

U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

-----  
FORM 10-QSB

Quarterly Report under Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2003

Commission file number 10039

eB2B COMMERCE, INC.  
-----

(Exact name of small business issuer as specified in its charter)

NEW JERSEY  
-----

(State or other jurisdiction of  
incorporation or organization)

22-2267658  
-----

(I.R.S. Employer  
Identification Number)

665 BROADWAY  
NEW YORK, NY 10012  
-----

(Address of Principal Executive Offices)

(212) 477-1700  
-----

(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

As of September 30, 2003, there were 3,157,416 shares of Common Stock, \$0.0001 par value per share, of the registrant outstanding.

Transitional Small Business Disclosure format Yes [ ] No [X]

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<TABLE>  
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PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS  
eB2B COMMERCE, INC.  
CONSOLIDATED BALANCE SHEET  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	September 30, 2003 ----- (Unaudited) <C>
<S>	
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 277
Accounts receivable, net of allowance of \$165	383
Other current assets	4
	-----
Total Current Assets	664
Property and equipment, net	3
Product development costs, net of accumulated amortization of \$5,562	438
Deferred financing costs, net of accumulated amortization of \$163	302
Other intangibles, net of accumulated amortization of \$2,997	231
Other assets	35
	-----
Total assets	\$ 1,673 =====
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current Liabilities	
Accounts payable	\$ 1,082
Accrued expenses and other current liabilities	1,085

Current maturities of long-term debt	2,835
Deferred revenue	275
Current liabilities of discontinued operations	252
	-----
Total current liabilities	5,529
Long-term debt, less current maturities	384
	-----
Total liabilities	5,913
	-----
Commitments and contingencies	
Stockholders' Deficit	
Preferred stock, convertible Series A - \$.0001 par value; 2,000 shares authorized; 7 shares issued and outstanding	--
Preferred stock, convertible Series B - \$.0001 par value; 4,000,000 shares authorized; 2,211,675 shares issued and outstanding	--
Preferred stock, convertible Series C - \$.0001 par value; 1,750,000 shares authorized; 732,875 shares issued and outstanding	--
Common stock - \$.0001 par value; 200,000,000 shares authorized; 3,157,416 shares issued and outstanding	--
Additional paid-in capital	157,291
Accumulated deficit	(161,531)
	-----
Total stockholders' deficit	(4,240)
	-----
Total liabilities and stockholders' deficit	\$ 1,673
	=====

</TABLE>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenue	\$ 823	\$ 828	\$ 3,067	\$ 2,745
	-----	-----	-----	-----
Costs and Expenses:				
Cost of revenue	156	303	459	836
Marketing and selling	43	93	189	341
Amortization of product development costs	64	144	246	839
Amortization of other intangibles	83	710	407	1,099
General and administrative	550	1,169	1,851	4,328
Restructuring credit	--	--	--	(655)
Settlement of licensing liability	--	--	(566)	--
Stock-based compensation expense	--	81	--	244
	-----	-----	-----	-----
Total costs and expenses	896	2,500	2,586	7,032
	-----	-----	-----	-----
Income (loss) from continuing operations before interest and other expenses, net	(73)	(1,672)	481	(4,287)
Interest and other expenses, net	(165)	(66)	(496)	(296)
	-----	-----	-----	-----
Loss from continuing operations	(238)	(1,738)	(15)	(4,583)
Loss from discontinued operations	--	(420)	(6)	(762)
	-----	-----	-----	-----
Net loss	\$ (238)	\$ (2,158)	\$ (21)	\$ (5,345)
	=====	=====	=====	=====
Loss per common share				
from continuing operations	\$ (0.08)	\$ (0.88)	\$-	\$ (2.40)
Loss per common share				
from discontinued operations	--	(0.21)	--	(0.40)
	-----	-----	-----	-----
Net loss per common	\$ (0.08)	\$ (1.09)	\$ --	\$ (2.80)
	=====	=====	=====	=====
Weighted average number of common shares outstanding	3,157,416	1,984,551	3,149,936	1,905,855
	=====	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

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

	For the Nine Months Ended September 30,	
	2003	2002
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss from continuing operations	\$ (15)	\$ (4,583)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:		
Depreciation and amortization	750	2,920
Gain on settlement of licensing liability	(566)	--
Stock-based compensation expense	--	244
Non-cash interest expense	316	199
Changes in operating assets and liabilities		
Accounts receivable	225	244
Other current assets	50	--
Other assets	15	--
Accounts payable	(314)	(6)
Accrued expenses and other liabilities	(120)	338
Deferred revenue	(465)	--
Lease termination cost and other	--	(424)
	-----	-----
Net cash used in operating activities	(124)	(1,068)
	-----	-----
Cash flows from investing activities:		
Acquisition of Bac-Tech Systems, Inc., net	--	(198)
Purchases of property and equipment	--	(6)
Product development expenditures	(262)	(367)
	-----	-----
Net cash used in investing activities	(262)	(571)
	-----	-----
Cash flows from financing activities:		
Payments on borrowings	(37)	--
Proceeds from borrowings and issuance of convertible notes, net	--	625
Proceeds from long-term debt	275	--
Payment of capital lease obligations	--	(100)
	-----	-----
Net cash provided by financing activities	238	525
	-----	-----
Net cash used in continuing operations	(148)	(1,114)
	-----	-----
Net cash used in discontinued operations	(36)	(762)
	-----	-----
Net change in cash and cash equivalents	(184)	(1,876)
Cash and cash equivalents - beginning of period	461	2,098
	-----	-----
Cash and cash equivalents - end of period	\$ 277	\$ 222
	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

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

	For the Nine Months Ended September 30,	
	2003	2002
<S>	<C>	<C>
Non-cash transactions		
Common and preferred stock issued in connection with acquisition	--	\$ 1,240
Issuance of warrants with convertible debt	--	750

Issuance of long term not in connection with acquisition	--	397
Beneficial conversion with issuance of convertible debt	--	512
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 2	\$ 4

</TABLE>

See accompanying notes to consolidated financial statements.

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

NOTE 1. ORGANIZATION AND LIQUIDITY PLANS

eB2B Commerce, Inc. (the "Company") utilizes proprietary software to provide a technology platform for buyers and suppliers to transfer business documents via the Internet to their small and medium-sized trading partners. These documents include, but are not limited to, purchase orders, purchase order acknowledgements, advanced shipping notices and invoices. The Company provides access via the Internet to its proprietary software, which is maintained on its hardware and on hosted hardware. The Company also offers professional services, which provide consulting expertise to the same client base, as well as to other businesses that prefer to operate or outsource the transaction management and document exchange of their business-to-business relationships. In addition, until it discontinued these operations as of September 30, 2002, the Company provided authorized technical education to its client base, and also designed and delivered custom computer and Internet-based training seminars.

Since its inception, the Company has accumulated deficits and negative cash flows from operations, which raises substantial doubt about its ability to continue as a going concern.

To ensure the success of the Company, and to address the accumulated deficits and negative cash flows from operations, management enacted a plan for the Company, which includes various cost cutting measures commencing in 2001. Management is currently prepared to take the following actions:

- o Raise additional capital, for which there can be no assurance of obtaining, to fund the Company's internal growth, and to sustain the Company if positive cash flow from operations is not generated, or if there are unanticipated expenses.
- o Continue to pursue negotiations with its remaining unsecured creditors.
- o Investigate potential transactions involving the sale or merger of the Company.

NOTE 2. BASIS OF PRESENTATION

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

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

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations; however, management believes that the disclosures are adequate to make the information presented not misleading. This report should be read in conjunction with the audited consolidated financial statements and footnotes therein included in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002.

In January 2002, the Company completed a fifteen for one reverse stock split. All shares and per share amounts have been adjusted to reflect this reverse stock split.

NOTE 3. DISCONTINUED OPERATIONS

In September 2002, the Company discontinued its Training and Educational Services business segment. The Company was unable to find a buyer for this business segment and determined that it was in the best interests of its shareholders to discontinue its operations rather than continue to fund its

working capital needs and operating losses. Accordingly, the related results of operations and cash flows have been reflected as discontinued operations in

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NOTE 3. DISCONTINUED OPERATIONS (CONTINUED)

the accompanying consolidated financial statements. For the nine months ended September 30, 2003 and 2002, the Company's discontinued operations contributed net sales of \$0 and \$724,000, respectively. As of September 30, 2003, there were no assets relating to this segment, and only the liabilities appear on the Company's balance sheet.

NOTE 4. ACCOUNTING FOR STOCK BASED COMPENSATION

Effective January 1, 2003, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("FAS") No. 123, "Accounting for Stock-Based Compensation", prospectively to all employee awards granted, modified, or settled after January 1, 2003. Prior to 2003, the Company accounted for stock-based employee compensation under the recognition and measurement provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No stock-based employee compensation cost is reflected in 2002 net income, as all options granted to employees had an exercise price equal to the market value of the underlying common stock on the date of grant. No stock-based compensation cost is reflected in 2003 net income, as no awards were granted during the three and nine months ended September 30, 2003. The following table illustrates the effect on net income (loss) and income (loss) per share as if the fair value based method had been applied to all outstanding and unvested awards in each period.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
Loss from continuing operations, as reported	\$ (327)	\$ (1,738)	\$ (104)	\$ (4,583)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	--	--	--	(693)
Pro forma loss from continuing operations, net of tax	\$ (327)	\$ (1,738)	\$ (104)	\$ (5,276)
Loss from discontinued operations, as reported	\$ --	\$ (420)	\$ (6)	\$ (762)
Deduct: Total stock-based employee compensation expense Determined under fair value based method for all awards	--	--	--	--
Pro forma loss from discontinued operations, net of tax	\$ --	\$ (420)	\$ (6)	\$ (762)
Net loss, as reported	\$ (327)	\$ (2,158)	\$ (110)	\$ (5,345)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	--	--	--	(693)
Pro forma net loss	\$ (327)	\$ (2,158)	\$ (110)	\$ (6,038)
Loss per share:				
Loss from continuing operations - as reported	\$ (0.10)	\$ (0.92)	\$ (0.03)	\$ (2.43)
Loss from continuing operations - pro forma	\$ (0.10)	\$ (0.92)	\$ (0.03)	\$ (2.80)
Loss from discontinued operations - as reported	\$ --	\$ (0.22)	\$ --	\$ (0.40)
Loss from discontinued operations - pro forma	\$ --	\$ (0.22)	\$ --	\$ (0.40)
Net loss - as reported	\$ (0.10)	\$ (1.14)	\$ (0.03)	\$ (2.83)
Net loss - pro forma	\$ (0.10)	\$ (1.14)	\$ (0.03)	\$ (3.20)
Weighted average number of common shares outstanding	3,157,416	1,892,196	3,140,931	1,883,730

</TABLE>

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NOTE 5. NET INCOME (LOSS) PER COMMON SHARE

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted-average number of common and dilutive common-equivalent shares outstanding during the period. Dilutive common-equivalent shares consist of shares that would be issued upon the exercise of stock options and warrants (computed using the treasury stock method).

Options and warrants to purchase 26,229,826 shares of common stock, and preferred shares or long term debt convertible into 50,437,000 shares of common stock for the three and nine months ended September 30, 2003 were not included in diluted earnings per share as their effect would be anti-dilutive. Options and warrants to purchase 8,958,653 shares of common stock, and preferred shares or long term debt convertible into 8,103,759 shares of common stock for the three and nine months ended September 30, 2002, respectively, were not included in diluted loss per share because they would have been antidilutive.

NOTE 6. LONG-TERM DEBT

On March 27, 2003, the Company and the selling shareholders of Bac-Tech Systems, Inc. amended the \$600,000 non-interest bearing promissory notes, whereby the \$200,000 installment due to the selling shareholders of Bac-Tech Systems, Inc. due May 1, 2003 was deferred until July 1, 2005. The installments of \$200,000 due on January 1, 2004 and January 1, 2005 remain unchanged.

In April 2003, the \$275,000 of the retained proceeds from the private financing of convertible notes in July 2002 was released from escrow. The proceeds are to be used to pay for negotiated reduced liabilities and working capital.

The Company is obligated to pay interest on its 5-year, 7%, senior subordinated secured convertible notes issued in January 2002 on a quarterly basis beginning March 2002, and each subsequent quarter thereafter, which interest payments have not been made. If the Company does not make these payments, or obtain waivers from the noteholders, the noteholders may pursue whatever legal remedies are available to them under the terms of the notes, which are secured by all of the assets of the Company. In view of the Company's cash position, it intends to seek waivers from these holders. There can be no assurance that such waivers can be obtained or that such holders will not declare a default of their entire indebtedness. Accordingly, such notes have been classified as current liabilities.

NOTE 7. ADDITIONAL PAID-IN CAPITAL

During December 2001, the Company renegotiated a potential \$1,200,000 liability with a creditor relating to the licensing of software. The Company had previously issued 145,986 shares of common stock to this party for amounts then owing. The Company had agreed that in the event this party received gross proceeds less than the amount originally owed, the Company would reimburse this party for the shortfall. In December 2001, this agreement was amended whereby the creditor agreed to be issued up to 266,667 shares of the Company's common stock to offset any deficiency, and to the extent this amount is insufficient, the creditor would be paid one-half the remaining balance in cash no earlier than April 2003, with the other half forgiven.

At March 31, 2003, the Company remeasured its potential liability under the agreement. As a result of the remeasurement, the Company reduced its liability by \$4,000 and increased additional paid-in capital as of March 31, 2003.

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NOTE 8 - SETTLEMENT OF LICENSING LIABILITY

On July 8, 2003, the Company further amended the agreement discussed in Note 7 and superceded the prior compensation arrangement. The amended agreement provides for a two year term, continued use by the Company of the creditor's software, and compensation to the creditor as follows: (i) \$20,000 in cash, (ii) such number of shares of common stock of the Company, if any, as is required to bring the ownership of the creditor to 9.9% of the outstanding common shares of the Company, (iii) 10% of the revenues that the Company generates through the use of the software and (iv) 7.5% of the revenues (excluding those generated under provision (iii)) received by the Company from maintenance and other services performed by the Company for third parties for or on account of the software; in no event shall the amounts payable pursuant to provisions (iii) and (iv) above exceed the aggregate amount of \$300,000. The effect of this amended agreement was to reduce the Company's licensing liability by \$566,000.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

## Forward Looking Statements

The statements contained in this Form 10-QSB that are not historical facts may be "forward-looking statements," as defined in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, which contain risks and uncertainty. Such statements can be identified by the use of forward-looking terminology such as "estimates," "projects," "anticipates," "expects," "intends," "believes," or the negative of each of these terms or other variations thereon or comparable terminology or by discussions of strategy that involve risks and uncertainties. Although we believe that our expectations are reasonable within the bounds of our knowledge of our business operations, there can be no assurance that actual results will not differ materially from our expectations. The uncertainties and risks include, among other things, our plans, beliefs and goals, estimates of future operating results, our limited operating history, the ability to raise additional capital, our limited cash resources and negative working capital position, the risk that our secured noteholders will seek our assets in view of default in payment in interest, the risks and uncertainties associated with rapidly changing technologies such as the Internet, the risks of technology development and the risks of competition that can cause actual results to differ materially from those in the forward-looking statements.

Forward-looking statements are only estimates or predictions and cannot be relied upon. We can give you no assurance that future results will be achieved. Actual events or results may differ materially as a result of risks facing us or actual results differing from the assumptions underlying such statements. These risks and assumptions could cause actual results to vary materially from the future results indicated, expressed or implied in the forward-looking statements included in this Form 10-QSB. We disclaim any obligation to update information contained in any forward-looking statement.

## General

The following discussion and analysis should be read with the financial statements and accompanying notes, included elsewhere in this form 10-QSB. It is intended to assist the reader in understanding and evaluating our financial position.

On April 18, 2000, eB2B Commerce, Inc., a Delaware corporation, merged with DynamicWeb, which is a New Jersey corporation, which was the surviving legal entity. Following the merger, although the merged company maintained the corporate and legal identity of DynamicWeb, we changed our name from DynamicWeb Enterprises, Inc. to eB2B Commerce, Inc. and assumed the accounting history of the former eB2B Commerce, Inc. (i.e. the Delaware corporation).

## Overview

We are a provider of business-to-business transaction management services designed to simplify trading partner integration, automation and collaboration.

We use proprietary software to provide services that enable more efficient trading to take place between business partners. Our technology platform allows business partners to electronically initiate, communicate, and respond to business documents, regardless of the differences in the partners' respective computer systems.

Through our service offerings and technology, we:

- o receive business documents including, but are not limited to, purchase orders, purchase order acknowledgments, advanced shipping notices and invoices in any data format,

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- o ensure that the appropriate data has been sent,
- o translate the document into any other format readable by the trading partner,
- o transmit the documents correctly to the respective trading partner,
- o acknowledge the flow of transactions to each partner,
- o allow the partners to view and interact with other supply chain information,
- o alert the partners to time-critical information.

We provide access to our services via the Internet and traditional communications methodologies. Our software is maintained on both on-site hardware and remotely hosted hardware.

We also provide professional services and consulting services to tailor

our software to our customers' specific needs with regard to automating the customers' transactions with their suppliers, as well as to businesses that wish to build, operate or outsource the transaction management of their business-to-business trading partner relationships and infrastructure.

In some instances, we provide access to our software to third-party software vendors as resellers, who use our solutions to meet their customers' requirements in this area. We may also allow certain of these customers to take delivery of our proprietary software on a licensed basis to support our services remotely.

#### Impact of Critical Accounting Policies

The SEC has recently issued Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" ("FRR 60"), suggesting companies provide additional disclosure and commentary on those accounting policies considered most critical. FRR 60 considers an accounting policy to be critical if it is important to our financial condition and results, and requires significant judgment and estimates on the part of management in its application. Management believes the following represent our critical accounting policies as contemplated by FRR 60. For a summary of all of our significant accounting policies, including the critical accounting policies discussed below, see the Notes to the Financial Statements included in our Form 10-KSB for the year ended December 31, 2002.

#### Revenue Recognition

Revenue from transaction processing is recognized on a per transaction basis when a transaction occurs between a buyer and a supplier. The fee is based on the volume of transactions processed during a specific period, typically one month. Revenue from related implementation, if any, annual subscription and monthly hosting fees are recognized on a straight-line basis over the term of the contract with the customer. Deferred income includes amounts billed for implementation, annual subscription and hosting fees, which have not been earned. For related consulting arrangements on a time-and-materials basis, revenue is recognized as services are performed and costs are incurred in accordance with the terms of the contract. Revenues from related fixed-price consulting or large project arrangements are recognized using either the contract completion or percentage-of-completion method. The revenue recognized from fixed price consulting arrangements is based on the percentage-of-completion method if management can accurately allocate (i) the ongoing costs to undertake the project relative to the contracted price and

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projected margin; and (ii) the degree of completion at the end of the applicable accounting period. Otherwise, revenue is recognized upon customer acceptance of the completed project. Fixed-price consulting arrangements are mainly short-term in nature and we do not have a history of incurring losses on these types of contracts. If we were to incur a loss, a provision for the estimated loss on the uncompleted contract would be recognized in the period in which such loss becomes probable and estimable. Billings in excess of revenue recognized are included in deferred income.

#### Accounting for Business Combinations and Intangible Assets

The judgments made in determining the estimated fair value and expected useful lives assigned to each class of assets and liabilities acquired can significantly impact net income. For example, different classes of assets will have useful lives that differ--the useful life of a customer list may not be the same as the other intangible assets, such as patents, copyrights, or to other assets, such as software licenses. Consequently, to the extent a longer-lived asset (e.g., patents) is ascribed greater value than to a shorter-lived asset with a definitive life (e.g. customer lists and software licenses) there may be less amortization recorded in a given period. Furthermore, determining the fair value of certain assets and liabilities acquired is judgmental in nature and often involves the use of significant estimates and assumptions. One of the areas that requires more judgment in determining fair values and useful lives is intangible assets. While there were a number of different methods used in estimating the value of the intangibles acquired, there were two approaches primarily used: discounted cash flow and market multiple approaches. Some of the more significant estimates and assumptions inherent in the two approaches include: projected future cash flows (including timing); discount rate reflecting the risk inherent in the future cash flows; perpetual growth rate; determination of appropriate market comparables; and the determination of whether a premium or a discount should be applied to comparables. The value of our intangible assets is exposed to future adverse changes if our company experiences decline in operating results or experiences significant negative industry or economic trends or if future performance is below historical trends. We periodically review intangible assets for impairment using the guidance of applicable accounting literature.

#### RESULTS OF OPERATIONS

THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2003 AND 2002

Total revenue for the third quarter ended September 30, 2003 was \$823,000, compared to \$828,000 for the same period in 2002, a decrease of \$5,000, or 1%. Compared to revenue of \$1,213,000 for the second quarter of 2003, total revenue decreased by \$390,000, or 32%. The decrease in sequential revenue is primarily attributable to the timing of completed large projects and revenue recognition based on completion. Revenue for the nine-month periods ended September 30, 2003 and 2002 amounted to \$3,067,000 and \$2,745,000, respectively, an increase of \$322,000, or 12%.

Revenue from the Company's core transaction services business was \$622,000, an increase of \$69,000, or 12%, for the third quarter from the same period in 2002. Core transaction services revenue decreased by \$98,000, or 14%, from the \$720,000 realized in the second quarter of 2003 due to timing issues from completed projects. For the nine-month periods ended September 30, 2003 and 2002, core transaction services revenue was \$2,088,000 and \$1,785,000 respectively, an increase of \$303,000, or 17%. The increase in overall revenue is attributable to completion of new software development projects for both existing and new customers, as well as growth in eB2B's Trade Gateway™ supplier network. Professional services consulting revenue for the third quarter decreased by \$74,000, or 27%, from the same period in 2002, and by \$95,000, or 32% from the second quarter of 2003. The decline was primarily attributable to fewer professional services hours billable to the Company's largest client as it reduced overall IT spending levels during the summer of 2003. While the Company

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expects revenue from this business line to remain relatively stable as a result of billing increases to this and other clients, it can give no assurances in this regard.

In the three-month periods ended September 30, 2003 and 2002, one customer accounted for approximately 23% and 24% of our total revenue, respectively. No other customer accounted for 10% or more of our total revenue for the respective periods.

Cost of revenue consists primarily of salaries and benefits for employees providing technical support as well as salaries of personnel and consultants providing consulting services to clients. Total cost of revenue for the three-month periods ended September 2003 and 2002 amounted to \$156,000 and \$303,000, respectively, a decrease of \$147,000 or 49% percent. The decrease was a result of fewer professional services hours used during the quarter. For the nine-month periods ended September 30, 2003 and 2002, cost of revenue was \$459,000 and \$836,000, respectively. The decrease of \$377,000, or 45%, was attributable to decreases in professional services hours used in 2003.

Marketing and selling expenses consist primarily of employee salaries, benefits and commissions, and the costs of promotional materials, trade shows and other sales and marketing programs. Marketing and selling expenses (exclusive of stock-based compensation) decreased by \$50,000, or 54%, to \$43,000 for the three months ended September 30, 2003, from the \$93,000 for the three months ended September 30, 2002, due to a decrease in travel and related expenses. For the nine-month periods ended September 30, 2003 and 2002, marketing and selling expense was \$189,000 and \$341,000 respectively. The decrease of \$152,000, or 45% reflected a decrease in travel and related expense and the elimination of two sales positions.

Product development expenses mainly represent amortization of capitalized software development costs and related costs associated with the development of our intellectual property and technology infrastructure necessary to capture and process transactions. Product development expenses (exclusive of stock-based compensation) were approximately \$64,000 and \$144,000 for the three-month periods ended September 30, 2003 and 2002, respectively. The decrease of \$80,000, or 56%, was primarily attributable to a stabilized technology platform in 2002 and 2003, resulting in less development expense capitalized in prior periods and subsequent reduction in amortization in 2003. We capitalize qualifying computer software costs incurred during the application development stage. Accordingly, we anticipate that product development expenses will fluctuate from quarter to quarter as various milestones in the development are reached and future versions of our software are implemented. Product development expense for the nine-month periods September 2003 and 2002 were \$246,000 and \$839,000 respectively. The decrease of \$593,000 or 71% was due to the stabilized technology platform and subsequent reduction of amortization expense mentioned above.

General and administrative expenses consist primarily of employee salaries and related expenses for executives, administrative and finance personnel, as well as other consulting, legal and professional fees and, to a lesser extent, facility and communication costs. During the three-month periods ended September 30, 2003 and 2002, total general and administrative expenses (exclusive of stock-based compensation) amounted to \$550,000 and \$1,169,000, respectively, a decrease of \$619,000, or 53%. The decrease is attributable primarily to (i) reductions in employees resulting in savings on salaries, severance and related benefits of \$260,000, (ii) reduction of healthcare expenses of \$25,000, (iii) reduction in insurance, legal, consulting, and accounting of \$97,000, and (iv) telecommunications of \$129,000. For the

nine-month periods September 2003 and 2002, general and administrative expenses were \$1,851,000 and \$4,328,000, respectively. The decrease of \$2,477,000, or 57% was primarily due to (i) reduction in employee salaries and benefits of \$1,053,000 (ii) reduction in healthcare expense of \$93,000, (iii) reduction in insurance, legal, consulting and accounting of \$416,000, (iv) reduction in marketing and public relations expense of \$157,000 and, (v) reduction in telecommunications expense of \$254,000.

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Amortization of other intangibles are non-cash charges associated with the DynamicWeb, and Bac-Tech business combinations. Amortization expense was \$83,000 and \$710,000 for the three-month periods ended September 30, 2003 and 2002, respectively. The decrease of \$627,000 is due primarily to the completion of amortization of intangible assets acquired in the DWEB acquisition. For the nine-month periods ending September 30, 2003 and 2002, amortization expense was \$407,000 and \$1,099,000 respectively, a decrease of \$692,000, or 63%, also related to the completion of amortization of DWEB intangibles.

During the three-month periods ended September 30, 2003 and 2002, stock-based compensation expense amounted to \$0 and \$81,000, respectively. The deferred stock compensation cost in 2002 related to warrants issued to non-employees, and was expensed over the period of the expected benefit. The balance of unearned stock-based compensation at September 30, 2003 was zero. For the nine-month periods ending September 30, 2003 and 2002, stock-based compensation expense amounted to \$0 and \$244,000 respectively, related to the aforementioned warrants.

The Company defines Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") as net income (loss) adjusted to exclude: (i) provision (benefit) for income taxes, (ii) interest income and expense, (iii) depreciation and amortization, and (iv) income or loss from discontinued operations.

EBITDA is discussed because management considers it an important indicator of the operational strength and performance of its business based in part on the significant level of non-cash expenses recorded by the Company to date, coupled with the fact that these non-cash items are managed at the corporate level. EBITDA, however, should not be considered an alternative to operating or net income as an indicator of the performance of the Company, or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with accounting principles generally accepted in the United States of America. See Liquidity and Capital Resources for a discussion of cash flow information.

For the three-month periods ended September 30, 2003 and 2002, EBITDA from continuing operations was \$89,000 versus an EBITDA loss of \$719,000, respectively, an improvement of \$808,000. For the nine-months ended September 30, 2003, EBITDA was \$1,231,000, as compared to the loss of \$1,367,000 reported for the same period in 2002, an improvement of \$2,598,000. The improvement in EBITDA is a result of the savings from the Company's restructuring and cost reduction measures implemented in 2002, particularly in regard to general and administrative expense, negotiated settlements of outstanding liabilities, as well as an overall increase in revenues.

A reconciliation of net loss to EBITDA for the three and nine months ended September 30, 2003 and 2002 is as follows (in thousands):

<TABLE>  
<CAPTION>

	For the three months Ended September 30,		For the nine months Ended September 30,	
	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
Net loss	\$ (238)	\$ (2,158)	\$ (21)	\$ (5,345)
Loss from discontinued operations	--	420	6	762
Loss from continuing operations	(238)	(1,738)	(15)	(4,583)
Amortization of product development costs	64	144	246	839
Depreciation and amortization	98	710	504	2,081
Interest	165	165	496	296
EBITDA	\$ 89	\$ (719)	\$ 1,231	\$ (1,367)

</TABLE>

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Interest and other expenses, net amounted to an expense of \$165,000 for the three-month period ended September 30, 2003 compared to \$66,000 for the

three-month period ended September 30, 2002. The higher interest expense for the third quarter 2003 is a result of non-cash interest expense of \$106,000 related to the amortization of deferred financing fees and debt discount related to warrants combined with interest of \$26,000 on the notes issued during the second half of 2002 and \$33,000 of interest expense related to the \$2 million senior subordinated convertible notes issued in January 2002 compared to interest expense offset by interest earned on a higher average cash balance in the three-month period ended September 30, 2002.

Net loss in the third quarter of 2003 was \$238,000, or \$(0.08) per share, compared to a net loss of \$2,158,000, or \$(1.09) per share, for the same period last year, representing an improvement of \$1,920,000. For the nine-month period ended September 30, 2003, net loss was \$21,000, or \$(0.00) per share compared to a net loss of \$5,345,000, or \$(2.80) per share for the nine-month period ended September 30, 2002. The improvement in net loss is a combined result of the changes discussed above.

#### LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2003, our principal source of liquidity was approximately \$277,000 of cash and cash equivalents. The Company drew down the remaining funds held in escrow pursuant to our July 2002 financing on April 29, 2003. As of September 30, 2003, we had a negative working capital position of \$4,865,000. The report of our independent auditors' on our financial statements as of and for the year ended December 31, 2002 contains an unqualified report with an explanatory paragraph which states that our recurring losses from operations and negative cash flows from operations raise substantial doubt about our ability to continue as a going concern.

As of November 20, 2003, our unaudited cash and cash equivalent balance was approximately \$115,000. Though our ongoing quarterly cash expenses more closely approximate our quarterly revenue, the Company requires additional capital to resolve its outstanding obligations, improve its working capital position, and accelerate its growth.

Though the Company has shown stronger financial performance in the past nine months, its reported EBITDA, which has been positive for the prior four quarters, and its small 2003 net loss are partially due to gains as a result of negotiated settlements with creditors or reversals of accruals associated with resolved issues. Though the Company has reported positive EBITDA for the first nine months of 2003, it still has negative cash flows from operations for this period. We used \$124,000 of cash in continuing operations for the nine-months ended September 30, 2003. At our current quarterly expense rates, we will require approximately \$875,000 in quarterly revenue and \$930,000 in cash collections, respectively, to report positive EBITDA and cash flow from operations. However, there can be no assurances in this regard.

Currently, we are dependent on our month-to-month collection activity as well as our best efforts in anticipating expenses in order to continue operations. Any unexpected shortfall in collections or unanticipated major expense could cause us to scale back our operations or even cause us to suspend or cease operations.

The Company currently has contractual commitments from existing and prospective customers to proceed with projects sufficient, along with current capital, to fund its ongoing near term operational needs. However, should the Company not be successful in meeting deliverable schedules or project milestones, and is unsuccessful in pursuing potential remedies discussed below, it will need additional capital immediately.

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The Company successfully settled a potential liability of approximately \$566,000 with a creditor who holds a license to software used by the Company to support its Trade Gateway TM platform. The settlement included an ongoing royalty of between seven and one-half (7.5) and ten (10.0) percent of revenue generated by the platform, up to a maximum payment of \$300,000. As a result of the settlement, eB2B's quarterly margin derived from the platform will decrease by the amount of the royalty. Over the two year period of the agreement, the Company anticipates that growth of the Trade Gateway network will more than offset the effect of the royalty payments, however, in the near term, cash generated by the platform will be negatively affected.

Further, the Company is obligated to pay interest on its five-year, 7%, senior subordinated secured convertible notes issued in January 2002 on a quarterly basis beginning March 2002, and each subsequent quarter thereafter, which interest payments have not been made. As a result of this default, the Company has likely cross-defaulted on its July 2002 five-year, 7%, senior secured convertible notes. If the Company does not make these payments, or obtain waivers from the noteholders, the noteholders may pursue whatever legal remedies are available to them under the terms of the notes, which are secured by all of the assets of the Company. In view of the Company's cash position, it has sought waivers from these holders. There can be no assurance that such waivers can be obtained or that such holders will not declare a default of their entire indebtedness and make claim to all of the assets of the Company. As of

September 30, 2003 the aforementioned waivers had not been obtained.

Because of the substantial anti-dilution provisions contained in the Company's previous rounds of financing, in addition to the security interests of its noteholders, the Company is seriously constrained by its current capital structure, limiting its ability to raise additional capital and making traditional financing from banks or corporate lenders extremely difficult, if not impossible, to secure.

As a result of the above constraints, the Company has and will continue to explore both its strategic and structural options to resolve its issues, including filing for bankruptcy protection under Chapter 11. The Company has retained a creditor's rights attorney, a counsel to the Board, a valuation analyst and will retain other advisors as appropriate.

We have taken actions to improve our cash position and fund any remaining operating losses including:

- o Additional cost reduction measures, which have reduced annual salaries, benefits or other operating expenses by approximately \$20,000 per month,
- o Discussions aimed at securing additional capital, through commercial banking, investment banking, and receivables financing channels, which to date have not resulted in additional funds being available to the Company,
- o Discussions with potential sale or merger partners of the Company.
- o Discussions with secured and unsecured creditors regarding the Company's financial status.

These concerns about capital may lead us to take additional steps to eliminate or curtail certain projects and conserve cash that may adversely affect operations. If we are unable to obtain additional capital as needed, we may be required to cease operations altogether. If we are able to raise additional funds on an equity basis, for which there can be no assurance, extensive dilution to existing shareholders would likely occur in light of the antidilution provisions of our preferred stock, notes, and related warrants. In fact, under certain scenarios, there may be virtually no value remaining to the common stock shareholders. Some of the alternatives that we are pursuing, however, may be less dilutive to existing shareholders.

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Notwithstanding the foregoing, the Company believes that our cash flow will continue to improve on a quarterly basis. A large percentage of our operating expense is fixed and as we increase our revenues, for which there can be no assurance, our operating expenses will remain relatively stable. In addition, during the third quarter, the Company finalized a contract with a major retailer to perform integration and outsourcing services, as well as provide its Trade Gateway™ supplier enablement program to the customer's small and medium suppliers. The Company estimates that when fully implemented the contract will generate over \$25,000 per month in recurring revenue.

The Company has entered into various financing and commercial commitments. The Company's long-term debt is carried on its financial statements net of discounts of \$869,000 at September 30, 2003. Following is a summary of required cash obligations as they come due:

<TABLE>  
<CAPTION>

	Year Ended September 30,				
	2004	2005	2006	2007	2008
<S>	<C>	<C>	<C>	<C>	<C>
Long-term debt	\$3,688,000	\$ 200,000	\$ 200,000	\$ --	\$ --
Operating leases	113,000	117,000	120,000	124,000	52,000
Capital leases	57,000	--	--	--	--
	\$3,858,000	\$ 317,000	\$ 320,000	\$ 124,000	\$ 52,000

</TABLE>

In July 2002, we initially closed a private placement of five-year 7% senior subordinated secured notes, which are convertible into shares of our common stock at the conversion price of \$0.101 per share (the closing price of the common stock on the trading day prior to the closing). Ten persons or entities, consisting of certain of our significant investors and members of our management, purchased these notes. The gross proceeds of this transaction, amounting to \$1,200,000, have been used for working capital and general corporate purposes. These notes contain full ratchet anti-dilution protection in certain events, including the issuances of shares of stock at less than market

price or the applicable conversion price. These notes along with the \$2,000,000 of notes issued in the January 2002 private placement are secured by substantially all of our assets. The security interest with respect to the notes issued in the July 2002 financing is senior in right to the security interest created with respect to the notes issued in January 2002. In connection with the July 2002 financing, all subscription proceeds were held in escrow by an escrow agent for the benefit of the holders of these notes pending our acceptance of subscriptions and were disbursed as provided in the escrow agreement. On the closing of this financing, proceeds of \$350,000 were released to us. As provided in our escrow agreement, the remaining proceeds were disbursed as follows: \$275,000 in September 2002, \$275,000 in November 2002 and \$300,000 in April 2003.

On April 29, 2003, we drew down the remaining funds held in escrow. The draw down on our financing triggered anti-dilution provisions affecting the conversion price of the Company's notes issued in January 2002, Series B preferred stock and Series C preferred stock and the exercise price of and number of shares issuable under various outstanding warrants.

Net cash used in continuing operating activities totaled approximately \$124,000 for the nine-months ended September 30, 2003 as compared to \$1,830,000 for the same period in 2002. Net cash used in continuing operating activities for the nine-month period resulted primarily from (i) a \$609,000 use of cash from operating assets and liabilities, including the recognition of a significant portion of deferred revenue, (ii) a \$15,000 use of cash from continuing operations and (iii) an aggregate of \$500,000 of non-cash charges consisting primarily of depreciation, amortization, stock-based compensation expense, non-cash interest expense less the gain from the creditor settlement discussed previously. Net cash used in operating activities for the nine-months ended September 30, 2002, resulted primarily from (i) the \$5,345,000 net loss from continuing operations offset by (ii) \$152,000 of cash provided by operating

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assets and liabilities, (iii) an aggregate of \$3,363,000 of non-cash charges consisting primarily of depreciation, amortization and stock-based compensation expense, less a restructuring credit.

Net cash used in investing activities totaled approximately \$262,000 of product development costs for the nine-months ended September 30, 2003 as compared to net cash used by investing activities of approximately \$571,000 for the same period in 2002. Net cash used in investing activities for the nine-months ended September 30, 2002 resulted from (i) the acquisition of Bac-Tech Systems, Inc., including net cash outlays of \$198,000, (ii) \$367,000 in product development costs consisting of fees of outside contractors and capitalized salaries, and (iii) \$6,000 of property and equipment acquisitions.

Net cash provided by financing activities totaled \$238,000 for the nine-months ended September 30, 2003 and resulted from the draw down of the remaining funds in escrow from the July 2002 financing of \$275,000 less payments of borrowings totaling \$37,000. Net cash provided by financing activities of \$525,000 for the nine-months ended September 30, 2002 resulted from payments of capital leases totaling \$100,000 and \$625,000 drawn from escrow from the July 2002 financing.

### ITEM 3 - CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

Our principal executive and financial officer has reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act")), as of a date within ninety days before the filing of this quarterly report. Based on that evaluation, such officer has concluded that our current disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms.

Changes in internal controls.

There have not been any significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation. There were no significant deficiencies or material weakness in the internal controls, and therefore no corrective actions were taken.

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## PART II. OTHER INFORMATION

### ITEM 3. DEFAULT ON SENIOR SECURITIES

According to the terms of its January 2002 five-year, 7%, subordinated

senior secured notes, the Company was obligated to begin making interest payments each quarter, in cash or registered shares of company stock, beginning March 2002. To date, the Company has paid no cash interest and because we do not have an effective registration statement covering the applicable shares, we are in default in the approximate amount of \$238,000, representing interest payments for March, June, September, and December of 2002, as well as March and September 2003. The total amount of indebtedness equals \$2,262,500 plus the unpaid interest.

Because of the amount owing on the January 2002 notes, it is likely that we are in a cross-default position regarding our July 2002 notes, which limit the amount of indebtedness the Company may incur. The total amount of the July 2002 notes is \$1,200,000.

#### ITEM 5. OTHER INFORMATION

The Board of Directors approved an amendment to the Company By-laws on October 9, 2003, so that the Company could maintain a Board of Directors consisting of a single Director, the minimum allowable under the laws of the State of New Jersey. Subsequent to the approval of the amendment, Thom Waye resigned as a Director of the Company. The current Board consists of Richard Cohan, Chairman and Chief Executive Officer. A copy of the amendment and adopting resolution is attached as Exhibit 3.2.5.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

##### (a) Exhibits

- 3.2.1 Amended and Restated Bylaws of the Registrant adopted March 7, 1997.
- 3.2.2 Amendments adopted January 21, 1998 to Bylaws of the Registrant
- 3.2.3 Amendments adopted October 9, 2003 to Bylaws of the Registrant
- 31. Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32. Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

##### (b) Reports on Form 8-K

A Form 8-K was filed on July 22, 2003 to report an Amendment to the Company's agreement with Interworld Corporation.

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#### SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

eB2B Commerce, Inc.

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(Registrant)

November 26, 2003

By: /s/ RICHARD COHAN

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Chief Executive Officer and President  
(Principal financial officer)

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AMENDED AND RESTATED  
BY-LAWS  
OF  
DYNAMICWEB ENTERPRISES, INC.

ARTICLE I- OFFICES

Section 1. Initial Registered Office/Agent: The registered office of the corporation shall be 271 Route 46 West, Building F, Suite 209, Fairfield, New Jersey 07004 and the registered agent at said address shall be Steve Vanechanos, Jr.

Section 2. Additional Offices: The corporation may have such other offices either within or without the State of New Jersey as the Board of Directors may designate or as the business of the corporation may require from time to time.

ARTICLE II - SEAL

Section 1. Corporate Seal: The corporate seal shall have inscribed thereon the name of the corporation, the year of its creation and the words "Incorporated, NEW JERSEY."

ARTICLE III - SHAREHOLDERS' MEETINGS

Section 1. Place of Shareholders' Meetings: All meetings of the shareholders shall be held at the registered office of the corporation or at such other place or places, either within or without the State of New Jersey, as may from time to time be selected by the Board of Directors.

Section 2. Annual Meetings: After the fiscal year ending September 30, 1997, the annual meeting of shareholders shall be held on the first Thursday of February in each year if not a legal holiday, and if a legal holiday, then on the next full business day following, at ten o'clock A.M., or on such other day as may be fixed by the Board. At the annual meeting the shareholders shall elect, by a plurality vote, a Board of Directors, and transact such other business as may properly be brought before the meeting. If the annual meeting for election of directors is not held on the day designated therefore, the directors shall cause the meeting to be held as soon thereafter as convenient.

Failure to hold the annual meeting at the designated time shall not cause a forfeiture or dissolution of the corporation.

Section 3. Special Meetings: Special meetings of the shareholders may be called by the President or the Board of Directors, but not by the shareholders unless otherwise required by law.

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Section 4. Notice of Shareholders' Meetings: Written notice of the time, place and purpose or purposes of every meeting of shareholders shall be given not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, to each shareholder of record entitled to vote at the meeting, unless a greater period of notice is required by statute in a particular case. When a meeting is adjourned to another time or place, it shall not be necessary to give notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken and at the adjourned meeting only such business is transacted as might have been transacted at the original meeting. However, if after the adjournment the Board fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to notice of the new record date.

Section 5. Waiver of Notice: Notice of a meeting need not be given to any shareholder who signs a waiver of such notice, in person or by proxy, whether before or after the meeting. The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of

notice by him.

Section 6. Action by Shareholders Without Meeting:

(1) Any action required or permitted to be taken at a meeting of shareholders by statute, the Certificate of Incorporation or these By-Laws of the corporation, may be taken without a meeting if all of the shareholders entitled to vote thereon unanimously consent thereto in writing, except as otherwise provided in the Business Corporation Act (the "Act"). In case the corporation is involved in a merger, consolidation or other type of acquisition or disposition regulated by Chapters 10 and 11 of the Act, the pertinent provisions of the Act should be referred to and strictly complied with.

(2) Whenever action is taken pursuant to subsection (1) of this section, the written consents of the shareholders consenting thereto or the written report of inspectors appointed to tabulate such consents shall be filed with the minutes or proceedings of shareholders.

(3) Except as set forth above regarding the unanimous consent of shareholders, no action required to be taken or which may be taken at any annual or special meeting of shareholders of the corporation may be taken without a meeting, and the power of the shareholders of the corporation to consent in writing to an action without a meeting is specifically denied.

Section 7. Fixing Record Date:

(1) The Board may fix, in advance, a date as the record date for determining the corporation's shareholders with regard to any corporate action or event and, in particular, for determining the shareholders who are entitled to:

(a) notice of or to vote at any meeting of shareholders or any adjournment thereof;

(b) consent in writing to any action without a meeting; or,

(c) receive payment of any dividend or allotment of any right.

The record date may in no case be more than 60 days prior to the shareholders' meeting or other corporate action or event to which it relates.

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The record date for a shareholders' meeting may not be less than 10 days before the date of the meeting.

(2) If no record date is fixed,

(a) the record date for a shareholders' meeting shall be the close of business on the day next preceding the day on which notice is given, or, if no notice is given, the day next preceding the day on which the meeting is held; and,

(b) the record date for determining shareholders for any other purpose shall be at the close of business on the day on which the resolution of the Board relating thereto is adopted.

(3) When a determination of shareholders of record for a shareholders' meeting has been made as provided in this section, such determination shall apply to any adjournment thereof, unless the Board fixes a new record date under this section for the adjourned meeting.

Section 8. Voting Lists: The officer or agent having charge of the stock transfer books for shares of the corporation shall make and certify a complete list of shareholders entitled to vote at a shareholders' meeting or any adjournment thereof. Such list shall be arranged alphabetically within each class, series or group of shareholders maintained by the corporation for convenience of reference, with the address of, and the number of shares held by, each shareholder; be produced at the time and place of the meeting; be subject to the inspection of any shareholder during the whole time of the meeting; and be prima facie evidence as to who are the shareholders entitled to examine such

list or vote at any meeting.

Section 9. Quorum: Unless otherwise provided in the Certificate of Incorporation or by statute, the presence, in

person or by proxy, of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast shall constitute a quorum of shareholders at any annual or special meeting of shareholders of the corporation. The shareholders present in person or by proxy at a duly organized meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum. If there is less than a quorum, the meeting may adjourn. Whenever the holders of any class or series of shares are entitled to vote separately on a specified item of business, the provisions of this section shall apply in determining the presence of a quorum of such class or series for the transaction of such specified item of business.

Section 10. Voting:

(1) Each outstanding share of common stock shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders, except as otherwise provided by statute or in the Certificate of Incorporation.

(2) Whenever any action, other than the election of directors, is to be taken by vote of the shareholders, it shall be authorized by a majority of the votes cast at a meeting of shareholders at which a quorum is present by the holders of shares entitled to vote thereon, unless a greater plurality is required by statute or by the Certificate of Incorporation.

Section 11. Proxy Voting:

(1) Every shareholder entitled to vote at a meeting of shareholders or to express consents without a meeting may authorize another person or persons to act for him by proxy. Every proxy shall be executed in writing by the shareholder or his agent, except that a proxy may be given by a

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shareholder or his agent by telegram or cable or by any means of electronic communication which results in a writing. No proxy shall be valid for more than eleven months unless a longer time is expressly provided therein, but in no event shall a proxy be valid after three years from the date of execution.

Unless it is irrevocable as provided in subsection 11(3) below, a proxy shall be revocable at will. The grant of a later proxy revokes any earlier proxy unless the earlier proxy is irrevocable. A proxy shall not be revoked by the death or incapacity of the shareholder but the proxy shall continue in force until revoked by the personal representative or guardian of the shareholder. The presence at any meeting of any shareholder who has given a proxy does not revoke the proxy unless the shareholder files written notice of the revocation with the Secretary of the meeting prior to the voting of the proxy or votes the share subject to the proxy by written ballot.

(2) A person named in a proxy as the attorney or agent of a shareholder may, if the proxy so provides, substitute another person to act in his place, including any other person named as an attorney or agent in the same proxy. The substitution shall not be effective until an instrument effecting it is filed with the secretary of the corporation.

(3) A proxy which states that it is irrevocable is irrevocable if coupled with an interest either in the stock itself or in the corporation and, in particular and without limitation, if it is held by any of the following or a nominee of any of the following:

(a) A pledgee;

(b) A person who has purchased or agreed to purchase the shares;

(c) A creditor of the corporation who has extended credit or has agreed to continue to extend credit to the corporation if the proxy is given in consideration of the extension or continuation;

(d) A person who has agreed to perform services as an employee of the corporation if the proxy is given in consideration of the agreement; or

(e) A person designated pursuant to the terms of an agreement as to voting between two or more shareholders.

An irrevocable proxy becomes revocable when the interest which supports the proxy has terminated.

(4) Unless noted conspicuously on the share certificate, an otherwise irrevocable proxy may be revoked by a person who becomes the holder of the shares without actual knowledge of the restriction.

Section 12. Election of Directors: At each election of directors, every shareholder entitled to vote at such election shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected and for whose election he has a right to vote. Shareholders shall not be permitted to cumulate their votes in the election of directors. Directors shall be elected by a plurality of the votes cast at the election, except as otherwise provided by the Certificate of Incorporation.

Section 13. Inspectors of Election: The Board may, in advance of any shareholders' meeting, appoint one or more inspectors to act at the meeting or any adjournment thereof and make a written report thereof. If inspectors to act at any meeting of shareholders are not so appointed or shall fail to qualify, the person presiding at a shareholders' meeting may, and on the request of any shareholder entitled to vote thereat shall, make such appointment. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality

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and according to the best of his ability. No person shall be elected a director in an election for which he has served as an inspector.

#### ARTICLE IV - DIRECTORS

Section 1. General: The business and affairs of this corporation shall be managed by its Board of Directors, consisting of not less than five (5) nor more than twenty-five (25) in number. The directors of the corporation may be divided into classes if and as so provided in the Certificate of Incorporation. A director shall be at least eighteen years of age and need not be a United States citizen or a resident of this State. Unless waived by the Board of Directors, in order to qualify for election as a director, a person must have been a shareholder of record of the corporation for a period of time equal to the lesser of (i) three (3) years or (ii) the time elapsed since March 26, 1996. Except as set forth in Article VI hereof regarding the filling of vacancies on the Board of Directors, each director shall be elected by the shareholders at an annual meeting of shareholders of the corporation, and shall be elected until his successor shall be elected and shall qualify, subject to earlier termination by removal or resignation.

Section 2. First Meeting After Election: After the election of the directors, the newly elected Board may meet at such place and time as shall be fixed by the vote of the shareholders at the annual meeting, for the purpose of electing the officers of the corporation and otherwise, and no notice of such meeting shall be necessary to the newly elected directors in order to legally constitute the meeting; provided a majority of the whole Board shall be present; or such place and time may be fixed by the consent in writing of the directors.

Section 3. Regular Meetings: Regular meetings of the Board shall be held without notice from time to time at the registered office of the corporation, or at such other time and place as shall be determined by the Board.

Section 4. Quorum: A majority of the entire Board, or of any committee thereof, shall constitute a quorum for the transaction of business, unless the Certificate of Incorporation or these By-Laws provide that a greater or lesser proportion shall constitute a quorum. Any action of the majority of the votes of the directors present at a meeting at which a quorum is present shall be the act of the Board or of the committee, unless by statute, the Certificate of Incorporation, or these By-Laws require a greater proportion including a

unanimous consent.

Section 5. Action of Directors Without a Meeting: Any action required or permitted to be taken pursuant to authorization voted at a meeting of the Board or any committee thereof, may be taken without a meeting if, prior or subsequent to such action, all members of the Board or of such committee, as the case may be, consent thereto in writing and the written consents are filed with the minutes of the proceedings of the Board or committee. Such consent shall have the same effect as a unanimous vote of the Board or Committee for all purposes, and may be stated as a unanimous vote in any certificate or other document filed with the Secretary of State of New Jersey.

Section 6. Special Meetings: Special meetings of the Board may be called by the President upon two days' notice to each director, either personally or by mail; special meetings may be called in like manner and on like notice, on the written request of any director.

Section 7. Waiver of Notice: Notice of any meeting need not be given to any director who signs a waiver of notice, whether before or after the meeting. The attendance of any director at a meeting without protesting prior to the conclusion of the meeting the lack of notice of such meeting shall constitute a waiver of notice by him. Neither the business to be transacted at, nor the purposes of any meeting of the Board need be specified in the notice or waiver of notice of such meeting. Notice of an adjourned meeting need not be given if

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the time and place are fixed at the meeting adjourning and if the period of adjournment does not exceed ten days in any one adjournment.

Section 8. Power of Directors:

(1) The Board of Directors shall have the management of the business of the corporation. In addition to the powers and authorities by these By-Laws expressly conferred upon them, the Board may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by these By-Laws directed or required to be exercised or done by the shareholders.

(2) In discharging his duties to the corporation and in determining what he reasonably believes to be in the best interest of the corporation, a director may, in addition to considering the effects of any action on shareholders, consider any of the following: (a) the effects of the action on the corporation's employees, suppliers, creditors, and customers; (b) the effects of the action on the community in which the corporation operates; and (c) the long term as well as the short-term interests of the corporation and its shareholders, including the possibility that these interests may best be served by the continued independence of the corporation.

(3) If on the basis of the factors described in subsection (2) of this Section 8, the Board of Directors determines that any proposal or offer to acquire the corporation is not in the best interest of the corporation, it may reject such proposal or offer. If the Board of Directors determines to reject any such proposal or offer, the Board of Directors shall have no obligation to facilitate, remove any barriers to, or refrain from impeding the proposal or offer.

Section 9. Compensation of Directors: The Board, by the affirmative vote of a majority of directors in office and irrespective of any personal interest of any of them, shall have authority to establish reasonable compensation of directors for services to the corporation as directors, officers or otherwise.

Section 10. Committees:

(1) If deemed advisable, the Board of Directors, by resolution adopted by a majority of the entire Board, may appoint from among its members an executive committee and one or more other committees, each of which shall have one or more members. To the extent provided in such resolution, each such committee shall have and may exercise all the authority of the Board, except that no such committee shall make, alter or repeal any By-Law of the corporation; elect or appoint any director, or remove any officer or director; submit to shareholders any action that requires shareholders' approval; or amend

or repeal any resolution theretofore adopted by the Board which by its terms is amendable or repealable only by the Board.

(2) There shall be a standing committee of the Board of Directors to be known as the Audit Committee. The members of the Audit Committee shall consist exclusively of directors who are not officers or employees of the corporation or of any entity controlling, controlled by or under common control with the corporation and who are not beneficial owners of a controlling interest in the voting stock of the corporation or of any such entity. The Audit Committee shall: (i) make recommendations to the Board of Directors as to the independent accountants to be appointed by the Board, (ii) review with the independent accountants the scope of their examination, (iii) receive the reports of the independent accountants and meet with the representatives of such accountants for the purpose of reviewing and considering questions relating to their examination and such reports, (iv) review the internal accounting and auditing procedures of the corporation, and (v) perform such other duties as may be assigned to it from time to time by the Board of Directors.

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(3) The Board, by resolution adopted by a majority of the entire Board, may fill any vacancy in any committee; appoint one or more directors to serve as alternate members of any committee to act in the absence or disability of members of any committee with all the powers of such absent or disabled members; abolish any committee at its pleasure; and remove any director from membership on any committee at any time, with or without cause.

(4) Actions taken at a meeting of any committee shall be reported to the Board at its next meeting following such committee meeting; except that, when the meeting of the Board is held within two days after the committee meeting, such report shall, if not made at the first meeting, be made to the Board at its second meeting following such committee meeting.

(5) The designation of any committee and the delegation thereto of authority shall not operate to relieve the Board, or any member thereof, of any responsibility imposed by law.

#### Section 11. Director Conflicts of Interest:

(1) No contract or other transaction between a corporation and one or more of its directors, or between a corporation and any domestic or foreign corporation, firm or association of any type or kind in which one or more of its directors are directors or are otherwise interested, shall be void or voidable solely by reason of such common directorship or interest, or solely because such director or directors are present at the meeting of the board or a committee thereof which authorizes or approves the contract or transaction, or solely because his or their votes are counted for such purpose, if any one of the following is true:

(a) The contract or other transaction is fair and reasonable as to the corporation at the time it is authorized, approved or ratified; or

(b) The fact of the common directorship or interest is disclosed or known to the board or committee and the board or committee authorizes, approves or ratifies the contract or transaction by unanimous written consent, provided at least one director or consenting is disinterested, or by affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(c) The fact of the common directorship or interest is disclosed or known to the shareholders, and they authorize, approve or ratify the contract or transaction.

(2) Common or interested directors may be counted in determining the presence of a quorum at a Board or committee meeting at which a contract or transaction described in subsection 11(1) above, is authorized, approved or ratified.

(3) The Board, by the affirmative vote of a majority of directors in office and irrespective of any personal interest of any of them, shall have authority to establish reasonable compensation of directors for services to the corporation as directors, officers, or otherwise.

Section 12. Liability of Directors; Presumption of Assent to Action Taken at a Meeting: A director of a corporation who is present at a meeting of the Board, or any committee thereof of which he is a member, shall be presumed to have concurred in the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before or promptly after the adjournment thereof. Such right to dissent shall not apply to a director who voted in favor of such action, or a director who is absent from a meeting of the Board or any committee thereof. A director who is absent from a meeting of the Board, or any committee thereof of which he is a member, at which any such action is taken shall be presumed to have concurred in the action unless he shall file his dissent with the secretary of the corporation within a reasonable time after learning of such action.

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Section 13. Liability of Directors; Reliance on Records and Reports:

(1) Directors and members of any committee designated by the Board shall discharge their duties in good faith and with that degree of diligence, care and skill which ordinarily prudent people would exercise under similar circumstances in like positions.

(2) In discharging their duties, directors and members of any committee designated by the Board shall not be liable if, acting in good faith, they rely:

(a) upon the written opinion of counsel for the corporation;

(b) upon written reports setting forth financial data concerning the corporation and prepared by an independent public accountant or certified public accountant or firm of such accountants;

(c) upon financial statements, books of account or reports of the corporation represented to them to be correct by the president, the officer of the corporation having charge of its books of account, or the person presiding at a meeting of the Board; or

(d) upon written reports of committees of the Board.

(3) A director shall not be personally liable to the corporation or its shareholders for damages for breach of duty as a director if and to the extent that such liability has been eliminated or limited by a provision in the Certificate of Incorporation or authorized by statute.

(4) In taking action, including without limitation, action which may involve or relate to a change or potential change in the control of the corporation, a director shall be entitled to consider, without limitation, both the long-term and the short-term interests of the corporation and its shareholders. For the purpose of this subsection, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the corporation, whether through the ownership of voting shares, by contract or otherwise.

ARTICLE V - OFFICERS

Section 1. Officers:

(1) The officers of the corporation shall consist of a President, one or more Executive Vice Presidents and Vice Presidents, a Secretary, a Treasurer and, if desired, a Chairman of the Board, and such other officers as may be required. They shall be elected annually by the Board of Directors and shall hold office for until their successors are elected and have qualified, subject to earlier termination by removal or resignation. The Board may also choose such employees and agents as it shall deem necessary, who shall hold their offices for such terms shall have such authority and shall perform such duties as from time to time shall be prescribed by the Board.

(2) Any two or more offices may be held by the same person but no officer shall execute, acknowledge, or verify any instrument in more than one capacity if such instrument is required by law or by these By-Laws to be

executed, acknowledged, or verified by two or more officers.

Section 2. Salaries: The salaries of all officers, employees and agents of the corporation shall be fixed by the Board of Directors.

Section 3. President: The President shall be the Chief Executive Officer of the corporation; shall preside at all meetings of the shareholders and directors; shall have general and active management of the business of the

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corporation; and shall see that all orders and resolutions of the Board are carried into effect, subject, however, to the right of the directors to delegate any specific powers, except such as may by statute exclusively be conferred on the President, to any other officer or officers of the corporation. He shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation. He shall have the general powers and duties of supervision and management usually vested in the office of President of a corporation.

Section 4. Executive Vice Presidents and Vice Presidents: Each Executive Vice President and Vice President, if any have been appointed, shall be vested with all the powers and be required to perform all of the duties delegated to him by the Board of Directors or the President. One Executive Vice President or Vice President shall be designated by the Board of Directors to perform all the duties of the President in his absence.

Section 5. Chairman of the Board: The Chairman of the Board, if one has been appointed, shall exercise such powers and perform such duties as shall be provided in the resolution proposing that a Chairman of the Board be elected.

Section 6. Secretary: The Secretary shall keep full minutes of all meetings of the shareholders and directors; he shall be Ex-Officio Secretary of the Board of Directors; he shall attend all sessions of the Board, shall act as clerk thereof, and record all votes and the minutes of all proceedings in a book to be kept for that purpose; and shall perform like duties for the standing committees when required. He shall give or cause to be given notices of all meetings of the shareholders of the corporation and the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or the President, under whose supervision he shall be.

Section 7. Assistant Secretary: The Assistant Secretary, if any, or Assistant Secretaries if more than one, shall perform the duties of the Secretary in his or her absence and shall perform other duties as the board of directors, the President or the Secretary may from time to time designate.

Section 8. Treasurer: The Treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation, in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board or the President, taking proper vouchers for such disbursements, and shall render to the President and Board of Directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the corporation, and shall, if requested by the Board, submit a full financial report at the annual meeting of the shareholders.

#### ARTICLE VI - VACANCIES, RESIGNATION & REMOVAL

##### Section 1. Vacancies in the Board of Directors:

(1) Any directorship not filled at the annual meeting, and any vacancy, however caused, including vacancies resulting from an increase in the number of directors, occurring in the Board may be filled by the affirmative vote of a majority of the remaining directors even though less than a quorum of the Board, or by a sole remaining director. A director so elected by the Board shall hold office until the next succeeding annual meeting of shareholders and until his successor shall have been elected and qualified.

(2) Any directorship not filled by the Board may be filled by the shareholders at a meeting of shareholders called for that purpose.

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Section 2. Vacancies in Offices: Any vacancy occurring among the officers, however caused, shall be filled by the Board of Directors.

Section 3. Resignations: Any director or other officer may resign by written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as shall be specified in the notice of resignation.

Section 4. Removal of Directors: One or more or all the directors of the corporation may be removed for cause by the affirmative vote of the majority of the votes which all shareholders would be entitled to cast at an annual election of directors. No act of the Board done during the period when a director has been suspended or removed for cause shall be impugned or invalidated solely on account of the suspension or removal being thereafter rescinded by the shareholders or by the Board or by the final judgment of a court of competent jurisdiction.

Section 5. Removal of Officers: Any officer elected by the Board of Directors may be removed by the Board with or without cause. The removal of an officer shall be without prejudice to his contract rights, if any. Election of an officer shall not of itself create contract rights.

#### ARTICLE VII - SHARE CERTIFICATES

Section 1. Share Certificates: The shares of the corporation shall be represented by certificates. Certificates shall be signed by, or in the name of the corporation by the President and may be counter-signed by the Secretary or Treasurer or an Assistant Secretary and may be sealed with the seal of the corporation or a facsimile thereof. Any or all signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon such certificate, shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of its issue.

Section 2. Transfers: All transfers of the shares of the corporation shall be made upon the books of the corporation by the holders of the shares in person, or by their legal representatives. Share certificates shall be surrendered and canceled at the time of transfer. The shares of the corporation shall be personal property and shall be transferable in accordance with the provisions of Chapter 8 of the New Jersey Uniform Commercial Code, as amended from time to time, except as provided by statute.

Section 3. Loss of Certificates: In the event that a share certificate shall be lost, destroyed or mutilated, a new certificate may be issued therefore upon such terms and indemnity to the corporation as the Board of Directors may prescribe.

#### ARTICLE VIII - MISCELLANEOUS PROVISIONS

Section 1. Monetary Disbursements: All checks or demands for money and notes of the corporation shall be signed by such officer or officers as the Board of Directors may from time to time designate.

Section 2. Fiscal Year: The fiscal year of the corporation shall end on the 30th day of September each year.

Section 3. Dividends: Subject to any restrictions contained in the Certificate of Incorporation and by statute, the corporation may, from time to time, by resolution of the Board, declare and pay dividends on its shares in cash, in its own shares, in its bonds or in other property, including the shares or bonds of other corporations.

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Section 4. Giving Notice:

(1) Whenever written notice is required to be given to any person, it may be given to such person, either personally or by sending a copy thereof by telefacsimile or through the mail. If notice is given by mail, the notice shall be deemed to be given when deposited in the mail addressed to the person to whom it is directed at his last address as it appears on the records

of the corporation, with postage prepaid thereon. Such notice shall specify the place, day and hour of the meeting and, in the case of shareholders' meeting, the general nature of the business to be transacted.

(2) In computing, the period of time for the giving of any notice required or permitted by statute, or by the Certificate of Incorporation or these By-Laws or any resolution of directors or shareholders, the day on which the notice is given shall be excluded, and the day on which the matter noticed is to occur shall be included.

Section 5. Loans to Directors, Officers or Employees: The corporation may lend money to, or guarantee any obligation of, or otherwise assist, any director, officer or employee of the corporation or of any subsidiary, whenever, in the judgment of the directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be made with or without interest, and may be unsecured, or secured in such manner as the Board shall approve, including without limitation, a pledge of shares of the corporation, and may be made upon such other terms and conditions as the Board may determine.

Section 6. Disallowed Compensation: Any payments made to an officer or employee of the corporation such as a salary, commission, bonus, interest, rent, travel or entertainment expense incurred by him, which shall be disallowed in whole or in part as a deductible expense by the Internal Revenue Service, shall be reimbursed by such officer or employee to the corporation to the full extent of such disallowance. It shall be the duty of the directors, as a Board, to enforce payment of each amount disallowed. In lieu of payment by the officer or employee, subject to the determination of the directors, proportionate amounts may be withheld from his future compensation payments until the amount owed to the corporation has been recovered.

Section 7. Meetings by Conference Telephone: Where appropriate communication facilities are reasonably available, any or all directors shall have the right to participate in all or any part of a meeting of the Board or a committee of the Board by means of telephone conference or any means of communication by which all persons participating in the meeting are able to hear each other.

Section 8. Books and Records of Accounts: The corporation shall keep books and records of account and minutes of the proceedings of the shareholders, Board of Directors and executive committee, if any, either within or without this State. The corporation shall keep at its principal office, registered office, or at the office of a transfer agent, a record or records containing the names and addresses of all shareholders, the number, class and series of shares held by each and the dates when they respectively became the owners of record thereof. Any of the foregoing books, minutes or records may be in written form or in any other form capable of being converted into readable form within a reasonable time. The corporation shall convert into readable form without charge any such records not in such form, upon the written request of any person entitled to inspect them.

#### ARTICLE IX - AMENDMENTS

Section 1. Except as otherwise provided in the Certificate of Incorporation or by statute, the authority to make, amend, alter, change or repeal the By-Laws of the corporation is hereby expressly and solely granted to and vested in the Board of Directors of the corporation, subject always to the power of the shareholders to change such action by the affirmative vote of

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shareholders of the corporation entitled to cast at least 66-2/3 percent (66-2/3%) of the votes which all shareholders are entitled to cast.

#### ARTICLE X - INDEMNIFICATION OF DIRECTORS OFFICERS AND EMPLOYEES

Section 1. Definitions: As used in this Article:

(1) "corporate agent" means any person who is or was a director, officer, employee or agent of the indemnifying corporation or of any constituent corporation absorbed by the indemnifying corporation in a consolidation or merger and any person who is or was a director, officer,

trustee, employee or agent or any other enterprise, serving as such at the request of the indemnifying corporation, or of any such constituent corporation, or the legal representative of any such director, officer, trustee, employee or agent;

(2) "other enterprise" means any domestic or foreign corporation, other than the indemnifying corporation, and any partnership, joint venture, sole proprietorship, trust employee benefit plan or other enterprise, whether or not for profit, served by a corporate agent;

(3) "expenses" means reasonable costs, disbursements and counsel fees;

(4) "liabilities" means amounts paid or incurred in satisfaction of settlements, judgments, fines and penalties; and

(5) "proceedings" means any pending, threatened or completed civil, criminal, administrative or arbitratative action, suit or proceeding, and any appeal therein and any inquiry or investigation which could lead to such action, suit or proceeding.

Section 2. Third Party Actions: Unless otherwise provided in the Certificate of Incorporation or by statute, the corporation shall have the power to indemnify a corporate agent against his expenses and liabilities in connection with any proceeding involving the corporate agent by reason of his being or having been such a corporate agent, other than a proceeding by or in the right of the corporation, if

(1) such corporate agent acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation; and

(2) with respect to any criminal proceeding, such corporate agent had no reasonable cause to believe his conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a pleas of nolo contendere or its equivalent, shall not of itself create a presumption that such corporate agent did not meet the applicable standards of conduct set forth in subsections 2(1) and 2(2) hereof.

Section 3. Derivative Actions: Unless otherwise provided in the Certificate of Incorporation or by statute, the corporation shall have the power to indemnify a corporate agent against his expenses in connection with any proceeding by or in the right of the corporation to procure a judgment in its favor which involves the corporate agent by reason for his being or having been such corporate agent, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation. However, in such proceeding no indemnification shall be provided in respect of any claim, issue or matter as to which such corporate agent shall have been adjudged to be liable to the corporation, unless and only to the extent that the Superior Court or the court in which such proceeding was brought shall determine upon application that despite the adjudication of liability, but in view of all

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circumstances of the case, such corporate agent is fairly and reasonably entitled to indemnity for such expenses as the Superior Court or such other court shall deem proper.

Section 4. Mandatory Indemnification: The corporation shall indemnify a corporate agent against expenses to the extent that such corporate agent has been successful on the merits or otherwise in any proceeding referred to in subsections (2) and (3) hereof or in defense of any claim, issue or matter therein.

Section 5. Procedure for Effecting Indemnification: Any indemnification under section 2 above and, unless ordered by a court under section 3 above, may be made by the corporation only as authorized in a specific case upon a determination that indemnification is proper under the circumstances because the corporate agent met the applicable standard of conduct set forth in Section 2 above or Section 3 above or otherwise provided by statute. Unless otherwise provided in the Certificate of Incorporation or these By-Laws, such determination shall be made:

(1) by the Board of Directors or committee thereof, acting by a majority vote of a quorum consisting of directors who were not parties to or otherwise involved in the proceeding; or

(2) if such a quorum is not obtainable, or, even if obtainable and such quorum of the Board of Directors or committee by a majority vote of the disinterested directors so directs, by independent legal counsel in a written opinion, such counsel to be designated by the Board of Directors; or

(3) by the shareholders if the Certificate of Incorporation, these By-Laws or a resolution of the Board of Directors or the shareholders so directs.

Section 6. Advancing Expenses: Expenses incurred by a corporate agent in connection with a proceeding may be paid by the corporation in advance of the final disposition of the proceeding as authorized by the Board of Directors upon receipt of an undertaking by or on behalf of the corporate agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified as provided in this Article.

Section 7. Application to a Court for Indemnification:

(1) If the corporation, upon application of a corporate agent, has failed or refused to provide indemnification as required under Section 4 above or permitted under Sections 2, 3 and 6 above, a corporate agent may apply to a court for an award of indemnification by the corporation, and such court:

(a) may award indemnification to the extent authorized under Sections 2 and 3 above and shall award indemnification to the extent required under Section 4 above, notwithstanding any contrary determination which may have been made under Section 5 above; and

(b) may allow reasonable expenses to the extent authorized by, and subject to the provisions of, Section 6 above, if the court shall find that the corporate agent has by his pleadings or during the course of the proceeding raised genuine issues of fact or law.

(2) Application for such indemnification may be made:

(a) in the civil action in which the expenses were or are to be incurred or other amounts were or are to be paid; or

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(b) to the Superior Court in a separate proceeding. If the application is for indemnification arising out of a civil action, it shall set forth reasonable cause for the failure to make application for such relief in the action or proceeding in which the expenses were or are to be incurred or other amounts were or are to be paid.

(3) The application shall set forth the disposition of any previous application for indemnification and shall be made in such manner and form as may be required by the applicable rules of court or, in the absence thereof, by direction of the court to which it is made. Such application shall be upon notice to the corporation. The court may also direct that notice shall be given at the expense of the corporation to the shareholders and such other persons as it may designate in such manner as it may require.

Section 8. Other Indemnification Rights: The indemnification and advancement of expenses provided by or granted pursuant to the other subsections of this Article shall not exclude any other rights to which a corporate agent may be entitled under the Certificate of Incorporation, any agreement, any vote of shareholders, or otherwise; provided that, unless otherwise permitted by statute, no indemnification shall be made to or on behalf of a corporate agent if a judgment or other final adjudication adverse to the corporate agent establishes that his acts or omissions (a) were in breach of his duty of loyalty to the corporation or its shareholders, (b) were not in good faith or involved a knowing violation of law or (c) resulted in receipt by the corporate agent of an improper personal benefit.

Section 9. Insurance: The corporation shall have the power to purchase and maintain insurance on behalf of any corporate agent against any expenses incurred in any proceeding and any liabilities asserted against him by reason of

his being or having been a corporate agent, whether or not the corporation would have the power to indemnify him against such expenses and liabilities under the provisions of this Article. The corporation may purchase such insurance from, or such insurance may be reinsured in whole or in part by, an insurer owned by or otherwise affiliated with the corporation, whether or not such insurer does business with other insureds.

Section 10. Other Agreements: Except as required by Section 4 above, no indemnification shall be made or expenses advanced by a corporation under this Article, and none shall be ordered by a court, if such action would be inconsistent with a provision of the Certificate of Incorporation, these Bylaws, a resolution of the Board of Directors or the shareholders, an agreement or other proper corporate action, in effect at the time of the accrual of the alleged cause of action asserted in the proceeding, which prohibits, limits or otherwise conditions the indemnification to which the corporate agent may be entitled.

Section 11. Corporate Agent as Witness: This Article does not limit a corporation's power to pay or reimburse expenses incurred by a corporate agent in connection with the corporate agent's appearance as a witness in a proceeding at a time when the corporate agent has not been made a party to the proceeding.

DYNAMICWEB ENTERPRISES, INC.

BYLAW AMENDMENTS  
ADOPTED JANUARY 21, 1998

The following amendments were approved at a special meeting of the Board of Directors of DynamicWeb Enterprises, Inc. (the "Company") was held at the corporate offices of the Company on January 21, 1998.

RESOLVED, that Article III (Shareholders' Meetings), Section 3 (Special Meetings) of the bylaws of the Company be and is hereby amended and restated in its entirety to read as follows:

"Section 3. Special Meetings: Special meetings of the shareholders may be called by the President or the Board of Directors or by shareholders who in the aggregate hold at least ten percent of the outstanding shares of the Company which are entitled to vote at such special meeting, but not otherwise by the shareholders unless otherwise required by law."

RESOLVED FURTHER, that Article IV (Directors), Section 1 (General) of the bylaws of the Company be and is hereby amended to add the following sentence at the end thereof:

"Any one or more members of the Board of Directors, including the entire Board, may be removed with or without cause by an affirmative vote of shareholders who hold a majority of the outstanding shares of the Company which are entitled to vote on such matter."

RESOLVED FURTHER, that Article III (Shareholders' Meetings), Section 10(2) (Voting) of the bylaws of the Company be and is hereby amended to add the following clause at the end thereof:

"or by these Bylaws"

Certified this 21st day of January, 1998.

/s/ STEVE VANECHANOS, Sr.

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Steve Vanechanos, Sr.  
Secretary

eB2B Commerce, Inc.

BYLAW AMENDMENT  
Adopted October 9, 2003

The following amendment was approved at a special meeting of the Board of Directors of eB2B Commerce, Inc. (the "Company") held at the offices of Thom Waye, Director of the Company, on October 9, 2003.

RESOLVED, that ARTICLE IV (Directors), Section 1 (General) of the Bylaws of the Company be and is hereby amended, the first sentence of which is restated in its entirety to read as follows:

Section 1. General: The business and affairs of this corporation shall be managed by its Board of Directors, consisting of not less than one (1) nor more than twenty-five (25) in number.

Certified this 9th day of October, 2003.

EB2B COMMERCE, INC.

By: /s/ RICHARD S. COHAN

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Richard S. Cohan  
Secretary

EXHIBIT 31. CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS  
ADOPTED PURSUANT TO SECTION 302 OF THE CERTIFICATION

I, Richard S. Cohan, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of eB2B Commerce, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrants' other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not here were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 25, 2003

/s/ RICHARD S. COHAN

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Richard S. Cohan  
Chief Executive Officer and  
President (Principal Executive and  
Financial Officer)

EXHIBIT 32. CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of eB2B Commerce, Inc. (the "Company") on Form 10-QSB for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard S. Cohan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) of 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RICHARD S. COHAN

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Richard S. Cohan  
Chief Executive Officer and  
President (Principal Executive and  
Financial Officer)

Dated: November 25, 2003