
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD
ENDED SEPTEMBER 30, 2004**

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

(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)

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

Number of shares of common stock outstanding on November 1, 2004: 24,798,739

Transitional Small Business Disclosure Format: Yes No

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PART 1. FINANCIAL INFORMATION**Item 1. Financial Statements****AXCESS INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS**

| | (Unaudited) September 30, 2004 | December 31, 2003 |
|--|--------------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,156,765 | \$ 2,163,977 |
| Accounts receivable - trade, net of allowance for doubtful accounts | 81,280 | 85,248 |
| Inventory | 120,485 | 131,515 |
| Prepaid expenses and other | 109,983 | 148,490 |
| Total current assets | 1,468,513 | 2,529,230 |
| Property, plant and equipment, net | 50,771 | 61,756 |
| Intellectual property, net | 533 | 149,704 |
| Deferred debt issuance costs | 549,130 | 675,852 |
| Other assets | 1,628 | 595 |
| Total assets | <u>\$ 2,070,575</u> | <u>\$ 3,417,137</u> |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities: | | |
| Accounts payable | \$ 465,067 | \$ 813,976 |
| Other accrued liabilities | 772,504 | 802,355 |
| Notes Payable | | |
| Convertible notes payable (includes \$66,667 with related party in 2004) | 483,333 | — |
| Discount on convertible debt | (165,836) | — |
| Dividends payable | 234,327 | 125,999 |
| Total current liabilities | 1,789,395 | 1,742,330 |
| Note payable to stockholder | 3,933,868 | 4,058,956 |
| Convertible notes payable (includes \$13,333 and \$120,000 with related party in 2004 and 2003, respectively) | 236,667 | 1,288,333 |
| Discount on convertible debt | (22,553) | (680,457) |
| Total liabilities | 5,937,377 | 6,409,162 |
| Stockholders' deficit: | | |
| Convertible preferred stock, 7,000,000 shares authorized | | |
| With liquidation preference; 54 shares issued and outstanding in 2003 | — | 536,623 |
| Without liquidation preference; \$0.01 par value, 2,415,000 and 1,790,000 shares issued and outstanding in 2004 and 2003, respectively | 24,150 | 17,900 |
| Common stock, \$0.01 par value, 50,000,000 shares authorized in 2004 and 2003; 24,798,739 shares issued and outstanding in 2004 and 19,446,028 shares issued and outstanding in 2003 | 247,988 | 194,461 |
| Shares of common stock to be issued, 0 and 4,529,345 shares in 2004 and 2003, respectively | — | 45,293 |
| Non-voting convertible common stock, \$0.01 par value, 2,250,000 shares authorized; no shares issued and outstanding in 2004 or 2003 | — | — |
| Additional paid-in capital | 149,888,942 | 146,246,094 |
| Accumulated deficit | (154,027,882) | (150,032,396) |
| Total stockholders' deficit | (3,866,802) | (2,992,025) |
| Total liabilities and stockholders' deficit | <u>\$ 2,070,575</u> | <u>\$ 3,417,137</u> |

See accompanying notes to unaudited financial statements.

AXCESS INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------------|------------------------------------|----------------|
| | 2004 | 2003 | 2004 | 2003 |
| Sales | \$ 301,889 | \$ 181,580 | \$ 733,695 | \$ 717,572 |
| Cost of sales | 141,313 | 113,973 | 364,986 | 448,964 |
| Inventory impairment | — | 98,428 | — | 98,428 |
| Gross profit (loss) | 160,576 | (30,821) | 368,709 | 170,180 |
| Expenses: | | | | |
| Research and development | 176,791 | 164,054 | 528,683 | 458,199 |
| General and administrative | 324,970 | 375,360 | 1,191,049 | 965,828 |
| Selling and marketing | 238,278 | 65,450 | 585,022 | 203,984 |
| Depreciation and amortization | 11,129 | 103,511 | 193,195 | 336,462 |
| Operating expenses | 751,168 | 708,375 | 2,497,949 | 1,964,473 |
| Loss from operations | (590,592) | (739,196) | (2,129,240) | (1,794,293) |
| Other income (expense): | | | | |
| Interest expense | (157,012) | (268,395) | (814,565) | (794,387) |
| Gain in vendor settlements | 9,304 | — | 162,056 | — |
| Other | 40 | 887 | 6,549 | 140,980 |
| Other expense, net | (147,668) | (267,508) | (645,960) | (653,407) |
| Net loss | (738,260) | (1,006,704) | (2,775,200) | (2,447,700) |
| Preferred stock dividend requirements | (81,735) | (101,401) | (217,746) | (775,750) |
| Net loss applicable to common stock | \$ (819,995) | \$ (1,108,105) | \$ (2,992,946) | \$ (3,223,450) |
| Basic and diluted net loss per share | \$ (0.03) | \$ (0.06) | \$ (0.13) | \$ (0.18) |
| Weighted average shares of common stock outstanding | 24,691,500 | 19,419,597 | 23,535,807 | 17,964,124 |

See accompanying notes to unaudited financial statements.

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

| | Nine Months Ended September 30, | |
|--|------------------------------------|--------------------|
| | 2004 | 2003 |
| Cash flows from operating activities: | | |
| Net loss | \$ (2,775,200) | \$ (2,447,700) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation and amortization | 193,195 | 336,462 |
| Amortization of financing discount and issuance costs | 618,790 | 348,449 |
| Shares issued for services rendered | 65,000 | 80,000 |
| Gain on vendor settlements | (162,056) | — |
| Loss on disposal of assets | — | 13,139 |
| Inventory impairment | — | 98,428 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 3,968 | 10,380 |
| Inventory | 11,030 | 12,809 |
| Prepaid expenses and other | 38,507 | (109,922) |
| Other assets | (1,032) | 20,789 |
| Accounts payable | (186,853) | (239,117) |
| Other liabilities | 120,127 | 324,858 |
| Net cash used by operating activities | <u>(2,074,524)</u> | <u>(1,569,043)</u> |
| Cash flow from investing activities: | | |
| Capital expenditures | (33,040) | — |
| Net cash used by investing activities | <u>(33,040)</u> | <u>—</u> |
| Cash flow from financing activities: | | |
| Borrowings under financing agreements | — | 305,000 |
| Principal payments on financing agreements | (125,088) | 18,149 |
| Net proceeds from issuance of common stock from employees options | 25,440 | 52,276 |
| Net proceeds from issuance of common and preferred stock | 1,200,000 | 1,460,625 |
| Net cash provided by financing activities | <u>1,100,352</u> | <u>1,836,050</u> |
| Net increase (decrease) in cash and cash equivalents | (1,007,212) | 267,007 |
| Cash and cash equivalents, beginning of period | 2,163,977 | 33,249 |
| Cash and cash equivalents, end of period | <u>\$ 1,156,765</u> | <u>\$ 300,256</u> |
| Supplemental information: | | |
| Cash paid during the period for interest | \$ — | \$ 3,078 |
| Supplemental Disclosure of Non-Cash Investing and Financing Activities: | | |
| Conversions of notes payable into common stock | \$ 568,333 | \$ — |
| Conversions of accrued interest into common stock | 149,978 | — |
| Conversions of preferred stock into common stock | 536,623 | — |
| Conversion of accrued dividends into common stock | 109,417 | — |
| Preferred stock dividends accrued | 217,746 | 300,895 |

See accompanying notes to unaudited financial statements.

AXCESS
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

(1) Summary of Significant Accounting Policies

(a) Description of Business

The Company provides advanced security and asset management systems, which locate, identify, track, monitor and protect assets. The main applications of the Company' s systems are security video through closed circuit television (called CCTV), personnel and vehicle access control, and automatic asset tracking and protection. The Company provides solutions in the recently identified homeland security markets such as air and ground transportation, water treatment facilities, oil and gas, power plants, as well as in the markets for data centers, retail / convenience stores, education, healthcare, and corporate offices. AXCESS utilizes two patented and integrated technologies: network-based radio frequency identification (RFID) and tagging and streaming video. Both application and browser-based software options deliver critical real-time information tailored to each end user via the enterprise network or Internet, also providing custom alerts in the form of streaming video, e-mail, or messages delivered to wireless devices.

The Company' s business plan for 2004 is predicated principally upon the successful marketing of its RFID and digital video products. During the nine months ending September 30, 2004, operating activities utilized approximately \$2.1 million of cash. During 2003 and the second quarter of 2004 we raised a net of \$4.4 million and \$1.2 million, respectively, for additional working capital through three exempt Preferred Stock offerings.

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 and Basis of Presentation

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, VennWorks LLC (formerly incuVest LLC), Amphion Capital Management, and NVW, LLC (collectively, the "Amphion Group"). Following the conversion of the 2003 preferred stock held by the Amphion Group into common stock in 2003, the Amphion Group owns approximately 69% of the outstanding voting stock of the Company.

(c) Inventory

Inventory is valued at the lower of cost or market using the first-in, first-out method. Inventory was comprised of the following at September 30, 2004 and December 31, 2003:

| | September 30, 2004 | December 31, 2003 |
|-----------------|-------------------------------|------------------------------|
| Raw materials | \$ 58,930 | \$ 36,682 |
| Work-in-process | — | 10,513 |
| Finished goods | 61,555 | 84,320 |
| | <u>\$ 120,485</u> | <u>\$ 131,515</u> |

(d) Stock Options

The Company accounts for its stock-based compensation plan under Accounting Principles Board ("ABP") Opinion No. 25, Accounting for Stock Issued to Employees. The pro forma information below is based on provisions of Statement of Financial Accounting Standard ("FAS") No. 123, Accounting for Stock-Based Compensation, as amended by FAS 148, Accounting for Stock-Based Compensation—Transition and Disclosure, issued in December 2002.

The Company does not have a history of paying cash dividends and none have been assumed in estimating the fair value of its options.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price volatility. Because, among other things, changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable measure of the fair value of its employee stock options. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|--------------------|------------------------------------|--------------------|
| | 2004 | 2003 | 2004 | 2003 |
| Pro forma impact of fair value method (FAS 148) | | | | |
| Reported net loss attributed to common stock | \$ (819,995) | \$ (1,108,105) | \$ (2,992,946) | \$ (3,223,450) |
| Less: fair value of employee stock compensation | (167,488) | (103,310) | (384,541) | (327,938) |
| Pro forma net loss attributed to common stock | <u>(987,483)</u> | <u>(1,211,415)</u> | <u>(3,377,487)</u> | <u>(3,551,388)</u> |
| Loss per common share | | | | |
| Basic and diluted net loss per share – as reported | \$ (0.03) | \$ (0.06) | \$ (0.13) | \$ (0.18) |
| Basic and diluted net loss per share – pro forma | \$ (0.04) | \$ (0.06) | \$ (0.14) | \$ (0.20) |
| Weighted average Black-Scholes fair value assumptions | | | | |
| Risk free interest rate | 4.62% | 5.00% | 4.67% | 5.00% |
| Expected life | 6.5 years | 10.0 years | 6.7 years | 10.0 years |
| Expected volatility | 134% | 88% - 92% | 129% | 88% - 92% |
| Expected dividend yield | 0.0% | 0.0% | 0.0% | 0.0% |

(e) Recent Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* ("FIN 46"), which was revised and superceded by FASB Interpretation No. 46R in December 2003 (FIN 46R). FIN 46R requires the consolidation of certain variable interest entities, as defined. FIN 46R is effective immediately for special purpose entities and variable interest entities created after December 31, 2003, and must be applied to other variable interest entities no later than December 31, 2004. The Company believes it has no such variable interest entities and as a result FIN No. 46R will have no impact on its results of operations, financial position or cash flows.

(2) Contingencies

Access is engaged in a number of lawsuits with approximately eight vendors who claim they are owed amounts from \$500 to \$45,000, which aggregates in total \$111,705. We are currently defending or seeking to settle each of the vendor's claims. At September 30, 2004, we had accrued the delinquent amounts we expect to be liable for, for the claims described in this paragraph.

(3) Preferred Stock

The Company has authorized 7,000,000 shares of convertible preferred stock, of which shares designated in five series have been issued. Information with respect to the series of preferred stock outstanding at each balance sheet date is summarized below.

| | Series I | Series J | 2003B Series | 2004 Series |
|--|-------------------------------------|--------------------------------------|---------------------------------|---------------------------------|
| Number of shares authorized | 2,500 | 2,500 | 2,750,000 | 625,000 |
| Stated value | \$ 10,000 | \$ 10,000 | \$ 0.01 | \$ 0.01 |
| Number of shares issued and outstanding: | | | | |
| December 31, 2003 | 52 | 2 | 1,790,000 | — |
| September 30, 2004 | — | — | 1,790,000 | 625,000 |
| Conversion ratio (or conversion price) of preferred shares into common | \$ 2.51 into voting common stock | \$ 2.51 into non-voting common stock | 1 to 1 into voting common stock | 1 to 1 into voting common stock |
| Liquidation preference | Stated value plus accrued dividends | Stated value plus accrued dividends | None | None |
| Dividend rights | 8% per annum, cumulative | 8% per annum, cumulative | 7% per annum, cumulative | 7% per annum, cumulative |

(a) *Series I and Series J Preferred Stock*

The holders of Series I Preferred Stock and Series J Preferred Stock are entitled to receive semi-annual dividends on each such share at the annual rate of 8% of the original issue price of each share payable in arrears, when, as and if declared by the Company's board of directors, in cash or additional shares of preferred stock. Shares of Series I Preferred Stock and Series J Preferred Stock are convertible into shares of common stock at a conversion price of \$2.51 per share. During the three months ended September 30, 2004 there were no dividends accrued for Series I Preferred Stock and Series J Preferred Stock, respectively. Dividends payable were \$0 and \$95,182 for Series I Preferred Stock at September 30, 2004 and December 31, 2003, respectively. Dividends payable were \$0 and \$3,384 for Series J Preferred Stock at September 30, 2004 and December 31, 2003, respectively.

During the first quarter of 2004 all shares of the Series of Series I and Series J preferred stock were retired or converted and there are currently no shares outstanding.

(b) *Series 2003B Preferred Stock*

We completed a \$3,132,500 exempt Preferred Stock 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 Access' 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.

The holders of the Series 2003B Preferred Stock are entitled to receive annual dividends on each share held at the annual rate of 7% of the original issue price of each share payable in arrears, when, as and if declared by the our board of directors, paid in cash or common shares at our option. During the three months ended September 30, 2004 there were \$55,269 of dividends accrued. We have also accrued \$192,040 and \$27,433 of dividends payable for Series 2003B Preferred Stock at September 30, 2004 and December 31, 2003, respectively. As of September 30, 2004 and December 31, 2003, we had 1,790,000 shares of Series 2003B Preferred shares outstanding.

In connection with the issuance of the 2003B Preferred Stock, the Company recorded preferred stock dividend requirements of \$1,782,831 based upon the value of the of the warrants and beneficial conversion features that will be reflected as preferred stock dividends as the underlying preferred stock converts to common stock. As of September 30, 2004 and December 31, 2003 that amount is reflected in accumulated deficit on the balance sheet.

(c) *Series 2004 Preferred Stock*

During the second quarter of 2004 we raised a net of \$1,200,000 of additional working capital through an exempt Preferred Stock offering. 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 our common stock exercisable for two years at \$3.20 per share. The offering also includes an automatic conversion into Common Stock on a one for one basis if the closing twenty-day average stock price is over \$4.00 or when we achieve a full quarter of profitability.

The holders of the Series 2004 Preferred Stock are entitled to receive annual dividends on each share held at the annual rate of 7% of the original issue price of each share payable in arrears, when, as and if declared by our board of directors, paid in cash of common shares at our option. During the three months ended September 30, 2004 there were \$26,466 of dividends accrued and \$42,288 of dividends payable as of September 30, 2004 for Series 2004 Preferred Stock. As of September 30, 2004 we have 625,000 shares of Series 2004 Preferred shares outstanding.

In connection with the issuance of the 2004 Preferred Stock, we recorded preferred stock dividend requirements of approximately \$1,002,540 based upon the value of the warrants and beneficial conversion features that will be reflected as preferred stock dividends as the underlying preferred stock converts to common stock.

(4) Convertible Notes Payable

On July 30, 2002, the Company entered into a bridge financing agreement with ten accredited investors for the sale and issuance of 10 "units" to the investors for an aggregate purchase price of \$1,000,000. Each unit consists of a convertible promissory note in the amount of \$100,000 and 25,000 shares of the Company' s common stock. Each investor has agreed to not sell more than one-third of the common stock comprising the units during any calendar month. The convertible promissory notes comprising the units bear interest at an annual rate of 7% and mature on July 30, 2005. On each of July 30, 2003, July 30, 2004 and July 30, 2005, the investors have the option to convert one-third of the principal amount of the notes into common stock of the Company. The conversion price of the notes is initially 65% of the average closing price of a share of the Company' s common stock for the 20 trading days preceding the given anniversary date of the notes. The maximum conversion price shall be \$4.00 per share and the minimum conversion price shall be \$1.00 per share. The conversion price will be subject to adjustment from time to time to reflect any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or similar change in the Company' s shares of common stock. The Company without premium or penalty may prepay the notes in whole or in part.

During the three months ended September 30, 2004, two holders elected to convert \$183,333 of their notes plus \$11,518 of accrued interest into 135,313 shares of Axxcess common stock.

On January 17, 2003, Axxcess entered into a bridge financing agreement with ten accredited investors for the sale and issuance of 3.05 "units" to the investors for an aggregate purchase price of \$305,000. Each unit consists of a convertible promissory note in the amount of \$100,000 and 50,000 shares of our common stock. By agreement, each investor may not sell more than one-third of the common stock comprising the units during any calendar month. The convertible promissory notes comprising the units bear interest at an annual rate of 7% and mature on January 31, 2006. On each of January 31, 2004, January 31, 2005 and January 31, 2006, the investors have the option to convert one-third of the principal amount of the notes into common stock of Axxcess. The conversion price of the notes is initially 65% of the average closing price of a share of our common stock for the twenty (20) trading days preceding the given anniversary date of the notes. The maximum conversion price shall be \$2.00 per share and the minimum conversion price shall be \$0.50 per share. The conversion price will be subject to adjustment from time to time to reflect any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or similar change in our shares of common stock. The notes may be prepaid in whole or in part by us without premium or penalty.

(5) Significant Customers

During the three months ended September 30, 2004 we had two customers that accounted for 52% of the overall revenue, one customer accounted for 48% of the RFID product sales and four customers account for 100% of the digital video product sales. During the three months ended September 30, 2003 the Company had three customers that accounted for 46% of the overall revenue, three customers accounted for 64% of the digital video product sales and three customers accounted for 62% of the RFID product sales.

During the nine months ended September 30, 2004 we had one customer that account for 17% of the overall revenue, three customers account for 64% of the digital video product sales and two customers account for 30% of the RFID product sales. During the nine months ended June 30, 2003 we had three customers that accounted for 34% of the overall revenue, three customers accounted for 70% of the digital video product sales and two customers accounted for 28% of the RFID product sales.

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 2003 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, 2003. 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 and warrants and more recently, convertible debt, short-term bridge loans from stockholders and preferred equity offerings to meet our working capital requirements. At September 30, 2004, we had a working capital deficit of \$320,882.

Our operations generated losses in 2003 and continue to generate losses in 2004. Our cash decreased \$1,007,212 during the nine months ended September 30, 2004 with operating activities using \$2,074,524 of cash. We funded operations primarily through cash on hand from borrowings and equity offerings over the last two years. No assurance can be given that such activities will continue to be available to provide funding to us. Our business plan for 2004 is predicated principally upon the successful marketing of our RFID and digital video products. We anticipate that our existing working capital resources and revenues from operations will not be adequate to satisfy our funding requirements in 2005.

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 makes 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.

Sales and Marketing Initiatives

In the past our sales volume has not been sufficient to sustain our operations. During the nine months ended September 30, 2004 we were able, through the recent financing, to initiate a new marketing emphasis, which is intended by us to build sales, primarily of our RFID products. Our marketing team has implemented the following sales strategies:

1. A marketing communications program to create brand awareness in the security systems integration space;
2. The hiring of two additional sales personnel and one marketing administrative assistant;
3. An assessment of the non-security market for active RFID.

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

Results of Operations

Three Months Ended September 30, 2004 Compared to Three Months Ended September 30, 2003

Sales and Gross Profit. Sales for the three months ended September 30, 2004 were \$301,889 and for the three months ended September 30, 2003 were \$181,580. Cost of sales for the three months ended September 30, 2004 were \$141,313 and for the three months ended September 30, 2003 were \$113,973. The company also recorded a charge of \$98,428 for inventory impairment during the three months ended September 30, 2003. The impairment was a result of the change in strategy to contract manufacturing. The amount reflects items that have not been able to be used by the contract manufacturer in the building of additional products. The gross profit (loss) for the three months ended September 30, 2004 was \$160,576 and (\$30,821) for the three months ended September 30, 2003. The increase in sales was a result of the increase sales and marketing activity initiated during 2004. The margin improvement is driven by a shift in the product mix and continued improvement in margins based on the shift to contract manufacturers.

Radio frequency identification (RFID) product sales were \$251,788 for the three months ended September 30, 2004 and \$134,020 for the three months ended September 30, 2003. Cost of sales was \$113,375 for the three months ended September 30, 2004 and \$88,344 for the three months ended September 30, 2003. The company also recorded a charge of \$23,422 for inventory impairment during the three months ended September 30, 2003. The impairment was as a result of the change in strategy to contract manufacturing. The amounts reflect items that have not been able to be used by the contract manufacturer in the building of additional products. As a result, gross profits from RFID products were \$138,413 for the three months ended September 30, 2004 and \$22,254 for the three months ended September 30, 2003. Sales are continuing to increase based on the increased exposure in the marketplace. The margin improvement is a result of the product mix shift and continued improvement based on the shift to contract manufacturers.

Digital video product sales were \$50,101 for the three months ended September 30, 2004 and \$47,560 for the three months ended September 30, 2003. Cost of sales was \$27,938 for the three months ended September 30, 2004 and \$25,629 for the three months ended September 30, 2003. The company also recorded a charge of \$75,006 for inventory impairment during the three months ended September 30, 2003. The impairment was a result of the change in strategy to contract manufacturing. The amounts reflect items that have not been able to be used by the contract manufacturer in the building of additional products. As a result, gross profit (loss) from digital video products were \$22,163 for the three months ended September 30, 2004 and (\$53,075) for the three months ended September 30, 2003. We continue to focus on the RFID product line as a result the sales have not increased. The margin has been steady as a result of the product mix.

Operating Expenses. Operating expenses were \$751,168 for the three months ended September 30, 2004 and \$708,375 for the three months ended September 30, 2003. This increase was due to increased salaries, increased advertising, additional research and development and the hiring of outside professional services companies.

Research and development expenses were \$176,791 for the three months ended September 30, 2004 and \$164,054 for the three months ended September 30, 2003. The increase is a result of increased salaries from the recession of the pay reduction implemented during 2003, some additional contract labor relating to certain RFID software development and a slight increase in health insurance offset by a decrease in prototyping of additional tag form factors and the completion of testing for Canadian certification.

Corporate general and administrative expenses were \$324,970 for the three months ended September 30, 2004 and \$375,360 for the three months ended September 30, 2003. The decrease is a result of decreased spending on an investor relations firms, decreased director's and officer's insurance, decreased professional services, reduction of bad debt expense offset by increased salaries from the recession of the pay reduction implemented during 2003.

Selling and marketing expenses were \$238,278 for the three months ended September 30, 2004 and \$65,450 for the three months ended September 30, 2003. The increase is a result of increased salaries from the recession of the pay reduction implemented during 2003, increased headcount and an increase in advertising. We attended several trade shows during the quarter as well as placed several advertisements. We are attempting to reestablish our place in the market.

Depreciation and amortization expenses were \$11,129 for the three months ended September 30, 2004 and \$103,511 for the three months ended September 30, 2003. \$73,985 of the decrease is related to lower amortization expense as a result of the intangible assets being fully amortized. The remaining decrease is a result decreased depreciation expense as a result of the age of the equipment, the closing of the Georgia facility and the downsizing of the California facility.

Other expenses, net. Other expenses, net, were \$147,668 for the three months ended September 30, 2004 and \$267,508 for the three months ended September 30, 2003. Interest expense was \$111,383 lower during the three months ended September 30, 2004, compared to the three months ended September 30, 2003, reflecting a decrease in the amortization of the debt discount related to the convertible notes that converted during the quarter, lower debt balance and lower rate. We also were able to settle some accounts payable issues relating to prior periods at a discount from the accrued amounts, which resulted in a \$9,304 gain on settlements.

Net Loss. Net loss was \$738,260 for the three months ended September 30, 2004, compared to a loss of \$1,006,704 for the three months ended September 30, 2003. The decrease is mainly related to increase in sales, reduced interest expense and decreases in outside services including insurance, legal and investor relations.

Preferred Stock dividend requirements. Preferred Stock dividend requirements were \$81,735 for the three months ended September 30, 2004 and \$101,401 for the three months ended September 30, 2003. This decrease was due to the reduction in the number of preferred shares outstanding during 2004.

Nine Months Ended September 30, 2004 Compared to Nine Months Ended September 30, 2003

Sales and Gross Profit. Sales for the nine months ended September 30, 2004 were \$733,695 and for the nine months ended September 30, 2003 were \$717,572. Cost of sales for the nine months ended September 30, 2004 were \$364,986 and for the nine months ended September 30, 2003 were \$448,964. The company also recorded a charge of \$98,428 for inventory impairment during the nine months ended September 30, 2003. The impairment was a result of the change in strategy to contract manufacturing. The amount reflects items that have not been able to be used by the contract manufacturer in the building of additional products. The gross profit for the nine months ended September 30, 2004 was \$368,709 and \$170,180 for the nine months ended September 30, 2003. The increase in sales was a result of the increase sales and marketing activity initiated during 2004. The margin improvement is driven by a shift in the product mix and continued improvement in margins based on the shift to contract manufacturers.

Radio frequency identification (RFID) product sales were \$621,395 for the nine months ended September 30, 2004 and \$418,990 for the nine months ended September 30, 2003. Cost of sales was \$311,041 for the nine months ended September 30, 2004 and \$205,585 for the nine months ended September 30, 2003. The company also recorded a charge of \$23,422 for inventory impairment during the three months ended September 30, 2003. The impairment was as a result of the change in strategy to contract manufacturing. The amounts reflect items that have not been able to be used by the contract manufacturer in the building of additional products. As a result, gross profits from RFID products were \$310,354 for the nine months ended September 30, 2004 and \$189,983 for the nine months ended September 30, 2003. Sales are continuing to increase based on the increased exposure in the marketplace. The margin improvement is a result of the product mix shift and continued improvement based on the shift to contract manufacturers.

Digital video product sales were \$112,300 for the nine months ended September 30, 2004 and \$298,582 for the nine months ended September 30, 2003. Cost of sales was \$53,945 for the nine months ended September 30, 2004 and \$243,379 for the nine months ended September 30, 2003. The company also recorded a charge of \$75,006 for inventory impairment during the three months ended September 30, 2003. The impairment was a result of the change in strategy to contract manufacturing. The amounts reflect items that have not been able to be used by the contract manufacturer in the building of additional products. As a result, gross profit (loss) from digital video products were \$58,355 for the nine months ended September 30, 2004 and \$(19,803) for the nine months ended September 30, 2003. The decrease in sales is a result of one large order during 2003 that was not duplicated in 2004. The margin improvement is a result of the product mix shift and continued improvement based on the shift to contract manufacturers.

Operating Expenses. Operating expenses were \$2,497,949 for the nine months ended September 30, 2004 and \$1,964,473 for the nine months ended September 30, 2003. This increase was due to increased salaries, increased advertising, additional research and development and the hiring of outside professional services companies.

Research and development expenses were \$528,683 for the nine months ended September 30, 2004 and \$458,199 for the nine months ended September 30, 2003. The increase is a result of increased salaries from the recession of the pay reduction implemented during 2003, increase in contract labor for a software development project and some additional travel offset by the downsizing of the California facility and completion of Canadian certification testing.

Corporate general and administrative expenses were \$1,191,049 for the nine months ended September 30, 2004 and \$965,828 for the nine months ended September 30, 2003. The increase is a result of increased salaries from the recession of the pay reduction implemented during 2003, increased spending on an investor relations firms, increased outside accounting fees relating to the filing of a registration statement. However, we were able to offset some of that increase with a reduction in bad debt expense.

Selling and marketing expenses were \$585,022 for the nine months ended September 30, 2004 and \$203,984 for the nine months ended September 30, 2003. The increase is a result of increased salaries from the recession of the pay reduction implemented during 2003, increased headcount and an increase in advertising. We attended several trade shows during the period as well as placed several advertisements. We are attempting to reestablish our place in the market.

Depreciation and amortization expenses were \$193,195 for the nine months ended September 30, 2004 and \$336,462 for the nine months ended September 30, 2003. The decrease is related to lower amortization expense as a result of the intangible assets being fully amortized as of June 30, 2004 and decreased depreciation expense as a result of the age of the equipment, the closing of the Georgia facility and the downsizing of the California facility.

Other expenses, net. Other expenses, net, were \$645,960 for the nine months ended September 30, 2004 and \$653,407 for the nine months ended September 30, 2003. Interest expense was \$20,178 higher during the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003, reflecting an increase in the amortization of the debt discount related to the convertible notes that converted during the period. We also were able to settle some accounts payable issues relating to prior periods at a discount from the accrued amounts, which resulted in a \$162,056 gain on settlements.

Net Loss. Net loss was \$2,775,200 for the nine months ended September 30, 2004, compared to a loss of \$2,447,700 for the nine months ended September 30, 2003. The increase is mainly relating to the increased salary expense, increased marketing activity and the hiring of certain professional service firms.

Preferred Stock dividend requirements. Preferred Stock dividend requirements were \$217,746 for the nine months ended September 30, 2004 and \$775,750 for the nine months ended September 30, 2003. This decrease was due to a beneficial conversion discount of \$474,855 for the 2003 preferred stock converted during 2003.

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

(a) Evaluation of Disclosure Controls and Procedures. Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-QSB, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

(b) Changes in Internal Controls. During the period covered by this report, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Axcess is engaged in a number of lawsuits with approximately eight vendors who claim they are owed amounts from \$500 to \$45,000, which aggregates in total \$111,705. We are currently defending or seeking to settle each of the vendor's claims. At September 30, 2004, 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 September 30, 2004, we 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.

Convertible Note

During the three months ended September 30, 2004 two of the holders of the July 2002 Convertible debt elected to convert \$183,333 of their \$366,666 note plus \$11,518 of accrued interest into 135,313 of unregistered common stock. We reissued the notes for \$183,333.

Stock Options

During the three months ended September 30, 2004 three employees exercised 32,800 stock options.

Common Stock for Services Rendered

During the three months ended September 30, 2004 we issued 25,000 restricted common shares to Equitis, Inc. to compensate them for services provided to Axcess. The fair market value of these shares issued for services was expensed during the three months end June 30, 2004.

SB-2 Registration Statement

On October 29, 2004 the SEC declared our SB-2 Registration statement effective which was originally filed on May 26, 2004. We registered a total of 12,613,278 common shares comprising 4,543,969 shares currently issued and held by certain selling stockholders and 8,069,309 warrants. Proceeds from the sale of the 4,543,969 shares beneficially owned by the selling stockholders will inure solely to the benefit of the selling stockholders, as we will not receive any of the proceeds from such sales. If fully exercised the warrants would result in the issuance of 8,069,309 shares of our common stock and result in proceeds to us of \$17,349,014, which would be used for working capital and to pay down any outstanding debt. There can be no assurance that any of the warrants will be exercised.

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> |
|--------------------|--|
| 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. * |

* Filed herewith

(b) Reports on Form 8-K:

| <u>Date</u> | <u>Description</u> |
|---------------|---|
| July 19, 2004 | On July 19, 2004, Axxess International Inc. filed an 8-K announcing they had entered into an Exclusive License Agreement with TechSearch LLC. |

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.

ACCESS 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)

November 10, 2004

**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 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 Rule 13a-14 and 15d-14) 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: November 10, 2004

/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-QSB 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 Rule 13a-14 and 15d-14) 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: November 10, 2004

/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-QSB for the period ended September 30, 2004, 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: November 10, 2004

**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 September 30, 2004, 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: November 10, 2004