement supersedes all prior agreements between the parties with respect to its subject matter and constitutes (along with the documents referred to in this Agreement) a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter. This Agreement may not be amended except by a written agreement executed by the party to be charged with the amendment.

11.9 Assignments, Successors, and No Third-Party Rights. Neither party may assign any of its rights under this Agreement without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon, and inure to the benefit of the successors and permitted assigns of the parties. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement. This Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and assigns.

11.10 Special Indemnification. Buyer covenants and agrees that it will take whatever steps are required to release the personal guaranties of the Seller Stockholders relating to the Chase Manhattan Line of Credit (maximum line of $165,000) within sixty (60) days of the Closing Date and, in any event, shall indemnify Buyer with respect to any liability relating thereto.

11.11 Stockholder Meeting. Buyer shall use reasonable efforts to hold its next stockholders meeting by September 30, 2002 (which shall include a proposal that will allow the Buyer Preferred Stock to be converted to Buyer Common Stock), but the parties acknowledge that the date of such meeting may be effected by such items as the complexity of the proposals to be submitted to stockholders, whether or not Buyer receives comments on its Proxy Statement from the Securities and Exchange Commission.

11.12 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

11.13 Section Headings, Construction. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

11.14 Governing Law. This Agreement will be governed by the laws of the State of New York without regard to conflicts of laws principles.

11.15 Counterparts . This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first written above.

SELLER STOCKHOLDERS

/s/ Robert Bacchi

Robert Bacchi

/s/ Mike Dodier

Mike Dodier

SELLER:

BAC-TECH SYSTEMS, INC.

By: /s/ Robert Bacchi

Name: Robert Bacchi

Title: President

BUYER:

EB2B COMMERCE, INC.

By: /s/ Richard S. Cohan

Name: Richard S. Cohan

Title: CEO

APPENDIX A
TO STOCK PURCHASE AGREEMENT

As used in this Agreement, the following terms have the following meanings:

"APPLICABLE CONTRACT" -- any Contract (a) under which Seller has or may acquire any rights, (b) under which Seller has or may become subject to any obligation or liability, or (c) by which Seller or any of the assets owned or used by it is or may become bound.

"BEST EFFORTS" -- the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to ensure that such result is achieved expeditiously; provided, however, that an obligation to use Best Efforts under this Agreement does not require the Person subject to that obligation to take actions that would result in a materially adverse change in the benefits to such Person of this Agreement and the Contemplated Transactions.

"BREACH" -- a "Breach" of a representation, warranty, covenant, obligation, or other provision of this Agreement or any instrument delivered pursuant to this Agreement will be deemed to have occurred if there is or has been any inaccuracy in or breach of, or any failure to perform or comply with, such representation, warranty, covenant, obligation, or other provision.

"CONSENT" -- any approval, consent, ratification, waiver, or other authorization (including any Governmental Authorization).

"CONTEMPLATED TRANSACTIONS" -- all of the transactions contemplated by this Agreement, including:

(a) the merger of Seller with and into Buyer;

(b) the execution, delivery, and performance of the Contemplated Transaction Documents; and

(c) the performance by Buyer, Seller and the Seller Stockholders of their respective covenants and obligations under this Agreement.

"CONTEMPLATED TRANSACTION DOCUMENTS" means this Agreement, the Notes, the Security Agreement, the Employment Agreements, the Non-Competition Agreements, the Lockup Agreements, the Registration Rights Agreement and all other agreements, documents and instruments now or hereafter executed and/or delivered pursuant to or in connection with any of the foregoing, and any and all amendments, modifications, supplements, renewals, extensions or restatements thereof.

"ENCUMBRANCE" -- any charge, claim, community property interest, condition, equitable interest, lien, option, pledge, security interest, right of first refusal, or similar restriction, including any restriction on use, voting, transfer, receipt of income, or exercise of any other

attribute of ownership; provided, however, that a restriction that normally is related to the item being referenced shall not be an Encumbrance.

"ENVIRONMENT" -- soil, land surface or subsurface strata, surface waters (including navigable waters, ocean waters, streams, ponds, drainage basins, and wetlands), groundwaters, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life, and any other environmental medium or natural resource.

"ENVIRONMENTAL, HEALTH, AND SAFETY LIABILITIES" -- any cost, damages, expense, liability, obligation, or other responsibility arising from or under Environmental Law or Occupational Safety and Health Law and consisting of or relating to:

(a) any environmental, health, or safety matters or conditions (including on-site or off-site contamination, occupational safety and health, and regulation of chemical substances or products);

(b) fines, penalties, judgments, awards, settlements, legal or administrative proceedings, damages, losses, claims, demands and response, investigative, remedial, or inspection costs and expenses arising under Environmental Law or Occupational Safety and Health Law;

(c) financial responsibility under Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action, including any investigation, cleanup, removal, containment, or other remediation or response actions ("Cleanup") required by applicable Environmental Law or Occupational Safety and Health Law (whether or not such Cleanup has been required or requested by any Governmental Body or any other Person) and for any natural resource damages; or

(d) any other compliance, corrective, investigative, or remedial measures required under Environmental Law or Occupational Safety and Health Law.

The terms "removal," "remedial," and "response action," include the types of activities covered by the United States Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. ss. 9601 et seq., as amended ("CERCLA").

"ENVIRONMENTAL LAW" -- any applicable Legal Requirement that requires or relates to:

(a) advising appropriate authorities, employees, and the public of intended or actual releases of pollutants or hazardous substances or materials, violations of discharge limits, or other prohibitions and of the commencements of activities, such as resource extraction or construction, that could have significant impact on the Environment;

(b) preventing or reducing to acceptable levels the release of pollutants or hazardous substances or materials into the Environment;

(c) reducing the quantities, preventing the release, or minimizing the hazardous characteristics of wastes that are generated;

(d) assuring that products are designed, formulated, packaged, and used so that they do not present unreasonable risks to human health or the Environment when used or disposed of;

(e) protecting resources, species, or ecological amenities;

(f) reducing to acceptable levels the risks inherent in the transportation

of hazardous substances, pollutants, oil, or other potentially harmful substances;

(g) cleaning up pollutants that have been released, preventing the threat of release, or paying the costs of such clean up or prevention; or

(h) making responsible parties pay private parties, or groups of them, for damages done to their health or the Environment, or permitting self-appointed representatives of the public interest to recover for injuries done to public assets.

"ERISA" - the Employee Retirement Income Security Act of 1974 or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

"FACILITIES" -- any real property, leaseholds, or other interests currently or formerly owned or operated by Seller and any buildings, plants, structures, or equipment (including motor vehicles) currently or formerly owned or operated by Seller.

"GOVERNMENTAL AUTHORIZATION" -- any approval, consent, license, permit, waiver, or other authorization issued, granted, given, or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

"GOVERNMENTAL BODY" -- any:

(a) nation, state, county, city, town, village, district, or other jurisdiction of any nature;

(b) federal, state, local, municipal, foreign, or other government;

(c) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal);

(d) multi-national organization or body; or

(e) body entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature.

"HAZARDOUS ACTIVITY" -- the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, Release, storage, transfer, transportation,

treatment, or use (including any withdrawal or other use of groundwater) of Hazardous Materials in, on, under, about, or from the Facilities or any part thereof into the Environment, and any other act, business, operation, or thing that increases the danger, or risk of danger, or poses an unreasonable risk of harm to persons or property on or off the Facilities, or that may affect the value of the Facilities or Seller.

"HAZARDOUS MATERIALS" -- any waste or other substance that is listed, defined, designated, or classified as, or otherwise determined to be, hazardous, radioactive, or toxic or a pollutant or a contaminant under or pursuant to any Environmental Law, including any admixture or solution thereof, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials.

"IRC" - the Internal Revenue Code of 1986, as amended, or any successor law, and regulations issued by the IRS pursuant to the Internal Revenue Code or any successor law.

"KNOWLEDGE" -- an individual will be deemed to have "Knowledge" of a particular fact or other matter if such individual is actually aware of such fact or other matter.

"LEGAL REQUIREMENT" -- any applicable federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute, or

treaty.

"MATERIAL ADVERSE EFFECT" -- any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (a) the business, assets, financial condition, results of operations or prospects of the Seller or Buyer, as the case may be, taken as a whole or (b) the validity or enforceability of this Agreement.

"OCCUPATIONAL SAFETY AND HEALTH LAW" -- any Legal Requirement designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, and any program, whether governmental or private (including those promulgated or sponsored by industry associations and insurance companies), designed to provide safe and healthful working conditions.

"ORDER"-- any award, decision, injunction, judgment, order, ruling, subpoena, or verdict entered, issued, made, or rendered by any court, administrative agency, or other Governmental Body or by any arbitrator.

"ORDINARY COURSE OF BUSINESS" -- an action taken by a Person will be deemed to have been taken in the "Ordinary Course of Business" only if:

(a) such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person; and

(b) such action is not required to be authorized by the board of directors of such Person (or by any Person or group of Persons exercising similar authority) and is not required to be specifically authorized by the parent (if any) of such Person.

"ORGANIZATIONAL DOCUMENTS" -- (a) the articles or certificate of incorporation and the bylaws of a corporation; (b) the partnership agreement and any statement of partnership of a general partnership; (c) the limited partnership agreement and the certificate of limited partnership of a limited partnership; (d) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person; and (e) any amendment to any of the foregoing.

"PERMITTED LIENS" -- shall mean, as applied to the property or assets of any entity (or any revenues, income or profits of that entity therefrom): (i) liens for taxes if the same are not at the time due and delinquent; (ii) liens of carriers, warehousemen, mechanics, laborers and material men for sums not yet due; (iii) encumbrances incurred in the ordinary course of that entity's business in connection with worker's compensation, unemployment insurance and other social security legislation (other than pursuant to ERISA or Section 412(n) of the Code); (iv) liens incurred in the ordinary course of that entity's business in connection with deposit accounts or to secure the performance of bids, tenders, trade contracts, statutory obligations, surety and appeal bonds, performance and return-of-money bonds and other obligations of like nature; (v) easements, rights-of-way, reservations, restrictions and other similar encumbrances incurred in the ordinary course of that entity's business or existing on property and not materially interfering with the ordinary conduct of that entity's business or the use of that property; (vi) any interest or title of a lessor of assets that the Seller is leasing pursuant to any capital lease of the Seller; and (vii) encumbrances securing purchase money indebtedness of the Seller, so long as those encumbrances do not attach to any property or assets other than the properties or assets purchased with the proceeds of that indebtedness.

"PERSON" -- any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability Seller, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Body.

"PROCEEDING" -- any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

"RELATED PERSON" -- with respect to a particular individual:

(a) each other member of such individual's Family;

(b) any Person that is directly or indirectly controlled by such individual or one or more members of such individual's Family;

(c) any Person in which such individual or members of such individual's Family hold (individually or in the aggregate) a Material Interest; and

(d) any Person with respect to which such individual or one or more members of such individual's Family serves as a director, officer, partner, executor, or trustee (or in a similar capacity).

With respect to a specified Person other than an individual:

(a) any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with such specified Person;

(b) any Person that holds a Material Interest in such specified Person;

(c) each Person that serves as a director, officer, partner, executor, or trustee of such specified Person (or in a similar capacity);

(d) any Person in which such specified Person holds a Material Interest;

(e) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity); and

(f) any Related Person of any individual described in clause (b) or (c).

For purposes of this definition, (a) the "Family" of an individual includes (i) the individual, (ii) the individual's spouse, (iii) any other natural person who is related to the individual or the individual's spouse within the second degree, and (iv) any other natural person who resides with such individual, and (b) "Material Interest" means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of voting securities or other voting interests representing at least 35% of the outstanding voting power of a Person or equity securities or other equity interests representing at least 35% of the outstanding equity securities or equity interests in a Person.

"RELEASE" -- any spilling, leaking, emitting, discharging, depositing, escaping, leaching, dumping, or other releasing into the Environment, whether intentional or unintentional.

"REPRESENTATIVE" -- with respect to a particular Person, any director, officer, employee, agent, consultant, advisor, or other representative of such Person, including legal counsel, accountants, and financial advisors.

"SUBSIDIARY" -- with respect to any Person (the "Owner"), any corporation or other Person of which securities or other interests having the power to elect a majority of that corporation's or other Person's board of directors or similar governing body, or otherwise having the power to direct the business and policies of that corporation or other Person (other than securities or other interests having such power only upon the happening of a contingency that has not occurred) are held by the Owner or one or more of its Subsidiaries.

"TAX OR TAXES" - any applicable (i) federal, state, territorial, local or foreign income, gross receipts, franchise, estimated, alternative minimum, add-on minimum, sales, use, transfer, registration, value added, excise, natural resources, severance, stamp, occupation, premium, windfall profit, environmental (including taxes under IRC ss. 59A), customs, duties, real property, personal property, capital stock, social security, unemployment, disability, payroll, license, employee or other withholding, or other tax, of any kind whatsoever, including any interest,

penalties or additions to tax or additional amounts in respect of the foregoing, whether disputed or not; (ii) liability of a Taxpayer for the payment of any amounts of the type described in clause (i) arising as a result of being (or ceasing to be) a member of any Affiliated Group (or being included (or required to be included) in any Tax Return relating thereto); and (iii) liability of a Taxpayer for the payment of any amounts of the type described in clause (i) as a result of any express or implied obligation to indemnify or otherwise assume or succeed to the liability of any other Person.

"TAX RETURN" -- any return (including any information return), report, statement, claim for refund, schedule, notice, form, or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any Legal Requirement relating to any Tax.

"THREAT OF RELEASE" -- a substantial likelihood of a Release that may require action in order to prevent or mitigate damage to the Environment that may result from such Release.

"THREATENED" -- a claim, Proceeding, dispute, action, or other matter will be deemed to have been "Threatened" if any demand or statement has been made (orally or in writing) or any notice has been given (orally or in writing), that would lead a reasonable Person to conclude that such a claim, Proceeding, dispute, action, or other matter is likely to be asserted, commenced, taken, or otherwise pursued in the future.

EXHIBITS TO AGREEMENT AND PLAN OF MERGER
- --

Exhibit A - Note

Exhibit B - Employment Agreement

Exhibit C - Registration Rights Agreement

Exhibit D - Lockup Agreement

Exhibit E - Non-Competition Agreement

Exhibit F - Seller and the Seller Stockholders' Counsel Opinion

Exhibit G - Security Agreement

Exhibit H - Buyer's Counsel Opinion

DISCLOSURE SCHEDULE
- -------------------

2.1 Name, Jurisdiction of Incorporation, Other Jurisdictions Authorized to do Business, and Capitalization of Seller

2.2 Conflicts, Encumbrances

2.4 Financial Statements

2.6 Real Property Owned and Leased

2.8 Accounts Receivable

2.9 Other Liabilities

2.10 Tax Returns/Taxes - Tax Liabilities

2.12(i) Seller Plans, Seller Benefit Obligations and Seller VEBAS

2.12(ii) ERISA Affiliates, Plans and Plans of ERISA Affiliates

2.12(iii) Liabilities for Post-Retirement Benefits

2.12(iv) Nondisclosed Obligations Under Seller Plans and Seller's Other Benefit Obligations

2.13 Governmental Authorizations and Compliance With Law

2.14 Legal Proceedings

2.15 Certain Changes and Events

2.16 Contracts

2.16(a)	Contract Description
2.16(b)	Related Party Contract Rights
2.16(c)	Contract Effectiveness
3.16(d)	Compliance With Contracts

2.17 Insurance

2.17(b)	Insurance Obligations
2.17 (c)	Insurance Details
2.17(d)	Enforceability of Insurance Policies

2.18 Environmental Matters

2.19 Employees

2.21 Intellectual Property

2.21(b)	Description Relating to Intellectual Property Assets
2.21(c)	Assignments of Intellectual Property Rights
2.21(d)	List of Patents
2.21(e)	List of Trademarks
2.21(f)	List of Copyrights

2.22 Seller Software

2.22(a)	List of Software
2.22(c)	Software Problems

2.23 Customers

SCHEDULE 3.2
- ------------

Stockholder approval of the acquisition of Seller and/or the issuance of Buyer Common Stock upon conversion of Buyer Preferred Stock is required by the rules of Nasdaq.]\

Schedule 3.13

Litigation

In addition to the litigation set forth in the SEC Documents, Buyer was recently sued by a former employee who claimed that she was owed $10,000 for a guaranteed bonus, $75,000 for a performance bonus, as well as compensatory damages and costs.

CERTIFICATE OF
AMENDMENT TO THE
CERTIFICATE OF INCORPORATION
OF
EB2B COMMERCE, INC.

TO: The Department of the Treasury
State of New Jersey

Pursuant to the provisions of Section 14A: 7-2(2) of the New Jersey Business Corporation Act, the undersigned corporation, for the purpose of amending its Certificate of Incorporation, hereby certifies as follows:

(a) The name of the "Corporation" is eB2B Commerce, Inc.

(b) Article Sixth of the Corporation's Certificate of Incorporation is hereby amended by adding, as Exhibit D to such Article Sixth, the terms of Series D Convertible Preferred Stock set forth in the resolution duly adopted by the Corporation's Board of Directors which is attached hereto as Exhibit A and made part hereof.

(c) The resolution was adopted by the Board of Directors at a special meeting of the Board of Directors on December 19, 2001.

(d) The Certificate of Incorporation is amended so that the designation and number of shares of each class and series acted upon in the resolution, and the relative rights, preferences and limitations of each such class and series, are stated in the resolution.

IN TESTIMONY WHEREOF, the Corporation has caused this Certificate of Amendment to the Certificate of Incorporation to be executed by a duly authorized officer as of the 2nd day of January 2002.

EB2B COMMERCE, INC.

By: /s/ Richard S. Cohan

Richard S. Cohan
Chief Executive Officer and President

EXHIBIT A

TERMS OF
SERIES D CONVERTIBLE PREFERRED STOCK
OF
EB2B COMMERCE, INC.

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (the "Board of Directors" or the "Board") in accordance with the provisions of its Certificate of Incorporation, as amended (the "Certificate of Incorporation"), the Board of Directors hereby authorizes a series of the Corporation's previously authorized preferred stock, par value $.0001 per share (the "Preferred Stock"), and hereby states the designation and number of shares, and fixes the relative rights, preferences, privileges, powers and restrictions thereof as follows:

EXHIBIT D

Series D Convertible Preferred Stock:

1. Number of Shares and Designations. Ninety-Five Thousand (95,000) shares of the Preferred Stock at an issuance price of $10.00 per share (the "Original Purchase Price") of the Company are hereby constituted as a series of Preferred Stock of the Company designated as Series D Convertible Preferred Stock (the "Series D Preferred Stock").

2. Dividend Provisions.

(a) Subject to the rights of any other series of Preferred Stock that may from time to time come into existence, the holders of shares of Series D Preferred Stock shall be entitled to receive dividends, out of any assets legally available therefor, ratably with any declaration or payment of any dividend with holders of the Common Stock of the Company, when, as and if declared by the Board of Directors, based on the number of shares of Common Stock into which each share of Series D Preferred Stock is then convertible.

(b) The dividend rate on the Series D Preferred Stock shall be $1.20 per share per annum. Such dividends shall be cumulative on each share of Series D Preferred Stock from the date of issuance.

3. Rank. The Series D Preferred Stock shall rank: (i) junior to each of the Company's Series B Convertible Preferred Stock, par value $.0001 per share (the "Series B Preferred Stock"), and Series C Convertible Preferred Stock, par value $.0001 per share (the "Series C Preferred Stock"), and any other class or series of capital stock of the

Company hereafter created specifically ranking by its terms senior to the Series D Preferred Stock (collectively, with the Series B Preferred Stock and Series C Preferred Stock, the "Senior Securities"); (ii) prior to all of the Company's Common Stock, par value $.0001 per share (the "Common Stock"), and any class or series of capital stock of the Company hereafter created not specifically ranking by its terms senior to or on parity with the Series D Preferred Stock (collectively, with the Common Stock, the "Junior Securities"); and (iii) on parity with any class or series of capital stock of the Company hereafter created specifically ranking by its terms on parity with the Series D Preferred Stock (the "Parity Securities"), in each case as to the distribution of assets upon liquidation, dissolution or winding up of the Company.

4. Liquidation Preference; Sale of Company

(a) Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary ("Liquidation"), the holders of record of the shares of the Series D Preferred Stock shall be entitled to receive, immediately after any distributions to Senior Securities required by the Company's Certificate of Incorporation and any certificate(s) of designation, powers, preferences and rights, and before and in preference to any distribution or payment of assets of the Company or the proceeds thereof may be made or set apart for the holders of Junior Securities, an amount in cash equal to (i) $10.00 per share, representing the Original Purchase Price (the "Liquidation Preference Amount"), (ii) the dividend described in Section 2(a) whether declared or not and (iii) any other declared but unpaid dividends. If, upon such Liquidation, the assets of the Company available for distribution to the holders of Series D Preferred Stock and any Parity Securities shall be insufficient to permit payment in full to the holders of the Series D Preferred Stock and Parity Securities, then the entire assets and funds of the Company legally available for distribution to such holders and the holders of the Parity Securities then outstanding shall be distributed ratably among the holders of the Series D Preferred Stock and Parity Securities based upon the proportion the total amount distributable on each share upon Liquidation bears to the aggregate amount available for distribution on all shares of the Series D Preferred Stock and of such Parity Securities, if any.

(b) Upon the occurrence of a merger or consolidation of the Company where the stockholders of the Company own, on a fully diluted basis, less than a majority of the equity securities of the merged or combined entity, a sale of all or substantially all of the assets of the Company, or an acquisition of 50% or more of the Company's voting capital stock, the holders of the Series D Preferred Stock shall share in the proceeds of any such transaction, pro rata, with all holders of the Company's Common Stock, calculated on "as converted"

basis.

5. Redemption. If by November 30, 2002 (the "Redemption Date"), the Company does not obtain the Approval (as hereinafter defined in Section 6(a) below), each share of Series D Preferred Stock shall be redeemable, at the option of the holder thereof, for $10.00 per share in cash, plus all accrued and unpaid dividends from the date of issuance through the Redemption Date (the "Redemption Amount"). In the event of such a redemption, the holders shall be required to surrender such certificate or certificates for the shares for cancellation within 30 days of the Redemption Date in order

to receive the Redemption Amount; however, failure of the holder to so surrender the certificate(s) shall not effect the redemption of the shares, provided an affidavit of lost certificate(s) shall be presented to the Company.

6. Conversion. The Series D Preferred Stock shall be convertible into Common Stock only as follows:

(a) Automatic Conversion. Upon stockholder approval of the acquisition of Bac-Tech Systems, Inc. and/or the issuance of shares of Series D Preferred Stock in connection therewith (the "Approval"), each share of Series D Preferred Stock outstanding shall, inclusive of any dividend accrued on such share, without any action on the part of the holder thereof, be deemed automatically converted into 52.631578 shares of fully paid and non-assessable shares of Common Stock of the Company, subject to adjustment as provided below. The Company agrees to seek such Approval at its next annual or special meeting of stockholders. The number of shares of Common stock into which each share of Series D Preferred Stock is convertible is hereinafter referred to as the "Conversion Rate." The shares of Common Stock to be issued upon such conversion are hereinafter referred to as the "Conversion Shares."

(b) Mechanics of Conversion. Upon receiving Approval pursuant to the provisions of Section 6(a), the Company shall deliver to each such holder at its address appearing on the records of the Company a written notice of the conversion of the shares (the "Conversion Notice"), requesting surrender of the holder's certificate or certificates therefor for cancellation and written instructions regarding the registration and delivery of a certificate for the Conversion Shares. In the event the holder receives a Conversion Notice, the holder shall be required to surrender such certificate or certificates for the shares for cancellation within five business days of the Conversion Notice (the "Conversion Date"), but the failure of the holder to so surrender the certificates shall not affect the conversion of the shares into Conversion Shares, provided that if the certificate or certificates are not surrendered, an affidavit of lost certificate(s) shall be provided. No holder of the shares shall be entitled upon conversion of such shares 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 the shares. In the event the holder 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 holder and shall forward such certificates to the holder 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 a share certificate 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 the shares for all corporate purposes, notwithstanding any contrary notice. After the Conversion Date, the certificates shall, until surrendered to the Company, represent the right to receive the Conversion Shares through, but excluding, the Conversion Date.

(c) Conversion Rate Adjustments. The Conversion Rate of the Series D Preferred Stock shall be subject to adjustment from time to time. 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 Conversion Rate shall be adjusted so that it shall equal the rate determined by multiplying the Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding after giving effect to such action, and the denominator 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.

(d) Reservation of Shares. The Company shall at all times reserve and keep available, out of its authorized but unissued shares of Common Stock or out of shares of Common Stock held in its treasury, solely for the purpose of effecting the conversion of the shares of the Series D Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all shares of the Series D Preferred Stock from time to time outstanding.

(e) Fractional Shares.

(i) No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the conversion of the Series D Preferred Stock. In lieu of any fractional shares to which a holder would otherwise be entitled, the Company shall pay cash, equal to such fraction multiplied by the closing price (determined as provided in Subsection (ii) of this Section 6(e)) of the Common Stock on the day of conversion.

(ii) For the purposes of any computation under Subsection 6(e)(i), the current market price per share of Common Stock on any date shall be deemed to be the average of the daily closing prices for the 30 consecutive business days prior to the day in question. The closing price for each day shall be the last sales price regular way or in case no sale takes place on such day, the average of the closing high bid and low asked prices regular way, in either case (a) as officially quoted by the Nasdaq SmallCap Market or the Nasdaq National Market or such other market on which the Common Stock is then listed for trading, or (b) if, in the reasonable judgment of the Board of Directors of the Company, the Nasdaq SmallCap Market or the Nasdaq National Market is no longer the principal United States market for the Common Stock, then as quoted on the principal United States market for the Common Stock, as determined by the Board of Directors of the Company, or (c) if, in the reasonable judgment of the Board of Directors of the Company, there exists no principal United States market for the Common Stock, then as reasonably determined by the Board of Directors of the Company.

(f) Taxes, Etc. The Company will pay any taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of shares of the Series D Preferred Stock. However, the Company shall not be required to pay any tax

which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock upon conversion in a name other than that in which the shares of the Series D Preferred Stock so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax, or has established, to the satisfaction of the Company, that such tax has been paid.

(g) Assurances. The Company will not, by amendment of its Certificate of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 6 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series D Preferred Stock against impairment.

(h) Reissuance. No shares of Series D Preferred Stock which have been converted to Common Stock shall be reissued by the Company, provided, however, that any such share, upon being converted and canceled, shall be restored to the status of an authorized but unissued share of Preferred Stock without designation as to series, rights or preferences and may thereafter be issued as

a share of Preferred Stock not designated as Series D Preferred Stock.

7. Status of Converted Stock. In the event any shares of Series D Preferred Stock shall be converted pursuant to Section 6 hereof, the shares so converted shall be cancelled and shall not be issuable by the Company. The Certificate of Incorporation may be appropriately amended from time to time to effect the corresponding reduction in the Company's authorized capital stock.

8. Miscellaneous.

(a) There is no sinking fund with respect to the Series D Preferred Stock.

(b) The shares of the Series D Preferred Stock shall not have any preferences, voting powers or relative, participating, optional, preemptive or other special rights except as set forth above in this Certificate of Amendment to the Certificate of Incorporation.

IN WITNESS WHEREOF, eB2B Commerce, Inc. has caused this Certificate of Amendment to be executed this 2nd day of January, 2002.

eB2B COMMERCE, INC.

By: /s/ Richard S. Cohan

Name: Richard S. Cohan
Title: CEO

Attest:

By: /s/ Margery L. Flax

Name: Margery L. Flax
Title: Executive Assistant

PROMISSORY NOTE

$300,000 New York, New York
January 2, 2002

FOR VALUE RECEIVED, the undersigned, eB2B Commerce, Inc., a New Jersey corporation ("Maker"), does hereby promise to pay to the order of Robert Bacchi ("Payee"), with an address at 85-10 Forrest Parkway, Woodhaven, NY, or at such other place as the Payee or any holder hereof may from time to time designate, the sum of Three Hundred Thousand ($300,000) Dollars, constituting principal and interest at a rate of 3%, in lawful money of the United States and immediately available funds, in three equal installments of $100,000 on each of May 1, 2003, January 1, 2004 and January 1, 2005. All of the interest payable on this Note shall be included in the final $100,000 payment. This Note is made pursuant to Section 1.6 of an agreement and plan of merger (the "Merger Agreement") dated as of January 2, 2002 among Maker, Payee and others.

1. Security Interest. This Note and all amounts due hereunder shall be secured by the security interest described in the Security Agreement, dated the date hereof, by and between Maker, Payee and Michael Dodier.

2. Events of Default

Upon the occurrence of any of the following events (each, an "Event of Default" and collectively, the "Events of Default"):

(a) failure by Maker to pay the principal or interest of the Note or any installment thereof within ten business days after such payment is due, whether on the date fixed for payment or by acceleration or otherwise; or

(b) if Maker or any other authorized person or entity shall take any action to effect a dissolution, liquidation or winding up of Maker; or

(c) if Maker shall make a general assignment for the benefit of creditors or consent to the appointment of a receiver, liquidator, custodian, or similar official of all or substantially all of its properties, or any such official is placed in control of such properties, or Maker admits in writing its inability to pay its debts as they mature, or Maker shall commence any action or proceeding or take advantage of or file under any federal or state insolvency statute, including, without limitation, the United States Bankruptcy Code or any political subdivision thereof, seeking to have an order for relief entered with respect to it or seeking adjudication as a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution, administration, a voluntary arrangement, or other relief with respect to it or its debts; or

(d) there shall be commenced against Maker any action or proceeding of the nature referred to in paragraph (c) above or seeking issuance of a warrant of attachment,

execution, distraint, or similar process against all or any substantial part of the property of Maker, which results in the entry of an order for relief which remains undismissed, undischarged or unbonded for a period of sixty days;

then, in addition to all rights and remedies of Payee under applicable law or otherwise, all such rights and remedies being cumulative, not exclusive and enforceable alternatively, successively and concurrently, at his option, Payee may declare all amounts owing under this Note, to be due and payable, whereupon the then unpaid balance hereof shall forthwith become due and payable immediately, until the indebtedness evidenced by this Note is paid in full, plus all costs and expenses of collection or enforcement hereof, including, but not limited to, attorneys' fees and expenses. Upon the occurrence of any Event of Default hereunder, or upon maturity hereof (by acceleration or otherwise), the entire unpaid principal sum shall bear interest from the date of the occurrence of such Event of Default and after judgment and until collection, at the rate of ten percent (10%) per annum, but this provision shall not constitute an extension of the time for payment of principal or interest under this Note. The aforesaid default interest charge, when and if applicable, shall be due and payable immediately without notice or demand.

3. Intentionally left blank.

4. Subordination. Maker, 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 (if any) 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, now existing or 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 notes, or other instruments of indebtedness, issued by Maker in connection with any financings whereby Commonwealth Associates, L.P. acts as placement agent of any such financings, provided in each instance such debt is secured.

"Indebtedness for Borrowed Money" means (i) all payment obligations of Maker 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 Maker (each of the foregoing, an "Institutional Lender") in respect of extensions of credit to Maker (or to a subsidiary of Maker to the extent such obligations are guaranteed by Maker pursuant to a written guarantee executed by the appropriate officer(s) of Maker) and (ii) all obligations, contingent or otherwise, relative to the face amount of all asset-based letters of credit, whether or not drawn, and banker's acceptances, in each case issued for the account of Maker (other than such as may be for the benefit of an affiliate of Maker).

The provisions of this Section 4 are not for the benefit of Maker, but are solely for the purpose of redefining the relative rights of the holders of the Senior Debt, on the one hand, and the Payee, on the other hand. Nothing contained herein (i) shall impair, as between Maker and the Payee, the obligations of Maker, which are absolute and unconditional, to pay to the Payee 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

Payee and the creditors of Maker, or (iii) shall prevent the Payee 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.

5. Miscellaneous.

(a) Maker waives diligence, demand, presentment, protest and notice of any kind.

(b) All payments to be made to Payee under this Note shall be made into such account or accounts as the Payee may from time to time specify for that purpose.

(c) All notices, demands, requests and other communications required or otherwise given under this Note shall be in writing and shall be deemed to have been duly given if: (i) delivered by hand against written receipt therefor, (ii) forwarded by a third party company or governmental entity providing delivery services in the ordinary course of business which guarantees delivery the following business day, (iii) mailed by registered or certified mail, return receipt requested, postage prepaid, or (iv) transmitted by facsimile transmission electronically confirmed for receipt, in full, by the other party no later than 5:00 p.m., local time, on the date of transmission, addressed as follows:

If to Maker to: eB2B Commerce, Inc.
757 Third Avenue
New York, New York 10017
Attention: Chief Executive Officer
Facsimile: (212) 703-2076

with a copy to: Kaufman & Moomjian, LLC
50 Charles Lindbergh Boulevard - Suite 206

Mitchel Field, New York 11553
Attention: Gary T. Moomjian, Esq.
Facsimile: (516) 222-5110

If to Payee to: Robert Bacchi
c/o Bac-Tech Systems, Inc.
665 Broadway
New York, New York 10021
Facsimile: (212) 759-6967

with a copy to: Kasowitz, Benson, Torres & Friedman, LLP
1633 Broadway
New York, New York 10019
Attention: Jack Schulman, Esq.
Facsimile: (212) 506-1800

or at such other address as such party shall have furnished to each of the other parties hereto in accordance with this Section 5. Each such notice, demand, request or other communication shall be deemed given (i) on the date of such delivery by hand, (ii) on the first business day following the date of such delivery to the overnight delivery service or facsimile transmission, or (iii) three business days following such mailing.

(d) All makers, endorsers, guarantors, and sureties hereof agree jointly and severally that if, and as often as, this Note is placed in the hands of any attorneys for collection or to defend or enforce any of Holder's rights hereunder Maker shall pay to Holder, if it is found that Holder is meritorious on its claims, its reasonable attorney's fees, together with all court costs and other expenses.

(e) This Note may not be assigned without the prior written consent of the Maker.

(f) The execution and delivery of this Note has been authorized by the Board of Directors of Maker.

(g) This Note shall be governed by and construed, and all rights and obligations hereunder and thereunder determined, in accordance with the laws of the State of New York without regard to the conflicts of laws principles thereof and shall be binding upon the successors and assigns of Maker and inure to the benefit of the Payee, its successors, endorsees and assigns. The parties hereto hereby agree that any legal action or proceeding with respect to this Note or the Security Agreement or any amendments or any replacements hereof and thereof may be brought in any court of the State of New York sitting in the County of New York or in the United States District Court for the Southern District of New York. Each party hereto hereby irrevocably assents and submits to the personal jurisdiction of any of such courts in any such action or service. Each party hereto expressly and irrevocably waives any claim or defense in any such action or proceeding based on any alleged lack of personal jurisdiction, improper venue or forum non conveniens or any similar basis. Nothing in this Note shall affect or impair in any manner or to any extent the right of any party hereto to commence legal proceedings or otherwise proceed against any party in any jurisdction or to serve process in any manner otherwise permitted by law.

(h) If any term or provision of this Note shall be held invalid, illegal or unenforceable, the validity of all other terms and provisions shall in no way be affected thereby.

(i) Whenever used herein, the terms "Maker" and "Payee" shall be deemed to include their respective successors and assigns.

(j) This Note may not be modified changed, waived, discharged or terminated orally but only by agreement or discharge in writing and signed by Payee. Any forbearance of Payee in exercising any right or remedy hereunder or under the Security Agreement, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. The acceptance by Payee of payment of any sum payable hereunder after the due date of such payment shall not be a waiver of Payee's right to either require prompt payment

when due of all other sums payable hereunder or to declare a default for failure to make prompt payment.

(k) All makers, endorsers, guarantors and sureties hereof jointly and severally waive presentment, protest, notice of protest, demand, notice of demand or dishonor, notice of nonpayment and of intention to accelerate, diligence in collection, the bringing of suit against any other party, and any and all other notices and matters of a like nature. All makers, endorsers, guarantors and sureties consent to (i) any renewal, extension or modification (whether one or more) of the terms of the Security Agreement including the terms or time of payment under this Note; (ii) the release or surrender, exchange or substitution of any or any part of the security, direct or indirect, for the payment hereof; and (iii) the taking or releasing or other or additional parties primarily or contingently liable hereunder. Any such renewal, extension, modification, release, surrender, exchange or substitution may be made without notice to Maker and any endorsers, guarantors and sureties hereof and without affecting the liability of said parties hereunder.

(l) This Note shall be payable without setoff or deduction.

(m) Whenever Payee is referred to in this Note, such reference shall be deemed to include the successors and assigns of Payee, including, without limitation, any subsequent assignee or holder of this Note, and all covenants, provisions and agreements by or on behalf of Maker and any endorsers, guarantors and sureties hereof which are contained herein shall inure to the benefit of the successors and assigns of the Payee. Maker may not assign this Note except in connection with the acquisition of Maker to a financially responsible party, and including the assignment to such party of the Security Agreement.

(n) In the event that any provision of this Note shall be declared invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions of this Note, it being hereby agreed that such provisions are severable and that this Note shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

(o) The headings of this Note have been inserted as a matter of convenience and shall not affect the construction hereof.

IN WITNESS WHEREOF, this Note has been executed and delivered on the date first written above by the duly authorized representative of the Maker.

EB2B COMMERCE, INC.

By: /s/ Richard S. Cohan

Name: Richard S. Cohan
Title: CEO

PROMISSORY NOTE

$300,000 New York, New York
January 2, 2002

FOR VALUE RECEIVED, the undersigned, eB2B Commerce, Inc., a New Jersey corporation ("Maker"), does hereby promise to pay to the order of Michael Dodier ("Payee"), with an address at 119 Alpine Estates Drive, Cranston, RI, or at such other place as the Payee or any holder hereof may from time to time designate, the sum of Three Hundred Thousand ($300,000) Dollars, constituting principal and interest at a rate of 3%, in lawful money of the United States and immediately available funds, in three equal installments of $100,000 on each of May 1, 2003, January 1, 2004 and January 1, 2005. All of the interest payable on this Note shall be included in the final $100,000 payment. This Note is made pursuant to Section 1.6 of an agreement and plan of merger (the "Merger Agreement") dated as of January 2, 2002 among Maker, Payee and others.

1. Security Interest. This Note and all amounts due hereunder shall be secured by the security interest described in the Security Agreement, dated the date hereof, by and between Maker, Payee and Robert Bacchi.

2. Events of Default

Upon the occurrence of any of the following events (each, an "Event of Default" and collectively, the "Events of Default"):

(a) failure by Maker to pay the principal or interest of the Note or any i nstallment thereof within ten business days after such payment is due, whether on the date fixed for payment or by acceleration or otherwise; or

(b) if Maker or any other authorized person or entity shall take any action to effect a dissolution, liquidation or winding up of Maker; or

(c) if Maker shall make a general assignment for the benefit of creditors or consent to the appointment of a receiver, liquidator, custodian, or similar official of all or substantially all of its properties, or any such official is placed in control of such properties, or Maker admits in writing its inability to pay its debts as they mature, or Maker shall commence any action or proceeding or take advantage of or file under any federal or state insolvency statute, including, without limitation, the United States Bankruptcy Code or any political subdivision thereof, seeking to have an order for relief entered with respect to it or seeking adjudication as a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution, administration, a voluntary arrangement, or other relief with respect to it or its debts; or

(d) there shall be commenced against Maker any action or proceeding of the nature referred to in paragraph (c) above or seeking issuance of a warrant of attachment,

execution, distraint, or similar process against all or any substantial part of the property of Maker, which results in the entry of an order for relief which remains undismissed, undischarged or unbonded for a period of sixty days;

then, in addition to all rights and remedies of Payee under applicable law or otherwise, all such rights and remedies being cumulative, not exclusive and enforceable alternatively, successively and concurrently, at his option, Payee may declare all amounts owing under this Note, to be due and payable, whereupon the then unpaid balance hereof shall forthwith become due and payable immediately, until the indebtedness evidenced by this Note is paid in full, plus all costs and expenses of collection or enforcement hereof, including, but not limited to, attorneys' fees and expenses. Upon the occurrence of any Event of Default hereunder, or upon maturity hereof (by acceleration or otherwise), the entire unpaid principal sum shall bear interest from the date of the occurrence of such Event of Default and after judgment and until collection, at the rate of ten percent (10%) per annum, but this provision shall not constitute an extension of the time for payment of principal or interest under this Note. The aforesaid default interest charge, when and if applicable, shall be due and payable immediately without notice or demand.

3. Intentionally left blank.

4. Subordination. Maker, 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 (if any) 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, now existing or 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 notes, or other instruments of indebtedness, issued by Maker in connection with any financings whereby Commonwealth Associates, L.P. acts as placement agent of any such financings, provided in each instance such debt is secured.

"Indebtedness for Borrowed Money" means (i) all payment obligations of Maker 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 Maker (each of the foregoing, an "Institutional Lender") in respect of extensions of credit to Maker (or to a subsidiary of Maker to the extent such obligations are guaranteed by Maker pursuant to a written guarantee executed by the appropriate officer(s) of Maker) and (ii) all obligations, contingent or otherwise, relative to the face amount of all asset-based letters of credit, whether or not drawn, and banker's acceptances, in each case issued for the account of Maker (other than such as may be for the benefit of an affiliate of Maker).

The provisions of this Section 4 are not for the benefit of Maker, but are solely for the purpose of redefining the relative rights of the holders of the Senior Debt, on the one hand, and the Payee, on the other hand. Nothing contained herein (i) shall impair, as between Maker and the Payee, the obligations of Maker, which are absolute and unconditional, to pay to the Payee 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

Payee and the creditors of Maker, or (iii) shall prevent the Payee 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.

5. Miscellaneous.

(a) Maker waives diligence, demand, presentment, protest and notice of any kind.

(b) All payments to be made to Payee under this Note shall be made into such account or accounts as the Payee may from time to time specify for that purpose.

(c) All notices, demands, requests and other communications required or otherwise given under this Note shall be in writing and shall be deemed to have been duly given if: (i) delivered by hand against written receipt therefor, (ii) forwarded by a third party company or governmental entity providing delivery services in the ordinary course of business which guarantees delivery the following business day, (iii) mailed by registered or certified mail, return receipt requested, postage prepaid, or (iv) transmitted by facsimile transmission electronically confirmed for receipt, in full, by the other party no later than 5:00 p.m., local time, on the date of transmission, addressed as follows:

If to Maker to: eB2B Commerce, Inc.
757 Third Avenue
New York, New York 10017
Attention: Chief Executive Officer
Facsimile: (212) 703-2076

with a copy to: Kaufman & Moomjian, LLC

50 Charles Lindbergh Boulevard - Suite 206
Mitchel Field, New York 11553
Attention: Gary T. Moomjian, Esq.
Facsimile: (516) 222-5110

If to Payee to: Michael Dodier
c/o Bac-Tech Systems, Inc.
665 Broadway
New York, New York 10021
Facsimile: (212) 759-6967

with a copy to: Kasowitz, Benson, Torres & Friedman, LLP
1633 Broadway
New York, New York 10019
Attention: Jack Schulman, Esq.
Facsimile: (212) 506-1800

or at such other address as such party shall have furnished to each of the other parties hereto in accordance with this Section 5. Each such notice, demand, request or other communication shall be deemed given (i) on the date of such delivery by hand, (ii) on the first business day following the date of such delivery to the overnight delivery service or facsimile transmission, or (iii) three business days following such mailing.

(d) All makers, endorsers, guarantors, and sureties hereof agree jointly and severally that if, and as often as, this Note is placed in the hands of any attorneys for collection or to defend or enforce any of Holder's rights hereunder Maker shall pay to Holder, if it is found that Holder is meritorious on its claims, its reasonable attorney's fees, together with all court costs and other expenses.

(e) This Note may not be assigned without the prior written consent of the Maker.

(f) The execution and delivery of this Note has been authorized by the Board of Directors of Maker.

(g) This Note shall be governed by and construed, and all rights and obligations hereunder and thereunder determined, in accordance with the laws of the State of New York without regard to the conflicts of laws principles thereof and shall be binding upon the successors and assigns of Maker and inure to the benefit of the Payee, its successors, endorsees and assigns. The parties hereto hereby agree that any legal action or proceeding with respect to this Note or the Security Agreement or any amendments or any replacements hereof and thereof may be brought in any court of the State of New York sitting in the County of New York or in the United States District Court for the Southern District of New York. Each party hereto hereby irrevocably assents and submits to the personal jurisdiction of any of such courts in any such action or service. Each party hereto expressly and irrevocably waives any claim or defense in any such action or proceeding based on any alleged lack of personal jurisdiction, improper venue or forum non conveniens or any similar basis. Nothing in this Note shall affect or impair in any manner or to any extent the right of any party hereto to commence legal proceedings or otherwise proceed against any party in any jurisdction or to serve process in any manner otherwise permitted by law.

(h) If any term or provision of this Note shall be held invalid, illegal or unenforceable, the validity of all other terms and provisions shall in no way be affected thereby.

(i) Whenever used herein, the terms "Maker" and "Payee" shall be deemed to include their respective successors and assigns.

(j) This Note may not be modified changed, waived, discharged or terminated orally but only by agreement or discharge in writing and signed by Payee. Any forbearance of Payee in exercising any right or remedy hereunder or under the Security Agreement, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. The acceptance by Payee of payment of any sum payable hereunder after the due date of such payment shall not be a waiver of Payee's right to either require prompt payment

when due of all other sums payable hereunder or to declare a default for failure to make prompt payment.

(k) All makers, endorsers, guarantors and sureties hereof jointly and severally waive presentment, protest, notice of protest, demand, notice of demand or dishonor, notice of nonpayment and of intention to accelerate, diligence in collection, the bringing of suit against any other party, and any and all other notices and matters of a like nature. All makers, endorsers, guarantors and sureties consent to (i) any renewal, extension or modification (whether one or more) of the terms of the Security Agreement including the terms or time of payment under this Note; (ii) the release or surrender, exchange or substitution of any or any part of the security, direct or indirect, for the payment hereof; and (iii) the taking or releasing or other or additional parties primarily or contingently liable hereunder. Any such renewal, extension, modification, release, surrender, exchange or substitution may be made without notice to Maker and any endorsers, guarantors and sureties hereof and without affecting the liability of said parties hereunder.

(l) This Note shall be payable without setoff or deduction.

(m) Whenever Payee is referred to in this Note, such reference shall be deemed to include the successors and assigns of Payee, including, without limitation, any subsequent assignee or holder of this Note, and all covenants, provisions and agreements by or on behalf of Maker and any endorsers, guarantors and sureties hereof which are contained herein shall inure to the benefit of the successors and assigns of the Payee. Maker may not assign this Note except in connection with the acquisition of Maker to a financially responsible party, and including the assignment to such party of the Security Agreement.

(n) In the event that any provision of this Note shall be declared invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions of this Note, it being hereby agreed that such provisions are severable and that this Note shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

(o) The headings of this Note have been inserted as a matter of convenience and shall not affect the construction hereof.

IN WITNESS WHEREOF, this Note has been executed and delivered on the date first written above by the duly authorized representative of the Maker.

EB2B COMMERCE, INC.

By: Richard S. Cohan
_____

Name: Richard S.Cohan
Title: CEO

SECURITY AGREEMENT

This SECURITY AGREEMENT is made as of this 2nd day of January, 2002, by and between eB2B Commerce, Inc., a New Jersey corporation ("Debtor"), with its principal place of business at 757 Third Avenue, New York, New York 10017, and Robert Bacchi and Michael Dodier (each a "Secured Party and together, the "Secured Parties"), with a principal place of business at 665 Broadway, New York, New York 10012.

WHEREAS, Debtor is acquiring Bac-Tech Systems, Inc., a New York corporation ("Bac-Tech"), pursuant to the terms of a merger agreement dated January 2, 2002 (the "Merger Agreement") by and among Debtor, Bac-Tech and the Secured Parties (the "Transaction");

WHEREAS, as partial consideration for the Transaction, Debtor owes the Secured Parties an aggregate of $600,000 pursuant to certain promissory notes of even date herewith (the "Notes") made in favor of the Secured Parties;

WHEREAS, Debtor is willing to grant a security interest in certain of its assets to secure payment of the Notes upon the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is hereby agreed as follows:

1. Security Interest. To secure the due payment by Debtor under the Notes, Debtor hereby grants to the Secured Parties a [first priority, perfected] security interest in the Collateral described in Paragraph 2 hereof.

2. Description of Collateral. The collateral subject to this Security Agreement is all of Debtor's right, title and interest in and to the Intellectual Property Assets (as defined and described in Section 2.21(a) of the Merger Agreement) (the "Collateral").

3. Obligations of Debtor. Debtor hereby covenants, represents, warrants and agrees that:

(a) The Collateral, or any part thereof, will not be sold, leased, licensed, assigned, conveyed, transferred, disposed of or become subjected to any subsequent interest, lien, security interest or encumbrance of any party, created or suffered by Debtor, voluntarily or involuntarily, except in the ordinary course of Debtor's business or as expressly authorized in writing by Secured Parties;

(b) The obligations, liabilities and indebtedness of Debtor to Secured Parties hereunder shall not be released, discharged or impaired in any manner or to any extent if Secured Parties renew, extend, modify, change or waive the time of payment and/or the manner, place or terms of payment of all or any part of the indebtedness secured hereby or any renewal thereof, or Secured Parties make any exchange, release, substitution, addition, surrender, settlement or compromise with respect to the Collateral, the indebtedness secured hereby or any party liable thereon; or Secured Parties subordinate such indebtedness or Collateral, or both, to any other indebtedness of Debtor, or security therefor, or both which may exist at any time hereafter; and

(c) Upon the execution hereof, Debtor and Secured Parties shall execute a UCC-1 financing statement relating to the security interest granted in this Security Agreement and Debtor shall promptly file (or cause to be filed) the UCC-1 financing statement with the State of New York. At any time and from time to time, upon the request of the Secured Parties, the Debtor shall execute, deliver and acknowledge or cause to be executed, delivered and acknowledged, such further documents, agreements and instruments, and do such other acts and things as the Secured Parties may reasonably request in order to fully perfect the security interest granted herein and otherwise effect the purposes of this Agreement.

(d) Debtor has full power and capacity to execute, deliver and perform this Agreement. No consent or approval of any entity is required as a condition to the validity of this Agreement. The making and performance of this Agreement

will not (x) violate or conflict with any provision of law or any rule or regulation, or (y) will not violate or conflict with or result in a breach of any order, writ, injunction or decree of any court or governmental authority, or create a default under or breach of any agreement, bond, note or indenture to which it is a party or by which it is bound or to which any of its properties or assets is affected.

(e) This Agreement has been duly executed and delivered, and constitutes the valid and legally binding obligations of Debtor, enforceable in accordance with its respective terms.

(f) Debtor will promptly notify the Secured Parties of any claim, lien, security interest or other encumbrance made or asserted against any of the Collateral.

4. Event of Default. The non-payment of the principal or interest of one or both of the Notes beyond any grace period and if not waived shall constitute a default on the part of Debtor hereunder (an "Event of Default"). Notwithstanding the foregoing, an Event of Default shall not exist unless the Secured Parties have given written notice to Debtor of non-payment and Debtor shall not have made the requisite payment within ten business days of actual receipt of such notice.

5. Secured Parties' Rights and Remedies. Upon the occurrence of an Event of Default under either of the Notes, in addition to all other rights and remedies provided hereunder, Secured Parties shall have and may exercise all of the rights and remedies provided by the Uniform Commercial Code in effect in the State of New York at the date of the execution of this Security Agreement, and any other applicable law, and, in conjunction with, in addition to, or in substitution therefor, Secured Parties shall have and may exercise the following rights and remedies:

(a) Secured Parties may (but shall not be required), alone or in conjunction with Debtor, take any or all action necessary to collect or receive any money or property at any time payable or receivable on account of or in exchange for the Collateral;

(b) Secured Parties may require Debtor to pay and deliver to Secured Parties, immediately upon collection and receipt thereof by Debtor, all proceeds arising from the Collateral, or may require Debtor to deposit all such proceeds in a bank selected by Secured Parties in a collateral account acceptable to Secured Parties. Until the proceeds from the Collateral have been paid and delivered to Secured Parties or deposited in the bank as hereinabove provided, Debtor shall hold such proceeds for and on behalf of Secured Parties separate and apart from Debtor's other funds or property, and shall not mingle such proceeds with any other such funds or property; and

(c) The entire unpaid indebtedness of Debtor to Secured Parties secured hereby, shall become immediately due and payable as provided in the Notes.

(d) Secured Parties shall have the right to sell, lease, or otherwise dispose of all or any part of the Collateral, whether in its then existing condition or after further preparation or processing, either at public or private sale or at any broker's board, in lots or in bulk, for cash or for credit, with or without warranties or representations, and upon such terms and conditions, all as Secured Parties, in their sole discretion, may deem advisable, and Secured Parties shall have the right to purchase at any such sale; and, if any Collateral shall require rebuilding, repairing, maintenance or preparation, Secured Parties shall have the right, at their option, to do such rebuilding, repairing, preparation or processing for the purpose of putting the Collateral in such saleable or disposable form as they shall deem appropriate.

6. Other Provisions.

(a) Secured Parties may waive any default, or remedy any default in any reasonable manner, without waiving such default remedied and without waiving any other prior or subsequent default; and Secured Parties may waive or delay the exercise of any right or remedy under this Security Agreement without waiving that right or remedy or any other right or remedy hereunder.

(b) This Security Agreement shall be binding upon, and shall inure to the benefit of, the respective heirs, executors, administrators, successors and assigns of the parties hereto.

(c) Each of the foregoing instruments, covenants, representations and warranties on the part of the Debtor shall be deemed and construed to be on a continuing basis and shall survive the execution and delivery of this Security Agreement.

(d) In the event that the Secured Parties exercise their rights under Section 5 hereof in the event of an Event of Default, Debtor and the Secured parties shall negotiate in good faith (a) non-exclusive license for Debtor to utilize the Collateral as appropriate for use in its business and in any case, Debtor may utilize such Collateral for a period of 45 days immediately following the date Debtor otherwise loses its rights to use the Collateral and (b) if requested by the Secured Parties, a non-exclusive license for the Secured Parties to utilize modifications to the Collateral made subsequent to the Closing Date and owned by Debtor as appropriate for use by the Secured Parties and, in any case, the Secured Parties may utilize such modifications for a period of 45 days.

(e) All notices, demands, requests and other communications required or otherwise given under this Security Agreement shall be in writing and shall be deemed to have been duly given if: (i) delivered by hand against written receipt therefor, (ii) forwarded by a third party company or governmental entity providing delivery services in the ordinary course of business which guarantees delivery the following business day, (iii) mailed by registered or certified mail, return receipt requested, postage prepaid, or (iv) transmitted by facsimile transmission electronically confirmed for receipt, in full, by the other party no later than 5:00 p.m., local time, on the date of transmission, addressed as follows:

If to Debtor to:	eB2B Commerce, Inc. 757 Third Avenue New York, New York 10017 Attention: Chief Executive Officer Facsimile: (212) 703-2076
with a copy to:	Kaufman & Moomjian, LLC 50 Charles Lindbergh Boulevard - Suite 206 Mitchel Field, New York 11553 Attention: Gary T. Moomjian, Esq. Facsimile: (516) 222-5110
If to Secured Parties to:	Robert Bacchi c/o Bac-Tech Systems, Inc. 665 Broadway New York, New York 10021 Facsimile: (212) 759-6967
with a copy to:	Kasowitz, Benson, Torres & Friedman, LLP 1633 Broadway New York, New York 10019 Attention: Jack Schulman, Esq. Facsimile: (212) 506-1800

or at such other address as such party shall have furnished to each of the other parties hereto in accordance with this Section 6. Each such notice, demand, request or other communication shall be deemed given (i) on the date of such delivery by hand, (ii) on the first business day following the date of such delivery to the overnight delivery service or facsimile transmission, or (iii) three business days following such mailing.

(f) The provisions of this Security Agreement shall be deemed severable, so that if any provision hereof is declared invalid under the laws of any state where it is in effect or of the United States, all other provisions of this Security Agreement shall continue in full force and effect.

(g) This Security Agreement shall not be modified or amended or any provision hereof waived except in writing executed by both parties hereto.

(h) The security interest granted herein shall terminate when all the obligations of Debtor under the Note have been fully paid and performed. Upon such termination, the Secured Parties shall return the Note to the Debtor.

(i) This Security Agreement shall be construed in accordance with and governed by the laws of the State of New York, without regard to its conflicts of law principles.

The parties hereto hereby agree that any legal action or proceeding with respect to this Security Agreement or any amendments hereto may be brought in any court of the State of New York sitting in the County of New York or in the United States District Court for the Sourthern District of New York. Each party hereto hereby irrevocably assents and submits to the personal jurisdiction of any of such courts in any such action or service. Each party hereto hereby expressly and irrevocably waives any claim or defense in any such action or proceeding based on any alleged lack of personal jurisdiction, improper venue or forum non conveniens or any similar basis. Nothing in this Agreement shall affect, or impair in any manner or to any extent the right of any party hereto to commence legal proceedings or otherwise proceed against any other party in any jurisdiction or to serve process in any manner otherwise permitted by law.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed and delivered this Security Agreement as of the day and year first above written.

eB2B COMMERCE, INC.

By: /s/ Richard S. Cohan

Name: Richard S. Cohan
Title: CEO

/s/ Robert Bacchi

Robert Bacchi

/s/ Michael Dodier

Michael Dodier

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT, dated as of January 2, 2002, by and between eB2B Commerce, Inc., a New Jersey corporation (the "Company"), and each of Robert Bacchi and Michael Dodier (the "Stockholders", and collectively with such other designated transferees or assignees of Stockholders, if any, the "Rightsholders").

WHEREAS, this Agreement has been entered into in connection with an Agreement and Plan of Merger, dated as of January 2, 2002 (the "Merger Agreement"), among the Company, Bac-Tech Systems, Inc., a New York corporation, and the Stockholders.

NOW, THEREFORE, it is agreed as follows:

1. Registerable Securities. The term "Registerable Securities" shall mean any of the shares of (i) common stock, par value $.0001 per share, of the Company ("Common Stock"), and (ii) Common Stock underlying the Series D convertible preferred stock, par value $.0001 per share, of the Company, received by the Stockholders pursuant to the Merger Agreement and other securities received in connection with any stock split, stock dividend, reorganization, recapitalization, reclassification or other distribution payable or issuable upon such shares. For the purposes of this Agreement, securities will cease to be Registerable Securities when (A) such Registerable Securities are distributed to the public pursuant to the Securities Act of 1933, as amended (the "Securities Act"), or pursuant to an exemption from the registration requirements of the Securities Act, including, but not limited to, Rules 144 and 144A promulgated under the Securities Act, (B) such Registrable Securities are eligible for immediate resale pursuant to to Rule 144(k) promulgated under the Securities Act, or (C) such Registerable Securities have been otherwise transferred and the Company, in accordance with applicable law and regulations, has delivered new certificates or other evidences of ownership for such securities which are not subject to any stop transfer order or other restriction on transfer and such Registrable Securities may be publicly resold (without volume or method of sale restrictions) without registration under the Securities Act.

2. Registration Rights.

(a) Piggyback Registration.

(i) If, at any time commencing one year after the Closing Date (as defined in Section 1.2 of the Merger Agreement) and on or prior to six years from the Closing Date, the Company proposes to file a registration statement (a "Piggyback Registration Statement") under the Securities Act with respect to an offering by the Company or any selling stockholders of any of its equity securities (other than a registration statement of Form S-4 or Form S-8, or any successor form or a registration statement filed solely in connection with an exchange offer, a business combination transaction or an offering of securities solely to the existing stockholders or employees of the Company), then the Company shall in each case give written notice (the "Piggyback Notice") of such proposed filing to the Rightsholders at least twenty (20) days before the anticipated filing date of such Piggyback Registration Statement, which Piggyback Notice shall offer the Rightsholders the opportunity to include in such Piggyback Registration Statement

such amount of Registrable Securities as they may request. Each of the Rightsholders electing to have his Registrable Securities registered pursuant to this Section 2(a)(i) shall advise the Company of such election in writing within ten (10) days after the date of receipt of the Piggyback Notice, specifying the amount of Registrable Securities for which registration is requested (the "Piggyback Election"). The Company shall include in any such Piggyback Registration Statement all Registrable Securities so requested to be included; provided that the Company has received the Piggyback Election and subject to limitations set forth in Section 2(a)(ii) below; and, provided, further, nothing herein shall prevent the Company from, at any time, abandoning or delaying any registration pursuant to this Section 2(a). Notwithstanding anything contained herein, all of the Registerable Securities will be included in the Company's next Amendment to its Registration Statement on Form SB-2, and all pre- and post-effective amendments thereto.

(ii) Notwithstanding the foregoing, if the underwriter(s) of any such offering of the Company shall be of the opinion that the total amount or kind of securities held by the Rightsholders and any other persons or entities entitled to be included in such offering would adversely affect the success of such offering, then the amount of securities to be offered for the accounts of Rightsholders shall be reduced pro rata to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by the underwriter(s) thereof, whereupon the Company shall only be obligated to register such limited portion (which may be none) of the Registrable Securities with respect to which such Rightsholders have provided a Piggyback Election. In no event shall the Company be required pursuant to this Section 2(a)(ii) to reduce the amount of securities proposed to be registered by it for its own account.

(iii) No registration pursuant to a request or requests referred to in this Section 2(a) shall be deemed to be a Demand Registration (as hereinafter defined).

(b) Demand Registration.

(i) The Rightsholders of a majority in interest of the Registrable Securities shall have the right at any time commencing one year after the Closing Date and on or prior to six years from the Closing Date, to make one (1) written demand upon the Company for registration under the Securities Act of all or part of their remaining Registrable Securities (a "Demand Registration"). Any such request shall specify the aggregate amount of Registrable Securities proposed to be sold and shall also specify the intended method of disposition thereof. Within fifteen (15) business days after receipt of such request, the Company shall give written notice (the "Demand Notice") of such registration request to all other Rightsholders and thereupon shall use reasonable efforts to register such Registrable Securities (and any of the Company's other equity securities which may be included therewith pursuant to Section 2(b)(ii) hereof) and shall include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within ten (10) business days after the receipt by the applicable Rightsholders of the Demand Notice; provided that the Company shall have the right to delay the effectiveness of such Demand Registration (a) for such

reasonable period of time until the Company receives or prepares financial statements for the fiscal period most recently ended prior to such written request, if necessary to avoid the use of stale financial statements, or (B) if the Company would be required to divulge in such Demand Registration the existence of any fact relating to a material business situation, transaction or negotiation not otherwise required to be disclosed or if the board of directors of the Company shall determine in good faith that the Demand Registration to be effected would be materially adverse to the Company, in which case the Company shall have the right to delay such filing for a period of one hundred (100) days. The Company shall not be required to effect more than one (1) Demand Registration pursuant to this Section 2(b).

(ii) The Company shall have the right to include any of its equity securities in a Demand Registration.

(iii) In the event of an underwritten offering, if the underwriter(s) of such offering advise the Company and such Rightsholders in writing that in their opinion the amount of Registrable Securities and other equity securities of the Company to be included in such offering pursuant to Section 2(b)(ii) hereof would adversely affect the success of such Demand Registration, then the Company shall include only the amount of its securities in such Demand Registration as would not have such adverse effect. If the underwriter(s) then determine that the amount of Registrable Securities would adversely affect the success of such offering, the Company shall include in such Demand Registration, on behalf of such Rightsholders, an amount of Registrable Securities equal to the total amount that, in the opinion of such underwriter(s), can be sold without any such adverse effect, and such securities shall be allocated pro rata among all demanding Rightsholders.

(iv) A registration will not be considered a Demand Registration unless it has been kept effective for a period of one hundred twenty (120) days following the date on which such registration statement was declared effective, except that the registration of a firm commitment underwriting need not be

maintained after the completion of the offering.

(v) In the case of a Demand Registration for an underwritten offering, the Company shall execute such agreements and provide such documents as reasonably appropriate and customary in underwritten offerings.

3. Registration Obligations.

(a) Obligations of the Company. The Company will, in connection with any registration pursuant to Section 2 hereof, prepare and file with the Commission a registration statement under the Securities Act on any appropriate form chosen by the Company, in its sole discretion, and prepare and file such amendments and post-effective amendments to the registration statement as may be necessary to keep such registration statement effective for up to one hundred twenty (120) days.

(b) Obligations of Rightsholders. In connection with any registration of

Registerable Securities of a Rightsholder pursuant to Section 2 hereof:

(i) The Company may require that each Rightsholder whose Registerable Securities are included in such registration statement furnish to the Company such information regarding the distribution of such Registerable Securities and such Rightsholder as the Company may from time to time reasonably request in writing; and

(ii) Each Rightsholder, upon receipt of notice from the Company, shall forthwith discontinue disposition of Registerable Securities pursuant to the registration statement covering such Registerable Securities until such Rightsholder is advised in writing by the Company that the use of the applicable prospectus may be resumed (which shall have the effect of extending, by the number of days of discontinuance, the 120 day period set forth in Section 2(b)(iv)).

4. Participation in Underwritten Registration. No Rightsholder may participate in any underwritten registration hereunder unless such Rightsholder (i) agrees to sell such Rightsholder's securities on the basis provided in any underwriting arrangements and to comply with Regulation M under the Exchange Act and (ii) completes and executes all questionnaires, appropriate and limited powers of attorney, escrow agreements, indemnities, underwriting agreements, lock-up agreements with respect to securities not being sold and such other documents reasonably required under the terms of such underwriting arrangement.

5. Indemnification.

(a) Indemnification by the Company. The Company agrees to indemnify and hold harmless, to the full extent permitted by law, each Rightsholder and their respective officers, directors, advisors and agents and employees and each Person who controls (within the meaning of the Securities Act or the Exchange Act) such Persons from and against any and all losses, claims, damages, liabilities (or actions or proceedings in respect thereof, whether or not such indemnified party is a party thereto) and expenses (including reasonable costs of investigation and legal expenses), joint or several (each, a "Loss" and collectively "Losses"), arising out of or based upon (i) any untrue or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Securities were registered under the Securities Act (including any final, preliminary or summary prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein) or (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a prospectus or preliminary prospectus, in light of the circumstances under which they were made) not misleading; provided, however, that the Company shall not be liable to any indemnified party in any such case to the extent that any such Loss arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any such Registration Statement in reliance upon and in conformity with written information furnished to the Company by such Rightsholder expressly for use in the preparation thereof. This indemnity shall be in addition to any liability the Company may otherwise have. Such indemnity shall remain in full

force and effect regardless of any investigation made by or on behalf of

such Rightsholder or any indemnified party and shall survive the transfer of such securities by such Rightsholder.

(b) Indemnification by the Rightsholder. Each selling Rightsholder agrees (severally and not jointly) to indemnify and hold harmless, to the full extent permitted by law, the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act and the Exchange Act) from and against any Losses arising out of or based upon any untrue statement of a material fact or any omission of a material fact required to be stated in the Registration Statement under which such Registrable Securities were registered under the Securities Act (including any final, preliminary or summary Prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein), or necessary to make the statements therein (in the case of a Prospectus or preliminary Prospectus, in light of the circumstances under which they were made) not misleading, to the extent, but only to the extent, that such untrue statement or omission has been contained in any information furnished in writing by such selling Rightsholder to the Company specifically for inclusion in such Registration Statement. This indemnity shall be in addition to any liability such Rightsholder may otherwise have. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any indemnified party. In no event shall the liability of any selling Rightsholder hereunder be greater in amount than the dollar amount of the proceeds received by such Rightsholder under the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. Any Person entitled to indemnification hereunder will (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided, that any delay or failure to so notify the indemnifying party shall relieve the indemnifying party of its obligations hereunder only to the extent, if at all, that it is actually and materially prejudiced by reason of such delay or failure) and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided, however, that any Person entitled to indemnification hereunder shall have the right to select and employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such Person unless (A) the indemnifying party has agreed in writing to pay such fees or expenses, (B) the indemnifying party shall have failed to assume the defense of such claim within a reasonable time after having received notice of such claim from the Person entitled to indemnification hereunder and to employ counsel reasonably satisfactory to such Person, (C) in the reasonable judgment of any such Person, based upon advice of its counsel, a conflict of interest exists between such Person and the indemnifying party with respect to such claims or (D) the indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party (in which case, if the Person notifies the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such Person). If such defense is not assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its

consent, but such consent may not be unreasonably withheld; provided, that an indemnifying party shall not be required to consent to any settlement involving the imposition of any material obligations on such indemnifying party other than financial obligations for which such indemnified party will be indemnified hereunder. If the indemnifying party assumes the defense, the indemnifying party shall have the right to settle such action without the consent of the indemnified party; provided, that the indemnifying party shall be required to obtain such consent (which consent shall not be unreasonably withheld) if the settlement includes any admission of wrongdoing on the part of the indemnified party or any restriction on the indemnified party or its officers or directors. No indemnifying party shall consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to each indemnified party of an unconditional release from all liability in respect to such claim or litigation. The indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm (together with one firm of local counsel) at any one time from all such indemnified party or parties unless (x) the employment of more than one counsel

has been authorized in writing by the indemnifying party or parties (y) a conflict or potential conflict exists or may exist (based on advice of counsel to an indemnified party) between such indemnified party and the other indemnified parties or (z) an indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it that are different or in addition to those available to the other indemnified parties, in each of which cases the indemnifying party shall be obligated to pay the reasonable fees and expenses of such additional counsel or counsels.

6. Registration Expenses.

(a) Except as provided in Section 6(b), the Company shall pay all of the expenses incurred in connection with a registration under this Registration Rights Agreement, including, but not limited to, (i) all registration and filing fees, (ii) "Blue Sky" fees and expenses, (iii) all printing, duplicating, and delivery expenses, (iv) fees and disbursements of counsel for the Company and of independent certified public accountants of the Company, (v) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange, (vi) internal expenses of the Company (e.g. salaries and expenses of its officers and employees), and (vii) the expenses of any audit.

(b) The Company shall not be required to pay underwriting discounts, selling commissions or transfer taxes attributable to the sale of the Registrable Securities.

7. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart.

8. Entire Agreement . This Agreement and the documents and instruments and other agreements among the parties hereto as contemplated by or referred to herein, constitute the

entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

9. Severability. In the event that any provision of this Agreement or the application thereof becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

10. Governing Law . This Agreement shall be governed by and construed in accordance with the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of law thereof. Each of the parties hereto irrevocably consents to the exclusive jurisdiction of any state or federal court within the State of New York, in connection with any matter based upon or arising out of this Agreement or the matters contemplated herein, agrees that process may be served upon them in any manner authorized by the laws of the State of New York for such persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction and such process.

11. Assignment . The right to cause the Company to register Registerable Securities pursuant to Section 2 may be assigned; provided, however, during the one year period after the Closing Date, assignments are limited in accordance with the terms of the separate lock-up agreement.

12. Amendments and Waivers. Except as otherwise provided herein, the provisions of this Agreement may not be amended, modified or supplemented without the written consent of each of the parties hereto. Any of the Stockholders or the Company may, by written notice to the others, (i) waive any of the conditions to its obligations hereunder or extend the time for the performance of any of the obligations or actions of the other, (ii) waive any

inaccuracies in the representations of the other contained in this Agreement or in any documents delivered pursuant to this Agreement, (iii) waive compliance with any of the covenants of the other contained in this Agreement and (iv) waive or modify performance of any of the obligations of the other. No action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action or compliance with any representation, warranty, condition or agreement contained herein. Waiver of the breach of any one or more provisions of this Agreement shall not be deemed or construed to be a waiver of other breaches or subsequent breaches of the same provisions.

13. Notices. All notices, requests, demands or other communications provided for herein shall be in writing and shall be deemed to have been given when personally delivered or

sent by (i) registered or certified mail, return receipt requested, (ii) nationally recognized overnight courier service or (iii) facsimile transmission electronically confirmed addressed to the parties at their addresses set forth above or to such other person or address as either party shall designate to the other from time to time in writing forwarded in like manner.

14. Other Remedies. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy.

15. Further Assurances. Each party hereto covenants and agrees with all other parties hereto to promptly execute, deliver, file and/or record such agreements, instruments, certificates and other documents and to do and perform such other and further acts and things as any other party hereto may reasonably request or as may otherwise be necessary or proper to consummate and perfect the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by themselves or their duly authorized respective officers, all as of the date first written above.

EB2B COMMERCE, INC.

By: /s/ Richard S. Cohan

Name: Richard S. Cohan
Title: CEO

STOCKHOLDERS:

/s/ Robert Bacchi

Robert Bacchi

/s/ Michael Dodier

Michael Dodier

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement"), effective as of January 2, 2002 (the "Effective Date"), between eB2B Commerce, Inc., a New Jersey corporation with principal offices at 757 Third Avenue, New York, New York 10017 (the "Company"), and Robert Bacchi residing at 85-10 Forrest Parkway, Woodhaven, NY 11421 ("Employee"). The Company and Employee may be referred to herein collectively as the "Parties" or individually as a "Party."

WHEREAS, the Company develops, owns and operates business to business e-commerce solutions for transaction processing between buyers an suppliers; and

WHEREAS, the Company desires Employee to serve as Chief Operating Officer of the Company, and Employee desires to accept such position and serve the Company as set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein set forth, the Parties do hereby agree as follows:

1. EMPLOYMENT. The Company hereby employs Employee and Employee accepts this employment and agrees to render services to the Company on the terms and conditions set forth in this Agreement. This Agreement, describing the terms and conditions of Employee's employment with the Company, supersedes and replaces any terms and conditions in any Company forms or other documents, including the Company's standard employment application, whether signed by Employee or not, where such terms and conditions are different or inconsistent from the corresponding terms and conditions of this Agreement. During the term of this Agreement, Employee shall serve as, and have all the power and authority inherent in the office of, Chief Operating Officer of the Company, and upon execution of this Agreement shall serve also as a member of the Executive Committee of the Company (until such time as removed or not reelected thereto), and shall perform services for the Company normally associated with such positions and such other duties as the Executive Committee of the Company (or, in the absence of such a Committee, the Board of Directors of the Company) shall reasonably request (and not inconsistent with the position of a Chief Operating Officer). As Chief Operating Officer, Employee shall be the chief technology officer of the Company and, subject to the authority of the Chief Executive Officer, in charge of the operations of the Company. Employee shall use his best efforts to meet the business requirements and goals set by the Executive Committee (or Board of Directors). On a day to day basis, Employee shall report to the Chief Executive Officer of the Company. In furtherance thereof, Employee will devote his best efforts, including his full-time attention during business hours, to the affairs and business of the Company. Employee agrees not to serve on any corporate, industry, civic or charitable boards or committees that would interfere or create a conflict of interest with respect to his duties hereunder without the prior consent of the Executive Committee (or Board of Directors). Employee further agrees to observe and comply with the rules and regulations of the Company as adopted by the Executive Committee or the Board of Directors with respect to the performance of his duties.

2. TERM. The term of this Agreement shall be for a period of three (3) years

commencing on the Effective Date (the "Initial Employment Term"). The Agreement shall thereafter automatically renew for successive one (1) year terms, until terminated by either Party in accordance with this Agreement (the "Succeeding Employment Term"), unless either Party provides a written Notice of Termination (as defined in Section 6 hereof) to the other party at least thirty (30) days prior to the expiration of the Initial Employment Term or any Succeeding Employment Term.

3. COMPENSATION.

3.1 BASE SALARY. The Company will compensate and pay Employee for his services during the Initial Employment Term at a base salary of $165,000 per year (the "Base Salary"). The Base Salary shall be payable to Employee in accordance with the Company's standard payroll policy for similarly situated employees of the Company. The Base Salary shall be increased for each Succeeding Employment Term in accordance with the percentage increase in the Consumer Price Index for the trailing 12 month period.

3.2 STOCK OPTIONS. Employee shall, on the Effective Date, be granted options to purchase 500,000 1 shares of Common Stock of the Company ("Options") pursuant to the terms of the Company's Amended 2000 Stock Option Plan (the "Option Plan") and a separate Stock Option Agreement (or Agreements) between Employee and the Company. The Options shall be "incentive stock options" to the maximum extent permitted by applicable regulation. A description of the principal terms of the Options are as follows: (a) the vesting schedule of the Options is, subject to continued employment, one-third of the Options shall vest on the date one year (an "Anniversary Date") following the Effective Date, an additional one-third of the Options shall vest on the date two years (an "Anniversary Date") following the Effective Date and an additional one-third of the Options shall vest on the date three years (an "Anniversary Date") following the Effective Date; provided however, that if Employee is terminated at any time pursuant to Section 6.1 hereof, the amount of Options which shall be deemed to have vested shall be calculated as if Employee was terminated on the next Anniversary Date following such date of termination, and (b) the exercise price of the Options shall be $____ per share (the fair market value per share of Common Stock on the Effective Date).

4. BENEFITS.

4.1 INSURANCE; VACATION. The Company shall provide Employee with health, disability, life (to the extent standard) and, if applicable, D&O liability insurance coverage and other benefits during the term of this Agreement as agreed upon by the Executive Committee, but in no event shall any of such benefits be less than that offered to any of the Company's other senior executives. Employee shall be entitled to such number of days of "paid time off" (as such term is defined in the Company's Employee Handbook) as is commensurate with his position, in accordance with the normal vacation policies of the Company. Employee shall be entitled to participate in all other retirement, welfare and benefit plans provided by the Company to its most

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1 Subject to adjustment for stock splits, etc.

senior executives from time to time, to the extent Employee meets the eligibility requirements for any such plan or benefit.

4.2 LIFE INSURANCE. The Company shall have the right, at its own expense and for its own benefit, to purchase insurance on Employee's life, and Employee shall cooperate by providing necessary information, submitting to required medical examinations, and otherwise complying with the insurance carrier's requirements.

5. EXPENSES. The Company shall reimburse Employee or otherwise provide for or pay for all reasonable expenses incurred by Employee in furtherance of or in connection with the business of the Company, including, but not by way of limitation, (i) all reasonable expenses incurred by Employee in accordance with the Company's Travel and Entertainment Policy; and (ii) all reasonable expenses in connection with Employee's attendance at trade, professional and industry related conferences which are in furtherance of the business of the Company. Employee agrees that he will furnish the Company with adequate records and other documents for the substantiation of each such business expense.

6. EMPLOYMENT TERMINATION.

6.1 TERMINATION BY THE COMPANY FOR CONVENIENCE. The Parties agree that the Board has the right to terminate Employee's employment for convenience during the term of this Agreement upon notice to Employee. The date of termination will be the date specified in a notice from the Executive Committee or the Board of Directors, but in no event less than thirty (30) days' prior notice. Employee will cease to have any authority to act on the Company's behalf as of the date of receipt of such notice by Employee.

6.2 TERMINATION BY THE COMPANY FOR CAUSE. The Parties agree that the Board has the right to terminate Employee's employment during the term of this Agreement for "Cause." For the purposes of this Agreement, the term "Cause" will mean:

6.2.1 Conduct on Employee's part that is willfully

intended to and likely to materially injure the Company's business or reputation;

6.2.2 Actions by Employee intentionally and knowingly furnishing materially false, misleading or omissive information to the Board;

6.2.3 Employee is convicted of any felony or other serious offense;

6.2.4 Abusive and illegal use of drugs or abusive use of alcohol by Employee;

6.2.5 Any fraud, embezzlement or misappropriation by Employee of the assets of the Company; or

6.2.6 The willful and significant failure by Employee to perform reasonably

assigned duties and obligations as set forth in this Agreement, resulting in material damage to the Company, but not encompassing illness, physical or mental incapacity and of which the Company notifies Employee and such failure is not remedied or persists for a period of at least thirty (30) days.

In the event that Employee's employment is terminated by the Company for Cause, the date of employment termination will be as specified in the notice of termination to Employee from the Company, and Employee will cease to have any authority to act on behalf of the Company as of such date. The Company will pay Employee the Base Salary due him as of such date, together with reimbursement for all unpaid expenses incurred by the Employee pursuant to Section 5 hereof and any other amounts owed to the Employee by the Company, and all other compensation and benefits provided by the Company to Employee will cease as of such date except as otherwise required by law.

6.3 TERMINATION BY THE COMPANY FOR DEATH OR DISABILITY. The Parties agree that Employee's employment will terminate upon Employee's death or Disability. The term "Disability" shall be defined as Employee's inability, through physical or mental illness, to perform the majority of his usual duties for a period of at least three continuous months or for an aggregate period of at least six months during any 12 month period.

6.4 NOTICE OF TERMINATION. Any termination by the Company for Cause shall be communicated by a Notice of Termination to Employee given in accordance with Section 11 hereof. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Employee's employment under the provision so indicated and (iii) if the termination date is other than the date of receipt of such notice, specifies the effective termination date of this Agreement which date shall be in accordance with the specific termination provision of this Agreement relied upon.

6.5 OBLIGATIONS OF THE COMPANY UPON CERTAIN TERMINATIONS.

6.5.1 If Employee's employment with the Company is terminated pursuant to Section 6.3 of this Agreement, the Company will pay Employee an amount equal to his Base Salary to which he is entitled for a period of six months following the date of termination of employment in a manner consistent with the Company's then applicable payroll practices, and, notwithstanding anything in this Agreement to the contrary, the Company shall have no further obligations to Employee.

6.5.2 If Employee's employment with the Company is terminated pursuant to Section 6.1 of this Agreement or otherwise without Cause:

(a) during the first year of the Initial Employment Term, the Company will continue to pay Employee his remaining Base Salary for the first year of the Initial

Employment Term and for six (6) months thereafter in a manner consistent with the Company's then applicable payroll practices, together with lump-sum reimbursement for all unpaid expenses incurred by the Employee pursuant to Section 5 hereof and any other amounts owned to the Employee by the Company. Notwithstanding anything in this Agreement to the contrary, the Company shall have no further obligations to the Employee.

(b) at any time following the first year of the Initial Employment Term, the Company will continue to pay Employee his Base Salary for a period of six months following the date of termination of employment in a manner consistent with the Company's then applicable payroll practices, together with a lump-sum reimbursement for all unpaid expenses incurred by the Employee pursuant to Section 5 hereof and any other amounts owned to the Employee by the Company. Notwithstanding anything in this Agreement to the contrary, the Company shall have no further obligations to the Employee.

7. SURVIVAL OF AGREEMENT UPON TERMINATION. In the event that Employee's employment is terminated, the rights and obligations of the Parties which are set forth in Sections 7 through 11 of this Agreement shall survive the employment termination for a period from the date of such employment termination through the first anniversary of such date (unless otherwise stated in the applicable provision).

8. RESTRICTIVE COVENANTS.

8.1 ACKNOWLEDGMENT. Employee acknowledges that (i) the Company's business is business-to-business electronic commerce including, but not limited to, building, owning and operating business to business e-commerce solutions for transaction processing between buyers and suppliers, and providing systems integration and consulting services relating thereto, and (ii) fulfillment of the obligations hereunder will result in Employee becoming familiar with the business affairs of the Company and any present or future parent, subsidiary and/or affiliate.

8.2 COVENANT NOT TO COMPETE. In consideration for the compensation provided for in this Agreement, and as a condition to the performance by the Company of all obligations under this Agreement, Employee agrees that during the Initial Employment Term or any Succeeding Employment Terms of this Agreement and for the period from the date of termination of Employee's employment through the first anniversary of such date (the "Non-compete Term"), Employee shall not directly or indirectly through any other person, firm or corporation compete or "participate in" any other business or organization which during such period competes with the Company. The term "participate in" shall mean: "directly or indirectly, for his own benefit or for, with, or through any other person, firm, or corporation, own, manage, operate, control, loan money to, or participate in the ownership, management, operation, or control of, or be connected as a director, officer, employee, partner, consultant, agent or independent contractor, or acquiesce in the use of his name." Provided, however, the provisions of this Section 8.2 shall not apply in the event Employee's employment is terminated by the Company pursuant to Section 6.1 hereof or otherwise without Cause and Employee is no longer receiving any payments from the Company pursuant to Section 6.5 hereof. Further provided, however, the provisions of this Section 8.2 shall be void in

the event that (i) the Company fails in any material respect to pay the Base Salary when due or within one month of the date due, (ii) the Company fails to pay the principal on the Note issued by the Company to Employee on the date hereof would which constitute an "Event of Default" under the Security Agreement, dated the date hereof, among the Company, Employee and certain other parties or (iii) the Company fails to pay when due, or within 30 days thereafter, the Additional Payout described in Section 1.10 of that Agreement and Plan of Merger, dated the date hereof, among the Company, Employee and certain other parties. Notwithstanding the foregoing, it shall not be a breach of the provisions of this Section 8.2 if, during or after the Non-compete Term of this Agreement, Employee is a passive investor in any publicly held entity and Employee owns three (3%) percent or less of the equity interests therein.

8.3 No SOLICITATION OF EMPLOYEES. In addition, during the Non-compete Term Employee agrees not to recruit, solicit, or hire any employee

of the Company, or otherwise induce such employee to leave or terminate his or her employment with the Company, to become an employee of or otherwise be associated with him or any company or business with which he, directly or indirectly, is or may become associated with, or competes with the business of the Company.

8.4 RESTRICTIVE COVENANTS NECESSARY AND REASONABLE. Employee agrees that the provisions of this Section 8 are necessary and reasonable to protect the Company in the conduct of its business. If any restriction contained in this Section 8 shall be deemed to be invalid, illegal, or unenforceable by reason of the extent, duration or geographical scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, geographical scope, or other provisions hereof and in its reduced form such restriction shall then be enforceable in the manner contemplated hereby.

9. INJUNCTIVE RELIEF. Employee, recognizing that irreparable injury shall result to the Company in the event of Employee's breach of the terms and conditions of this Agreement, agrees that in the event of his breach or threatened breach, the Company shall be entitled to seek injunctive relief restraining Employee, and any and all persons or entities acting for or with him, from such breach or threatened breach. Nothing herein contained, however, shall be construed as prohibiting the Company from pursuing any other remedies available to it by reason of such breach or threatened breach.

10. INDEMNIFICATION.

10.1 To the fullest extent allowed by law, the Company shall hold harmless and indemnify Employee, his executors, administrators or assigns, against any and all judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including attorneys' fees) actually incurred by Employee (net of any related insurance proceeds or other amounts received by Employee or paid by or on behalf of the Company on Employee's behalf in compensation of such judgments, penalties, fines, settlements or expenses) in connection with any threatened, actual or completed action, suit or proceeding, whether civil, criminal, arbitral, administrative or investigative, or any appeal in such action, suit or proceeding, to which Employee

was, is or is threatened to be made a named defendant or respondent (a "Proceeding"), because Employee is or was a director or officer or senior executive of the Company, or was serving at the request of the Company as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary (an "Affiliate Executive") of another corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise (each, a "Company Affiliate"). Upon authorization of indemnification of Employee by the Board in accordance with the applicable provisions of the corporation law of the Company's domicile, Employee shall be presumed to be entitled to such indemnification under this Agreement upon submission of a Claim (as hereinafter defined). Thereafter, the Company shall have the burden of proof to overcome the presumption that Employee is so entitled. Such presumption shall only be overcome by a judgment or other final adjudication, after all appeals and all time for appeals have expired ("Final Determination"), adverse to Employee establishing that such indemnification is not permitted hereunder or by law. An actual determination by the Company (including its Board, legal counsel, or its stockholders) that Employee has not met the applicable standard of conduct for indemnification shall not be a defense to the action or create a presumption that Employee has not met the applicable standard of conduct. The purchase, establishment or maintenance of any Indemnification Arrangement shall not in any way diminish, restrict, limit or affect the rights and obligations of the Company or of Employee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and Employee shall not in any way diminish, restrict, limit or affect Employee's right to indemnification from the Company or any other Party or Parties under any other indemnification arrangement, the Certificate of Incorporation or Bylaws of the Company, or applicable state corporate law.

10.2 Subject only to the provisions of this Section 10.2, as long as Employee shall continue to serve as a director and/or officer of the Company (or shall continue at the request of the Company to serve as an Affiliate Executive) and, thereafter, as long as Employee shall be subject to

any possible Proceeding by reason of the fact that Employee was or is a director and/or officer of the Company (or served in any of said other capacities), the Company shall, unless no such policies are available in any market, purchase and maintain in effect for the benefit of Employee one or more valid, binding and enforceable policies (the "Insurance Policies") of directors' and officers' liability insurance ("D&O Insurance") providing adequate liability coverage for Employee's acts as a director and/or officer of the Company or as an Affiliate Executive. The Company may promptly notify Employee of any lapse, amendment or failure to renew said policy or policies or any provision thereof relating to the extent or nature of coverage provided thereunder. In the event the Company does not purchase and maintain in effect said policy or policies of D&O Insurance pursuant to the provisions of this Section 10.2, the Company shall, to the full extent permitted by law, in addition to and not in limitation of the other rights granted Employee under this Agreement, hold harmless and indemnify Employee to the full extent of coverage which would otherwise have been provided for the benefit of Employee pursuant to the Insurance Policies.

10.3 Employee shall have the right to receive from the Company on demand, or at his option to have the Company pay promptly on his behalf, in advance of a Final Determination of a Proceeding all expenses payable by the Company pursuant to the terms of this Agreement as corresponding amounts are expended or incurred by Employee in connection with such Proceeding

or otherwise expended or incurred by Employee (such amounts so expended or incurred being referred to as "Advanced Amounts"). In making any claim for payment by the Company of any expenses, including any Advanced Amount, pursuant to this Agreement, Employee shall submit to the Company a written request for payment (a "Claim"), which includes a schedule setting forth in reasonable detail the dollar amount expended (or incurred or expected to be expended or incurred). Each item on such schedule shall be supported by the bill, agreement or other documentation relating thereto, a copy of which shall be appended to the schedule as an exhibit. Where Employee is requesting Advanced Amounts, Employee must also provide (i) written affirmation of such Employee's good faith belief that he has met the standard of conduct required by law for indemnification, and (ii) a written undertaking to repay such Advanced Amounts if a Final Determination is made that Employee is not entitled to indemnification hereunder.

10.4 The Company shall not be liable under this Agreement to make any payment in connection with any claim made against Employee for an accounting of profits made from the purchase or sale by Employee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of any state statutory law or common law.

10.5 All agreements and obligations of the Company contained herein shall continue during the period Employee is a director and/or officer of the Company (or is serving at the request of the Company as an Affiliate Executive) and shall continue thereafter so long as Employee shall be subject to any possible Proceeding by reason of the fact that Employee was a director or officer of the Company or was serving as such an Affiliate Executive.

10.6 Promptly after receipt by Employee of notice of the commencement of any Proceeding, Employee shall, if a claim in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof, but failure to so notify the Company will not relieve the Company, to the extent the Company was not prejudiced thereby, from any liability which it may have to Employee. With respect to any such Proceeding: (i) the Company shall be entitled to participate therein at its own expense; (ii) except with prior written consent of Employee, the Company shall not be entitled to assume the defense of any Proceeding; and (iii) the Company shall not settle any Proceeding in any manner which would impose any penalty or limitation on Employee without Employee's prior written consent.

11. MISCELLANEOUS.

11.1 NOTICES. Any and all notices, demands, requests or other communication required or permitted by this Agreement or by law to be served on, given to, or delivered to any Party hereto by any other Party to this Agreement shall be in writing and shall be deemed duly served, given, or delivered when personally delivered to the Party to be notified, or in lieu of such personal

delivery, when deposited in the United States mail, registered or certified mail, return receipt requested, or on the date of delivery if delivered by overnight courier, addressed to the to the Party to be notified, at the address of the Company at its principal office, as first set forth above, or to Employee at the address as first set forth above. The Company or Employee may change the address in the manner required by law for purposes of this paragraph by giving notice of the change,

in the manner required by this paragraph, to the respective Parties.

11.2 AMENDMENT. This Agreement may not be modified, changed, amended, or altered except in writing signed by Employee or his duly authorized representative, and by a member of the Board of Directors of the Company (who has been duly authorized by the Board).

11.3 GOVERNING LAW. This Agreement shall be interpreted in accordance with the laws of the State of New York. It shall inure to the benefit of and be binding upon the Company, and its successors and assigns.

11.4 ARBITRATION. Except for the provisions of Section 9 above, in the event of any dispute under this Agreement, each party agrees the same shall be submitted to the American Arbitration Association ("AAA") in the City of New York, for its determination and decision in accordance with its rules and regulations then in effect. Each of the parties agrees that the decision and/or award made by the AAA may be entered as a judgement of the Courts of the State of New York and shall be enforceable as such.

11.5 SEVERABILITY. Should any provision or portion of this Agreement be held unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

11.6 ENTIRE AGREEMENT. This Agreement constitutes the sole and only agreement of the Parties hereto respecting the subject matter hereof. Any prior agreements, promises, negotiations, or representations concerning its subject matter not expressly set forth in this Agreement, are of no force and effect.

11.7 COUNTERPARTS. This Agreement and any certificates made pursuant hereto may be executed in any number of counterparts and when so executed all of such counterparts shall constitute a single instrument binding upon all Parties hereto notwithstanding the fact that all Parties are not signatory to the original or to the same counterpart.

11.8 SECTION HEADINGS. The Article and Section headings used in this Agreement are for reference purposes only, and should not be used in construing this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year set forth above.

/s/ Robert Bacchi

Robert Bacchi

eB2B Commerce, Inc

By: /s/ Richard S. Cohan

Name: Richard S. Cohan
Title: CEO

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement"), effective as of January 2, 2002 (the "Effective Date"), between eB2B Commerce, Inc., a New Jersey corporation with principal offices at 757 Third Avenue, New York, New York 10017 (the "Company"), and Michael Dodier residing at 119 Alpine Estates Drive, Cranston, RI 02921 ("Employee"). The Company and Employee may be referred to herein collectively as the "Parties" or individually as a "Party."

WHEREAS, the Company develops, owns and operates business to business e-commerce solutions for transaction processing between buyers an suppliers; and

WHEREAS, the Company desires Employee to serve as Executive Vice President - Sales of the Company, and Employee desires to accept such position and serve the Company as set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein set forth, the Parties do hereby agree as follows:

1. EMPLOYMENT. The Company hereby employs Employee and Employee accepts this employment and agrees to render services to the Company on the terms and conditions set forth in this Agreement. This Agreement, describing the terms and conditions of Employee's employment with the Company, supersedes and replaces any terms and conditions in any Company forms or other documents, including the Company's standard employment application, whether signed by Employee or not, where such terms and conditions are different or inconsistent from the corresponding terms and conditions of this Agreement. During the term of this Agreement, Employee shall serve as, and have all the power and authority inherent in the office of Executive Vice President - Sales, and shall perform services for the Company normally associated with such position and such other duties as the Executive Committee of the Company (or, in the absence of such a Committee, the Board of Directors of the Company) shall reasonably request (and not inconsistent with the position of a Executive Vice President - Sales). As Executive Vice President - Sales, Employee shall be in charge of the sales function of the Company. Employee shall use his best efforts to meet the business requirements and goals set by the Executive Committee (or Board of Directors). On a day to day basis, Employee shall report to the Chief Executive Officer of the Company. In furtherance thereof, Employee will devote his best efforts, including his full-time attention during business hours, to the affairs and business of the Company. Employee agrees not to serve on any corporate, industry, civic or charitable boards or committees that would interfere or create a conflict of interest with respect to his duties hereunder without the prior consent of the Executive Committee (or Board of Directors). Employee further agrees to observe and comply with the rules and regulations of the Company as adopted by the Executive Committee or the Board of Directors with respect to the performance of his duties.

2. TERM. The term of this Agreement shall be for a period of three (3) years commencing on the Effective Date (the "Initial Employment Term"). The Agreement shall thereafter automatically renew for successive one (1) year terms, until terminated by either Party in

accordance with this Agreement (the "Succeeding Employment Term"), unless either Party provides a written Notice of Termination (as defined in Section 6 hereof) to the other party at least thirty (30) days prior to the expiration of the Initial Employment Term or any Succeeding Employment Term.

3. COMPENSATION.

3.1 BASE SALARY. The Company will compensate and pay Employee for his services during the Initial Employment Term at a base salary of $165,000 per year (the "Base Salary"). The Base Salary shall be payable to Employee in accordance with the Company's standard payroll policy for similarly situated employees of the Company. The Base Salary shall be increased for each Succeeding Employment Term in accordance with the percentage increase in the Consumer Price Index for the trailing 12 month period.

3.2 STOCK OPTIONS. Employee shall, on the Effective Date, be granted options to purchase 500,0001 shares of Common Stock of the Company ("Options") pursuant to the terms of the Company's Amended 2000 Stock Option Plan (the "Option Plan") and a separate Stock Option Agreement (or Agreements)

between Employee and the Company. The Options shall be "incentive stock options" to the maximum extent permitted by applicable regulation. A description of the principal terms of the Options are as follows: (a) the vesting schedule of the Options is, subject to continued employment, one-third of the Options shall vest on the date one year (an "Anniversary Date") following the Effective Date, an additional one-third of the Options shall vest on the date two years (an "Anniversary Date") following the Effective Date and an additional one-third of the Options shall vest on the date three years (an "Anniversary Date") following the Effective Date; provided however, that if Employee is terminated at any time pursuant to Section 6.1 hereof, the amount of Options which shall be deemed to have vested shall be calculated as if Employee was terminated on the next Anniversary Date following such date of termination, and (b) the exercise price of the Options shall be $____ per share (the fair market value per share of Common Stock on the Effective Date).

4. BENEFITS.

4.1 INSURANCE; VACATION. The Company shall provide Employee with health, disability, life (to the extent standard) and, if applicable, D&O liability insurance coverage and other benefits during the term of this Agreement as agreed upon by the Executive Committee, but in no event shall any of such benefits be less than that offered to any of the Company's other senior executives. Employee shall be entitled to such number of days of "paid time off" (as such term is defined in the Company's Employee Handbook) as is commensurate with his position, in accordance with the normal vacation policies of the Company. Employee shall be entitled to participate in all other retirement, welfare and benefit plans provided by the Company to its most senior executives from time to time, to the extent Employee meets the eligibility requirements for any such plan or benefit.

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1 Subject to adjustment for stock splits, etc.

4.2 LIFE INSURANCE. The Company shall have the right, at its own expense and for its own benefit, to purchase insurance on Employee's life, and Employee shall cooperate by providing necessary information, submitting to required medical examinations, and otherwise complying with the insurance carrier's requirements.

5. EXPENSES. The Company shall reimburse Employee or otherwise provide for or pay for all reasonable expenses incurred by Employee in furtherance of or in connection with the business of the Company, including, but not by way of limitation, (i) all reasonable expenses incurred by Employee in accordance with the Company's Travel and Entertainment Policy; and (ii) all reasonable expenses in connection with Employee's attendance at trade, professional and industry related conferences which are in furtherance of the business of the Company. Employee agrees that he will furnish the Company with adequate records and other documents for the substantiation of each such business expense.

6. EMPLOYMENT TERMINATION.

6.1 TERMINATION BY THE COMPANY FOR CONVENIENCE. The Parties agree that the Board has the right to terminate Employee's employment for convenience during the term of this Agreement upon notice to Employee. The date of termination will be the date specified in a notice from the Executive Committee or the Board of Directors, but in no event less than thirty (30) days' prior notice. Employee will cease to have any authority to act on the Company's behalf as of the date of receipt of such notice by Employee.

6.2 TERMINATION BY THE COMPANY FOR CAUSE. The Parties agree that the Board has the right to terminate Employee's employment during the term of this Agreement for "Cause." For the purposes of this Agreement, the term "Cause" will mean:

6.2.1 Conduct on Employee's part that is willfully intended to and likely to materially injure the Company's business or reputation;

6.2.2 Actions by Employee intentionally and knowingly furnishing materially false, misleading or omissive information to the Board;

6.2.3 Employee is convicted of any felony or other serious offense;

6.2.4 Abusive and illegal use of drugs or abusive use of alcohol by Employee;

6.2.5 Any fraud, embezzlement or misappropriation by Employee of the assets of the Company; or

6.2.6 The willful and significant failure by Employee to perform reasonably assigned duties and obligations as set forth in this Agreement, resulting in material damage to the Company, but not encompassing illness, physical or mental incapacity and of which the Company

notifies Employee and such failure is not remedied or persists for a period of at least thirty (30) days.

In the event that Employee's employment is terminated by the Company for Cause, the date of employment termination will be as specified in the notice of termination to Employee from the Company, and Employee will cease to have any authority to act on behalf of the Company as of such date. The Company will pay Employee the Base Salary due him as of such date, together with reimbursement for all unpaid expenses incurred by the Employee pursuant to Section 5 hereof and any other amounts owed to the Employee by the Company, and all other compensation and benefits provided by the Company to Employee will cease as of such date except as otherwise required by law.

6.3 TERMINATION BY THE COMPANY FOR DEATH OR DISABILITY. The Parties agree that Employee's employment will terminate upon Employee's death or Disability. The term "Disability" shall be defined as Employee's inability, through physical or mental illness, to perform the majority of his usual duties for a period of at least three continuous months or for an aggregate period of at least six months during any 12 month period.

6.4 NOTICE OF TERMINATION. Any termination by the Company for Cause shall be communicated by a Notice of Termination to Employee given in accordance with Section 11 hereof. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Employee's employment under the provision so indicated and (iii) if the termination date is other than the date of receipt of such notice, specifies the effective termination date of this Agreement which date shall be in accordance with the specific termination provision of this Agreement relied upon.

6.5 OBLIGATIONS OF THE COMPANY UPON CERTAIN TERMINATIONS.

6.5.1 If Employee's employment with the Company is terminated pursuant to Section 6.3 of this Agreement, the Company will pay Employee an amount equal to his Base Salary to which he is entitled for a period of six months following the date of termination of employment in a manner consistent with the Company's then applicable payroll practices, and, notwithstanding anything in this Agreement to the contrary, the Company shall have no further obligations to Employee.

6.5.2 If Employee's employment with the Company is terminated pursuant to Section 6.1 of this Agreement or otherwise without Cause:

(a) during the first year of the Initial Employment Term, the Company will continue to pay Employee his remaining Base Salary for the first year of the Initial Employment Term and for six (6) months thereafter in a manner consistent with the Company's then applicable payroll practices, together with lump-sum reimbursement for all unpaid expenses

incurred by the Employee pursuant to Section 5 hereof and any other amounts owned to the Employee by the Company. Notwithstanding anything in this Agreement to the contrary, the Company shall have no further obligations to the Employee.

(b) at any time following the first year of the Initial Employment Term, the Company will continue to pay Employee his Base Salary for a period of six months following the date of termination of employment in a manner consistent with the Company's then applicable payroll practices, together with a lump-sum reimbursement for all unpaid expenses incurred by the Employee pursuant to Section 5 hereof and any other amounts owned to the Employee by the Company. Notwithstanding anything in this Agreement to the contrary, the Company shall have no further obligations to the Employee.

7. SURVIVAL OF AGREEMENT UPON TERMINATION. In the event that Employee's employment is terminated, the rights and obligations of the Parties which are set forth in Sections 7 through 11 of this Agreement shall survive the employment termination for a period from the date of such employment termination through the first anniversary of such date (unless otherwise stated in the applicable provision).

8. RESTRICTIVE COVENANTS.

8.1 ACKNOWLEDGMENT. Employee acknowledges that (i) the Company's business is business-to-business electronic commerce including, but not limited to, building, owning and operating business to business e-commerce solutions for transaction processing between buyers and suppliers, and providing systems integration and consulting services relating thereto, and (ii) fulfillment of the obligations hereunder will result in Employee becoming familiar with the business affairs of the Company and any present or future parent, subsidiary and/or affiliate.

8.2 COVENANT NOT TO COMPETE. In consideration for the compensation provided for in this Agreement, and as a condition to the performance by the Company of all obligations under this Agreement, Employee agrees that during the Initial Employment Term or any Succeeding Employment Terms of this Agreement and for the period from the date of termination of Employee's employment through the first anniversary of such date (the "Non-compete Term"), Employee shall not directly or indirectly through any other person, firm or corporation compete or "participate in" any other business or organization which during such period competes with the Company. The term "participate in" shall mean: "directly or indirectly, for his own benefit or for, with, or through any other person, firm, or corporation, own, manage, operate, control, loan money to, or participate in the ownership, management, operation, or control of, or be connected as a director, officer, employee, partner, consultant, agent or independent contractor, or acquiesce in the use of his name." Provided, however, the provisions of this Section 8.2 shall not apply in the event Employee's employment is terminated by the Company pursuant to Section 6.1 hereof or otherwise without Cause and Employee is no longer receiving any payments from the Company pursuant to Section 6.5 hereof. Further provided, however, the provisions of this Section 8.2 shall be void in the event that (i) the Company fails in any material respect to pay the Base Salary when due or within one month of the date due, (ii) the Company fails to pay the principal on the Note issued by

the Company to Employee on the date hereof which would constitute an "Event of Default" under the Security Agreement, dated the date hereof, among the Company, Employee and certain other parties or (iii) the Company fails to pay when due, or within 30 days thereafter, the Additional Payout described in Section 1.10 of that Agreement and Plan of Merger, dated the date hereof, among the Company, Employee and certain other parties. Notwithstanding the foregoing, it shall not be a breach of the provisions of this Section 8.2 if, during or after the Non-compete Term of this Agreement, Employee is a passive investor in any publicly held entity and Employee owns three (3%) percent or less of the equity interests therein.

8.3 NO SOLICITATION OF EMPLOYEES. In addition, during the Non-compete Term Employee agrees not to recruit, solicit, or hire any employee of the Company, or otherwise induce such employee to leave or terminate his or her employment with the Company, to become an employee of or otherwise be associated with him or any company or business with which he, directly or indirectly, is or may become associated with, or competes with the business of the Company.

8.4 RESTRICTIVE COVENANTS NECESSARY AND REASONABLE. Employee agrees that the provisions of this Section 8 are necessary and reasonable to protect the Company in the conduct of its business. If any restriction contained in this Section 8 shall be deemed to be invalid, illegal, or unenforceable by reason of the extent, duration or geographical scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, geographical scope, or other provisions hereof and in its reduced form such restriction shall then be enforceable in the manner contemplated hereby.

9. INJUNCTIVE RELIEF. Employee, recognizing that irreparable injury shall result to the Company in the event of Employee's breach of the terms and conditions of this Agreement, agrees that in the event of his breach or threatened breach, the Company shall be entitled to seek injunctive relief restraining Employee, and any and all persons or entities acting for or with him, from such breach or threatened breach. Nothing herein contained, however, shall be construed as prohibiting the Company from pursuing any other remedies available to it by reason of such breach or threatened breach.

10. INDEMNIFICATION.

10.1 To the fullest extent allowed by law, the Company shall hold harmless and indemnify Employee, his executors, administrators or assigns, against any and all judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including attorneys' fees) actually incurred by Employee (net of any related insurance proceeds or other amounts received by Employee or paid by or on behalf of the Company on Employee's behalf in compensation of such judgments, penalties, fines, settlements or expenses) in connection with any threatened, actual or completed action, suit or proceeding, whether civil, criminal, arbitral, administrative or investigative, or any appeal in such action, suit or proceeding, to which Employee was, is or is threatened to be made a named defendant or respondent (a "Proceeding"), because Employee is or was a director or officer or senior executive of the Company, or was serving at the

request of the Company as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary (an "Affiliate Executive") of another corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise (each, a "Company Affiliate"). Upon authorization of indemnification of Employee by the Board in accordance with the applicable provisions of the corporation law of the Company's domicile, Employee shall be presumed to be entitled to such indemnification under this Agreement upon submission of a Claim (as hereinafter defined). Thereafter, the Company shall have the burden of proof to overcome the presumption that Employee is so entitled. Such presumption shall only be overcome by a judgment or other final adjudication, after all appeals and all time for appeals have expired ("Final Determination"), adverse to Employee establishing that such indemnification is not permitted hereunder or by law. An actual determination by the Company (including its Board, legal counsel, or its stockholders) that Employee has not met the applicable standard of conduct for indemnification shall not be a defense to the action or create a presumption that Employee has not met the applicable standard of conduct. The purchase, establishment or maintenance of any Indemnification Arrangement shall not in any way diminish, restrict, limit or affect the rights and obligations of the Company or of Employee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and Employee shall not in any way diminish, restrict, limit or affect Employee's right to indemnification from the Company or any other Party or Parties under any other indemnification arrangement, the Certificate of Incorporation or Bylaws of the Company, or applicable state corporate law.

10.2 Subject only to the provisions of this Section 10.2, as long as Employee shall continue to serve as a director and/or officer of the Company (or shall continue at the request of the Company to serve as an Affiliate Executive) and, thereafter, as long as Employee shall be subject to any possible Proceeding by reason of the fact that Employee was or is a director and/or officer of the Company (or served in any of said other capacities), the Company shall, unless no such policies are available in any market, purchase and maintain in effect for the benefit of Employee one or more valid, binding and enforceable policies (the "Insurance Policies") of directors' and officers' liability insurance ("D&O Insurance") providing adequate liability coverage for

Employee's acts as a director and/or officer of the Company or as an Affiliate Executive. The Company may promptly notify Employee of any lapse, amendment or failure to renew said policy or policies or any provision thereof relating to the extent or nature of coverage provided thereunder. In the event the Company does not purchase and maintain in effect said policy or policies of D&O Insurance pursuant to the provisions of this Section 10.2, the Company shall, to the full extent permitted by law, in addition to and not in limitation of the other rights granted Employee under this Agreement, hold harmless and indemnify Employee to the full extent of coverage which would otherwise have been provided for the benefit of Employee pursuant to the Insurance Policies.

10.3 Employee shall have the right to receive from the Company on demand, or at his option to have the Company pay promptly on his behalf, in advance of a Final Determination of a Proceeding all expenses payable by the Company pursuant to the terms of this Agreement as corresponding amounts are expended or incurred by Employee in connection with such Proceeding or otherwise expended or incurred by Employee (such amounts so expended or incurred being referred to as "Advanced Amounts"). In making any claim for payment by the Company of any

expenses, including any Advanced Amount, pursuant to this Agreement, Employee shall submit to the Company a written request for payment (a "Claim"), which includes a schedule setting forth in reasonable detail the dollar amount expended (or incurred or expected to be expended or incurred). Each item on such schedule shall be supported by the bill, agreement or other documentation relating thereto, a copy of which shall be appended to the schedule as an exhibit. Where Employee is requesting Advanced Amounts, Employee must also provide (i) written affirmation of such Employee's good faith belief that he has met the standard of conduct required by law for indemnification, and (ii) a written undertaking to repay such Advanced Amounts if a Final Determination is made that Employee is not entitled to indemnification hereunder.

10.4 The Company shall not be liable under this Agreement to make any payment in connection with any claim made against Employee for an accounting of profits made from the purchase or sale by Employee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of any state statutory law or common law.

10.5 All agreements and obligations of the Company contained herein shall continue during the period Employee is a director and/or officer of the Company (or is serving at the request of the Company as an Affiliate Executive) and shall continue thereafter so long as Employee shall be subject to any possible Proceeding by reason of the fact that Employee was a director or officer of the Company or was serving as such an Affiliate Executive.

10.6 Promptly after receipt by Employee of notice of the commencement of any Proceeding, Employee shall, if a claim in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof, but failure to so notify the Company will not relieve the Company, to the extent the Company was not prejudiced thereby, from any liability which it may have to Employee. With respect to any such Proceeding: (i) the Company shall be entitled to participate therein at its own expense; (ii) except with prior written consent of Employee, the Company shall not be entitled to assume the defense of any Proceeding; and (iii) the Company shall not settle any Proceeding in any manner which would impose any penalty or limitation on Employee without Employee's prior written consent.

11. MISCELLANEOUS.

11.1 NOTICES. Any and all notices, demands, requests or other communication required or permitted by this Agreement or by law to be served on, given to, or delivered to any Party hereto by any other Party to this Agreement shall be in writing and shall be deemed duly served, given, or delivered when personally delivered to the Party to be notified, or in lieu of such personal delivery, when deposited in the United States mail, registered or certified mail, return receipt requested, or on the date of delivery if delivered by overnight courier, addressed to the to the Party to be notified, at the address of the Company at its principal office, as first set forth above, or to Employee at the address as first set forth above. The Company or Employee may change the

address in the manner required by law for purposes of this paragraph by giving notice of the change, in the manner required by this paragraph, to the respective Parties.

11.2 AMENDMENT. This Agreement may not be modified, changed, amended, or altered except in writing signed by Employee or his duly authorized representative, and by a member of the Board of Directors of the Company (who has been duly authorized by the Board).

11.3 GOVERNING LAW. This Agreement shall be interpreted in accordance with the laws of the State of New York. It shall inure to the benefit of and be binding upon the Company, and its successors and assigns.

11.4 ARBITRATION. Except for the provisions of Section 9 above, in the event of any dispute under this Agreement, each party agrees the same shall be submitted to the American Arbitration Association ("AAA") in the City of New York, for its determination and decision in accordance with its rules and regulations then in effect. Each of the parties agrees that the decision and/or award made by the AAA may be entered as a judgement of the Courts of the State of New York and shall be enforceable as such.

11.5 SEVERABILITY. Should any provision or portion of this Agreement be held unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

11.6 ENTIRE AGREEMENT. This Agreement constitutes the sole and only agreement of the Parties hereto respecting the subject matter hereof. Any prior agreements, promises, negotiations, or representations concerning its subject matter not expressly set forth in this Agreement, are of no force and effect.

11.7 COUNTERPARTS. This Agreement and any certificates made pursuant hereto may be executed in any number of counterparts and when so executed all of such counterparts shall constitute a single instrument binding upon all Parties hereto notwithstanding the fact that all Parties are not signatory to the original or to the same counterpart.

11.8 SECTION HEADINGS. The Article and Section headings used in this Agreement are for reference purposes only, and should not be used in construing this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year set forth above.

/s/ Michael Dodier

Michael Dodier

eB2B Commerce, Inc

By: /s/ Richard S. Cohan

Name: Richad S. Cohan
Title: CEO

NON-COMPETITION AGREEMENT

NON-COMPETITION AGREEMENT, dated as of January 2, 2002, by and between eB2B Commerce, Inc., a New Jersey corporation (the "Company"), with its principal place of business at 757 Third Avenue, New York, New York 10017, and Robert Bacchi (the "Stockholder"), with a principal place of business at 665 Broadway, New York, New York 10012.

W I T N E S S E T H:
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WHEREAS, the Company is acquiring Bac-Tech Systems, Inc., a New York corporation ("Bac-Tech"), pursuant to the terms of an Agreement and Plan of Merger, dated January 2, 2002 (the "Merger Agreement"), by and among the Company, Bac-Tech, Stockholder and Michael Dodier; and

WHEREAS, as a condition to the obligations of the Company to consummate the transactions contemplated by the Merger Agreement, Stockholder and the Company shall have executed and delivered this Agreement to the Company.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. DEFINED TERMS. Except as otherwise defined herein, the terms defined in the Merger Agreement are used herein with their defined meanings.

2. NON-COMPETE.

(a) Stockholder agrees that for a period of four (4) years from and after the date hereof (the "Term"), Stockholder shall not, directly or indirectly, or through any other person, firm or corporation:

(i) compete with or "participate in" any other business or organization in the Territory (as defined in paragraph (b) below) which during the Term competes with the Company . The term "participate in" shall mean: "directly or indirectly, for his own benefit or for, with, or through any other person, firm, or corporation, own, manage, operate, control, loan money to, or participate in the ownership, management, operation, or control of, or be connected as a director, officer, employee, partner, consultant, agent or independent contractor, or acquiesce in the use of his name." Notwithstanding the foregoing, it shall not be a breach of the provisions of this Section 2(a)(i) if, during or after the Term, Stockholder is a passive investor in any publicly held entity and Stockholder owns three (3%) percent or less of the equity interests therein; or

(ii) recruit, contract or hire any employee of the Company, or otherwise induce such employee to leave or terminate his or her employment with the Company, to become an employee of or otherwise be associated with Stockholder or any company or business with which Stockholder, directly or indirectly, is or may become associated with, or competes with

the business of the Company.

(b) For purposes of this Agreement, the term "Territory" shall mean North America and any other jurisdiction where Stockholder conducted business similar to that of the business of the Company.

3. NON-PAYMENT BY THE COMPANY. This Agreement shall terminate in the event that (i) the Company fails in any material respect to pay the Stockholder his Base Salary (as such term is defined in the Employment Agreement, dated the date hereof, between the Company and Stockholder) within one month after the date due, (ii) the Company fails to pay the principal or interest on the Note issued by the Company to Stockholder on the date hereof and would constitute an "Event of Default" under the Security Agreement, or (iii) the Company fails to pay within 30 days after the due date, the Additional Payouts described in Section 1.10 of the Merger Agreement.

4. CONFIDENTIAL INFORMATION.

(a) Stockholder agrees that all Confidential Information (as defined below) will be kept confidential and shall not, without the prior written consent of the Company, be disclosed by him in any manner whatsoever, in whole or in part, except as may be required by law or judicial order or as may be required by a party hereto to enforce its rights hereunder.

(b) Stockholder agrees to use reasonable business precautions to keep confidential the Confidential Information, and in this regard provide no less protection than the safeguards presently used by him to maintain the confidentiality of his own Confidential Information.

(c) Nothwithstanding anything in this Agreement to the contrary, to the extent that the security interest granted to Stockholder in and to the Intellectual Property Assets (as defined in the Security Agreement between the Company, Stockholder and another party of even date herewith (the "Security Agreement")) reverts to Stockholder pursuant to the terms of the Security Agreement or the Merger Agreement, Stockholder shall be permitted to utilize such Confidential Information as it relates specifically to the Intellectual Property Assets.

(d) For the purposes of this Agreement, "Confidential Information" shall mean all information relating to the business of the Company of a commercial, financial, technical or non-technical nature, including without limitation, customer lists, financial statements, contracts and employee compensation. Confidential Information shall not include: (i) information which at the time of the disclosure is, or subsequently becomes, generally part of the public domain through no breach of the terms hereof by either party to this Agreement; or (ii) information which is lawfully acquired from a third party who did not breach a confidential obligation by disclosing the same to Stockholder; or (iii) information which was known by the party receiving the information prior to the date of this Agreement, provided prompt notice thereof is given to the disclosing party. To the extent not inconsistent with this Section 4, the Mutual Non-Use and Non-Disclosure Agreement, dated June 19, 2001, between Bac-Tech and the Company shall remain in effect.

5. SPECIFIC PERFORMANCE. Stockholder acknowledges that there may be no adequate remedy at law for a breach of this Agreement and that money damages may not be an adequate remedy for breach of this Agreement. Therefore, the parties agree that the Company shall have the right, in addition to any other rights it may have, to injunctive relief and specific performance of this Agreement in the event of any breach hereof. Any remedies the Company may have shall be cumulative and the remedy set forth above shall in no way limit any other remedy the Company has at law, in equity or pursuant hereto.

6. REPRESENTATIONS AND WARRANTIES. Stockholder hereby represents and warrants that he has full power and authority to enter into this Agreement and this Agreement constitutes the valid and legally binding obligation of Stockholder enforceable against Stockholder in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency and other similar laws of general application affecting the rights of creditors and by general equitable principles.

7. NO WAIVER; CUMULATIVE REMEDIES. This Agreement may not be amended, modified, superseded, or canceled, and terms and conditions hereof may not be waived, except by a written instrument signed by the parties hereto or, in the case of a waiver, by the party waiving compliance. The Company shall not by any act, delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Company, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof of the exercise of any other right, power or privilege. A waiver by the Company of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Company would otherwise have on any future occasion.

8. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York (without giving regard to any conflicts of law principles for such state). The parties

hereby irrevocable and unconditionally consent to submit to the jurisdiction of the federal and state courts of the State of New York for any actions, suits or proceeding arising out of or relating to this Agreement and the parties agree not to commence any such action, suit or proceeding except in such courts. The parties further agree that service of any process, summons, notice or document by U.S. registered mail to its address set forth herein shall be effective service of process for any action, suit, or proceeding brought against it in such court. The parties hereby irrevocably and unconditionally waive and agree not to raise any objection, including any objection based on forum non conveniens, to the laying of venue of any action, suit or proceeding arising out of this Agreement in the federal or state courts of the State of New York.

9. NOTICES. All notices, requests, demands or other communications provided for herein shall be in writing and shall be deemed to have been given when received if personally delivered or sent by (i) registered or certified mail, return receipt requested, (ii) nationally recognized overnight courier service or (iii) facsimile transmission electronically confirmed addressed to the parties at their addresses set forth above or to such other person or address as

either party shall designate to the other from time to time in writing forwarded in like manner.

10. MISCELLANEOUS.

(a) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal successors and permitted assigns. This Agreement shall not be assignable, except that the Company shall have the right to assign this Agreement to any of its affiliates or to a successor in interest to its business.

(b) This Agreement contains the entire agreement and understanding of the parties hereto with respect to the matters herein and supersedes any other agreement, except as referenced herein, whether written or oral, relating to the matters contemplated hereby.

(c) If any term, condition or provision of this Agreement shall be declared, to any extent, invalid or unenforceable, the remainder of the Agreement, other than the term, condition or provision held invalid or unenforceable, shall not be affected thereby and shall be considered in full force and effect and shall be valid and be enforced to the fullest extent permitted by law. It is the intention of the parties that if any of the restrictions or covenants contained herein is held to cover a geographic area or to be for a length of time which is not permitted by applicable law, or in any way construed to be too broad or to any extent invalid, such provision shall not be construed to be null, void and of no effect, but to the extent such provision would be valid or enforceable under applicable law, a court of competent jurisdiction shall construe and interpret or reform this Agreement to provide for a covenant having the maximum enforceable geographic area, time period and other provisions as shall be valid and enforceable under such applicable law.

(d) The captions set forth in this Agreement are used solely for convenience of reference and shall not control or affect the meaning or interpretation of any of the provisions.

(e) This Agreement may be signed in any number of counterparts each of which shall be deemed an original and all of which shall constitute one agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

EB2B COMMERCE, INC.

By: /s/ Richard S. Cohan

Name: Richard S. Cohan
Title: CEO

/s/ Robert Bacchi

Robert Bacchi

NON-COMPETITION AGREEMENT

NON-COMPETITION AGREEMENT, dated as of January 2, 2002, by and between eB2B Commerce, Inc., a New Jersey corporation (the "Company"), with its principal place of business at 757 Third Avenue, New York, New York 10017, and Michael Dodier (the "Stockholder"), with a principal place of business at 665 Broadway, New York, New York 10012.

W I T N E S S E T H:
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WHEREAS, the Company is acquiring Bac-Tech Systems, Inc., a New York corporation ("Bac-Tech"), pursuant to the terms of an Agreement and Plan of Merger, dated January 2, 2002 (the "Merger Agreement"), by and among the Company, Bac-Tech, Stockholder and Robert Bacchi; and

WHEREAS, as a condition to the obligations of the Company to consummate the transactions contemplated by the Merger Agreement, Stockholder and the Company shall have executed and delivered this Agreement to the Company.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. DEFINED TERMS. Except as otherwise defined herein, the terms defined in the Merger Agreement are used herein with their defined meanings.

2. NON-COMPETE.

(a) Stockholder agrees that for a period of four (4) years from and after the date hereof (the "Term"), Stockholder shall not, directly or indirectly, or through any other person, firm or corporation:

(i) compete with or "participate in" any other business or organization in the Territory (as defined in paragraph (b) below) which during the Term competes with the Company . The term "participate in" shall mean: "directly or indirectly, for his own benefit or for, with, or through any other person, firm, or corporation, own, manage, operate, control, loan money to, or participate in the ownership, management, operation, or control of, or be connected as a director, officer, employee, partner, consultant, agent or independent contractor, or acquiesce in the use of his name." Notwithstanding the foregoing, it shall not be a breach of the provisions of this Section 2(a)(i) if, during or after the Term, Stockholder is a passive investor in any publicly held entity and Stockholder owns three (3%) percent or less of the equity interests therein; or

(ii) recruit, contract or hire any employee of the Company, or otherwise induce such employee to leave or terminate his or her employment with the Company, to become an employee of or otherwise be associated with Stockholder or any company or business with which Stockholder, directly or indirectly, is or may become associated with, or competes with

the business of the Company.

(b) For purposes of this Agreement, the term "Territory" shall mean North America and any other jurisdiction where Stockholder conducted business similar to that of the business of the Company.

3. NON-PAYMENT BY THE COMPANY. This Agreement shall terminate in the event that (i) the Company fails in any material respect to pay the Stockholder his Base Salary (as such term is defined in the Employment Agreement, dated the date hereof, between the Company and Stockholder) within one month after the date due, (ii) the Company fails to pay the principal or interest on the Note issued by the Company to Stockholder on the date hereof and would constitute an "Event of Default" under the Security Agreement, or (iii) the Company fails to pay within 30 days after the due date, the Additional Payouts described in Section 1.10 of the Merger Agreement.

4. CONFIDENTIAL INFORMATION.

(a) Stockholder agrees that all Confidential Information (as defined below) will be kept confidential and shall not, without the prior written consent of the Company, be disclosed by him in any manner whatsoever, in whole or in part, except as may be required by law or judicial order or as may be required by a party hereto to enforce its rights hereunder.

(b) Stockholder agrees to use reasonable business precautions to keep confidential the Confidential Information, and in this regard provide no less protection than the safeguards presently used by him to maintain the confidentiality of his own Confidential Information.

(c) Nothwithstanding anything in this Agreement to the contrary, to the extent that the security interest granted to Stockholder in and to the Intellectual Property Assets (as defined in the Security Agreement between the Company, Stockholder and another party of even date herewith (the "Security Agreement")) reverts to Stockholder pursuant to the terms of the Security Agreement or the Merger Agreement, Stockholder shall be permitted to utilize such Confidential Information as it relates specifically to the Intellectual Property Assets.

(d) For the purposes of this Agreement, "Confidential Information" shall mean all information relating to the business of the Company of a commercial, financial, technical or non-technical nature, including without limitation, customer lists, financial statements, contracts and employee compensation. Confidential Information shall not include: (i) information which at the time of the disclosure is, or subsequently becomes, generally part of the public domain through no breach of the terms hereof by either party to this Agreement; or (ii) information which is lawfully acquired from a third party who did not breach a confidential obligation by disclosing the same to Stockholder; or (iii) information which was known by the party receiving the information prior to the date of this Agreement, provided prompt notice thereof is given to the disclosing party. To the extent not inconsistent with this Section 4, the Mutual Non-Use and Non-Disclosure Agreement, dated June 19, 2001, between Bac-Tech and the Company shall remain in effect.

5. SPECIFIC PERFORMANCE. Stockholder acknowledges that there may be no adequate remedy at law for a breach of this Agreement and that money damages may not be an adequate remedy for breach of this Agreement. Therefore, the parties agree that the Company shall have the right, in addition to any other rights it may have, to injunctive relief and specific performance of this Agreement in the event of any breach hereof. Any remedies the Company may have shall be cumulative and the remedy set forth above shall in no way limit any other remedy the Company has at law, in equity or pursuant hereto.

6. REPRESENTATIONS AND WARRANTIES. Stockholder hereby represents and warrants that he has full power and authority to enter into this Agreement and this Agreement constitutes the valid and legally binding obligation of Stockholder enforceable against Stockholder in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency and other similar laws of general application affecting the rights of creditors and by general equitable principles.

7. NO WAIVER; CUMULATIVE REMEDIES. This Agreement may not be amended, modified, superseded, or canceled, and terms and conditions hereof may not be waived, except by a written instrument signed by the parties hereto or, in the case of a waiver, by the party waiving compliance. The Company shall not by any act, delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Company, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof of the exercise of any other right, power or privilege. A waiver by the Company of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Company would otherwise have on any future occasion.

8. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York (without giving

regard to any conflicts of law principles for such state). The parties hereby irrevocable and unconditionally consent to submit to the jurisdiction of the federal and state courts of the State of New York for any actions, suits or proceeding arising out of or relating to this Agreement and the parties agree not to commence any such action, suit or proceeding except in such courts. The parties further agree that service of any process, summons, notice or document by U.S. registered mail to its address set forth herein shall be effective service of process for any action, suit, or proceeding brought against it in such court. The parties hereby irrevocably and unconditionally waive and agree not to raise any objection, including any objection based on forum non conveniens, to the laying of venue of any action, suit or proceeding arising out of this Agreement in the federal or state courts of the State of New York.

9. NOTICES. All notices, requests, demands or other communications provided for herein shall be in writing and shall be deemed to have been given when received if personally delivered or sent by (i) registered or certified mail, return receipt requested, (ii) nationally recognized overnight courier service or (iii) facsimile transmission electronically confirmed addressed to the parties at their addresses set forth above or to such other person or address as

either party shall designate to the other from time to time in writing forwarded in like manner.

10. MISCELLANEOUS.

(a) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal successors and permitted assigns. This Agreement shall not be assignable, except that the Company shall have the right to assign this Agreement to any of its affiliates or to a successor in interest to its business.

(b) This Agreement contains the entire agreement and understanding of the parties hereto with respect to the matters herein and supersedes any other agreement, except as referenced herein, whether written or oral, relating to the matters contemplated hereby.

(c) If any term, condition or provision of this Agreement shall be declared, to any extent, invalid or unenforceable, the remainder of the Agreement, other than the term, condition or provision held invalid or unenforceable, shall not be affected thereby and shall be considered in full force and effect and shall be valid and be enforced to the fullest extent permitted by law. It is the intention of the parties that if any of the restrictions or covenants contained herein is held to cover a geographic area or to be for a length of time which is not permitted by applicable law, or in any way construed to be too broad or to any extent invalid, such provision shall not be construed to be null, void and of no effect, but to the extent such provision would be valid or enforceable under applicable law, a court of competent jurisdiction shall construe and interpret or reform this Agreement to provide for a covenant having the maximum enforceable geographic area, time period and other provisions as shall be valid and enforceable under such applicable law.

(d) The captions set forth in this Agreement are used solely for convenience of reference and shall not control or affect the meaning or interpretation of any of the provisions.

(e) This Agreement may be signed in any number of counterparts each of which shall be deemed an original and all of which shall constitute one agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

EB2B COMMERCE, INC.

By: /s/ Richard S. Cohan

Name: Richard S. Cohan
Title: CEO

/s/ Michael Dodier

Michael Dodier