

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended **June 30, 2008**

or

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

COMMISSION FILE NUMBER: 0-11933

**AXCESS INTERNATIONAL INC.**

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

**Delaware**

(State or other jurisdiction of incorporation or  
organization)

**85-0294536**

(I.R.S. Employer Identification No.)

**3208 Commander Drive  
Carrollton, Texas 75006  
(972) 407-6080**

(Address, including telephone number and area code, of principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the proceeding 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   
No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated file" and "Smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Number of shares of common stock outstanding on August 10, 2008: 30,204,931

---

---

---

**ACCESS INTERNATIONAL INC.  
INDEX**

**PART I. FINANCIAL INFORMATION**

Item 1. Financial Statements:

Balance Sheets at June 30, 2008 and December 31, 2007 (unaudited)

Statements of Operations for the Three Months and Six Months ended June 30, 2008 and 2007 (unaudited)

Statements of Cash Flows for the Six Months ended June 30, 2008 and 2007 (unaudited)

Notes to Financial Statements (unaudited)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Item 4. Controls and Procedures

**PART II. OTHER INFORMATION**

Item 1. Legal Proceedings

Item 1A. Risk Factors

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 3. Defaults Upon Senior Securities

Item 4. Submission of Matters to a Vote of Security Holders

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

**SIGNATURES**

---

**PART 1. FINANCIAL INFORMATION**  
**Item 1. Financial Statements**

**AXCESS INTERNATIONAL INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	June 30, 2008	December 31, 2007
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 224,008	\$ 59,089
Accounts receivable - trade, net of allowance for doubtful accounts of \$17,285 and \$32,363 for 2008 and 2007, respectively.	132,995	257,957
Inventory, net	165,124	193,405
Prepaid expenses and other	71,829	77,506
Total current assets	593,956	587,957
Property, plant and equipment, net	11,382	12,003
Deferred debt issuance costs	21,875	30,421
Other assets	66,009	56,438
Total assets	<u>\$ 693,222</u>	<u>\$ 686,819</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 702,084	\$ 172,278
Accrued liabilities	1,410,990	1,309,979
Deferred revenue	23,712	42,060
Notes payable (includes \$745,273 and \$150,000 with a related party in 2008 and 2007, respectively)	847,273	150,000
Dividends payable	183,634	125,991
Total current liabilities	3,167,693	1,800,308
Notes payable (includes \$393,787 with a related party in 2008 and 2007)	2,756,346	2,858,346
Debt discount	(16,429 )	—
Total liabilities	5,907,610	4,658,654
Commitments and contingencies (Notes 1 and 2)		
Stockholders' deficit:		
Convertible preferred stock, 10,000,000 shares authorized in 2008 and 2007. Without liquidation preferences; \$0.01 par value, 6,125,231 and 6,860,116 shares issued and outstanding in 2008 and 2007, respectively	61,252	68,601
Common stock, \$.01 par value, 70,000,000 shares authorized in 2008 and 2007; 30,204,931 shares issued and outstanding in 2008 and 29,304,927 shares issued and outstanding in 2007.	302,050	293,050
Shares of common stock to be issued 25,000 shares as of December 31, 2007	—	250
Additional paid-in capital	164,649,065	162,947,266
Accumulated deficit	(170,226,755 )	(167,281,002 )
Total stockholders' deficit	(5,214,388 )	(3,971,835 )
Total liabilities and stockholders' deficit	<u>\$ 693,222</u>	<u>\$ 686,819</u>

See accompanying notes to unaudited consolidated financial statements.

**AXCESS INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF OPERATION**  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Sales	\$ 487,345	\$ 1,658,758	\$ 663,831	\$ 2,681,781
Cost of sales	258,868	482,621	364,595	1,144,107
Gross profit	228,477	1,176,137	299,236	1,537,674
Expenses:				
Research and development	536,098	1,169,091	1,407,687	2,294,425
General and administrative	358,372	449,022	745,808	858,184
Selling and marketing	317,693	339,180	643,743	911,777
Depreciation and amortization	2,670	4,020	6,962	8,528
Operating expenses	1,214,833	1,961,313	2,804,200	4,072,914
Loss from operations	(986,356 )	(785,176 )	(2,504,964 )	(2,535,240 )
Other income (expense):				
Interest expense	(178,066 )	(81,118 )	(294,560 )	(164,444 )
Gain on vendor settlements	2,247	2,659	2,318	25,799
Other income (expense), net	(175,819 )	(78,459 )	(292,242 )	(138,645 )
Net loss	(1,162,175 )	(863,635 )	(2,797,206 )	(2,673,885 )
Preferred stock dividend requirements:				
Recurring	(71,592 )	(78,861 )	(148,547 )	(159,435 )
2006C Preferred equity offering	—	—	—	(2,000,000 )
2008 Preferred equity offering	(558,686 )	—	(558,686 )	—
Preferred stock dividend requirements	(630,278 )	(78,861 )	(707,233 )	(2,159,435 )
Net loss applicable to common stock	\$ (1,792,453 )	\$ (942,496 )	\$ (3,504,439 )	\$ (4,833,320 )
Basic and diluted net loss per share	\$ (0.06 )	\$ (0.03 )	\$ (0.12 )	\$ (0.17 )
Weighted average shares of common stock outstanding	29,574,213	28,737,469	29,486,548	28,702,852

See accompanying notes to unaudited consolidated financial statements.

**AXCESS INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Six Months Ended June 30,	
	2008	2007
<b>Cash flows from operating activities:</b>		
Net loss	\$ (2,797,206 )	\$ (2,673,885 )
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	6,962	8,528
Amortization of financing discount and issuance costs, net	(7,883 )	84,481
Gain on vendor settlements and statutory write-off of payables	71	(2,857 )
Warrants issued for services	(10,604 )	—
Stock based compensation expense	386,159	324,512
Changes in operating assets and liabilities:		
Accounts receivable	124,962	63,500
Inventory	28,281	143,867
Prepaid expenses and other	5,677	(34,868 )
Other assets	(9,571 )	—
Accounts payable and accrued expenses	829,140	756,301
Net cash used by operating activities	<u>(1,444,012 )</u>	<u>(1,330,421 )</u>
<b>Cash flow from investing activities:</b>		
Capital expenditures	(6,341 )	(6,405 )
Net cash used by investing activities	<u>(6,341 )</u>	<u>(6,405 )</u>
<b>Cash flow from financing activities:</b>		
Net proceeds from issuance of common and preferred stock	1,019,999	1,700,000
Net proceeds from exercise of employee options	—	8,840
Principal payments on financing agreements	(100,000 )	(246,784 )
Borrowings on financing agreements	695,273	—
Net cash provided by financing activities	<u>1,615,272</u>	<u>1,462,056</u>
Net change in cash and cash equivalents	164,919	125,230
Cash and cash equivalents, beginning of period	59,089	347,361
Cash and cash equivalents, end of period	<u>\$ 224,008</u>	<u>\$ 472,591</u>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b>		
Warrants issued as a debt discount	\$ 91,892	\$ —
Accrued preferred stock dividends	76,955	159,435
Conversion of preferred shares into common stock	1,100	650

See accompanying notes to unaudited consolidated financial statements.

**ACCESS INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**(1) Summary of Significant Accounting Policies**

**(a) Description of Business and Going Concern**

The Company is a provider of patented Radio Frequency Identification ("RFID") and Real Time Location Systems ("RTLS") solutions that locate, track, monitor, count and protect people, assets, and vehicles, thereby improving productivity, security and access to real-time intelligence. The Company's multiuse, single-system solutions include active, dual and semi-active RFID tags, activators and readers that support automatic monitoring and tracking applications, such as electronic asset protection and asset management, and automatic personnel and vehicle access control. Access' web-based software provides a suite of management tools that include reporting, display, decision and control functions that enable productivity, security and local positioning.

The Company's business plan for 2008 is predicated principally upon the successful marketing of its RFID. During the first six months of 2008, operating activities utilized approximately \$1.4 million of cash. The Company anticipates that its existing working capital resources and revenues from operations will not be adequate to satisfy its funding requirements in 2008. We are currently experiencing declining liquidity, losses from operations and negative cash flows, which make it difficult for us to meet our current cash requirements, including payments to vendors, and may jeopardize our ability to continue as a going concern. Management is attempting to obtain equity financing for use in the Company's operations. In addition, management is trying to expand the Company's sales and obtain profitable operations.

The future results of operations and financial condition of the Company will be impacted by the following factors, among others: changes from anticipated levels of sales, access to capital, future national or regional economic and competitive conditions, changes in relationships with customers, difficulties in developing and marketing new products, marketing existing products, customer acceptance of existing and new products, validity of patents, technological change, dependence on key personnel, availability of key component parts, dependence on third party manufacturers, vendors, contractors, product liability, casualty to or other disruption of the production facilities, delays and disruptions in the shipment of the Company's products, and the ability of the Company to meet its stated business goals.

If the Company's losses or lack of operating capital continue, the Company will have to obtain funds to meet its cash requirements through business alliances, such as strategic or financial transactions with third parties, the sale of securities or other financing arrangements, or the Company may be required to curtail its operations, seek a merger partner, or seek protection under federal bankruptcy laws. Any of the foregoing may be on terms that are unfavorable to the Company or disadvantageous to existing stockholders. In addition, no assurance may be given that the Company will be successful in raising additional funds or entering into business alliances.

**(b) Company Organization**

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company has received working capital in various forms from Amphion Ventures, L. P. and affiliates of Amphion Ventures, L. P. including Amphion Partners, Amphion Investments LLC, Antiope Partners LLC, VennWorks LLC (formerly incuVest LLC), Amphion Capital Management LLC, Amphion Innovations plc, Amphion Innovations US Inc. and NVW, LLC (collectively, the "Amphion Group"). The Amphion Group owns approximately 60% of the outstanding voting common stock of the Company.

**(c) Basis of presentation**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying notes. As discussed below, the Company makes significant assumptions in recording its allowance for doubtful accounts, inventory valuation, impairment of long-lived assets, warranty costs, the valuation allowance for deferred tax assets, the value of components of equity and debt instruments and stock based compensation expense. Actual results could differ from those estimates, and the differences may be significant.

The accompanying unaudited financial statements as of June 30, 2008 and for the three months and six months ended June 30, 2008 and 2007, respectively, have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of management, the interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The footnote disclosures related to the interim financial information included herein are also unaudited. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of December 31, 2007 and for the year then ended included in our annual report on Form 10-KSB for the fiscal year ended December 31, 2007.

**(d) Critical Accounting Policies and Estimates**

Our most critical accounting policies, which are those that require significant judgment, include: allowance for doubtful accounts, inventory valuation, warranty costs, the valuation allowance for deferred tax assets, the value of components of equity and debt instruments and stock based compensation expense. In-depth descriptions of these can be found in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007 (the "2007 Form 10-KSB"). There have been no material changes in our existing accounting policies from the disclosures included in our 2007 Form 10-KSB.

**(e) Accounting for Uncertainty in Income Taxes**

On January 1, 2007, we adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statements No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a two-step method of first evaluating whether a tax position has met a more likely than not recognition threshold and second, measuring that tax position to determine the amount of benefit to be recognized in the financial statements. FIN 48 provides guidance on the presentation of such positions within a classified statement of financial position as well as on derecognition, interest and penalties, accounting in interim periods, disclosure, and transition.

As a result of the implementation of FIN 48, we recognized no change in our recorded assets or liabilities for unrecognized income tax benefits. Based on our analysis of all material tax positions taken, management believes the technical merits of these positions are justified and expects that the full amount of the deductions taken and associated tax benefits will be allowed.

FIN 48 requires the evaluation of a tax position as a two-step process. We must determine whether it is more likely than not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigation processes, based on the technical merits of the position. If the tax position meets the "more likely than not" recognition threshold, then the tax benefit is measured and recorded at the largest amount that is greater than 50 percent likely of being realized upon ultimate settlement. The re-assessment of our tax positions in accordance with FIN 48 did not result in any material change to our financial condition, results of operations or cash flows.

We have also assessed the classification of interest and penalties, if any, related to income tax matters. Pursuant to the application of FIN 48, we have made an accounting election to treat interest and penalties related to income tax matters, if any, as a component of income tax expense rather than other operating expenses.

**(f) Inventory**

Inventory is valued at the lower of cost or market using the first-in, first-out method. Inventory was comprised of the following:

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
Raw materials	\$ 27,164	\$ 13,853
Work-in-process	89	104
Finished goods	137,871	179,448
	<u>\$ 165,124</u>	<u>\$ 193,405</u>

The Company recorded a charge of \$8,419 for inventory impairment during the year ended December 31, 2007. The amounts reflect items that have not been able to be used by the Company's contract manufacturers in the building of additional products. The impairment charges were as a result of the change in strategy to contract manufacturing and the reduction of sales of video products.

The components of cost of sales are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Product cost	\$ 228,978	\$ 482,621	\$ 334,596	\$ 1,144,107
Warranty expense	29,890	—	29,999	—
Inventory impairment	—	—	—	—
Total	\$ 258,868	\$ 482,621	\$ 364,595	\$ 1,144,107

#### (g) Stock-Based Compensation

Beginning January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123R, “*Share-Based Payment*” (“SFAS 123R”), using the modified prospective transition method. In addition, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 “*Share-Based Payment*” (SAB 107”) in March 2005, which provides supplemental SFAS 123R application guidance based in the views of the SEC. Under the modified prospective transition method, compensation cost recognized in the twelve months ended December 31, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted beginning January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R. In accordance with the modified prospective transition method, results for prior periods have not been restated.

Stock based compensation expense under SFAS 123R for the six months ended June 30, 2008 and 2007 was \$386,159 and \$324,512, respectively which was recorded in operating expenses. This expense increased net loss per share by \$0.013 and \$0.011 for 2008 and 2007, respectively. The Company did not recognize a tax benefit from the stock compensation expense because the Company considers it is more likely than not the related deferred tax assets, which have been reduced by a full valuation allowance, will not be realized.

The Black-Scholes option-pricing model was used to estimate the option fair value. The option pricing model requires a number of assumptions, of which the most significant are, expected stock price volatility, risk-free interest rate and the expected option term (the amount of time from the grant date until the options are exercised or expire). Expected volatility was calculated based upon actual historical stock price movements over the most recent periods at the time of the grants equal to the expected option term. The expected option term was calculated using the “simplified” method permitted by SAB 107. There were no options granted during the six months ended June 30, 2008 and 2007.

The following table illustrates the effect on operating expenses:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Research and development expense	\$ 63,698	\$ 39,774	\$ 139,022	\$ 79,548
General and administrative expense	70,712	93,385	181,440	186,770
Selling and marketing expense	28,132	26,035	65,697	58,194
Total	\$ 162,542	\$ 159,194	\$ 386,159	\$ 324,512

#### (h) Stock Options and Warrants

Under the Company's 2005 Equity Incentive Plan, the Company may grant up to 5,000,000 shares of common stock to its employees. The exercise price of each option is not less than the market price of the Company's stock on the date of grant and an option's maximum term is ten years. Options are generally granted each year and have various vesting requirements. Options granted typically vest over a four-year period. During the six months ended June 30, 2008 the Company made no grants under the stock option plan.

With the shareholders approval of the 2005 Equity Incentive Plan, the Company will not issue anymore options under the Company's 2001 Equity Incentive Plan or the Directors Compensation Plan. As of June 30, 2008 the Company had 375,715 options outstanding from the 1991 Equity Plan, 151,000 from the Directors plan, 1,731,258 from the 2001 Equity plan and 1,005,000 issued as inducements to hire. In total the Company had 3,262,973 employee options outstanding from plans other than the 2005 Equity Incentive Plan.

The following table summarizes employee stock options outstanding and changes during the six months ended June 30, 2008:

	Outstanding Options			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2008	5,550,973	\$ 1.87		
Options granted	—	—		
Options exercised	—	—		
Options forfeited	(130,000)	1.46		
Options outstanding at June 30, 2008	5,420,973	1.88	5.85	\$ 457,705
Options exercisable at June 30, 2008	3,902,098	1.90	5.66	\$ 562,125
Options available for grants as of June 30, 2008	2,802,000			

The options outstanding at June 30, 2008 have exercise prices as indicated in the table below:

Option Price	Number of Options	Weighted Average Remaining Life	Intrinsic Value of Vested Unexercised Options
\$0.00 - \$1.00	808,500	5.24	\$ 556,175
\$1.01 - \$2.00	3,436,258	7.34	5,950
\$2.01 - \$3.00	714,375	1.81	
\$3.01 - \$4.00	193,840	2.34	
\$4.01 - \$5.00	20,000	2.92	
\$5.01 - \$6.25	248,000	1.73	
Total	5,420,973	5.85	\$ 562,125

The Company has issued warrants to purchase common stock in connection with issuance of notes payable to stockholders, convertible debentures, and preferred stock. The following table summarizes warrants outstanding at June 30, 2008:

	WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Warrants outstanding at beginning of year	8,307,213	\$ 1.73
Warrants issued	1,512,218	1.42
Warrants exercised	—	—
Warrants expired unexercised	(500,000)	2.00
Warrants outstanding at end of year	9,319,431	1.67

The warrants outstanding at June 30, 2008 have exercise prices as indicated in the table below.

Strike Price	Number of Warrants	Weighted Average Remaining Life
\$0.00 - \$1.00	32,300	4.96
\$1.01 - \$2.00	9,287,131	3.69
Total	9,319,431	3.69

During the six months ended June 30, 2008 the Company issued an additional 1,512,218 warrants in conjunction with various debt and preferred equity offerings. The warrant price ranged from \$1.00 to \$1.50 and they expire between January 15, 2013 and June 30, 2013. During that same period the Company had 500,000 warrants expire without being exercised.

### (i) Revenue Recognition

The Company's revenue transactions consist predominately of sales of products to customers. The Company follows the Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) No. 104 *Revenue Recognition* and Emerging Issues Task Force ("EITF") Issue 00-21 *Revenue Arrangements with Multiple Deliverables*. Specifically, the Company recognizes revenue when persuasive evidence of an arrangement exists, title and risk of loss have passed to the customer, generally upon shipment, the price is fixed or determinable and collect ability is reasonably assured. For those arrangements with multiple elements, or in related arrangements with the same customer, the arrangement is divided into separate units of accounting if certain criteria are met, including whether the delivered item has stand-alone value to the customer and whether there is objective and reliable evidence of the fair value of the undelivered items. The consideration received is allocated among the separate units of accounting based on their respective fair values, and the applicable revenue recognition criteria are applied to each of the separate units. In cases where there is objective and reliable evidence of the fair value of the undelivered item in an arrangement but no such evidence for the delivered item, the residual method is used to allocate the arrangement consideration. For units of accounting which include more than one deliverable, the Company generally recognizes all revenue and cost of revenue for the unit of accounting over the period in which the last undelivered item is delivered.

At the time revenue is recognized, the Company establishes an accrual for estimated warranty expenses associated with sales, recorded as a component of cost of revenues. The Company's customers and distributors generally do not have return rights.

We defer revenue for sales where we have not completed the earnings process in accordance with the applicable revenue recognition guidance. These deferred amounts are reflected as liabilities in our consolidated financial statements as deferred revenue. Deferred revenue was \$23,712 as of June 30, 2008 and \$42,060 as of December 31, 2007.

### (2) Contingencies

Access is engaged in a number of lawsuits with approximately five vendors who claim they are owed amounts from \$500 to \$45,000, which aggregates in total \$76,326. We are currently defending or seeking to settle each of the vendor's claims. At June 30, 2008, we had accrued the delinquent amounts we expect to be liable for, based on the claims described in this paragraph.

### (3) Preferred Stock

The Company has authorized 10,000,000 shares of convertible preferred stock, of which shares designated in three series are currently outstanding. Information with respect to the series of preferred stock outstanding at each balance sheet date is summarized below.

	Series 2003B	Series 2004	Series 2005	Series 2006	Series 2006B	Series 2006C	Series 2007	Series 2008	
Number of shares authorized	2,750,000	625,000	2,750,000	1,200,000	750,000	200	205	120	
Stated value	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	
Number of shares issued and outstanding									
December 31, 2007	1,685,000	625,000	2,649,726	1,200,000	700,000	200	190	—	
June 30, 2008	1,575,000	—	2,649,726	1,200,000	700,000	200	185	120	
Conversion ratio (or conversion price) of preferred shares into common	1 to 1 into voting common stock	1 to 1 into voting common stock	1 to 1 into voting common stock	1 to 1 into voting common stock	1 to 1 into voting common stock	1 to 1 into voting common stock	1 to 10,000 into voting common stock	1 to 10,000 into voting common stock	1 to 10,000 into voting common stock
Liquidation preference	None	None	None	None	None	None	None	None	
Dividend rights	7% per annum, cumulative	7% per annum, cumulative	None	None	None	None	None	None	

(a) *Series 2003B Preferred Stock*

The Company completed a \$3,132,500 exempt Preferred Stock offering under the Securities Act of 1933 Section 4(6) private offering of preferred stock to accredited and institutional investors offering during the fourth quarter of 2003. The Preferred Stock is designated as 2003B Preferred and each \$70,000 unit consisted of 40,000 shares of Preferred Stock bearing a 7% dividend, approximately 2,000 shares of common stock and 40,000 warrants to purchase the Company's common stock exercisable for two years at \$2.75 per share. The offering also included an automatic conversion into Common Stock on a one for one basis if the closing twenty-day average stock price is over \$3.75.

As of June 30, 2008, there was \$183,634 of dividends accrued for Series 2003B Preferred Stock. During the six months ended June 30, 2008 we had two holders of the Series 2003B convert their 110,000 shares to common stock. As of June 30, 2008 and December 31, 2007, the Company had 1,575,000 and 1,685,000 shares of Series 2003B Preferred shares outstanding, respectively.

In connection with the issuance of the 2003B Preferred Stock, the Company recorded preferred stock dividend requirements of \$1,782,831 that will be reflected as preferred stock dividends as the underlying preferred stock converts to common stock. As of June 30, 2008 that amount is reflected in accumulated deficit on the balance sheet.

(b) *Series 2004 Preferred Stock*

During the second quarter of 2004 the Company raised a net of \$1,200,000 of additional working capital through an exempt Preferred Stock offering under the Securities Act of 1933 Section 4(6) private offering of preferred stock to accredited and institutional investors. The Preferred Stock is designated as 2004 Preferred and consisted of 625,000 shares of Preferred Stock bearing a 7% dividend and 357,142 warrants to purchase the Company's common stock exercisable for two years at \$3.20 per share. The offering also included an automatic conversion into Common Stock on a one for one basis if the closing twenty-day average stock price is over \$4.00.

During the six months ended June 30, 2008 we had one holder of the Series 2004 convert their 625,000 shares to common stock and all accrued dividends. Dividends payable were \$0 and \$42,000 for Series 2004 Preferred stock at June 30, 2008 and December 31, 2007, respectively. As of June 30, 2008 and December 31, 2007, the Company had 0 and 625,000 shares of Series 2004 Preferred shares outstanding, respectively.

In connection with the issuance of the 2004 Preferred Stock, the Company recorded preferred stock dividend requirements of \$1,002,540 that will be reflected as preferred stock dividends as the underlying preferred stock converts to common stock. As of June 30, 2008 that amount is reflected in accumulated deficit on the balance sheet.

(c) *Series 2005 Preferred Stock*

On December 30, 2005, the Company raised \$813,021 of additional working capital through an exempt Preferred Stock offering under the Securities Act of 1933 Section 4(6) private offering of preferred stock to accredited and institutional investors. The Preferred Stock is designated as 2005 Preferred and consists of 956,495 shares of Preferred Stock bearing no dividends. However, the shares are convertible into common stock on a one to one basis at \$0.85. In addition, the Company issued 956,495 warrants to purchase the Company's common stock exercisable for five years at \$1.50 per share. Each warrant will be callable by the Company if and when the Company's common stock share price exceeds \$3.00 per share for at least twenty (20) consecutive trading days. The Company used the proceeds for general working capital.

A portion of the 2005 Preferred Equity Offering was the conversion of a convertible note with Amphion Innovations plc, an affiliate of the Amphion Group, our majority shareholder. The principal of the note converted was \$500,000 and accrued interest of \$4,521. Amphion also agreed to release its secured interest in Axxess' video patent portfolio.

The Company also recorded a preferred stock dividend of \$813,021 relating to the beneficial conversion feature and the warrants that were issued in connection with the 2005 Preferred Stock Equity closed during December 2005.

On March 14, 2006, the Company raised an additional \$1,489,245 of additional working capital through an exempt Preferred Stock offering under the Securities Act of 1933 Section 4(6) private offering of preferred stock to accredited and institutional investors. The Preferred Stock is designated as 2005 Preferred and consists of 1,752,055 shares of Preferred Stock bearing no dividends. However, the shares are convertible into common stock on a one to one basis at \$0.85. In addition, the Company issued 1,752,055 warrants to purchase the Company's common stock exercisable for five years at \$1.50 per share. Each warrant will be callable by the Company if and when the

Company's common stock share price exceeds \$3.00 per share for at least twenty (20) consecutive trading days. The Company will use the proceeds for general working capital.

As of June 30, 2008 and December 31, 2007, the Company had 2,649,726 shares of Series 2005 Preferred shares outstanding.

The Company also recorded an additional preferred stock dividend of \$1,489,245 relating to the beneficial conversion feature and the warrants that were issued in connection with the 2005 Preferred Stock Equity closed during March 2006.

*(d) Series 2006 Preferred Stock*

On May 31, 2006, the Company raised \$1,200,000 of additional working capital through an exempt Preferred Stock offering under the Securities Act of 1933 Section 4(6) private offering of preferred stock to accredited and institutional investors. The Preferred Stock is designated as 2006 Preferred and consists of 1,200,000 shares of Preferred Stock bearing no dividends. However, the shares are convertible into common stock on a one to one basis at \$1.00. In addition, the Company issued 600,000 warrants to purchase the Company's common stock exercisable for five years at \$2.00 per share. Each warrant will be callable by the Company if and when the Company's common stock share price exceeds \$5.00 per share for at least twenty (20) consecutive trading days. The Company used the proceeds for general working capital.

As of June 30, 2008 and December 31, 2007, the Company had 1,200,000 shares of Series 2006 Preferred shares outstanding.

The Company also recorded an additional preferred stock dividend of \$645,020 relating to the beneficial conversion feature and the warrants that were issued in connection with the 2006 Preferred Stock Equity closed during May 2006.

*(e) Series 2006B Preferred Stock*

On December 1, 2006, the Company raised \$750,000 of additional working capital through an exempt Preferred Stock offering under the Securities Act of 1933 Section 4(6) private offering of preferred stock to accredited and institutional investors. The Preferred Stock is designated as 2006B Preferred and consists of 750,000 shares of Preferred Stock bearing no dividends. However, the shares are convertible into common stock on a one to one basis at \$1.00. In addition, the Company issued 750,000 warrants to purchase the Company's common stock exercisable for five years at \$2.00 per share. The Company will use the proceeds for general working capital.

\$150,000 of the 2006B Preferred Equity Offering was from Amphion Innovations plc, an affiliate of the Amphion Group, our majority shareholder and \$300,000 was from Richard C.E. Morgan our chairman and an affiliate of the Amphion Group.

As of June 30, 2008 and December 31, 2007, the Company had 700,000 shares of Series 2006B Preferred shares outstanding.

The Company also recorded an additional preferred stock dividend of \$750,000 relating to the beneficial conversion feature and the warrants that were issued in connection with the 2006B Preferred Stock Equity closed during May 2006.

*(f) Series 2006C Preferred Stock*

On January 29, 2007, the Company raised \$2,000,000 of additional working capital through an exempt Preferred Stock offering under the Securities Act of 1933 Section 4(6) private offering of preferred stock to accredited and institutional investors. The Preferred Stock is designated as 2006C Preferred and consists of 200 shares of Preferred Stock bearing no dividends. However, the shares are convertible into common stock on a one to ten thousand basis at \$1.00. In addition, the Company issued 1,000,000 warrants to purchase the Company's common stock exercisable for five years at \$2.00 per share. The Company will use the proceeds for general working capital.

As of June 30, 2008 and December 31, 2007, the Company had 200 shares of Series 2006C Preferred shares outstanding.

The Company also recorded an additional preferred stock dividend of \$2,000,000 relating to the beneficial conversion feature and the warrants that were issued in connection with the 2006C Preferred Stock Equity closed during January 2007.

(g) *Series 2007 Preferred Stock*

On August 28, 2007, the Company raised \$1,400,000 of additional working capital through an exempt Preferred Stock offering under the Securities Act of 1933 Section 4(6) private offering of preferred stock to accredited and institutional investors. The Preferred Stock is designated as 2007 Preferred and consists of 140 shares of Preferred Stock bearing no dividends. However, the shares are convertible into common stock on a one to ten thousand basis at \$1.00. In addition, the Company issued 700,000 warrants to purchase the Company's common stock exercisable for five years at \$2.00 per share.

On September 28, 2007, the Company raised \$650,000 of additional working capital through an exempt Preferred Stock offering under the Securities Act of 1933 Section 4(6) private offering of preferred stock to accredited and institutional investors. The Preferred Stock is designated as 2007 Preferred and consists of 65 shares of Preferred Stock bearing no dividends. However, the shares are convertible into common stock on a one to ten thousand basis at \$1.00. In addition, the Company issued 325,000 warrants to purchase the Company's common stock exercisable for five years at \$2.00 per share.

\$250,000 of the 2007 Preferred Equity Offering was from Richard C.E. Morgan our chairman and an affiliate of the Amphion Group.

During the six months ended June 30, 2008 we had one holder of the Series 2007 convert his 5 shares to 50,000 shares of common stock. As of June 30, 2008 and December 31, 2007, the Company had 185 and 190 shares of Series 2007 Preferred shares outstanding, respectively.

The Company also recorded an additional preferred stock dividend of \$2,050,000 relating to the beneficial conversion feature and the warrants that were issued in connection with the 2007 Preferred Stock Equity closed during the quarter.

(h) *Series 2008 Preferred Stock*

On April 25, 2008, the Company raised \$1,200,000 of additional working capital through an exempt Preferred Stock offering under the Securities Act of 1933 Section 4(6) private offering of preferred stock to accredited and institutional investors, which have previously invested in Axxess. The Preferred Stock is designated as 2008 Preferred and consists of 120 shares of Preferred Stock bearing no dividends. However, the shares are convertible into common stock on a 1 to 10,000 basis. In addition, the Company issued 1,200,000 warrants to purchase the Company's common stock exercisable for five years at \$1.50 per share.

The Company also recorded an additional preferred stock dividend of \$558,686 relating to the beneficial conversion feature and the warrants that were issued in connection with the 2008 Preferred Stock Equity closed during the six months ended June 30, 2008.

**(4) Notes Payable**

**PV Proceeds Holdings, Inc.**

Axxess reached an Agreement to Amend the Purchase Note and Payment Term with PV Proceeds Holdings, Inc. the holders of a \$4.0 million non-interest bearing note that was due December 31, 2002 and was in default. PV Proceeds consented to a five-year extension of the note with an interest rate of 5% per annum from January 1, 2003 payable in full at maturity on December 31, 2007. Axxess reached an Agreement with PV Proceeds Holdings, Inc. to extend the maturity of the note from December 31, 2007 to December 31, 2012. Axxess agreed to pay a \$25,000 extension fee and to increase the interest rate from 5.0% to 5.5%. Axxess has also agreed to reduce the principal amount due by 10% of any equity proceeds and 20% of all proceeds from options and warrants exercised. However, as of June 30, 2008 no payment has been issued in connection with the Series 2008 Preferred Equity offering.

**Amphion Investment LLC**

Axxess entered into a 6.75% convertible note with Amphion Investments, LLC, dated January 25, 2002. The principal outstanding under this note may be converted into securities of Axxess at the option of Amphion Investments on terms mutually acceptable to the Company and Amphion Investment. The borrowings are unsecured. The note was due December 31, 2007, Axxess reached an Agreement with Amphion Investments LLC to extend the maturity of the note to December 31, 2012. Axxess agreed to increase the interest rate from 5.0% to 5.5%.

**Convertible Note**

On December 17, 2007 and through June 30, 2008, Axxess has entered into multiple convertible notes with Amphion Innovations plc. If Axxess completes an offering of any of its securities and the aggregate proceeds to Axxess are at least \$1,000,000 ("Transaction") then Amphion would have had the option to convert these notes on

the same terms as the completed offering. If the loans are not repaid or converted prior to their maturity date then Access shall issue to Amphion a warrant to purchase Access Common Shares at the closing price on the given date equivalent to ten percent (10%) of the outstanding amount (i.e. amount outstanding divided by closing stock price times 10%). If the amount is not repaid or converted prior to the next thirty days then Access will issue another warrant equal to an additional 10% and that will continue every thirty (30) days until Access has issued five warrants. As of June 30, 2008 the outstanding principal balance on all of the outstanding notes is \$745,273 and the Company has issued 322,708 warrants with strike prices that range from \$1.00 to \$1.42 with a weighted average of \$1.14 during the six months ended June 30, 2008. The notes and balances as of June 30, 2008 are:

<b>Date of Note</b>	<b>Balance as of June 30, 2008</b>	<b>Due Date</b>	<b>Interest Rate</b>
December 17, 2007	\$ 50,000	January 15, 2008	5.0%
January 14, 2008	150,000	February 15, 2008	5.0%
February 20, 2008	150,000	March 15, 2008	5.0%
February 28, 2008	60,000	March 31, 2008	5.0%
March 14, 2008	63,000	April 15, 2008	5.0%
March 25, 2008	55,000	April 30, 2008	5.0%
April 1, 2008	85,273	May 1, 2008	5.0%
April 7, 2008	22,000	May 1, 2008	5.0%
April 15, 2008	110,000	May 15, 2008	5.0%
Total	<u>\$ 745,273</u>		

As previously discussed, for all notes executed and detailed above, Amphion Innovations has the option to convert the notes payable under the same terms as a completed preferred offering occurring within a specified time period (generally 30 – 45 days subsequent to the execution date). Therefore, consideration was given to the contingent beneficial conversion feature due to the trigger event that occurred on April 25, 2008 upon completion of the 2008 series preferred equity offering. For notes executed prior to March 14, 2008, the option period expired and are no longer considered convertible. For notes issued thereafter, the conversion price of \$1.00 exceeded the stock price of \$0.88 on the date of contingency resolution. There is no incremental increase of intrinsic value at the contingency resolution date and therefore there is no additional beneficial conversion discount to be recorded.

#### **(5) Significant Customers**

During the three months ended June 30, 2008, the Company had two customers that accounted for 58% of revenue. During the three months ended June 30, 2007 the Company had one customer that accounted for 83% of revenue.

During the six months ended June 30, 2008, the Company had one customer that accounted for 36% of revenue. During the six months ended June 30, 2007 the Company had one customer that accounted for 75% of revenue.

#### **(6) Recent Accounting Pronouncements**

In September 2006, the FASB issued Statement of Financial Accounting Standards “SFAS” No. 157, “Fair Value Measurements” (“SFAS 157”). This statement was effective as of the beginning of fiscal 2008. SFAS 157 provides a common fair value hierarchy for companies to follow in determining fair value measurements in the preparation of financial statements and expands disclosure requirements relating to how fair value measurements were developed. SFAS 157 clarifies the principle that fair value should be based on the assumptions that the marketplace would use when pricing an asset or liability, rather than company specific data. The adoption of SFAS 157 did not have a material impact on our results of operations and financial position.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Liabilities, Including an amendment of FASB Statement No. 115” (“SFAS 159”). This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 was effective as of the beginning of fiscal 2008 and had no impact on our results of operations and financial position.

#### **(7) Subsequent Event**

The Company’s Carrollton, Texas facility’s lease expired on October 31, 2007 and we are currently on a month to month lease. However, on May 8, 2008 we entered into a new office lease. The new facility is 10,013 square feet and the lease commenced on August 11, 2008.

The following table sets forth the future minimum lease payments on the new office facility for the fiscal years ended December 31:

2008	\$	38,760
2009		102,633
2010		107,223
2011		112,229
2012		127,249
2013		62,621
	\$	<u>550,715</u>

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

### **Forward-Looking Statements**

This quarterly report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, which can be identified by the use of forward-looking terminology such as, "may," "expect," "could," "plan," "seek," "anticipate," "estimate," or "continue" or the negative thereof or other variations thereon or comparable terminology.

These forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those referred to in the forward-looking statements and are made pursuant to the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are made based on management's current expectations or beliefs as well as assumptions made by, and information currently available to, management.

A variety of factors could cause actual results to differ materially from those anticipated in the Company's forward-looking statements, including the following factors: changes from anticipated levels of sales, access to capital, future national or regional economic and competitive conditions, changes in relationships with customers, difficulties in developing and marketing new products, marketing existing products, customer acceptance of existing and new products, validity of patents, technological change, dependence on key personnel, availability of key component parts, dependence on third party manufacturers, vendors, contractors, product liability, casualty to or other disruption of the production facilities, delays and disruptions in the shipment of the Company's product, and the ability of the Company to meet its stated business goals. For a detailed discussion of these and other cautionary statements and factors that could cause actual results to differ from the Company's forward-looking statements, please refer to the Company's filings with the Securities and Exchange Commission, especially "Item 1. Description of Business" (including the "Risk Factors" section of Item 1) and "Item 6. Management's Discussion and Analysis or Plan of Operation" of the Company's 2007 Annual Report on Form 10-KSB.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The Company does not undertake any obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in other documents the Company files from time to time with the Securities and Exchange Commission.

### **Recent Developments: Going Concern and Liquidity Problems**

Our auditors included an explanatory paragraph in their audit opinion with respect to our consolidated financial statements at December 31, 2007. The paragraph states that our recurring losses from operations and resulting continued dependence on access to external financing raise substantial doubts about our ability to continue as a going concern. Furthermore, the factors leading to and the existence of the explanatory paragraph may adversely affect our relationship with customers and suppliers and have an adverse effect on our ability to obtain financing.

We do not have sufficient working capital to sustain our operations. We have been unable to generate sufficient revenues to sustain our operations. We will have to obtain funds to meet our cash requirements through business alliances, such as strategic or financial transactions with third parties, the sale of securities or other financing arrangements, or we may be required to curtail our operations, seek a merger partner, or seek protection under federal bankruptcy laws. Any of the foregoing may be on terms that are unfavorable to us or disadvantageous to existing stockholders. In addition, no assurance may be given that we will be successful in raising additional funds or entering into business alliances.

## Liquidity and Capital Resources

Since inception, we have utilized the proceeds from a number of public and private sales of our equity securities, the exercise of options, convertible debt, short-term bridge loans from stockholders and more recently, preferred equity offerings and exercise of warrants, to meet our working capital requirements. At June 30, 2008, we had working capital deficit of \$2,471,737.

Our operations generated losses in 2007 and continue to generate losses in 2008. Our cash increased \$164,919 during the six months ended June 30, 2008 with operating activities using \$1,444,012 of cash. We funded operations through cash raised from contingently convertible debt and a preferred equity offering. No assurance can be given that such activities will continue to be available to provide funding to us. Our business plan for 2008 is predicated principally upon the successful marketing of our RFID products. We anticipate that our existing working capital resources and revenues from operations will not be adequate to satisfy our funding requirements throughout 2008.

Our working capital requirements will depend upon many factors, including the extent and timing of our product sales, our operating results, the status of competitive products, and actual expenditures and revenues compared to our business plan. We are currently experiencing declining liquidity, losses from operations and negative cash flows, which make it difficult for us to meet our current cash requirements, including payments to vendors, and may jeopardize our ability to continue as a going concern. We intend to address our liquidity problems by controlling costs, seeking additional funding (through capital raising transactions and business alliances) and maintaining focus on revenues and collections.

If our losses continue, we will have to obtain funds to meet our cash requirements through business alliances, such as strategic or financial transactions with third parties, the sale of securities or other financing arrangements, or we may be required to curtail our operations, seek a merger partner, or seek protection under federal bankruptcy laws. Any of the foregoing may be on terms that are unfavorable to us or disadvantageous to existing stockholders. In addition, no assurance may be given that we will be successful in raising additional funds or entering into business alliances.

## Amphion Convertible Note

On December 17, 2007 and through June 30, 2008, Axxess has entered into multiple convertible notes with Amphion Innovations plc. If Axxess completes an offering of any of its securities and the aggregate proceeds to Axxess are at least \$1,000,000 ("Transaction") then Amphion would have had the option to convert these notes on the same terms as the completed offering. If the loans are not repaid or converted prior to their maturity date then Axxess shall issue to Amphion a warrant to purchase Axxess Common Shares at the closing price on the given date equivalent to ten percent (10%) of the outstanding amount (i.e. amount outstanding divided by closing stock price times 10%). If the amount is not repaid or converted prior to the next thirty days then Axxess will issue another warrant equal to an additional 10% and that will continue every thirty (30) days until Axxess has issued five warrants. As of June 30, 2008 the outstanding principal balance on all of the outstanding notes is \$745,273 and the Company has issued 322,708 warrants with strike prices that range from \$1.00 to \$1.42 with a weighted average of \$1.14 during the six months ended June 30, 2008.

The notes and balances as of June 30, 2008 are:

<b>Date of Note</b>	<b>Balance as of June 30, 2008</b>	<b>Due Date</b>	<b>Interest Rate</b>
December 17, 2007	\$ 50,000	January 15, 2008	5.0%
January 14, 2008	150,000	February 15, 2008	5.0%
February 20, 2008	150,000	March 15, 2008	5.0%
February 28, 2008	60,000	March 31, 2008	5.0%
March 14, 2008	63,000	April 15, 2008	5.0%
March 25, 2008	55,000	April 30, 2008	5.0%
April 1, 2008	85,273	May 1, 2008	5.0%
April 7, 2008	22,000	May 1, 2008	5.0%
April 15, 2008	110,000	May 15, 2008	5.0%
Total	<u>\$ 745,273</u>		

As previously discussed, for all notes executed and detailed above, Amphion Innovations has the option to convert the notes payable under the same terms as a completed preferred offering occurring within a specified time period (generally 30 – 45 days subsequent to the execution date). Therefore, consideration was given to the contingent beneficial conversion feature due to the trigger event that occurred on April 25, 2008 upon completion of the 2008 series preferred equity offering. For notes executed prior to March 14, 2008, the option period expired and are no longer considered convertible. For notes issued thereafter, the conversion price of \$1.00 exceeded the stock

price of \$0.88 on the date of contingency resolution. There is no incremental increase of intrinsic value at the contingency resolution date and therefore there is no additional beneficial conversion discount to be recorded.

### **Sales and Marketing Initiatives**

In the past our sales volume has not been sufficient to sustain our operations. During 2007, we continued to see broad-based awareness and acceptance of RFID on a world-wide basis. Our approach for 2008 has been:

1. We continue to focus on replicating our past success;
2. We continue to add integrators and partners to our sales channel;
3. We continue to improve our professional skill sets and resources to grow the business.

While there can be no assurance that our efforts will be successful, we believe that these accomplishments will assist us in our goal of becoming profitable.

### **Results of Operations**

#### **Three Months Ended June 30, 2008 Compared to Three Months Ended June 30, 2007**

*Sales and Gross Profit.* Sales for the three months ended June 30, 2008 were \$487,345 and for the three months ended June 30, 2007 were \$1,658,758. Cost of sales for the three months ended June 30, 2008 were \$258,868 and for the three months ended June 30, 2007 were \$482,621. The gross profit for the three months ended June 30, 2008 was \$228,477 and \$1,176,137 for the three months ended June 30, 2007. The majority of the decrease in sales is a result of the Barbados Contract awarded in January 2007. The gross margin percent for the three months ended June 30, 2008 was 47% compared to 71% for the same period in 2007. The lower gross margin percent was a result of the timing of the deferral of revenue and related costs associated with the Barbados contract as a result of the project not being fully implemented during the three months ended June 30, 2007. We continue to expect the margin will continue to be stable in the 40% to 50% range.

*Operating Expenses.* Operating expenses were \$1,214,833 for the three months ended June 30, 2008 and \$1,961,313 for the three months ended June 30, 2007. The majority of the decrease relates to the timing of the development of our next generation product.

Research and development expenses were \$536,098 for the three months ended June 30, 2008 and \$1,169,091 for the three months ended June 30, 2007. The majority of the decrease relates to the timing of the development of the next generation RFID product. We released this new product during the second half of 2007. We are continuing to expense the development as incurred.

Corporate general and administrative expenses were \$358,372 for the three months ended June 30, 2008 and \$449,022 for the three months ended June 30, 2007. The decrease is related to a reduction in legal fees, lower stock based compensation, lower director fees and lower bad debt expense.

Selling and marketing expenses were \$317,693 for the three months ended June 30, 2008 and \$339,180 for the three months ended June 30, 2007. Selling and marketing expense were basically flat for the period compared to the previous year. We did have some increases in travel and trade show expenses but were able to offset the increases with decreases in advertising, public relation expenses and stock based compensation.

Depreciation and amortization expenses were \$2,670 for the three months ended June 30, 2008 and \$4,020 for the three months ended June 30, 2007. The decrease is a result of decreased depreciation expense as a result of the age of our equipment.

*Other expenses, net.* Other expenses, net, were \$175,819 for the three months ended June 30, 2008 and \$78,459 for the three months ended June 30, 2007. Interest expense was \$96,948 higher during the three months ended June 30, 2008, compared to the three months ended June 30, 2007, reflecting the expense associated with the warrants that were issued with the convertible notes.

*Net Loss.* Net loss was \$1,162,175 for the three months ended June 30, 2008, compared to a loss of \$863,635 for the three months ended June 30, 2007. The decrease is mainly related to a decrease in research and development relating to the next generation product development and lower gross profit.

*Preferred Stock dividend requirements.* Preferred Stock dividend requirements were \$630,278 for three months ended June 30, 2008 and \$78,861 for three months ended June 30, 2007. During 2008 we expensed \$558,686 related to the 2008 Preferred equity offering. During 2007 we expensed \$2,000,000 related to the 2006C Preferred equity offering. Recurring preferred Stock dividend requirements were \$71,592 and \$78,861 in 2008 and 2007, respectively.

## **Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007**

*Sales and Gross Profit.* Sales for the six months ended June 30, 2008 were \$663,831 and for the six months ended June 30, 2007 were \$2,681,781. Cost of sales for the six months ended June 30, 2008 were \$364,595 and for the six months ended June 30, 2007 were \$1,144,107. The gross profit for the six months ended June 30, 2008 was \$299,236 and \$1,537,674 for the six months ended June 30, 2007. The majority of the decrease in sales is a result of the Barbados Contract awarded in January 2007. The gross margin percent for the six months ended June 30, 2008 was 45% compared to 57% for the same period in 2007. The lower gross margin percent was a result of the Barbados contract. We continue to expect the margin will continue to be stable in the 40% to 50% range.

*Operating Expenses.* Operating expenses were \$2,804,200 for the six months ended June 30, 2008 and \$4,072,914 for the six months ended June 30, 2007. The majority of the decrease relates to the timing of the development of our next generation product, lower gross profit and increased selling expenses as a result of the Barbados contract.

Research and development expenses were \$1,407,687 for the six months ended June 30, 2008 and \$2,294,425 for the six months ended June 30, 2007. The majority of the decrease relates to the timing of the development of the next generation RFID product. We released this new product during the second half of 2007. We are continuing to expense the development as incurred.

Corporate general and administrative expenses were \$745,808 for the six months ended June 30, 2008 and \$858,184 for the six months ended June 30, 2007. The decrease is related to a reduction in legal fees, lower insurance, lower director fees and reduced investor relation expenses. Offset by slightly higher salary expenses and audit fees.

Selling and marketing expenses were \$643,743 for the six months ended June 30, 2008 and \$911,777 for the six months ended June 30, 2007. The majority of the decrease relates to decreased selling expense relating to the Barbados contract.

Depreciation and amortization expenses were \$6,962 for the six months ended June 30, 2008 and \$8,528 for the six months ended June 30, 2007. The decrease is a result of decreased depreciation expense as a result of the age of our equipment.

*Other expenses, net.* Other expenses, net, were \$292,242 for the six months ended June 30, 2008 and \$138,645 for the six months ended June 30, 2007. Interest expense was \$130,116 higher during the six months ended June 30, 2008, compared to the six months ended June 30, 2007, reflecting the expense associated with the warrants that were issued with the convertible notes.

*Net Loss.* Net loss was \$2,797,206 for the six months ended June 30, 2008, compared to a loss of 2,673,885 for the six months ended June 30, 2007. The decrease is mainly related to a decrease in research and development relating to the next generation product development and lower gross profit.

*Preferred Stock dividend requirements.* Preferred Stock dividend requirements were \$707,233 for six months ended June 30, 2008 and \$2,159,435 for six months ended June 30, 2007. During 2008 we expensed \$558,686 related to the 2008 Preferred equity offering. During 2007 we expensed \$2,000,000 related to the 2006C Preferred equity offering. Recurring preferred Stock dividend requirements were \$148,547 and \$159,435 in 2008 and 2007, respectively.

### **Other**

*Inflation.* During the last two fiscal years inflation has not had, and is not expected to have during this fiscal year, a material impact on the operations and financial condition of the Company.

### **Item 3. Quantitative and Qualitative Disclosure about Market Risk**

None

### **Item 4. Controls and Procedures**

#### **Controls and Procedures**

The Company's chief executive officer and chief financial officer are responsible for establishing and maintaining disclosure controls and procedures for the Company.

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and chief financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act"), as of June 30, 2008. Based on this evaluation, our principal executive officer and our chief financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not effective and not adequately designed to ensure that the information required to be disclosed by us in the reports we submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms and that such information was accumulated and communicated to our chief executive officer and chief financial officer, in a manner that allowed for timely decisions regarding required disclosure.

Based on our evaluation, management has concluded that our internal control over financial reporting was not effective as of June 30, 2008. Management has determined that (i) we are unable to maintain the proper segregation of various accounting and finance duties because of our small size and limited resources, (ii) much of the financial closing process is done off-line on electronic spreadsheets that are maintained on individual computers and are not backed up and (iii) based on our staffing we rely on our Chief Financial Officer to provide a significant amount of our compensating controls.

We intend to remediate these material weaknesses during 2008. Notwithstanding these material weaknesses, we believe that our financial conditions, results of operations and cash flows presented in this report of Form 10-Q are fairly presented in all material respects.

(b) Changes in Internal Controls

During the period ended June 30, 2008, there has been no change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Axcess is engaged in a number of lawsuits with approximately five vendors who claim they are owed amounts from \$500 to \$45,000, which aggregates in total \$76,326. We are currently defending or seeking to settle each of the vendor's claims. At June 30, 2008, we had accrued the delinquent amounts we expect to be liable for, for the claims described in this paragraph.

### **Item 1A. Risk Factors**

Not required

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

During the three months ended June 30, 2008, the Company issued unregistered securities in connection with the transactions described below. The proceeds were used for general working capital requirements. The issuance of stock was exempt from the registration requirements of the Securities Act, as amended by virtue of Section 4(2) thereof, as transactions not involving a public offering and an appropriate restrictive legend was affixed to the stock certificates.

#### ***2008 Preferred Offering***

On April 25, 2008, the Company raised \$1,200,000 of additional working capital through an exempt Preferred Stock offering under the Securities Act of 1933 Section 4(6) private offering of preferred stock to accredited and institutional investors, which have previously invested in Axcess. The Preferred Stock is designated as 2008 Preferred and consists of 120 shares of Preferred Stock bearing no dividends. However, the shares are convertible into common stock on a 1 to 10,000 basis. In addition, the Company issued 1,200,000 warrants to purchase the Company's common stock exercisable for five years at \$1.50 per share.

The Company also recorded an additional preferred stock dividend of \$558,686 relating to the beneficial conversion feature and the warrants that were issued in connection with the 2008 Preferred Stock Equity closed during the six months ended June 30, 2008.

At the occurrence of the April 25, 2008 offering, Amphion Innovations had the option to convert outstanding notes payable under the same terms as the offering. Refer to note 4 for discussion.

## **Warrants**

During the three months ended June 30, 2008 the Company issued an additional 1,390,327 warrants in conjunction with various debt offerings and the 2008 Preferred Equity Offering. The warrant price ranged from \$1.00 to \$1.50, with a weighted average strike price of \$1.44 and they expire between January 14, 2013 and March 25, 2013. During that same period the Company had 500,000 warrants expire without being exercised.

## **2004 Preferred Equity**

During the three months ended June 30, 2008 one holder elected to convert 625,000 shares into 625,000 shares of Axxess common stock. These shares had been previously registered under an SB-2 registration statement.

## **Item 3. Defaults Upon Senior Securities**

None

## **Item 4. Submission of Matters to a Vote of Security Holders**

None

## **Item 5. Other Information**

None

## **Item 6. Exhibits and Reports on Form 8-K.**

(a) Exhibits:

<u>Exhibit No.</u>	<u>Description</u>
10.1	Form of Stock Purchase agreement for the 2008 Preferred Equity Offering.
31.1	Certification of our President, Chief Executive Officer and Principal Executive Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of our Vice President, Chief Financial Officer, Secretary and Principal Accounting and Financial Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of our President, Chief Executive Officer and Principal Executive Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of our Vice President, Chief Financial Officer, Secretary and Principal Accounting and Financial Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.

## SIGNATURES

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

AXCESS INTERNATIONAL INC.,  
Registrant

/s/ ALLAN GRIEBENOW

Allan Griebenow Director, President and  
Chief Executive Officer (Principal Executive Officer)

/s/ ALLAN L. FRANK

Allan L. Frank  
Chief Financial Officer and Secretary  
(Principal Accounting and Financial Officer)

August 14, 2008

**Form of 2008 Stock Purchase Agreement  
ACCESS INTERNATIONAL INC.  
3208 Commander Drive  
Carrollton, Texas 75006**

April 25, 2008

**Re: Stock Purchase Agreement**

Ladies and Gentlemen:

This Agreement sets forth the terms and conditions on which Access International Inc., a Delaware Corporation, of 3208 Commander Drive, Carrollton, Texas, 75006 (the "Company") will issue and sell to \_\_\_\_\_ (the "Purchaser") shares of Series 2008 Preferred Stock of the Company, par value \$0.01 per share (the "Preferred").

1. Type of Security and Purchase Price. The Purchaser hereby agrees to subscribe for and purchase from the Company, and the Company hereby agrees to issue and sell to the Purchaser One Hundred (120) Preferred Shares. The purchase price shall be Ten Thousand US Dollars (\$10,000) per share for a total of One Million Two Hundred Thousand US Dollars (\$1,200,000) payable in cash. Preferred shares shall bear no dividends. The purchase and sale shall be effective as of April 25, 2008 (the "Effective Date").

2. Purchase Dates and Delivery of Shares. The Company closed on the sale during April of 2008. Upon its receipt of the purchase price, the Company shall issue and sell to the Purchaser the number of Preferred and Warrants based on paragraph 1 above. On and as of the Effective Date, the Company shall execute and deliver to the Purchaser stock certificates in proper form representing the Shares.

3. Securities Act Legend; Registration Rights.

3.1 The Shares will not be registered under the Securities Act of 1933, as amended (the "Securities Act"). Prior to registration, certificates representing the Shares shall bear a restrictive legend substantially to the effect of the following:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, OR APPLICABLE STATE SECURITIES LAWS, OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THEY MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THOSE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION THEREFROM. ADDITIONAL RESTRICTIONS REGARDING THE TERMS UNDER WHICH THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE CONVERTED INTO NON-VOTING COMMON STOCK OF THE COMPANY ARE SET FORTH IN THE CERTIFICATE OF DESIGNATIONS, PREFERENCES, POWERS AND RIGHTS OF THE SERIES 2007 PREFERRED STOCK.

3.2 The Company has committed to register the Common Stock Underlying the Series 2008 Preferred Stock under Form SB-2 (or comparable form, the "Registration Statement") and to make its best efforts to have the Registration Statement declared effective at the earliest possible date.

4. Representations and Warranties by the Company. The Company hereby represents and warrants to the Purchaser as follows:

4.1 The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has the corporate power and authority to execute and deliver this Agreement, to issue the Shares on the basis described herein and otherwise to perform its obligations under this Agreement.

4.2 The execution and delivery by the Company of this Agreement, the issuance of the Shares, and the performance by the Company of its obligations hereunder, have been duly authorized by all requisite corporate action on the part of the Company and will not (i) violate any provision of law, statute, rule or regulation

or any order of any court or other agency of government, (ii) conflict with or violate the Certificate of Incorporation (after amendment to authorize the additional shares of non-voting common stock) or By-Laws of the Company, in each case as amended, or (iii) violate, conflict with or constitute (with due notice or lapse of time or both) a default under any indenture, mortgage, lease, license, agreement or other contract or instrument or result in the creation or imposition of any lien, charge or encumbrance of any nature upon the properties or assets of the Company or any of its subsidiaries, in each case if such violation, conflict, default, lien, charge or encumbrance would have a material adverse effect on the Company.

4.3 This Agreement has been duly executed and delivered by the Company and constitutes the valid and legally binding obligation of the Company, enforceable in accordance with its terms, except to the extent the enforceability hereof may be limited by applicable bankruptcy, moratorium or similar laws affecting the rights of creditors generally.

4.4 Based in part upon the representations and warranties of the Purchaser contained in this Agreement, no registration or filing with, or consent or approval of, or other action by, any federal, state or other governmental department, commission, board, bureau, agency or instrumentality or any third party is or will be necessary for the execution and delivery of this Agreement by the Company and the issuance of the Shares hereunder, other than the filing of a notice of sale on Form D with the Securities and Exchange Commission and any other required jurisdictions in accordance with the rules and regulations thereof under the Securities Act and applicable state law.

4.5 The Preferred Shares are duly authorized, validly issued, fully paid and non-assessable shares of Series 2008 Preferred Stock, and are not subject to any preemptive rights.

5. Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants to the Company as follows:

5.1 The Purchaser is acquiring the Shares for its own account, for investment and not with a view to the distribution thereof within the meaning of the Securities Act.

5.2 The Purchaser understands that the Shares have not been registered under the Securities Act, by reason of their issuance by the Company in transactions exempt from the registration requirements of the Securities Act, and that the Common shares must be held by the Purchaser until registered under the Securities Act.

5.3 The Purchaser further understands that the exemption from registration afforded by Rule 144 (the provisions of which are known to it) promulgated under the Securities Act depends on the satisfaction of various conditions, and that, if applicable, Rule 144 may afford the basis for sales only in limited amounts, after compliance with the holding periods and other provisions thereof.

5.4 The Purchaser understands that its investment hereunder involves substantial risks and represents and warrants that it has made such independent examinations and investigations of the Company as it has deemed necessary in making its investment decision, and the Purchaser further represents and warrants that it has had sufficient access to the officers, directors, books and records of the Company as it has deemed necessary to conduct such examination and investigation and make such investment decision. Purchaser agrees to keep confidential the confidential information provided for the purpose of evaluating the purchase herein.

5.5 The Purchaser is a qualified investor able to bear the economic risk of the investment contemplated by this Agreement and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment contemplated by this Agreement.

6. Reaffirmation of Representations and Warranties. The date Units are purchased shall constitute a reaffirmation of each and every one of the representations and warranties of the Company set forth in Section 5 of this Agreement and those of the Purchaser set forth in Section 6 of this Agreement as if made as of each Effective Date, unless otherwise restated or corrected by either the Purchaser or the Company, as the case may be.

7. Miscellaneous.

7.1 This Agreement constitutes our entire agreement with respect to the subject matter hereof. This Agreement may not be modified or amended or any provision hereof waived except by an instrument in writing signed by the Company and the Purchaser.

7.2 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The rights of the Purchaser hereunder shall be assignable to any holder of the Shares. Except as provided in the immediately preceding sentence, this Agreement and the rights of the Purchaser hereunder shall not be assignable, and any purported assignment hereof or thereof shall be void.

7.3 This Agreement may be executed in any number of counterparts and on separate counterparts, each of which shall be an original instrument, but all of which together shall constitute a single agreement. One or more signature pages from any counterpart of this Agreement may be attached to any other counterpart of this Agreement without in any way changing the effect thereof. This Agreement shall be effective when executed and delivered by the Company and the Purchaser.

7.4 All notices, requests, demands, consents, waivers, or other communications made hereunder to any party or holder of Shares shall be in writing and shall be deemed to have been duly given if delivered personally or sent by nationally-recognized overnight courier, facsimile or by first class registered or certified mail, return receipt requested, postage prepaid, addressed to such party at the address set forth below:

if to the Company, to:

Access International Inc.  
3208 Commander Drive  
Carrollton, TX 75006  
Attention: Chief Financial Officer

with a copy to:

Dykema  
1717 Main Street, Suite 2400  
Dallas, Texas 75201  
FAX: 214-462-6401  
Attention: Craig Ongley

if to the Purchaser:

to the Purchaser at its address first set forth above,

or to such other address as the party to whom such communication is to be given may have furnished to the other party in writing in accordance herewith. All such notices, requests, demands, consents, waivers or other communications shall be deemed to have been delivered (i) in the case of personal delivery, on the date of delivery, (ii) if sent by facsimile, on the date sender receives a confirmation confirming receipt, (iii) if sent by overnight courier, on the next business day following the date sent and (iv) in the case of mailing, on the third business day following such mailing.

7.5 All representations, warranties and agreements contained herein shall survive the execution and delivery of this Agreement and the sale of the Shares hereunder.

7.6 This Agreement, and all rights, obligations and liabilities hereunder, shall be construed according to the laws of the State of Texas applicable to contracts made and to be performed wholly therein. Any judicial proceeding brought against the Company to enforce, or otherwise in connection with, this Agreement may be brought in any court of competent jurisdiction in the City of New York, and, by execution and delivery of this Agreement, the Company (i) accepts, generally and unconditionally, the nonexclusive jurisdiction of such courts and any related appellate court and irrevocably agrees to be bound by any final judgment rendered thereby in connection with this Agreement and (ii) irrevocably waives any objection it may now or hereafter have as to the venue of any such proceeding brought in such a court or that such a court is an inconvenient forum.

If the foregoing correctly sets forth your understanding of our agreement, please so indicate by signing and returning to the Company the enclosed counterpart of this Agreement.

Very truly yours,

AXCESS INTERNATIONAL INC.

By: \_\_\_\_\_  
Allan Griebenow, Chief Executive Officer

The undersigned agrees with and accepts the foregoing terms and provisions as of the date first above written.

By: \_\_\_\_\_,

Printed Name: \_\_\_\_\_,

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Allan Griebenow, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Axxess International, 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 period 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-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined Exchange Act Rules 13-15(f) and 15d-(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidating subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report was prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of the end of the period covered by 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 the required evaluation as of the Evaluation Date;
5. The registrant's 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 function):
  - 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 there 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: August 14, 2008

/s/ ALLAN GRIEBENOW

-----  
Allan Griebenow, President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Allan Frank, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Acess International, 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 period 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-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined Exchange Act Rules 13-15(f) and 15d-(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidating subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report was prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of the end of the period covered by 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 the required evaluation as of the Evaluation Date;
5. The registrant's 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 function):
  - 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 there 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: August 14, 2008

/s/ ALLAN L. FRANK

-----  
Allan L. Frank, Vice President, Chief Financial Officer and Secretary  
(Principal Accounting and Financial Officer)

**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 AXCESS International Inc. (the "*Company*") on Form 10-Q for the period ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Allan Griebenow, President, Chief Executive Officer and Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as applicable; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

/S/ ALLAN GRIEBENOW

Allan Griebenow

President, Chief Executive Officer and Principal Executive Officer

Dated: August 14, 2008

**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 AXCESS Inc. (the “*Company*”) on Form 10-Q for the period ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “*Report*”), I, Allan L. Frank, Vice President, Chief Financial Officer, Secretary and Principal Accounting and Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as applicable; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

/S/ ALLAN L. FRANK

Allan L. Frank

Vice President, Chief Financial Officer, Secretary and Principal Accounting and Financial Officer

Dated: August 14, 2008