# 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 JUNE 30, 2007**

**or**

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

**COMMISSION FILE NUMBER: 0-11933**

# AXCESS INTERNATIONAL INC.

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

| **Delaware** | **85-0294536** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (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)

Check whether the registrant (1) has 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 ☒ No ☐

Indicate by check mark weather 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 July 31, 2007: 28,744,413

Transitional Small Business Disclosure Format: Yes ☐ No ☒

**AXCESS INTERNATIONAL INC.**
**INDEX**

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

**AXCESS INTERNATIONAL INC.**
**CONSOLIDATED BALANCE SHEETS**

| | (Unaudited) June 30, 2007 | December 31, 2006 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 472,591 | $ 347,361 |
| Accounts receivable - trade, net of allowance for doubtful accounts of $14,521 for 2007 and $17,389 for 2006. | 188,730 | 252,230 |
| Inventory, net | 252,438 | 396,305 |
| Prepaid expenses and other | 126,958 | 92,090 |
| Total current assets | 1,040,717 | 1,087,986 |
| Property, plant and equipment, net | 16,246 | 18,369 |
| Deferred debt issuance costs | 84,482 | 168,963 |
| Other assets | 2,934 | 2,934 |
| Total assets | $ 1,144,379 | $ 1,278,252 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities: | | |
| Accounts payable | $ 770,038 | $ 101,261 |
| Accrued liabilities | 1,205,899 | 1,121,350 |
| Deferred revenue | 25,783 | 25,665 |
| Notes payable to stockholders | 3,118,716 | 3,365,500 |
| Dividends payable | 298,029 | 138,594 |
| Total current liabilities | 5,418,465 | 4,752,370 |
| Commitments and contingencies (Notes 1 and 2) | | |
| Stockholders' deficit: | | |
| Convertible preferred stock, 10,000,000 shares authorized in 2007 and 2006, respectively; Without liquidation preferences; $0.01 par value, 7,008,750 and 7,073,550 shares issued and outstanding in 2007 and 2006, respectively | 70,087 | 70,735 |
| Common stock, $.01 par value, 70,000,000 shares authorized in 2007 and 2006, respectively; 28,744,413 shares issued and outstanding in 2007 and 28,657,313 shares issued and outstanding in 2006 | 287,444 | 286,573 |
| Additional paid-in capital | 160,217,666 | 158,184,537 |
| Accumulated deficit | (164,849,283 ) | (162,015,963 ) |
| Total stockholders' deficit | (4,274,086 ) | (3,474,118 ) |
| Total liabilities and stockholders' deficit | $ 1,144,379 | $ 1,278,252 |

See accompanying notes to unaudited financial statements.

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

| | Three Months Ended June 30, 2007 | Three Months Ended June 30, 2006 | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 |
|---|---|---|---|---|
| Sales | $ 1,658,758 | $ 354,475 | $ 2,681,781 | $ 808,038 |
| Cost of sales | 482,621 | 189,215 | 1,144,107 | 463,845 |
| Gross profit | 1,176,137 | 165,260 | 1,537,674 | 344,193 |
| Expenses: | | | | |
| Research and development | 1,169,091 | 259,898 | 2,294,425 | 863,587 |
| General and administrative | 449,022 | 503,695 | 858,184 | 965,105 |
| Selling and marketing | 339,180 | 298,112 | 911,777 | 564,357 |
| Depreciation and amortization | 4,020 | 4,291 | 8,528 | 9,117 |
| Operating expenses | 1,961,313 | 1,065,996 | 4,072,914 | 2,402,166 |
| Loss from operations | (785,176 ) | (900,736 ) | (2,535,240 ) | (2,057,973 ) |
| Other income (expense): | | | | |
| Interest expense | (81,118 ) | (87,372 ) | (164,444 ) | (182,636 ) |
| Gain in vendor settlements | 2,659 | 22,296 | 25,799 | 42,685 |
| Gain on sale of intellectual property | — | — | — | 600,000 |
| Other income (expense), net | (78,459 ) | (65,076 ) | (138,645 ) | 460,049 |
| Net loss | (863,635 ) | (965,812 ) | (2,673,885 ) | (1,597,924 ) |
| Preferred stock dividend requirements: | | | | |
| Recurring | (78,861 ) | (80,847 ) | (159,435 ) | (161,694 ) |
| 2005 Preferred equity offering | — | — | — | (1,489,245 ) |
| 2006 Preferred equity offering | — | (645,020 ) | — | (645,020 ) |
| 2006C Preferred equity offering | — | — | (2,000,000 ) | — |
| Preferred stock dividend requirements | (78,861 ) | (725,867 ) | (2,159,435 ) | (2,295,959 ) |
| Net loss applicable to common stock | $ (942,496 ) | $ (1,691,679 ) | $ (4,833,320 ) | $ (3,893,883 ) |
| Basic and diluted net loss per share | $ (0.03 ) | $ (0.06 ) | $ (0.17 ) | $ (0.14 ) |
| Weighted average shares of common stock outstanding | 28,737,469 | 28,203,636 | 28,702,852 | 28,067,362 |

See accompanying notes to unaudited financial statements.

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

| | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $ (2,673,885 ) | $ (1,597,924 ) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation and amortization | 8,528 | 9,117 |
| Amortization of financing discount and issuance costs | 84,481 | 90,003 |
| Gain on vendor settlements and statutory write-off of payables | (2,857 ) | (42,685 ) |
| Gain on sale of intellectual property | — | (600,000 ) |
| Stock based compensation expense | 324,512 | 375,272 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 63,500 | 17,505 |
| Inventory | 143,867 | (168,928 ) |
| Prepaid expenses and other | (34,868 ) | 5,330 |
| Other assets | — | (397 ) |
| Accounts payable and accrued expenses | 756,301 | 16,460 |
| Net cash used by operating activities | (1,330,421 ) | (1,896,247 ) |
| Cash flow from investing activities: | | |
| Capital expenditures | (6,405 ) | (1,874 ) |
| Proceeds for sale of intellectual property | — | 600,000 |
| Net cash provided by (used in) investing activities | (6,405 ) | 598,126 |
| Cash flow from financing activities: | | |
| Net proceeds from issuance of common and preferred stock | 1,700,000 | 2,484,244 |
| Net proceeds from issuance of common stock from warrants | — | 32,500 |
| Net proceeds from issuance of common stock from employee options | 8,840 | 2,521 |
| Principal payments on financing agreements | (246,784 ) | (235,411 ) |
| Net cash provided by financing activities | 1,462,056 | 2,283,854 |
| Net change in cash and cash equivalents | 125,230 | 985,733 |
| Cash and cash equivalents, beginning of period | 347,361 | 236,869 |
| Cash and cash equivalents, end of period | $ 472,591 | $ 1,222,602 |
| Supplemental Disclosure of Non-Cash Investing and Financing Activities: | | |
| Conversions of notes payable into common stock | $ — | $ 396,667 |
| Conversions of accrued interest into common stock | — | 20,110 |
| Preferred stock dividends accrued | 159,435 | 161,694 |
| Conversion of preferred shares into common stock | 650 | — |

See accompanying notes to unaudited financial statements.

## AXCESS 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 leading 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. Axcess' 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 2007 is predicated principally upon the successful marketing of its RFID. During the first half of 2007, operating activities utilized approximately $1.3 million of cash. During the first quarter of 2007 the Company raised a net of $1.7 million of additional working capital through a Preferred Stock offering. The shares are designated 2006C. The Company issued 200 shares of convertible Preferred Stock bearing no dividend but convert to common stock on a one to ten thousand basis. The Company also issued one million warrants to purchase the Company's common stock exercisable for five years at $2.00 per share. The offering included a company call provision if the closing twenty-day average stock price is over $5.00 per share. However, even with the additional funding, the Company anticipates that its existing working capital resources and revenues from operations will not be adequate to satisfy its funding requirements in 2007. 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 61% 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, 2007 and for the three and six months ended June 30, 2007 and 2006, 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, 2006 and for the year then ended included in our annual report on Form 10-KSB for the fiscal year ended December 31, 2006.

**(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, 2006 (the “2006 Form 10-KSB”). There have been no material changes in our existing accounting policies from the disclosures included in our 2006 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:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Raw materials | $ 25,528 | $ 31,344 |
| Work-in-process | 114 | 114 |
| Finished goods | 226,796 | 364,847 |
| | $ 252,438 | $ 396,305 |

### (g) Stock-Based Compensation

**Adoption of SFAS 123R**

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 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.

Stock based compensation expense under SFAS 123R for the six month period ended June 30, 2007 and 2006 was $324,512 and $375,272, respectively, which was recorded in operating expenses. 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 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.

The following table illustrates the effect on operating expenses for the fair value recognition provisions of SFAS No. 123:

| | Three Months Ended June 30, 2007 | Three Months Ended June 30, 2006 | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 |
|---|---|---|---|---|
| Research and development expense | $ 39,773 | $ 41,900 | $ 79,547 | $ 78,088 |
| General and administrative expense | 93,385 | 108,914 | 186,770 | 230,434 |
| Selling and marketing expense | 26,036 | 36,224 | 58,195 | 66,750 |
| Total | $ 159,194 | $ 187,038 | $ 324,512 | $ 375,272 |

**Stock Options as of the Six Month Period Ended June 30, 2007**

Under the Company's 2005 Equity Incentive Plan, the Company may grant up to 5,000,000 shares of common stock to its employees, consultants or directors. 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. During the three months ended June 30, 2007, the Company issued no shares under this plan. We generally grant options once a year and they have various vesting requirements, typically vesting over a four year period.

The following table summarizes stock options outstanding and changes during the quarterly period ended June 30, 2007:

| | Outstanding Options: Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Options outstanding at January 1, 2007 | 4,616,873 | $ 1.95 | | |
| Options granted | — | — | | |
| Options exercised | (22,100) | 0.40 | | |
| Options forfeited | (87,000) | 1.26 | | |
| Options outstanding at June 30, 2007 | 4,507,773 | 1.97 | 6.08 | $1,342,465 |
| Options exercisable at June 30, 2007 | 3,389,846 | 1.97 | 7.52 | $1,048,125 |
| Options available for grants as of June 30, 2007 | 3,790,000 | | | |

The total intrinsic value, or the difference between the exercise price and the market price on the date of exercise, of all options exercised during the quarter ended June 30, 2007, was approximately $12,811. Cash received from stock options exercised during the quarter ended June 30, 2007 was $5,080. The Company did not realize any tax deductions related to the exercise of stock options during the quarter. The Company will record such deductions to additional paid in capital when realized. Shares available for grant under the Plan as of June 30, 2007 were 3,790,000.

Stock options outstanding and currently exercisable at June 30, 2007 are as follows:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| **Range of Exercise Price** | **Number Of Options** | **Weighted Average Remaining Contractual Term (in years)** | **Weighted Average Exercise Price** | **Number Of Options Exercisable** | **Weighted Average Exercise Price** |
| $0.00 - $1.00 | 823,300 | 6.23 | $0.50 | 855,500 | $0.40 |
| $1.01 - $2.00 | 2,433,258 | 7.54 | 1.41 | 1,289,756 | 1.62 |
| $2.01 – $3.00 | 789,375 | 3.22 | 2.64 | 775,250 | 2.47 |
| $3.01 - $4.00 | 193,840 | 3.33 | 3.88 | 201,340 | 3.88 |
| $4.01 - $5.00 | 20,000 | 3.92 | 4.55 | 20,000 | 4.55 |
| $5.01 - $6.25 | 248,000 | 2.73 | 5.80 | 248,000 | 5.80 |
| Total | 4,507,773 | 6.08 | 1.82 | 3,389,846 | 1.97 |

Total estimated unrecognized compensation cost from unvested stock options as of June 30, 2007 was approximately $1.2 million, which is expected to be recognized over a weighted average period of approximately 2.05 years.

No options were granted during the quarter ended June 30, 2007. The weighted average per share fair value of stock options granted during the quarter ended June 30, 2006 was $0.99. The fair value was estimated as of the grant date using the Black-Scholes option pricing model with the following assumptions:

| | **June 30, 2006** |
|---|---|
| Volatility | 131% |
| Expected option term | 5 years |
| Risk-free interest rate | 4.60% |
| Expected dividend yield | — |

**(h) 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 $25,783 as of June 30, 2007 and $25,665 as of December 31, 2006.

**(2) Contingencies**

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, 2007, 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.

| | 2003B Series | Series 2004 | Series 2005 | Series 2006 | Series 2006B | Series 2006C |
|---|---|---|---|---|---|---|
| Number of shares authorized | 2,750,000 | 625,000 | 2,750,000 | 1,200,000 | 750,000 | 200 |
| Stated value | $ 0.01 | $ 0.01 | $ 0.01 | $ 0.01 | $ 0.01 | $ 0.01 |
| Number of shares issued and outstanding: | | | | | | |
| December 31, 2006 | 1,790,000 | 625,000 | 2,708,550 | 1,200,000 | 750,000 | — |
| June 30, 2007 | 1,725,000 | 625,000 | 2,708,550 | 1,200,000 | 750,000 | 200 |
| 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 10,000 into voting common stock |
| Liquidation preference | None | None | None | None | None | None |
| Dividend rights | 7% per annum, cumulative | 7% per annum, cumulative | 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, 2007, there were $52,683 of dividends accrued for Series 2003B Preferred Stock. Dividends payable were $200,796 and $93,717 for Series 2003B Preferred stock at June 30, 2007 and December 31, 2006, respectively. During the six months ended June 30, 2007 we had six holders of the Series 2003B convert their 65,000 shares to common stock. As of June 30, 2007 and December 31, 2006, the Company had 1,725,000 and 1,790,000 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, 2007 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. As of June 30, 2007, there were $26,178 of dividends accrued for Series 2004 Preferred Stock. Dividends payable were

$97,233 and $44,877 for Series 2004 Preferred stock at June 30, 2007 and December 31, 2006, respectively. As of June 30, 2007 and December 31, 2006, the Company had 625,000 shares of Series 2004 Preferred shares outstanding.

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, 2007 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 Axcess' 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.

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.

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.

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.

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.

**(4) Notes Payable**

Axcess reached an Agreement to Amend 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 of December 31, 2007. As further consideration for entering into the agreement Axcess granted to PV Proceeds Holdings, Inc. a warrant to purchase up to 500,000 shares of common stock of Axcess. The warrants have an exercise price of $2.00 per share and shall expire on the earlier of February 14, 2008 or forty-five days after the principal and all accrued interest are paid. Axcess has also agreed to reduce the principal amount due first for 10% of equity proceeds and second 20% of proceeds from options exercised. During the six months ended June 30, 2007 we reduced the principal amount $246,784.

Axcess also recorded deferred debt issuance costs of $689,932 for the value of the warrants, which will be amortized over the life of the loan. The deferred debt issuance costs had an amortized value of $84,481 and $168,963 at June 30, 2007 and December 31, 2006, respectively.

**(5) Significant Customers**

During the three months ended June 30, 2007 the Company had one customer that accounted for 83% of revenue. During the three months ended June 30, 2006 the Company had two customers that combined accounted for 25% of product sales.

During the six months ended June 30, 2007 we had one customer that accounted for 75% of the overall revenue. During the six months ended June 30, 2006 we had one customer that accounted for 12% of the overall revenue.

**(6) Recent Accounting Pronouncements**

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes (FIN 48), an interpretation of FASB Statements No. 109." 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. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

**(7) Subsequent Event (unaudited)**

In August 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 ten thousand (10,000) to one 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. 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 will use the proceeds for general working capital.

**Item 2. Management's Discussion and Analysis or Plan of Operation**.

**Forward-Looking Statements**

This quarterly report on Form 10-QSB 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 2006 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 have included an explanatory paragraph in their audit opinion with respect to our consolidated financial statements at December 31, 2006. 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, 2007, we had working capital deficit of $4,377,748.

Our operations generated losses in 2006 and continue to generate losses in 2007. Our cash increased $125,230 during the six months ended June 30, 2007 with operating activities using $1,330,421 of cash. We funded operations through cash from an equity offering and prepayment of a portion of the Barbados contract. No assurance can be given that such activities will continue to be available to provide funding to us. Our business plan for 2007 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 2007.

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.

**2006C Preferred Equity**

In January 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 ten thousand (10,000) to one 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. 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 will use the proceeds for general working capital.

**Barbados Port Inc**

During the first quarter of 2007, the Company announced a large order for a comprehensive enhanced port security solution for The Barbados Port Inc. It included personnel and vehicle tagging, distributed sensors and an integrated software system which expanded and enhanced the security of the Port while not impacting security labor resources. AXCESS took total responsibility for its delivery including design, construction oversight, installation, training, operations support and maintenance. This was the first order of its size the Company had taken total implementation responsibility for and the results to date have been exceptional. The Company has completed both the hardware and software portions of the contract and recognized the installation and integration portions of the contract in the second quarter. The entire project revenue totaled $1,998,165.

**Sales and Marketing Initiatives**

In the past our sales volume has not been sufficient to sustain our operations. During 2006 we continued to see broad-based awareness and acceptance of RFID on a world-wide basis. Our approach for 2007 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, 2007 Compared to Three Months Ended June 30, 2006**

*Sales and Gross Profit*. Sales for the three months ended June 30, 2007 were $1,658,758 and for the three months ended June 30, 2006 were $354,475. Cost of sales for the three months ended June 30, 2007 were $482,621 and for the three months ended June 30, 2006 were $189,215. The gross profit for the three months ended June 30, 2007 was $1,176,137 and $165,260 for the three months ended June 30, 2006. The increase in sales and gross margin is a result of the Barbados Contract awarded in January 2007. We continue to expect our overall margin will continue to be stable in the 40% to 50% range now that the entire contract has been completed.

*Operating Expenses*. Operating expenses were $1,961,313 for the three months ended June 30, 2007 and $1,065,996 for the three months ended June 30, 2006. The majority of the increase relates to the development of our next generation product and the increased selling expense related to the Barbados contract.

Research and development expenses were $1,169,091 for the three months ended June 30, 2007 and $259,898 for the three months ended June 30, 2006. The majority of the increase relates to the continued development of the next generation RFID product, Enterprise Dot. The remainder of the increase relates to increased headcount and contract labor expense.

Corporate general and administrative expenses were $449,022 for the three months ended June 30, 2007 and $503,695 for the three months ended June 30, 2006. The decrease is largely related to reduced investor relation activity, stock compensation expense and reduced salary expense offset by an increase in our legal expense relating to additional patent activity.

Selling and marketing expenses were $339,180 for the three months ended June 30, 2007 and $298,112 for the three months ended June 30, 2006. The majority of the increase relates to increased salary and related expenses as a result of improving the quality of our sales team and increased selling expense relating to the Barbados contract. However, we were able to offset some of the increase with reduced recruiting expense.

Depreciation and amortization expenses were $4,020 for the three months ended June 30, 2007 and $4,291 for the three months ended June 30, 2006. The decrease is a result of decreased depreciation expense as a result of the age of our equipment.

*Other income (expenses, net)*. Other income (expenses), net, were ($78,459) for the three months ended June 30, 2007 and ($65,076) for the three months ended June 30, 2006. Interest expense was $6,254 lower during the three months ended June 30, 2007, compared to the three months ended June 30, 2006, reflecting lower debt levels. We also had a decrease of $19,637 of recognized income during the three months ended June 30, 2007 compared to the same period in 2006, relating to the expiration of the statue of limitation on old trade payables.

*Net Loss*. Net loss was $863,635 for the three months ended June 30, 2007, compared to a loss of $965,812 for the three months ended June 30, 2006. The decrease is mainly related to the gross margin contribution of the Barbados contract offset by an increase in expenses as we develop the Enterprise Dot, our next generation RFID product.

*Preferred Stock dividend requirements.* Preferred Stock dividend requirements were $78,861 for three months ended June 30, 2007 and $725,867 for three months ended June 30, 2006. During 2006 we expensed $645,020 related to the 2006 preferred equity offering. Recurring preferred Stock dividend requirements were $78,861 in 2007 and $80,847 in 2006.

**Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006**

*Sales and Gross Profit*. Sales for the six months ended June 30, 2007 were $2,681,781 and for the six months ended June 30, 2006 were $808,038. Cost of sales for the six months ended June 30, 2007 were $1,144,107 and for the six months ended June 30, 2006 were $463,845. The gross profit for the six months ended June 30, 2007 was $1,537,674 and $344,193 for the six months ended June 30, 2006. The increase in sales is a result of the Barbados Contract awarded in January 2007. We continue to expect the margin will continue to be stable in the 40% to 50% range now that the entire Barbados contract has been completed.

*Operating Expenses*. Operating expenses were $4,072,914 for the six months ended June 30, 2006 and $2,402,166 for the six months ended June 30, 2006. The majority of the increase relates to the development of our next generation product and the increased selling expense related to the Barbados contract.

Research and development expenses were $2,294,425 for the six months ended June 30, 2007 and $863,587 for the six months ended June 30, 2006. The largest portion of the increase relates to the continued development of the next generation RFID products. The remainder of the increase relates to increased salary and related expenses for additional headcount.

Corporate general and administrative expenses were $858,184 for the six months ended June 30, 2007 and $965,105 for the six months ended June 30, 2006. The decrease is largely related to reduced investor relation activity, stock based compensation expense and reduced salary expense offset by an increase in our legal expense relating to additional patent activity.

Selling and marketing expenses were $911,777 for the six months ended June 30, 2007 and $564,357 for the six months ended June 30, 2006. The majority of the increase relates to increased salary and related expenses as a result of improving the quality of our sales team and increased selling expense relating to the Barbados contract. However, we were able to offset some of the increase with reduced recruiting expense.

Depreciation and amortization expenses were $8,528 for the six months ended June 30, 2007 and $9,117 for the six months ended June 30, 2006. The decrease is related to lower depreciation expense as a result of the age of the equipment.

*Other income (expenses), net*. Other income (expenses), net, were ($138,646) for the six months ended June 30, 2007 and $460,050 for the six months ended June 30, 2006. Interest expense was $18,190 lower during the six months ended June 30, 2007, compared to the six months ended June 30, 2006, reflecting lower debt levels. We also recognized $25,799 during the six months ended June 30, 2007 relating to the expiration of the statue of limitations relating to accounts payables compared to $42,685 during the same period of 2006. We also sold a portion of our video patent portfolio for $600,000 during the six months ended June 30, 2006.

*Net Loss*. Net loss was $2,673,886 for the six months ended June 30, 2007, compared to a loss of $1,597,923 for the six months ended June 30, 2006. The decrease is mainly related to the gross margin contribution of the Barbados contract offset by an increase in expenses as we develop the Enterprise Dot, our next generation RFID product and selling expense relating to the Barbados contract.

*Preferred Stock dividend requirements.* Preferred Stock dividend requirements were $2,159,435 for the six months ended June 30, 2007 and $2,295,959 for the six months ended June 30, 2006. During 2007, we expensed $2,000,000 related to the 2006C Preferred equity offering compared to $645,020 related to the 2006 preferred equity offering and $1,489,245 related to the second close of the 2005 preferred equity during 2006. Recurring preferred Stock dividend requirements were $159,435 in 2007 and $161,694 in 2006.

**Other**

*Inflation*. Inflation has not had, and is not expected to have, a material impact on the operations and financial condition of the Company.

## Item 3. 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, 2007. 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 effective and 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.

(b) Changes in Internal Controls

During the period ended June 30, 2007, 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, 2007, we had accrued the delinquent amounts we expect to be liable for, for the claims described in this paragraph.

**Item 2. Changes in Securities**.

During the three months ended June 30, 2007, the Company issued unregistered securities in connection with the transactions described below. 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.

***Common Stock***

During the three months ended June 30, 2007 we had three employees exercise 12,700 stock options.

**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:

| Exhibit No. | Description |
|---|---|
| 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. |

(b) Reports on Form 8-K:

- none -

## 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 10, 2007

**Exhibit 31.1**

**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-QSB of Axcess 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 10, 2007

/s/ ALLAN GRIEBENOW
-----------------------------------------
Allan Griebenow, President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

# 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-QSB of Axcess 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 10, 2007

/s/ ALLAN L. FRANK

-----------------------------------------

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

**Exhibit 32.1**

**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-QSB for the period ended June 30, 2007, 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 10, 2007

**Exhibit 32.2**

**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-QSB for the period ended June 30, 2007, 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 10, 2007