
U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 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

(Address of principal executive offices)

75006

(Zip Code)

(972) 407-6080

(Issuer's Telephone Number)

Securities registered pursuant to Section 12(b) of the Exchange Act: NONE

Securities registered pursuant to Section 12(g) of the Exchange Act:

Title of Class:

Common Stock, par value \$.01 per share

Name of exchange on which registered:

Over-The-Counter Bulletin Board

24,720,939

(Number of Shares Outstanding as of: December 31, 2004)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. []

The issuer's revenues for the fiscal year ended December 31, 2004 were \$911,565.

On March 28, 2005, the aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately \$15,858,179. This amount was calculated by reducing the total number of shares of the registrant's common stock outstanding by the total number of shares of common stock held by officers and directors, and stockholders owning in excess of 5% of the registrant's common stock, and multiplying the remainder by the average of the bid and asked price for the registrant's common stock on March 28, 2005, as reported on the Over-The-Counter Bulletin Board Market. The information provided shall in no way be construed as an admission that any officer, director or more than 5% stockholder of the issuer may be deemed an affiliate of the issuer or that such person is the beneficial owner of shares reported as being held by such person, and any such inference is hereby disclaimed.

Documents Incorporated by Reference: None.

Transitional Small Business Disclosure Format: Yes No

ACCESS INTERNATIONAL INC.
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PART I

Forward Looking Statements

This annual report on Form 10-KSB 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 (the "Exchange Act"), which can be identified by the use of forward-looking terminology such as "may," "can," "believe," "expect," "intend," "plan," "seek," "anticipate," "estimate," "will," or "continue" or the negative thereof or other variations thereon or comparable terminology. All statements other than statements of historical fact included in this annual report on Form 10-KSB, including without limitation, the statements under "Item 1. Description of Business" and "Item 6. Management's Discussion and Analysis or Plan of Operation" and located elsewhere herein regarding the financial position and liquidity of the Company (defined below) are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors with respect to any such forward-looking statements, including certain risks and uncertainties that could cause actual results to differ materially from the Company's expectations ("Cautionary Statements"), are disclosed in this annual report on Form 10-KSB, including, without limitation, in conjunction with the forward-looking statements and under the caption "Risk Factors." In addition, important factors that could cause actual results to differ materially from those in the forward-looking statements included herein include, but are not limited to, inability to continue as a going concern, limited working capital, limited access to capital, changes from anticipated levels of sales, future national or regional economic and competitive conditions, changes in relationships with customers, access to capital, 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. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the Cautionary Statements.

As used herein, references to the "Company" are to Axxess International, Inc., a Delaware corporation ("Axxess") and its subsidiaries.

Item 1. DESCRIPTION OF BUSINESS

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, 2004. 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 the Company will be successful in raising additional funds or entering into business alliances.

See "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company

Axxess, through its proprietary technology, is a manufacturer of advanced physical security and enterprise asset management systems that can automatically locate, identify, track, monitor, count, and protect people, property and vehicles. The purpose of the systems is: to reduce loss and liability; to increase the efficiency of a client's employees; and to improve the management of personal property, logistics, and facilities. Axxess utilizes two patented and integrated technologies: battery-powered wireless tagging called Active-Radio Frequency Identification (RFID) and network based streaming digital video (IPTV). The primary applications of our technology are: network-based security video recording and surveillance; automatic "hands-free" personnel and vehicle access control; and automatic asset tracking and protection. Systems are sold through systems integrators who manage the sale, provide the installation, and first level customer service. The systems utilize the customer's existing infrastructure or are embedded within an integrator's total solution package. Complete end-to-end systems can also be purchased from Axxess' employing enterprise software or browser-based hosted software. Our principal offices are located at 3208 Commander Drive, Carrollton, Texas, 75006, and our telephone number is 972-407-6080.

Company Evolution

Access was formed in November 1982 as Lasertechnics, Inc. Prior to 1999, Access, through two subsidiaries, sold high-end dye-sublimation card printers and high-speed laser marking equipment. During 1998, we determined that it could not be consistently profitable selling these products. Accordingly, in October 1998, we discontinued the operations of our 96% owned subsidiary, Sandia Imaging Systems Corporation, which was engaged in distributing and reselling high-end dye-sublimation card printers and consumables. We sold this business in December 1998. A second subsidiary, Lasertechnics Marking Corporation, was engaged in fabricating, distributing and selling high-speed laser marking equipment. In April 1999, we sold Lasertechnics Marking Corporation to affiliates of Amphion Ventures, LP, a major stockholder of ours. See also "Item 12. Certain Relationships and Related Transactions."

Access then made a concerted effort to enter into the high technology security products marketplace, and identified RFID as its initial target. In September 1998, we consummated the acquisition of the RFID based intellectual property assets of ASGI, Inc. and Nauta, Inc., unaffiliated entities to Access. The intellectual property assets included a patent, trade secret rights, software, hardware, product designs and all other technical information necessary for us to manufacture and market RFID products to the access control and asset management markets.

In July 1999, Access acquired another company in the security technology marketplace in the digital video or CCTV area. We acquired substantially all of the assets, including the network video technology, of Prism Video, Inc. Prism Video, Inc. was engaged in the development, design, manufacture and marketing of video security technology and video storage products. Access then hired new senior management experienced in the packaging, sales, and marketing of high technology security products.

Access further developed the RFID and network-based streaming video technologies throughout 2002 and 2003. It also secured key reference accounts and established branding for its product lines during the period. In November 2001, we acquired all of the assets of IVEX Corporation relating to its VSA 1200 Project. The VSA 1200 project was an embedded processor-based multimedia streaming network appliance that pushes advanced video and audio processing directly onto the corporate or Internet backbone, then to any point on the network, including handheld devices. Access believes that IVEX's unique architecture offers a strategic platform on which to build value, adding video filtering and detection software, which we expect to, improve the effectiveness of the IVEX product line as well as provide a competitive advantage to us. Throughout 2002, 2003 and 2004, we used our reference customers and our brand awareness to secure key marketing channel partners. These partners are important to the future revenue growth of Access' business due to their market presence. We believe that by integrating our systems into the systems of these channel partners, adoption of our technologies and products will be accelerated. Access has completed the integration efforts with certain channel partners and is in the process of integrating others.

In April 2003, we changed our name from Access Inc. to Access International, Inc.

Sales Channels

Access utilizes an indirect sales model focused primarily on system integrators as marketing channel partners capable of selling, installing and servicing network-based CCTV, access control and asset management applications. Other outlets include distributors, specialty dealers, catalog sales organizations, and OEMs (original equipment manufacturers). Access is continuing channel development in the security industry, by focusing on large system integrators that have significant sales in which we hope to participate in. The system integrators and dealers are responsible for the installation in almost all cases. Access has three sales people that support individual sales as needed. Using established channels to gain widespread exposure and sales leverage is a well-utilized model in the industry.

The indirect sales model allows us to address multiple industry segments generically, including manufacturing, wholesale / distribution, retail, services, government, education and finance. The indirect sales model fits the characteristics of our product portfolio with other products, which become system solutions that require custom site planning and installation. Sales generally have multiple locations with the average revenue per system location in the tens of thousands, and are based on a new technology and its application to traditional security problems. By working directly with established marketing channel partners, this indirect model also gives us the flexibility to introduce new products and applications as they are developed.

We work directly with the end user for certain focused large system sales opportunities. This approach enables us to prospect directly for selected larger transactions and reference accounts in a prudent, "opportunity driven" fashion. The eventual installation is still accomplished through an established channel partner.

In 2004, we began to pursue the enterprise supply chain/logistics market for RFID solutions. We announced the Onlinesupervisor middleware and software platform and its ability to operate in a compatible fashion with Global Electronic Product Code (EPC) RFID tagging standards. We also announced a recent example where a customer implemented a vehicle access control solution, which automatically tied the vehicle to the inventory it was carrying.

Partnering

Access believes that the security integration business will continue to go through consolidations and grow by acquisition, and that each of the large integrators are working to develop full-product portfolios to provide the widest range of solutions for their customers. We also believe that our products can play a key role as strategic elements of these portfolios, and that the integrators bring to Access broad product and corporate exposure and sales capabilities. The security systems integration industry is a \$4.5 billion segment, up from \$1.5 billion in 1995 and the segment is growing at approximately 12% - 15% per annum according to a Security Distributing and Marketing (SDM) Magazine report. The largest global integrators that provide security technology solutions include Honeywell, Tyco, Siemens, Group 4 and General Electric.

Access has signed partnering agreements with several integrators. In general, these agreements provide for the integrators to sell and market Access' products, favorably price Access' products based on the volume of the Access' products sold, provide customer service support for the Access products sold by the integrators, and integrate Access products into the integrator's system. We believe this integration strategy has advantages over its prior partnership arrangements and will offer an increased opportunity for rapid sales growth.

Honeywell. In 2000, Access signed a product development and marketing agreement with Honeywell and completed their integration and began actively marketing our products during the fourth quarter of 2003. Honeywell has bid and sold Access' RFID products to support the United States Department of Defense procurements in asset management and we believe that some of the resulting programs may be awarded in 2005.

Sonitrol (Tyco). In 2000, Access signed a strategic partnership agreement with Sonitrol. In 2002, Sonitrol finished the integration of Access' software into the security-monitoring platform of Sonitrol. The solution provides video capability for their security monitoring franchises.

Software House, Sensormatic, and ADT (Tyco). In 2001, Access was selected by Software House as the preferred provider of RFID solutions for asset management. Since then, Access' ActiveTag™ products have been integrated into the C-Cure 800 access control system. Sensormatic and ADT also have the capability to sell the Access system integrated into C-Cure. During 2004, Tyco International's ADT group delivered a new product release to its organization announcing the AXCESS ActiveTag™ product line is now available for sale by ADT. Tyco's SoftwareHouse group currently carries and supports the complete line of ActiveTag™ products which is now available to ADT.

PSA Security. In 2003, the security industry's largest buying cooperative, PSA and Access agreed to partner whereby we would supply PSA's approximate 135 integrators with our system solutions. In April 2004, we demonstrated our products at PSA's annual trade show in Las Vegas.

Other Integrator Partners

Access has signed partnership agreements with GTSI, Anixter and Samsung USA. The Access system has been integrated into the systems provided by Samsung, Iteras, and TVL, totaling five integrators who have the Access system embedded into their core solutions.

Products and Technology

Under the ActiveTag™ label, Access supplies active RFID system solutions that connect directly into standard security systems or utilize the enterprise networks or the Internet. ActiveTag™ is a multi-use, single-system solution scaleable for small, medium, and large enterprises. This versatile technology has three patents awarded with applications for two additional patents pending. The system supports a variety of automatic monitoring and tracking applications, including electronic asset protection and asset management, and automatic personnel and vehicle access control.

ActiveTag™ uses small, battery-powered tags that, when automatically activated at control points throughout a facility, transmit a wireless message to palm-size receivers networked on an existing corporate local area network (commonly referred to as LAN). Tag identification and location information are instantly forwarded to a local security control panel or transmitted over the network to a host computer. ActiveTrac™ is an application software program that logs and displays the information from the tag to provide a comprehensive picture of the person, asset or vehicle being tracked. In addition, Access is continuing to develop OnlineSupervisor™ software, which has a browser-based display and provides real-time management solutions through reporting, display, and decision and control functions.

ActiveTag™ tracks assets as the assets enter, exit and move within a facility to monitor their whereabouts, detect theft and prevent loss. ActiveTag™ software can link assets and personnel together to provide a non-invasive, hands-free access control and asset protection solution at perimeter doors and other controlled entry and exit points. Personnel tags include a panic button for increased personal safety and peace of mind. This software can track vehicle and equipment movements to provide real-time, paperless logistics data and automated gate control. Not only can pallets, containers or boxes be tracked in real-time, but also a beaconing feature (where the tag transmits on a fixed time interval) allows the user to automatically count and monitor all inventory, even while stationary. One version of the RFID tag includes an embedded temperature sensor inside to monitor and transmit measurement of ambient temperature or to signal when the temperature moves outside of a defined range. This sensor

capability is utilized today for helping with the early detection of computer server failure in data centers. Another version of the RFID tag has external sensors so the tag can act as a low-cost wireless transmitter.

The Access Prism Video products offer a fully networked, digital video system for enterprises providing remote and local security video (CCTV), as well as digital video recording. Enterprises use this system to transmit and view video to detect security incidents. Axxess offers proprietary VSLE video compression, supported by twelve patents with applications for one more patent pending. The advanced compression technology allows video to be viewed live over traditional phone lines or on any network computer, and recorded and efficiently stored for analysis at a later time. A full array of Prism Products, including cameras, transmitters and recorders, provide customers with low cost, enterprise-wide digital video solutions over the network. Cameras and transmitters can utilize any transmission facility, including phone lines, ISDN, LAN, Internet or other facility. High speed, real-time video and audio provides visibility into operations to improve life safety, improve efficiency, observe sales programs, reduce theft, and monitor compliance with both legal and corporate guidelines.

The LANconnect™ product line is comprised of advanced multimedia streaming network appliances that acquire video at the source, and then provide advanced video and audio processing over the network to digital recorders and on to the other points of the network. The combination of highly-integrated embedded processing power and programmability allows digital video processing to be distributed at the analog source, freeing up valuable network bandwidth, reducing video storage requirements, eliminating single point of failure and enabling the user to select the quality of the video. The LANconnect system also stores video digitally, which allows fully distributed storage. These storage possibilities make the video network efficient by transmitting needed video only, yet making all of the video available on demand. Only needed, "exception-based" video is transmitted either on alarm or on-demand.

The LANcam™ network camera transmits digitized CCTV video directly over an enterprise LAN at low bandwidths. Each camera is independently controllable, including the control for the amount of network capacity or bandwidth the camera utilizes, which prevents performance impacts on other applications.

Network-based digital video recording can be widely distributed geographically using LANcorders™ to provide easy access to recorded video along with live video on-demand. The Axxess specialized implementation includes a software only videocassette recorder, or time-lapse recorder, utilizing standard computers on the existing network for recording rather than dedicated hardware recorders. This architecture includes distributed video recording along with playback and live viewing over an existing computer network. We believe that this inherently low cost and flexible architecture establishes a foundation upon which we may compete today and in the future.

The Prism Video line includes a suite of software products for viewing live and recorded video. These products range from dedicated security software applications, to web page viewing for casual use. The products also permit a user to view video on wireless devices such as handheld computers connected to a standard wireless LAN system.

The Onlinesupervisor™ system integrates the presentation of RFID data and digital video to a standard web browser. Through a display customized to each end user, real-time status is integrated with live and recorded digital video. Events that can be shown involve premises security, physical asset protection, personnel staffing, and operations performance. Up to the minute personnel and asset inventory counts are provided. Live streaming video is available of each site, via the network connection. Each monitored event is linked to the database of recorded video files to enable the viewing of tagged events such as personnel activity at door entrances and exits, access to controlled areas, and asset movements. The system is available as a stand alone enterprise solution or as a portal-based solution hosted by Axxess. We believe that the system is unique in its ability to link information read from a tag with video clips and pictures from the scene surrounding the tag.

Typical applications of our products include:

"Hands-free" automatic personnel identification and access control. Doors can be automatically opened as the accredited employee approaches the door, enabling rapid and easy entrance without presenting a card to be swiped. Multiple logical control zones can be set up within a facility, making key areas automatically more secure as non-authorized people are quickly identified. The identification can be linked to tagged assets to improve asset management accountability.

"Hands-free" automatic vehicle identification and access control. Vehicles automatically enter a controlled or gated area with a validated tag placed in the vehicle. The tag is recognized as it approaches the gate, allowing "rolling access" and facilitating entrance and exit speed. For industrial applications, driver tags and inventory tags can be matched to ensure integrity of the shipment.

Electronic asset protection and tracking. Assets, such as computers and medical equipment, are automatically tracked as they move throughout the facility and protected if they approach a perimeter door without authorization. Linking to custodian tags provides accountability and instant authorized movement.

Electronic fixed asset inventory and protection. Static assets such as desktop computers can be tagged and automatically inventoried at periodic intervals. Should the assets be moved, their location is identified and automatically tracked.

Electronic inventory control and tracking. Inventory items, such as pallets, crates, barrels and vessels, can be automatically located, identified, and tracked as they move, and protected against unauthorized removal.

Corporate CCTV digital video recording. Traditional security video recording can be done digitally, apart from the source camera to ensure efficiency, quality, performance and availability.

Remote CCTV surveillance. Traditional security surveillance is provided via telephone line or over the network to give remote viewing for security central monitoring and for operations review. In retail stores, this provides life safety as well as improved monitoring of operations. In schools, student monitoring is improved with live, on-campus video available to the police. In homeland defense, live video of an incident is available to authorities, including mobile professionals.

Automatic personnel accounting (musterung). In cases of catastrophic disaster involving buildings, tags on people are used to identify who exited safely.

Markets

Axcess operates in the electronic security products and systems markets. Its products have been designed, built and introduced with general purpose, broad applications in mind, cutting across many industries. Some examples of product solutions in selected markets are provided below.

Retail CCTV. Management and security station personnel can use Axcess products to remotely supervise facilities such as retail stores, convenience stores, and fast food stores from the desktop using video transmitted over an enterprise WAN, the Internet, or modem. Retail personnel can also use remote video systems in retail for life safety and to reduce employee theft. Axcess has many notable customers in this market.

Education. Various schools and universities are implementing tagging to protect data center assets; schools and universities are also using networked video for life safety reasons. Many schools and universities already have built-out networks, so RFID tagging and networked video may be added for the incremental cost of this equipment. Built-out networks also offer additional flexibility to move video remotely and share video data with school administrators and authorities.

Corporate Access Control and Asset Management. Employees may gain access to company premises using automatic hands-free personnel RFID tags that may also be placed on corporate assets, such as laptops, to track movements and prevent loss. Axcess, through its control-point architecture, believes that it has a unique solution to address this market by tagging laptops and implementing control zones.

Corporate Security CCTV. We believe that security CCTV is the fastest growing segment for security products and systems. Management personnel can use security CCTV to view live motion video over the network and access stored video clips on-demand of operations activity, personnel corporate compliance, and security. Many existing security systems are analog, limiting video availability to cabled networks and videocassette recorder tape. The Axcess products provide a bridge from analog systems to digital networks. Networked video enables viewing from desktops and wireless handhelds by multiple departments. Recorded video may be made available to numerous locations on the corporate LAN or via the Internet.

Airport Security and Homeland Defense. Axcess can provide hands-free premise access control to employees and authorized vehicles needing easy, secure access to the terminal and tarmac. Our products can provide controlled access for fuel trucks at the fuel depot. Courtesy vehicles can use access control for added gate security. Networked video and recording may be added to the network infrastructure to extend security visibility throughout the terminal and grounds.

Data Center Asset Management. Axcess products locate and protect computer servers, central processing units and other equipment using RFID tagging. Tagged servers can also be monitored with temperature sensor tags that not only protect against loss and misplacement, but also provide an early indication of potential failure. Axcess products provide security and visibility from the entrances to the server and cage level. Many legacy data centers and computer rooms have the same characteristics. In addition to tagging the computers, users of Axcess products can tag authorized personnel to facilitate easy movement of the assets and to restrict access to sensitive areas. Video complements the asset management application by providing live viewing capability into the co-location cage or cabinet area. Archived video is also available to investigate asset-based activity alarms.

Healthcare Resource Management. Our products have been designed to tag personnel and equipment to provide better utilization of clinical devices, to locate patients, and to stage devices in order to speed up procedures. Users of our RFID tagging products may reduce equipment and personnel costs associated with patients moving within the facility. Our equipment may enable healthcare facilities to increase revenues from more efficient billing of equipment usage.

Inventory and Transportation Management. Cartons, pallets, containers and even missiles may be tagged so they can be located, tracked and monitored to facilitate movement, rapid order picking and inventory verification. Bar coding is common in source product labeling at the start of the supply chain. Once products are packaged in larger containers

for shipping and warehousing, RFID tagging complements bar coding and the warehouse system by enabling automatic long-range identification and location of products. In production applications, the tag can be a wireless sensor for a production line, transmit information about the build specifications for a product, and send notifications from the finished goods area after production is completed.

Patents and Proprietary Technology

Axcess relies on a combination of patents, trade secrets, technology licenses, and other intellectual property rights. In total, we have received fifteen U.S. patents with international coverage around the globe. We also have three patents in various stages of prosecution with foreign patent authorities. The period covered by our issued patents ranges from seven to seventeen years. We intend to protect and enforce our intellectual property rights and to preserve our rights relating to our key product technologies to the extent commercially reasonable. We have applied for registration of a number of trade and service marks, including Axcess Inc.TM the Axcess Inc. (logo)TM LANcam, ActiveTagTM, onlineaccess.comTM, Prism VideoTM and LANcorderTM.

Engineering and Development

The Prism VideoTM product line provides flexible capture and placement of video on a network for recording and display over the network. During 2002, we completed development of specific feature and function enhancements to our Prism VideoTM product line that integrators have requested. We are developing advanced video processing algorithms and will continue to focus on these algorithms to increase the intelligence of our video appliances. Examples of these algorithms include advanced motion detection, motion tracking, speed and direction measurement, object addition and subtraction detection, facial recognition and people counting.

During 2003 we introduced an electronic bracelet for automatically identifying, tracking and protecting people or assets. We also introduced an anti-tamper cargo container tag to support Operation Safe Commerce initiatives. We expect to reduce the cost of a personnel tag compared to previous form factors. We continue to look at the development of new semiconductors for integrating RFID functions into smaller and less costly devices. We intend to work toward the inclusion of various sensors, such as motion, humidity and power, to enable the tagging system to more fully address market needs in the data center and logistics markets. We anticipate that third party improvements to battery technology and manufacturing methods will enable size reduction as well as lower costs.

OnlinesupervisorTM is a highly versatile product where radio frequency identification (RFID) tag transmissions are received from readers over the network, then filtered against the various criteria needed for managing a business most productively. The integration middleware enables virtually any data format to be received, translated into another, and transmitted to the destination system. The browser-based viewing dashboard is customizable by type of user, particularly useful for customized alerting. Alerts are linked automatically to a digital video clip of the transaction for supervisory review. OnlinesupervisorTM development continues to add additional data sources that can be delivered over the same platform, making the product expandable beyond RFID data on an industry specific basis into areas including condition monitoring and data mining.

Competition

The market for our products and services is intensely competitive and is characterized by rapidly changing technology, evolving user needs and the frequent introduction of new products.

A number of our competitors are more established, benefit from greater name recognition and have substantially greater financial, technical and marketing resources. We believe that the principal factors affecting competition in our markets include product functionality, performance, flexibility and features, use of open standards technology, quality of service and support, company reputation, price and overall costs of ownership. In order to compete, we seek to provide products that are technologically superior and that deliver better value. We believe that the following factors help distinguish our products from those of competitors.

The ActiveTagTM RFID automatic identification system benefits from low cost, long-range tag activation and transmission, which have a small form factor, long-term battery life, and also a platform for adding sensor capabilities. The activation of tags occurs at a separate low frequency, a patented approach, which we believe, gives Axcess an advantage among active RFID companies in the ability to establish physical control points, such as doorways, and virtual control points, such as hallways. The receiver system is designed as a low cost infrastructure that connects directly into legacy systems and also runs on a standard Ethernet network backbone. The system is flexible enough to support multiple applications for people, physical assets, and vehicles. Finally, the tag data is integrated with live and recorded streaming video on a multi-user browser display platform for both casual viewing and industrial requirements.

Flexibility comes from the use of dual frequencies for wake-up and transmission; low frequency on wake-up and UHF for transmission. Tag transmission at UHF penetrates all materials except metal, enabling reliable tag transmission. This also enables long range tag reads using omni-directional antennas so that no line of sight is required. A simple transmission protocol allows multiple tags to be read simultaneously. The advanced battery management design provides battery life of three to five

years under normal operating conditions, and five to seven years with an enhanced battery. Control point activation, combined with the ability for tags to transmit on set time intervals or be queried individually enables the ActiveTag™ line to meet the major user requirements, including dynamic tracking, static tracking, multiple simultaneous tag reads, "authorized" movement of tagged assets, and a long read range for tag transmission, which we believe gives us an advantage. We also believe that these features enable the system to outperform passive systems, relative location positioning systems, and infrared and combo infrared / RFID systems from competitors.

The Prism Video™ is a complete end-to-end system, which includes video transmitters, streaming video cameras, software digital recording, web display, and wireless handheld display are all integrated in an open architecture fashion on the network using the LAN and Internet. The solution reduces the need for special camera cabling, also enabling network-based video recording to be placed in geographically optimal positions. With the video on the network, all video is viewable from anywhere in the world the network provides authorized access. The all-digital solution focuses on event-based security breach detection, alarming, and evidence recording and notification. It makes a video security system more economic, have a greater geographical reach and operate more effectively. Personnel are able to focus on prevention and response rather than on evidence processing. Its efficiency is derived in part from advanced video compression performance. Whether the video is compressed in the LANcam™ camera, the LANconnect™ network appliance products, or in a MicroMole video transmitter, the compression will use between two and thirty times less bandwidth than uncompressed systems. This means more cameras can be used on a given network, and if only standard modem links are available, the video performance will still be adequate. Even the fast performance proprietary scheme, VSLE, can be converted to the Windows standard .avi frame format for software-only recording and live display. The network appliances under the LANconnect product family are programmable, ready for upgrades in compression types and advanced video processing, which allows automated detection of security breaches. Access believes that its solutions provide an inherent parts cost advantage over competitor's digital video devices due to the simplicity of the compression code when implemented in an embedded system such as the LANcam. Similarly, because of this compression efficiency, stored video will take up less capacity on a hard drive, or other type of storage media than other digital video recorders. All camera, transmitter, and storage products are network enabled. The Prism Video™ line includes over thirty interfaces to peripheral control equipment such as pan, tilt, zoom, and multiplexers making it compatible with legacy CCTV equipment and requirements.

Manufacturing and Suppliers

We outsource the manufacturing of our products and consequently depend on outside manufacturers to supply finished product. A large number of manufacturers in the U.S. have the capability to produce our products. We periodically seek bids for manufacturing and have multiple manufacturing sources for each of its products.

Although we depend on a number of outside suppliers for components of our products, we have designed our current line of products so that we are not dependent on a single source for any of our products' components. Most of the components we use are "off the shelf" and are readily available. Although we have generally been able to secure adequate suppliers, the inability of the Company in the future to obtain sufficient suppliers of component parts could have a material adverse effect on our results of operations.

There are currently no long-term agreements between us and our manufacturers or suppliers.

Research and Development

If we have sufficient working capital, we plan to continually develop new products utilizing our existing technology and we plan to bring new products to market throughout 2004. New products in both video and RFID will be built upon the core platforms now in place. In RFID, we believe that our new tag with a key-fob form factor and electronic bracelet will offer a lower cost and smaller version of the existing personnel access control tags. We believe these new tags will also be used for protecting assets from theft. In video, we believe the complete TCP/IP network-based solution the company provides to be the winning CCTV architecture, focusing now on the software-based network video recorder (NVR). The new products take advantage of the ability to record and store security video at the camera location and transmit both live and recorded security video via multiple simultaneous connections to critical users. There can be no assurance that we will have sufficient working capital to undertake these activities.

During 2004 and 2003, we spent \$718,278 and \$632,974, respectively, for research and development and plan to continue spending similar amounts in fiscal year 2005 to develop products to support our continued revenue growth. However, any such spending will be dependent upon our ability to raise additional capital, as we do not have sufficient revenues to support such an activity using our own resources.

Employees

As of December 31, 2004, we had nineteen full-time employees and no part-time employees.

Government Regulation

Government regulations have not had, nor are they expected to have, a material effect on Access' financial condition, results of operations or competitive position. FCC approval is required for some of our principal products.

Environmental Factors

There has been, and it is anticipated that there will continue to be, no material effect upon Axxess' capital expenditures, earnings, or competitive position due to compliance with existing provisions of federal, state and local laws regulating the discharge of material into, or otherwise relating to the protection of, the environment.

Risk Factors

We operate in a changing environment that involves numerous risks, some of which are beyond our control. The following highlights some of these risks.

We may not be able to continue as a going concern or fund our existing capital needs.

Our auditors have included an explanatory paragraph in their audit opinion with respect to our consolidated financial statements for the fiscal year ended December 31, 2004. The paragraph states that our recurring losses from operations and resulting continued dependence on external financing raise substantial doubts about our ability to continue as a going concern. Our existing and anticipated capital needs are significant. We believe our existing financing arrangements and estimated operating cash flows will not be sufficient to fund our operations and working capital needs for the next twelve months and there can be no assurance that we will be able to fund our existing capital needs under our existing credit facilities or otherwise secure additional funding, if necessary. In addition, changes in our operating plans, the acceleration or modification of our existing expansion plans, lower than anticipated revenues, increased expenses, potential acquisitions, or other events may cause us to seek additional financing sooner than anticipated, prevent us from achieving the goals of our business plan or expansion strategy, or prevent our newly acquired businesses, if any, from operating profitably. If we are unable to fund our existing capital needs under our existing credit facilities, or are otherwise unable to secure additional equity financing, if necessary, our business could be materially adversely affected. *See* Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources.

We have a history of losses and expectation of future losses; uncertainty of future profitability; and limits on operations.

From our incorporation in 1982 through December 31, 2004, we have incurred an accumulated loss of approximately \$154.8 million and have been profitable in only one fiscal year during that time. There can be no assurance that we will generate sufficient revenues to achieve profitability in the future. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Our continued slow revenue growth and operating losses may indicate circumstances requiring an impairment to be recorded.

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. *See* Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources.

We are dependent upon our proprietary technology and its marketability as state of the art.

The technology we use may become obsolete or limit our ability to compete effectively within the wireless, automatic identification and multi-media applicable industries. These industries are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. The introduction of products embodying new technologies or the emergence of industry standards can render existing products obsolete and unmarketable. Our success will depend on our ability to enhance our existing products. Our success will also depend on our ability to develop and introduce, on a timely and cost-effective basis, new products that keep pace with technological developments and emerging industry standards and that address increasingly sophisticated customer requirements.

Our business would be adversely affected if we were to incur difficulties or delays in developing new products or enhancements or if those products or enhancements did not gain market acceptance. Specifically:

- we may not be successful in identifying, developing and marketing product enhancements or new products that respond to technological change or evolving industry standards;
- we may experience difficulties that could delay or prevent the successful development, introduction and marketing of these products; and
- we may experience difficulties that could delay or prevent the successful development, introduction and marketing of these products; and

- our new products and enhanced products may not adequately meet the requirements of the marketplace and achieve market acceptance or may not keep pace with advances made by our competitors.

We currently hold fifteen U.S. patents. We have three patents in various stages of prosecution with foreign patent authorities and several additional patents being prepared for filing. The time period covered by our patents ranges from seven to seventeen years; however, there can be no assurance that our technologies will be accepted in the marketplace. In addition, different technologies owned by others could arise that would be superior or more marketable than ours. *See* Description of Business—Patents and Proprietary Technology.

The loss of one or more members of management or key personnel could adversely affect our operations and could lead to loss of clients and proprietary information.

Our business, success, growth, operating results, and profitability are dependent upon the skills, experience, efforts, performance, and abilities of members of management and other key personnel. We depend upon members of management and key personnel, including key sales personnel, to generate new business and to service new and existing clients. If any members of management or key personnel were to leave us, our business, success, growth, operating results and profitability could suffer. If we lose any key personnel, we may also be unable to prevent the unauthorized disclosure or use of our technical knowledge, practices, procedures, or client lists by the former personnel. Disclosure or use of this information could harm our business.

We may face substantial competition in attracting and retaining qualified personnel, and may be unable to grow our business if we cannot attract and retain qualified personnel.

Our success will depend to a significant degree upon our ability to attract and retain highly qualified and experienced personnel who possess the skills and experience necessary to satisfy our business and client service needs. These personnel may be in great demand, particularly in certain geographic areas, and are likely to remain a limited resource for the foreseeable future. Our ability to attract and retain employees with the requisite experience and skill depends on several factors, including our ability to offer competitive wages, benefits, and professional growth opportunities. To attract and retain these individuals, we will be required to invest a significant amount of time and money. Many of the companies with which we will compete for experienced personnel have greater financial resources and name recognition than we do. In addition, an important component of overall compensation for our personnel will be equity. If our stock price does not increase over time, it may be more difficult to retain personnel who have been compensated with stock awards or options. The inability to attract, train, and retain experienced personnel could have a material adverse effect on our business.

Because we are significantly smaller and less established than a majority of our competitors, we may lack the financial resources necessary to compete effectively and sustain profitability.

We operate in competitive, fragmented industries and compete for clients with a variety of larger and smaller companies that offer similar products and services. These industries are subject to rapid technology changes and are significantly affected by new products and services and the marketing activities of industry participants, which may often be beyond our control. Due to the nature of our business, we compete with companies in the security products, security consulting and defense industries. Although we primarily compete directly with firms who offer similar security products, we also compete directly and indirectly with a number of other companies, which provide and install large security systems as a single contractor. Many of these competitors are more established, offer more products, services and features, have a greater number of clients, locations, and employees, and also have significantly greater financial (based on total assets and annual revenues), technical, marketing, public relations, name recognition, and other resources than we have.

We also expect to experience increased competition from new entrants into the market. We may be unable to compete with large multi-product security companies, including the security divisions of large international firms. This increased competition may result in pricing pressures, loss of market share or loss of clients, any of which could have an adverse effect on our business, financial condition, operating results and cash flows. *See* Description of Business—Competition.

We are dependent upon third party manufacturers and suppliers to produce our products.

As a cost efficiency measure, we do not manufacture our own parts and product line but contract such supply and manufacture to third parties. The failure by any of our vendors, suppliers or contractors to fulfill their contractual obligations to us could adversely affect our operations. If we are unable to obtain sufficient components and manufacturers for our products, or develop alternative sources, delays in product introductions or shipments could occur and could have a material adverse effect on our results of operations. *See* Description of Business—Manufacturing.

The voting control of Axxess is held by Amphion Group, and other stockholders are unlikely to have any ability to influence the governance or policies of our company.

As of December 31, 2004, Amphion Ventures LP and affiliates of Amphion Ventures LP, including Amphion Partners, Amphion Investments, Antiope Partners, Amphion Capital Partners (formerly NVW, LLC), Amphion Capital Management LLC

and VennWorks LLC (formerly incuVest LLC) (collectively, the "Amphion Group") owned approximately 65% of our outstanding voting stock. This level of ownership provides the Amphion Group with the power to determine the outcome of almost any matter submitted for the vote or consent of our stockholders. Additionally, two of our five directors are affiliates of the Amphion Group. *See* Security Ownership of Certain Beneficial Owners and Management.

The price of our common stock has been highly volatile and may continue to be highly volatile, which may adversely affect your ability to sell your shares and our ability to raise additional capital.

The price of our common stock has been highly volatile and may continue to be highly volatile. For instance, from November 1, 2002 through December 31, 2004, our common stock traded from a low of \$.025 to a high of \$3.60 per share. The price of our common stock has experienced, and may continue to experience, significant volatility in response to many factors, some of which are beyond our control and may not even be directly related to us, including:

- changes in financial estimates or recommendations by securities analysts regarding us or our common stock;
- our performance and the performance of our competitors and other companies in the technology or marketing sectors;
- quarterly fluctuations in our operating results or the operating results of other companies in the technology or marketing sectors;
- additions or departures of key personnel;
- the trading volume of our common stock;
- general economic conditions and their effect on the technology or advertising and marketing sectors, in general; and
- competition, natural disasters, acts of war or terrorism or other developments affecting us or our competitors.

In addition, in recent years, the stock market has experienced extreme price and volume fluctuations, which have often been unrelated or disproportionate to the operating performance of particular companies. This volatility has significantly affected and may continue to affect, the price of our common stock and may adversely affect your ability to sell your shares and our ability to raise additional capital. *See* Market and Common Equity and Related Stockholder Matters.

Our common stock may be subject to penny stock rules and regulations.

Federal rules and regulations under the Exchange Act regulate the trading of so-called penny stocks, which generally refers to low-priced (below \$5.00), speculative securities of very small companies traded on the OTC Bulletin Board or in the Pink Sheets. Trading, if any, in shares of our common stock may be subject to the full range of penny stock rules. Before a broker/dealer can sell a penny stock, these rules require the broker/dealer to first approve the investor for the transaction and obtain from the investor a written agreement regarding the transaction. The broker/dealer must also furnish the investor with a document describing the risks of investing in penny stocks. The broker/dealer must also tell the investor the current market quotation, if any, for the penny stock and the compensation the broker/dealer will receive for the trade. Finally, the broker/dealer must send monthly account statements showing the market value of each penny stock held in the investor's account. If these rules are not followed by the broker/dealer, the investor may have no obligation to purchase the shares. Accordingly, these rules and regulations may make it more expensive and difficult for broker/dealers to sell shares of our common stock, and purchasers of our common stock may experience difficulty in selling such shares in secondary trading markets.

Item 2. DESCRIPTION OF PROPERTIES.

Access leases a 6,509 square foot facility in Carrollton, Texas, which is used for administrative, engineering and sales offices. This facility is rented on a one year agreement that expires in October of 2005. The monthly rent is \$5,000. We also lease 1,500 square feet in Costa Mesa, California, which is used for engineering space. The lease will terminate in September 2005 and the monthly rent is \$1,850. We believe these facilities are suitable and adequate to accommodate our operations. We consider each of these facilities to be in good condition and it is our opinion that the facilities are adequately covered by insurance.

Item 3. LEGAL PROCEEDINGS.

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 \$104,205. We are currently defending or seeking to settle each of the vendor's claims. At December 31, 2004, we had accrued the delinquent amounts we expect to be liable for, for the claims described in this paragraph.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

Item 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Access' common shares trade on the over-the-counter bulletin board under the symbol AXSI.BB. Prior to September 2002, our common stock traded on the NASDAQ SmallCap Market tier of the NASDAQ Stock Market under the symbol AXSI. We were notified in September of 2002 that we no longer qualified for the NASDAQ SmallCap minimum listing requirements. The table below sets forth high and low closing prices for our common stock during each of the periods indicated, as reported the over-the-counter bulletin board by NASDAQ. Such price quotations represent inter-dealer prices without retail markup, markdown or commission and may not necessarily represent actual transactions.

QUARTER ENDED	2004		2003	
	LOW	HIGH	LOW	HIGH
March 31	\$ 1.80	\$ 2.25	\$ 0.30	\$ 0.88
June 30	1.95	3.60	0.56	2.55
September 30	1.90	2.65	2.20	2.85
December 31	1.40	2.10	1.95	2.59

As of March 28, 2005, we had approximately 695 holders of record of voting common stock.

Access has not paid dividends on our common stock and does not anticipate the payment of cash dividends in the foreseeable future, as we contemplate retaining all earnings to finance the continued growth of our business.

Equity Compensation Plans

Information concerning the 2001 Equity Incentive Plan and the 1998 Directors Compensation Plan is presented in the table that follows. See "Item 13. Stock Options and Warrants" in the notes to the financial statements.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	3,288,414	\$2.37	1
Equity compensation plans not approved by security holders	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>3,288,414</u>	<u>\$2.37</u>	<u>1</u>

Recent Sale of Unregistered Securities

During 2004, we issued unregistered securities in connection with each of the transactions described below. The issuance of the Preferred Stock, common stock and promissory notes were exempt from the registration requirements of the Securities Act by virtue of Sections 4(2) and 4(6) thereof as a transaction not involving a public offering and made solely to accredited investors. An appropriate restrictive legend was affixed to the stock certificates and warrants.

Convertible Promissory Note

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 2004, nine holders elected to convert \$500,000 of their notes plus \$122,313 of accrued interest into 399,721 shares of Axxess common stock, which were issued during 2004.

On January 17, 2003, Axxess 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 unregistered shares of our common stock.

Pursuant to the bridge financing agreement, we registered the shares of common stock comprising the units of the bridge financing agreement. 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 Axxess. The conversion price of the notes is initially 65% of the average closing price of a share of our common stock for the twenty 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.

During 2004 nine holders elected to convert \$68,333 of their note plus \$18,646 of accrued interest into 72,947 shares of Axxess common stock, which were issued during 2004. During 2004 the Board elected to convert \$9,018 of accrued and unpaid interest into 3,681 shares of Axxess common stock.

2003 Preferred Equity Offering

We completed a \$1,537,500 exempt Preferred Stock Offering during May of 2003. The Preferred Stock is designated as 2003 Preferred and each \$75,000 unit consisted of 100,000 shares of Preferred Stock bearing a 7% dividend, approximately 15,000 shares of common stock and 100,000 warrants to purchase our common stock exercisable for two years at \$1.00 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 \$2.00. On June 5, 2003 the closing twenty-day average was at \$2.02 and the 2003 Preferred converted to 2,050,001 shares of Common Stock. In December 2003, we completed an SB-2 registration registering the common shares issued in relation to the 2003 Preferred Equity Offering. In December 2004, we completed an SB-2 registration registering the common shares underlying the warrants issued in connection with the 2003 Preferred Equity Offering.

2003B Preferred Equity Offering

In November 2003, Axxess raised a net of approximately \$2,500,000 of additional working capital through an exempt Section 4(6) and a Section 4(2) private offering of Preferred Stock to accredited institutional investors. The Preferred Stock is designated as 2003B Preferred and each \$70,000 unit consists of 40,000 shares of Preferred Stock bearing a 7% dividend, 2,000 shares of common stock and 40,000 warrants to purchase Axxess' common stock exercisable for two years at \$2.75 per share. Each share of Series 2003B Preferred Stock is automatically convertible into voting common stock on a share-for-share basis (i) when Axxess achieves a full quarter of positive earnings before interest, taxes depreciation and amortization or (ii) when the share price surpasses \$3.75 based on the average closing per share price for the 20 trading days preceding. In connection with the 2003B Preferred Stock offering including commissions, Axxess issued 1,570,000 shares of the 2003B Preferred Stock, 157,000 shares of common stock and 1,695,000 warrants.

In December 2003, Axxess raised a net of approximately \$362,250 of additional working capital through a second closing of the 2003B Preferred. In connection with the second close of the 2003B Preferred Stock offering including commissions; Axxess issued 220,000 shares of 2003B Preferred and 240,000 warrants.

In December 2004, we completed an SB-2 registration registering the common shares underlying the warrants issued in connection with the 2003B Preferred Equity Offering.

2004 Preferred Equity Offering

During the second quarter of 2004 the Company raised a net of approximately \$1,200,000 of additional working capital through an exempt Preferred Stock offering. The Preferred Stock is designated as 2004 Preferred and consists 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 per share or when we achieve a full quarter of profitability.

VennWorks LLC

In December 2003, VennWorks agreed to convert the entire amount of their outstanding demand notes (\$1,130,233) plus all accrued unpaid dividends (\$171,240) into 1,831,332 common shares and an equal number of warrants priced at \$2.75

that will expire in two years from their date of issue. The shares were issued during 2004. In December 2004, we completed an SB-2 registration registering the common shares underlying the warrants issued with conversion.

Amphion Ventures, LP

Access reached an agreement with Amphion Ventures LP with regards to the notes between the Parties. Access was indebted to Amphion Ventures LP for \$5,530,637 of principal and accrued interest. Amphion Ventures LP owed Access \$4,711,915 of note receivable and accrued interest. The above-described notes were set off against each other there by reducing the debt owed Amphion Ventures LP by Access to \$818,722. Amphion Ventures LP also agreed to convert the remaining amount of demand notes and accrued interest into 294,476 common shares and an equal number of warrants priced at \$2.75 that will expire in two years. The shares were issued during 2004. In December 2004, we completed an SB-2 registration registering the common shares underlying the warrants issued with conversion.

PV Proceeds Holdings, Inc.

Access reached an Agreement to Amend Purchase Note and Payment Term with PV Proceeds Holdings, Inc. the holders of a \$4.0 million of non-interest bearing note that was due December 31, 2002 and 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 Access granted to PV Proceeds Holdings, Inc. a warrant to purchase up to 500,000 shares of common stock of Access. The warrants have an exercise price of two dollars (\$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 of the new note is paid. Access has also agreed to certain provisions that would further reduce the principal amount over time. In December 2004, we completed an SB-2 registration registering the common shares underlying the warrants issued with the extension.

On October 10, 2003 PV Proceeds Holdings, Inc. elected to convert their Series 1999 Preferred Stock plus accrued dividends into 692,142 shares of Access common stock contingent upon this Registration Statement becoming effective within 90 days from the date hereof. The shares were issued during 2004. On December 2, 2003, our SB-2 Registration statement went effective. PV Proceeds Holdings, Inc. has agreed to certain limitations on the sale of these shares based on our current and future share trading volumes.

JP Morgan SBIC LLC (formerly known as J.P. Morgan Investment Corporation)

Access issued to JP Morgan a Senior Promissory Note (“Note”) originally entered on June 25, 1997 and the last amendment was on April 12, 2002. The Note was due on December 31, 2003 and as of December 31, 2003 has an outstanding principal balance of \$400,000 and unpaid interest thereon of \$169,796. JP Morgan agreed to convert that amount of notes and accrued interest into 227,918 common shares. The shares were issued during 2004.

JP Morgan agreed to convert \$28,018 of Preferred Series J (including accrued dividends) into 11,173 shares of common stock of Access. JP Morgan also agreed to convert \$106,795 of Preferred Series I (including accrued dividends) into 42,590 shares of common stock of AXCESS. The shares were issued during 2004.

Antiope Partners LLC

Antiope Partners LLC agreed to convert \$759,900 of Preferred Series I (including accrued dividends) into 303,960 shares of common stock of Access. Antiope Partners LLC also agreed to convert \$1,816,719 of Preferred Series J (including accrued dividends) into 726,688 shares of common stock of Access. The shares were issued during 2004.

Jackson Hole

Jackson Hole agreed to convert \$427,300 of Preferred Series C (including accrued dividends) into 173,858 shares of common stock of Access. Jackson Hole also agreed to convert \$170,520 of Preferred Series J (including accrued dividends) into 68,208 shares of common stock of Access. The shares were issued during 2004.

Ardinger

Ardinger agreed to convert \$621,922 of Preferred Series I (including accrued dividends) into 248,769 shares of common stock of Access. Ardinger also agreed to convert \$24,119 of Preferred Series J (including accrued dividends) into 9,648 shares of common stock of Access. The shares were issued during 2004.

Common Stock for Services Rendered

On July 16, 2004 we issued 25,000 restricted common shares to Equitis, Inc. to compensate them for services provided to Access. During 2004 we cancelled 100,000 unvested shares that had been issued to MRB for services rendered.

Common Stock

During 2004 we had four employees exercise 85,800 stock options.

Other Matters relating to future amortizable charges

As of December 31, 2004 we have \$830,455 of debt discount and deferred debt issuance costs on our balance sheet, which will be amortized using the effective interest rate over lives of the related debt. In connection with the issuance of the 2003B Preferred Stock, we recorded preferred stock dividend requirements of \$1,782,831 that will be reflected as preferred stock dividends in the income statement as the underlying preferred stock converts to common stock. In connection with the issuance of the 2004 Preferred Stock, we recorded preferred stock dividend requirements of \$1,002,540 that will be reflected as preferred stock dividends in the income statement as the underlying preferred stock converts to common stock.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

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, 2004. 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.

Sales and Marketing Initiatives

In the past our sales volume has not been sufficient to sustain our operations. During 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. During 2005, we are optimistic about our ability to grow the business. We continue to see broad-based awareness and acceptance of RFID as whole world-wide. Our three accomplishments during 2004 which should assist in growing revenue during 2005 are:

1. We were able to secure a number of important reference accounts in 2004;
2. We grew the integrator channel;
3. We began our thrust into Supply Chain tagging.

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.

See "Risk Factors."

Results of Operations

Sales and Gross Profit. Sales for the year ending December 31, 2004 and 2003 were \$911,565 and \$915,825, respectively. We realized gross profits of \$457,476 in 2004 and \$204,899 in 2003. One customer accounted for 14% of total revenue in 2004 and three customers accounted for 28% of total revenue in 2003. Cost of sales for the year ended December 31, 2004 and 2003 were \$439,215 and \$562,060, respectively. We also recorded a charge of \$14,874 for inventory impairment during the year ended December 31, 2004 compared to \$148,866 for the year ended December 31, 2003. The impairment was as a result of the change in strategy from self-manufacturing to contract manufacturing. The amount reflects items that have not been able to be used by our contract manufacturers in the building of additional products. The decrease in sales was as a result of the change of focus from video to RFID during 2003. The margin improvement (excluding inventory impairment charge) is driven by the production staff not being at full capacity and continued move towards contract manufacturing.

Radio frequency identification (RFID) product sales were \$772,475 and \$587,100 for the year ended December 31, 2004 and 2003, respectively. Cost of sales was \$378,956 for the year ended December 31, 2004 and \$374,727 for the year ended December 31, 2003. We also recorded a charge of \$5,498 and \$35,746 for inventory impairment during the year ended December 31, 2004 and 2003, respectively. The impairment was as a result of our change in strategy from self-manufacturing to contract manufacturing. The amount reflects items that have not been able to be used by our contract manufacturers in the building of additional products. As a result, gross profits from RFID products were \$388,021 for the year ended December 31,

2004 and \$176,627 for the year ended December 31, 2003. The increase in gross margin is related to improved utilization of the production costs, reduction in warranty expense and more favorable prices from our contract manufactures. One customer accounted for 16% and two customers accounted for 26% of the RFID sales during 2004 and 2003, respectively.

Digital video product sales were \$139,090 and \$328,725 for the year ended December 31, 2004 and 2003, respectively. Cost of sales was \$60,260 for the year ended December 31, 2004 and \$187,333 for the year ended December 31, 2003. We also recorded a charge of \$9,375 and \$113,120 for inventory impairment during the year ended December 31, 2004 and 2003, respectively. The impairment was as a result of our change in strategy from self-manufacturing to contract manufacturing. The amount reflects items that have not been able to be used by our contract manufacturers in the building of additional products. As a result, gross profits from digital video products were \$69,455 for the year ended December 31, 2004 and \$28,272 for the year ended December 31, 2003. The increased margin percent was primarily due to improved utilization of the production costs, reduction in warranty expense and the decrease in inventory impairment. Three customers accounted for 65% of the video sales during both 2004 and 2003.

Operating Expenses. Operating expenses were \$3,276,932 and \$2,641,681 in 2004 and 2003, respectively. 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 \$718,278 in 2004 and \$632,974 in 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, fewer prototype projects and completion of Canadian certification testing.

Corporate general and administrative expenses were \$1,528,937 and \$1,287,944 in 2004 and 2003, respectively. The increase is a result of increased salaries from the recession of the pay reduction implemented during 2003 and increased spending on investor relations firms. However, we were able to offset some of that increase with a reduction in legal expenses, reduction in insurance expense and lower telephone costs.

Selling and marketing expenses were \$827,323 and \$280,190 in 2004 and 2003, respectively. The increase is a result of increased salaries from the recession of the pay reduction implemented during 2003, increased headcount, additional market research and an increase in advertising. We attended several trade shows during 2004 as well as placed several advertisements. We are attempting to reestablish our place in the market. Based on independent market research received during 2004, we decided to enter the transportation and logistics segment. To that effect in the second half of 2004 we added two key senior level sales and marketing vice presidents. During 2004 we also attempted to increase our level of marketing and advertising to drive more sales.

Depreciation and amortization expenses were \$202,394 for 2004 compared to \$440,573 for 2003. The decrease is related to lower amortization expense related to our intangible assets and lower depreciation expense as a result of the age of the equipment, the closing of the Georgia facility and the downsizing of the California and Texas facilities.

Other expenses, net. Other expenses, net, were \$597,096 and \$7,134,877 in 2004 and 2003, respectively. During 2003, we exchanged and modified a significant amount of our debt for common shares and warrants. As a result of those transactions we recorded a charge of \$6,328,527 for the excess of the value of the shares and warrants issued over the book value of the notes and had a reduction of interest expense of \$367,625 in 2004 compared to 2003. We also were able to continue to settle several accounts payable issues relating to prior periods at a discount from the accrued amounts. During 2004 we had settlements from vendors of \$177,787 compared to \$355,848 during 2003.

Net Loss. Net loss was \$3,416,552 and \$9,571,659 in 2004 and 2003, respectively. The decrease is due primarily to the expenses related to the balance sheet restructuring in 2003, lower inventory impairment and reduced interest expense. Offset by increased salaries from the recession of the pay reduction implemented during 2003, increased selling and marketing headcount and advertising, an increase in investor relations fees and a reduction in gains on settlements of account payables.

Preferred Stock dividend requirements. Preferred Stock dividend requirements were \$299,481 in 2004 compared to \$1,841,670 in 2003. The decrease was primarily due to the recording of a beneficial conversion discount of \$614,516 for the 2003 preferred stock converted during 2003 and the significant reduction in the number of preferred shares outstanding in 2004.

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 December 31, 2004, we had working capital deficit of \$1,006,650.

Our operations continued to generate losses in 2004. Our cash decreased \$1,702,876 during 2004 with operating activities using \$2,769,868 of cash. We funded operations primarily through borrowings and equity offerings with financing activities providing net cash of \$1,107,454. No assurance can be given that such activities will continue to be available to provide funding to us. Our business plan for 2005 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 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.

Our auditors have included an explanatory paragraph in their audit opinion with respect to our consolidated financial statements at December 31, 2004. 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.

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.

Other Matters relating to future amortizable charges

As of December 31, 2004 we have \$830,455 of debt discount and deferred debt issuance costs on our balance sheet, which will be amortized using the effective interest rate over lives of the related debt. In connection with the issuance of the 2003B Preferred Stock, we recorded preferred stock dividend requirements of \$1,782,831 that will be reflected as preferred stock dividends in the income statement as the underlying preferred stock converts to common stock. In connection with the issuance of the 2004 Preferred Stock, we recorded preferred stock dividend requirements of \$1,002,540 that will be reflected as preferred stock dividends in the income statement as the underlying preferred stock converts to common stock.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 123R (SFAS 123R), a revision of SFAS No. 123 (SFAS 123), "*Accounting for Stock-Based Compensation.*" This statement requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The compensation expense will be recognized over the period during which an employee is required to provide service in exchange for the award. Public entities that file as small business issuers will be required to apply SFAS 123R in the first interim or annual reporting period that begins after December 15, 2005. The adoption of SFAS 123R will require us to record compensation expense for the unvested fair value of our equity instruments given to our employees. We are in the process of evaluating the impact of the adoption of SFAS 123R on our financial position and results of operations. However, the adoption of SFAS 123R will have no effect on our cash flows, but will have an adverse impact on our results of operations.

Critical Accounting Policies

In preparing our consolidated financial statements in conformity with accounting principles generally accepted in the United States, we must make a variety of estimates that affect the reported amounts and related disclosures. The following accounting policies are currently considered most critical to the preparation of our financial statements. If actual results differ significantly from our estimates and projections, there could be a material effect on our financial statements.

Allowance for Doubtful Accounts

We continually evaluates the creditworthiness of our customers' financial condition and generally do not require collateral. We evaluate the collectability of our accounts based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, we record a specific reserve for bad debts against amounts due. We have not experienced significant losses on uncollectible accounts receivable.

Inventory Valuation

Inventories are stated at the lower of standard cost, which approximates actual cost determined on a first-in, first-out basis, or estimated realized value. Adjustments to reduce inventories to estimated realizable value, including allowances for excess and obsolete inventories, are determined quarterly by comparing inventory levels of individual materials and parts to historical usage rates, current backlog and estimated future sales. Actual amounts realized upon the sale of inventories may differ from estimates used to determine inventory valuation allowances due to changes in customer demand, technology changes and other factors.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

Long-lived assets and identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the assets based on estimated future cash flows. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Revenues from the sale of products utilizing our purchased technologies have grown slowly. We believe that assumptions made in projecting future cash flows for this evaluation are reasonable. However, if future actual results do not meet our expectation, we may be required to record an additional impairment charge, the amount of which could be material to the results of its operations and financial position.

Revenue Recognition and Warranty Costs

We recognize revenue on sales of our products when the products are shipped from our facility in Carrollton, Texas. Our policy does not allow customers to return products for credit. We currently provide a one-year warranty on all products. Provision is made at the time the related revenue is recognized for estimated product repair costs.

Deferred Tax Valuation Allowance

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized. Income tax expense is the total of tax payable for the period and the change during the period in deferred tax assets and liabilities.

Other

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

Seasonality. Seasonality has not had and is not expected to have a material impact on the operations and financial condition of Access.

Item 7. FINANCIAL STATEMENTS.

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Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There were no reportable events of the type described in Item 304(a)(1)(iv) of Regulation S-B.

Item 8A. CONTROLS AND PROCEDURES.

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2004. This evaluation was carried out under the supervision and with the participation of our Chief Executive. Based upon that evaluation, our Chief Executive and Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting management to material information relating to us required to be included in our periodic SEC filings. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date we carried out our evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive, to allow timely decisions regarding required disclosure.

PART III

Item 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

Management of Axxess

The Board elects executive officers annually at its first meeting following the annual meeting of stockholders. The following table sets forth, as of March 28, 2005, Axxess' directors, executive officers and significant employees, their ages, and their positions within Axxess.

Name	Age	Position	Committee
Richard C.E. Morgan	60	Chairman of the Board of Directors	(1) (3) (4)
Allan Griebenow	52	Director, President and Chief Executive Officer	(1) (4)
Allan L. Frank	41	Vice President, Secretary and Chief Financial Officer	
Robert J. Bertoldi	50	Director	(2) (4)
Paul J. Coleman, Jr.	73	Director	(2) (4)
Robert F. Hussey	55	Director	(2) (3) (4)
Jim A. Ferguson	63	Vice President, Strategic Sales	
Peter J. Dehring	42	Vice President, Marketing	

-
- (1) Executive Committee
 - (2) Audit Committee
 - (3) Compensation Committee
 - (4) Nominating and Governance Committee

Richard C. E. Morgan has served as a director and Chairman of the Board of the company since 1985. Since 2003 Mr. Morgan has been Chairman and Chief Executive Officer of Amphion Capital Partners LLC a private equity and venture firm that he co-founded. In November 1999, Mr. Morgan co-founded VennWorks LLC, a venture capital company and since then has served as its Chairman and Chief Executive Officer. In 1995, Mr. Morgan co-founded Amphion Capital Management, LLC, a private equity and venture capital firm, and since then has served as one of its Managing Members. From 1986 Mr. Morgan has been a Managing Member of Wolfensohn Partners, LP, (now known as Amphion Partners LLC), the General Partner of Wolfensohn Associates LP (known as Amphion Ventures LP) a technology and life science fund. Mr. Morgan serves on the Board of Directors of Celgene Corp., which develops and markets biotechnology products. Mr. Morgan is also a director of several private and non-profit companies, including Orbis International, Inc., a non-profit organization dedicated to fighting blindness worldwide.

Allan Griebenow has served as a director, President and Chief Executive Officer of the Company since July 1999. He founded Prism Video, Inc. in 1994 and was Chief Executive Officer of Prism Video, Inc. from 1994 to July 1999. Mr. Griebenow was President, CEO and a Director of PV Holdings, Inc. until December 2003. Mr. Griebenow spent the past twenty years in the telecommunications and advanced applications industries. He started his career in 1979 as a Presidential Management Intern with NASA, and holds a B.S. in Business Administration from the University of Maryland and an MBA from San Francisco State University.

Allan L. Frank has served as Vice President, Secretary and Chief Financial Officer of the Company since March 2002. From July 1999 through June 2001, Mr. Frank was Vice President, Chief Financial Officer and Secretary for Vast Solutions, Inc., a spin-off from Paging Network, Inc. ("PageNet"). Vast Solutions, Inc. filed for bankruptcy in April 2001. From September 1993 through July 1999, Mr. Frank served in numerous positions at PageNet, including as Vice President of Corporate Development and Director of Financial Analysis, and as Director of International Finance for Paging Network International, a subsidiary of PageNet. Prior to PageNet, Mr. Frank worked at FoxMeyer Corporation, OrNda HealthCare and Dalfort Aviation Services. Mr. Frank holds a B.S. in Business Administration from The Ohio State University and an MBA from the University of North Texas.

Robert J. Bertoldi has been a director of the Company since June 2000. Since 2003 he has been the President and Chief Financial Officer of Amphion Capital Partners LLC a private equity and venture capital firm that he co-founded. Since January 2000, Mr. Bertoldi has been the President of VennWorks, LLC, a venture capital company that he co-founded. Since 1995, Mr. Bertoldi has been a Managing Member of Amphion Capital Management, LLC, a private equity and venture capital firm, and of Amphion Partners LLC, the General Partner of Amphion Ventures LP, a technology and life science fund. Prior to 1995 Mr. Bertoldi served as the Chief Financial Officer of James D. Wolfensohn Inc. and Hambro America Inc.

Paul J. Coleman, Jr. has served as a director of the Company since 1982. He is President and Chief Executive Officer of the Girvan Institute of Technology, a non-profit, public benefit corporation engaged in research, technology development, and education related to high-technology enterprise. Dr. Coleman is an emeritus professor of space physics at the University of California at Los Angeles ("UCLA"). He currently serves as a director of Knowledge Vector, Inc., Girvan Ventures, Inc. Moffett Management Pvt. Ltd., and the Girvan Institute. He is a former director of CACI International, Fairchild Space and Defense Corporation, the Universities Space Research Association (USRA) and others. He has held positions as assistant director of the Los Alamos National Laboratory; president and chief executive officer of USRA, (managing) director of the Institute of Geophysics and Planetary Physics at UCLA; and (managing) director of the National Institute for Global Environmental Change of the U.S. Department of Energy.

Robert F. Hussey has served on the Board since September 2002. Mr. Hussey currently serves as Chief Operating Officer and Director of H.C. Wainwright & Co. and interim President, CEO and Director Digital Lightwave, Inc. Mr. Hussey also serves on the boards of i2Telecom, Inc., NUR Corporation, Distributed Power Corporation and on the board of advisors for Argentum Capital Partners. From 1991 through 1996, Mr. Hussey served as President, CEO and Director of MetroVision of North America. From 1984 through 1991, Mr. Hussey was Founder, President, CEO and Director of POP Radio Corp. Prior to POP Radio, Mr. Hussey worked at Grey Advertising, Inc., E.F. Hutton and American Home Products, Inc. Mr. Hussey received a B.S. in Business Administration from Georgetown University and an MBA in International Business from George Washington University.

James A. Ferguson has served as Vice President, Strategic Sales since June 2004. From June 2002 through May 2004, Mr. Ferguson was Vice President, Business Development for Innovision Research & Technology PLC, a United Kingdom based application specific integrated circuit (ASIC) design organization. From 2000 to 2002, Mr. Ferguson served as National Sales Manager with Axxess. From 1997 to 2000, Mr. Ferguson served as Regional Sales Manager with Prism Video, Inc. Mr. Ferguson has served in numerous technology sales positions with Xerox Corporation and Wang Laboratories. Mr. Ferguson was a commission USAF officer from 1967 to 1972. Mr. Ferguson holds a B.S. in Business Administration from the University of Arizona and a M.S. from Ball State University.

Peter J. Dehring has served as Vice President, Marketing since July 2004. From 2003 through 2004, Mr. Dehring was Director, Reorganization for Adelpia Communications. From 2000 to 2001, Mr. Dehring served as a Principal and Associate Director for Arthur D. Little Management Consulting. From 1996 to 2000, Mr. Dehring was Senior Director for U S West / Qwest Communications and from 1994 to 1996 he was Managing Consultant for A T Kearney Management Consulting. Mr. Dehring holds a B.S. from the Louisiana State University and an MBA from Tulane University.

Section 16(a) Beneficial Ownership Reporting Compliance

Under Section 16(a) of the Exchange Act, directors, certain officers and beneficial owners of 10% or more of the Company's Voting Common Stock are required from time to time to file with the Securities and Exchange Commission reports on Forms 3, 4 or 5, relating principally to transactions in Company securities by such persons. Based solely upon a review of Forms 3, 4 and 5 submitted to Axxess during and with respect to 2003, all of these individuals or entities timely filed their respective Forms 3, 4 or 5 required by Section 16(a) of the Exchange Act during 2003, except for Amphion Ventures, LP and VennWorks LLC.

Each of Amphion Ventures and VennWorks failed to file Form 4s to report the issuance in 2003 by Axxess of promissory notes convertible into common stock, the conversion of shares of preferred stock into common stock, the conversion of demand notes in to common stock, the purchase of Convertible debt. These transactions are described more fully under Item 12. "Certain Relationships and Related Transactions --Amphion Ventures, LP Promissory Note Issuances and Conversions," Item 12. "Certain Relationships and Related Transactions--VennWorks LLC Promissory Note Issuances and Conversions," and Item 12. "Certain Relationships and Related Transactions--Preferred Stock Conversions."

Item 10. EXECUTIVE COMPENSATION.

The following table summarizes the compensation earned by Access' Chief Executive Officer and Access' two other most highly compensated executive officers (whose annualized compensation exceeded \$100,000) (collectively called the "named executive officers"), for services rendered in all capacities to Access during the fiscal years ended December 31, 2004 through 2002.

Name and Principal Positions	Year	Annual Compensation		Long-Term Compensation	All Other Compensation
		Salary (\$)	Bonus (\$)	Securities Underlying Options (#)	(\$)
Allan Griebenow	2004	230,946	—	156,568	—
President and Chief Executive Officer	2003	177,651	—	163,000	—
	2002 (1)	182,090	—	85,000	—
Allan L. Frank	2004	180,937	—	147,968	—
Vice President, Secretary And Chief Financial Officer	2003	139,448	—	100,000	—
	2002 (2,3)	103,039	—	285,000	—
James A. Ferguson	2004 (4)	49,096	—	75,000	—
Vice President, Strategic Sales	2003	—	—	—	—
	2002 (5)	38,306	—	—	—
Peter J. Dehring	2004 (6)	73,365	—	100,000	—
Vice President, Marketing					

- (1) Includes \$11,528 of accrued salary expense that Access has not paid.
- (2) Represents compensation earned from March 2002, when Mr. Frank joined Access.
- (3) Includes \$8,403 of accrued salary expense that Access has not paid.
- (4) Represents compensation earned from June 2004, when Mr. Ferguson rejoined Access.
- (5) Mr. Ferguson resigned his position as of May 31, 2002.
- (6) Represents compensation earned from July 2004, when Mr. Dehring rejoined Access.

Stock Option Grants in 2004 to Access' Named Executive Officers

The following table provides information regarding the stock options granted by us to the named executive officers during the fiscal year ended December 31, 2004. Other than those persons listed in the following table, we did not grant any stock options to any other named executive officers. One-fourth of each of the options listed in the table below vested on the anniversary of the grant date.

Name	Option Grants in Last Fiscal Year			Expiration Date
	Individual Grants			
	Number of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees	Exercise Or Base Price (\$ / share) (1)	
Allan Griebenow	156,568	17%	\$2.00	03/16/2014
Allan L. Frank	147,968	16%	\$2.00	03/16/2014
James A. Ferguson	75,000	8%	\$2.45	08/25/2014
Peter J. Dehring	100,000	11%	\$2.55	08/25/2014

- (1) The exercise price is equal to the closing price of our Common Stock on the date of the grant.

Aggregate Option Exercises in 2004 by Axxess' Executive Officers

The following table provides information as to options exercised, if any, by each of the named executive officers in 2004 and the value of options held by those officers at year-end measured in terms of the last reported sale price for the shares of our Voting Common Stock on December 30, 2004 (\$1.75 as reported on the Over-The-Counter Bulletin Board).

Name	Shares Acquired On Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2004		Value of Unexercised In-the-Money Options at December 31, 2004	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Allan Griebenow	—	\$ —	892,406	236,666	\$ 222,175	\$ 2,125
Allan L. Frank	—	\$ —	242,500	290,468	\$ 137,125	\$ 2,125
James A. Ferguson	—	\$ —	—	75,000	\$ —	\$ —
Peter J. Dehring	—	\$ —	—	100,000	\$ —	\$ —

Compensation of the Company's Directors

The current policy of Axxess is to pay each director who is not employed by us and who does not beneficially own more than five percent of the shares of common stock outstanding the compensation set forth in the Director Compensation Plan. Under the Director Compensation Plan, each eligible director receives an annual grant of 10,000 options to acquire common stock at an exercise price equal to the fair market value per share of the common stock at the time the option is granted. The annual grant customarily takes place shortly after each annual meeting of our stockholders. All new board members receive 50,000 options to acquire common stock at an exercise price equal to the fair market value per share of the common stock on the date the board member is elected by our stockholders. All new board members will also be eligible to receive the annual grant. We have temporarily suspended paying any cash to eligible directors for preparing and attending meetings of directors and committees until we report quarterly net earnings. Once we have reported net earnings for a fiscal quarter, we will reconsider paying additional cash consideration to eligible directors. While directors do not receive additional compensation for attending meetings, we pay ordinary and necessary out-of-pocket expenses for directors to attend board and committee meetings. Directors who are officers or employees of Axxess receive no fees for service on the board or committees thereof.

Employment Agreement with Mr. Griebenow

On July 16, 1999, the Company entered into an agreement with Allan Griebenow, under which Mr. Griebenow agreed to be the Company's president and chief executive officer. The agreement provides that Mr. Griebenow will receive a salary equal to \$17,917 per month, a bonus payable within 90 days after the end of the Company's fiscal year of up to 30% of his base salary, and option grants to acquire 450,000 shares of our common stock. Mr. Griebenow is essentially an "at will" employee of the Company and may be terminated upon thirty days' notice. If the Company terminates Mr. Griebenow's employment at any time without cause, as defined in the employment agreement, then Mr. Griebenow will be entitled to continue to receive his then current salary for the six-month period following his termination.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth the number of shares of each class of stock beneficially owned as of March 28, 2005, by each person known by Axxess to be the beneficial owner of more than five percent of any class of our voting securities as of March 28, 2005. Except as noted below, to our knowledge, each stockholder listed below has sole voting and investment power with respect to all shares of stock shown beneficially owned by the stockholder.

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Owner	Percentage of Class	Percentage of Common Voting Power
Amphion Group (1) 330 Madison Avenue New York, NY 10017	Voting Common Stock	20,302,864 (2)	55.0%	51.1%

- (1) See the following table regarding the beneficial ownership of the Amphion Group.
- (2) Includes 3,134,056 shares that the Amphion Group has the right to acquire pursuant to warrants and options that are exercisable within 60 days.

The following table sets forth the number of shares beneficially owned by the Amphion Group, which is defined to include Mr. Richard C.E. Morgan, a British citizen and Chairman of the Board of Directors of the Company ("Mr. Morgan"), Mrs. Anna Morgan, a British citizen and wife of Richard C.E. Morgan ("Mrs. Morgan"), Robert J. Bertoldi, a U.S. citizen and Director of the Company ("Mr. Bertoldi"), Amphion Ventures, LP, a Delaware limited partnership ("Amphion Ventures"),

Amphion Partners, LLC, a Delaware limited liability company ("Amphion Partners"), Amphion Investments, LLC, a Delaware limited liability company ("Amphion Investments"), Antiope Partners, LLC, a Delaware limited liability company ("Antiope Partners"), Amphion Capital Management, LLC, a Delaware limited liability company ("ACM"), NVW, LLC a Delaware limited liability company ("NVW") and VennWorks, LLC, a Delaware limited liability company formerly known as incuVest, LLC, ("VennWorks").

The Amphion Group disclaims in its filings with the Securities and Exchange Commission that it holds any securities of the Company as a group, within the meaning of any applicable securities law or regulation. Amphion Partners is the sole general partner of Amphion Ventures. Messrs. Morgan and Bertoldi are the managing members of Amphion Partners, Antiope Partners and Amphion Investments. Mr. Morgan is the Chairman of the Board of Directors and Chief Executive Officer of VennWorks. Mr. Bertoldi is the President of VennWorks.

Based on amended Schedule 13D filed by certain members of the Amphion Group with the SEC on February 10, 2000, Amphion Ventures, Amphion Partners and Mr. Morgan share voting power with respect to certain of the shares owned by them. Also, based on the Schedule 13D, Mr. Morgan shares voting power for the shares held by Amphion Investments, Antiope Partners and certain other shares held by Amphion Partners. Mr. Morgan disclaims beneficial ownership of the shares held by each of the Amphion Group.

	Voting Common		Warrants		Options		Total
Amphion Ventures LP	9,219,305		795,472	(1)	—		10,014,777
VennWorks LLC	5,677,006		1,831,332	(2)	—		7,508,338
Antiope Partners LLC	1,109,182		—		—		1,109,182
Amphion Capital Partners LLC	568,136		218,000	(3)	—		786,136
Mr. Morgan	506,354	(4)	41,689	(5)	63,323	(6)	611,366
Mr. Bertoldi	—		25,584	(7)	120,323	(8)	145,907
Amphion Capital Management LLC	16,700		38,333	(9)	—		55,033
Amphion Investments LLC	44,000		—		—		44,000
Amphion Partners LLC	28,125		—		—		28,125
Total of Amphion Group	17,168,808		2,950,410		183,646		20,302,864

- (1) Includes four different grants ranging in price (\$2.10 to \$2.75) and expiration dates (September 30, 2005 to October 22, 2008).
- (2) Exercise price of \$2.75 and expiration date of November 30, 2005.
- (3) Includes three different grants ranging in price (\$1.00 to \$2.75) and expiration dates (May 15, 2005 to January 28, 2010).
- (4) Includes 104,584 shares of common stock issued to Mrs. Morgan, the wife of Mr. Morgan.
- (5) Includes two different grants ranging in price (\$1.00 to \$1.50) and expiration dates (May 15, 2005 to January 28, 2010)
- (6) Options to purchase 63,323 shares of common stock that are exercisable within 60 days.
- (7) Exercise price of \$1.00 and expiration date of May 15, 2005.
- (8) Options to purchase 120,323 shares of common stock that are exercisable within 60 days.
- (9) Exercise price of \$1.26 and expiration date of May 15, 2005.

The following table sets forth the number of shares of each class of stock beneficially owned as of March 28, 2005, by each director who beneficially owns equity securities and the executive officers of Axxess, and all of our directors and executive officers as a group. The business address of each director and executive officer is c/o Axxess International, Inc., 3208 Commander Drive, Carrollton, Texas 75006. To Axxess' knowledge, each stockholder listed below has sole voting and investment power with respect to all shares of stock shown beneficially owned by the stockholder, except for Mr. Morgan's beneficial ownership, which is discussed in the introduction to the previous table above.

Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Owner	Percentage of Class	Percentage of Common Voting Power
Richard C.E. Morgan (1)	Voting Common Stock	17,168,808	64.6%	64.6%
Robert J. Bertoldi (2)	Voting Common Stock	16,662,454	62.7%	62.7%
Allan Griebenow (3)	Voting Common Stock	14,580	*	*
Paul J. Coleman, Jr. (4)	Voting Common Stock	80	*	*
Allan L. Frank (5)	Voting Common Stock	—	*	*
Robert F. Hussey (6)	Voting Common Stock	—	*	*
James A. Ferguson	Voting Common Stock	—	*	*
Peter J. Dehring	Voting Common Stock	—	*	*
All Directors, Director Nominees and Executive Officers as a group (8 individuals)	Voting Common Stock	17,183,072	64.6%	64.6%

* Less than 1%.

- (1) The number of shares of voting common stock includes 401,770 shares held directly, 16,662,454 shares held by other entities within the Amphion Group (defined in Note 1 to the immediately preceding table above), 104,584 shares owned by Mr. Morgan's wife. However, the number of shares of voting common stock excludes 105,012 shares that Mr. Morgan has the right to acquire pursuant to option and warrant agreements that are exercisable within 60 days, 2,950,410 shares that entities within the Amphion Group have the right to acquire pursuant to option and warrant agreements that are exercisable within 60 days. As detailed in Note 1 to the immediately preceding table above, Mr. Morgan disclaims beneficial ownership of all shares beneficially owned by entities within the Amphion Group.
- (2) Includes 16,662,058 shares held by other entities within the Amphion Group (defined in Note 1 to the immediately preceding table above). However, excludes 145,907 shares that Mr. Bertoldi has the right to acquire pursuant to option and warrant agreements that are exercisable within 60 days and 2,950,410 shares that entities within the Amphion Group have the right to acquire pursuant to option and warrant agreements that are exercisable within 60 days. As detailed in Note 1 to the immediately preceding table above, Mr. Bertoldi disclaims beneficial ownership of all shares beneficially owned by entities within the Amphion Group.
- (3) Includes 14,580 shares of common stock held directly by Mr. Griebenow and 280 shares owned jointly with his wife. Excludes 969,146 shares that Mr. Griebenow has the right to acquire pursuant to option agreements that are exercisable within 60 days.
- (4) Includes 80 shares of common stock held directly by Mr. Coleman and excludes 138,000 shares that Mr. Coleman has the right to acquire pursuant to option agreements that are exercisable within 60 days.
- (5) Excludes 329,492 shares that Mr. Frank has the right to acquire pursuant to options that are exercisable within 60 days.
- (6) Excludes 72,823 shares that Mr. Hussey has the right to acquire pursuant to options that are exercisable within 60 days.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

VennWorks LLC

In December 2003, VennWorks agreed to convert the entire amount of their outstanding demand notes (\$1,130,233) plus all accrued unpaid dividends (\$171,240) into 1,831,332 common shares and an equal number of warrants priced at \$2.75 that will expire on November 30, 2005. The shares and warrants were issued in the first part of 2004.

Amphion Ventures LP

Access reached an agreement with Amphion Ventures LP with regards notes between the Parties. Access was indebted to Amphion Ventures LP for \$5,530,637 of principal and accrued interest. Amphion Ventures LP owed Access \$4,711,915 of note receivable and accrued interest. The above-described notes were set off against each other there by reducing the debt owed Amphion Ventures LP by Access to \$818,722. Amphion Ventures LP also agreed to convert the remaining amount of demand notes and accrued interest into 294,476 common shares and an equal number of warrants priced at \$2.75 that will expire on November 30, 2005. The shares and warrants were issued in the first part of 2004.

Amphion Ventures currently hold warrants to purchase an additional 500,996 shares of Access common stock. The exercise price range from \$2.10 to \$2.75 and expire between September 30, 2005 and October 22, 2008.

Amphion Investment LLC

Access reached an agreement with Amphion Investment LLC with regards to the note executed between them for \$393,787 of principal and accrued interest. Amphion Investment LLC 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.

Antiope Partners LLC

Antiope Partners LLC agreed to convert \$759,900 of Preferred Series I (including accrued dividends) into 303,960 shares of common stock of Access. Antiope Partners LLC also agreed to convert \$1,816,719 of Preferred Series J (including accrued dividends) into 726,688 shares of common stock of Access. The shares were issued in the first part of 2004.

PV Proceeds Holdings Inc.

Access reached an Agreement to Amend Purchase Note and Payment Term with PV Proceeds Holdings, Inc. the holders of a \$4.0 million of 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 Access granted to PV Proceeds Holdings, Inc. a warrant to purchase up to 500,000 shares of common stock of Access. The warrants have an exercise price of two dollars (\$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. Access has also agreed to certain provisions that would further reduce the principal amount over time.

On October 10, 2003 PV Proceeds Holdings, Inc. elected to convert their Series 1999 Preferred Stock plus accrued dividends into 692,142 shares of Access common stock contingent upon this Registration Statement becoming effective within 90 days from the date hereof. On December 2, 2003, our SB-2 Registration statement went effective. PV Proceeds Holdings, Inc. has agreed to certain limitations on the sale of these shares based on our current and future share trading volumes.

PV Proceeds Holdings, Inc. currently has warrants to purchase up to 500,000 additional common shares of Access. The exercise price of the warrants is \$2.00 and they expire February 15, 2008 or forty-five days after the note and interest are paid in full.

Amphion Capital Partners LLC (formerly NVW LLC)

In January 2004, Access entered into a one year Advisory Agreement with Amphion Capital Partners LLC (formerly known as NVW L.L.C) ("ACP"), ACP agreed work cooperatively with us to assist in our growth as set forth. ACP may provide Access: (i) Identify, evaluate, and advise on a variety of options for Access' to undertake to enhance its current capital structure including business model, financial operations, operational, managerial, strategic, CRM, and strategic technology partnering, (ii) Prepare or coordinate with Access and others in the development of business plans, investor presentations, and financial models, when appropriate; (iii) Advise and assist Access with strategies relating to asset development, asset enhancement and maximization of asset utilization, including those associated with any intellectual property assets, (iv) Advise and assist Access in connection with the preparation of any registration statements, periodic or other SEC reports or proxies, and (v) Coordinate with, and advise on with the activities of outside professionals, including without limitation attorneys, accountants, market professionals. In return Access has agreed to pay ACP \$5,000.00 per month in advance. This agreement was terminated on December 31, 2004.

In 2005, Access has entered into a one year Borrowed Employees and Advisory Agreement with Amphion Capital Partners LLC ("ACP"), to assist us in a variety of areas relating to investor relations and technology research. ACP will provide Access with the use of employees who will be dedicated, on a part-time basis, to provide these services, in addition to the services of Robert Bertoldi and Richard Morgan. ACP will provide Access the following: (i) Identification, evaluation and advice on a variety of options the Access to undertake to enhance its current technology offering, including sources of complementary technology and technology partnering; (ii) Investor relations services, including becoming the initial point of contact for the Preferred Equity Investors, providing both materials and information to interested parties; (iii) Advice and assistance with strategies relating to asset enhancement and maximization of asset utilization, including those associated with and intellectual property assets. In return Access has agreed to pay ACP \$7,500 per month in advance.

ACP currently has warrants to purchase up to 317,440 additional common shares of Axxess. The exercise price of the warrants range in price from \$1.00 to \$2.75 and they expire between May 15, 2005 and January 28, 2010.

Other Matters

On July 30, 2002, the wife of Richard C.E. Morgan invested \$100,000 in Axxess, pursuant to the terms of a bridge financing agreement. Mrs. Morgan acquired a convertible promissory note in the principal amount of \$100,000 and 25,000 unregistered shares of Axxess' common stock. Axxess registered the common shares in December 2003, and Mrs. Morgan agreed not to sell more than one-third of the shares in any calendar month. Axxess and Mrs. Morgan made certain representations and warranties in the bridge financing agreement. The convertible promissory note bears interest at a rate of seven percent compounded annually. At each of July 30, 2003; July 30, 2004; and July 30, 2005, Mrs. Morgan may elect to convert one-third of the principal amount of the note (plus accrued interest thereon) into shares of the Axxess' common stock, provided that we have not, on or prior to each such conversion date, retired one-third of the principal amount of the Note. The conversion price initially is 65% of the average closing price of a share of our common stock for the twenty trading days preceding the given anniversary date, provided that the maximum conversion price shall be \$4.00 per share and the minimum conversion price shall be \$1.00 per share, and the conversion price is subject to adjustment from time to time to reflect any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in Axxess' shares of common stock. Subject to Mrs. Morgan's right to convert the note in accordance with its terms, the note may be prepaid without penalty. On May 10, 2004 Mrs. Morgan elected to convert \$33,333 of the principal or accrued interest into 33,412 shares of Axxess common stock.

In January 2003, the wife of Richard C.E. Morgan invested an additional \$20,000 in Axxess, pursuant to the terms of a bridge financing agreement. Mrs. Morgan acquired a convertible promissory note in the principal amount of \$20,000 and 40,000 unregistered shares of Axxess' common stock. Axxess registered the common shares in December 2003, and Mrs. Morgan agreed not to sell more than one-third of the shares in any calendar month. Axxess and Mrs. Morgan made certain representations and warranties in the bridge financing agreement. The convertible promissory note bears interest at a rate of seven percent compounded annually. At each of January 31, 2004; January 31, 2005; and January 31, 2006, Mrs. Morgan may elect to convert one-third of the principal amount of the note (plus accrued interest thereon) into shares of the Axxess' common stock, provided that we have not, on or prior to each such conversion date, retired one-third of the principal amount of the Note. The conversion price initially is 65% of the average closing price of a share of our common stock for the twenty trading days preceding the given anniversary date, provided that the maximum conversion price shall be \$4.00 per share and the minimum conversion price shall be \$1.00 per share, and the conversion price is subject to adjustment from time to time to reflect any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in Axxess' shares of common stock. Subject to Mrs. Morgan's right to convert the note in accordance with its terms, the note may be prepaid without penalty. On May 10, 2004 Mrs. Morgan elected to convert \$6,667 of the principal or accrued interest into 6,172 shares of Axxess common stock.

Richard C.E. Morgan, the Chairman of Axxess' Board of Directors, is the owner of 100.00% of Antiope Partners, LLC, 60.01% of Amphion Partners, LLC, 60.00% of Amphion Investments, LLC, 0.49% of Amphion Ventures LP, 60.00% of Amphion Capital Management LLC, 20.84% of Amphion Capital Partners LLC (formerly NVW LLC) and 9.80% of VennWorks, LLC. Mr. Morgan disclaims beneficial ownership of all of Axxess shares held by these entities.

Robert J. Bertoldi, a director of Axxess, is the owner of 12.79% of Amphion Capital Partners LLC (formerly NVW LLC), 33.98% of Amphion Partners, LLC, 40.00% of Amphion Investments, LLC, 40.00% of Amphion Capital Management LLC, 0.07% of Amphion Ventures LP, and 4.71% of VennWorks, LLC. Mr. Bertoldi disclaims beneficial ownership of all of Axxess shares held by these entities.

In 2005, Axxess has entered into a one year Borrowed Employees and Advisory Agreement with Amphion Capital Partners LLC ("ACP"), to assist us in a variety of areas relating to investor relations and technology research. ACP will provide Axxess with the use of employees who will be dedicated, on a part-time basis, to provide these services, in addition to the services of Robert Bertoldi and Richard Morgan. ACP will provide Axxess the following: (i) Identification, evaluation and advice on a variety of options the Axxess to undertake to enhance its current technology offering, including sources of complementary technology and technology partnering; (ii) Investor relations services, including becoming the initial point of contact for the Preferred Equity Investors, providing both materials and information to interested parties; (iii) Advice and assistance with strategies relating to asset enhancement and maximization of asset utilization, including those associated with and intellectual property assets. In return Axxess has agreed to pay ACP \$7,500 per month in advance.

Item 13. EXHIBITS AND REPORTS ON FORM 8-K.

Exhibit No.	Description
3.1	Certificate of Incorporation of the Company. Incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement of Form S-1 (Registration No. 2-80946)
3.2	By-laws of the Company. Incorporated herein by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (Registration No. 2-80946)
3.3	First Amendment to Certificate of Incorporation of the Company dated June 6, 1986. Incorporated herein by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1987.
3.4	Second Amendment to Certificate of Incorporation of the Company dated May 27, 1987. Incorporated herein by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1987.
3.5	Third Amendment to Certificate of Incorporation of the Company dated November 11, 1994. Incorporated herein by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-3 (Registration No. 333-10665).
3.6	Fourth Amendment to Certificate of Incorporation of the Company dated July 28, 1995. Incorporated herein by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-3 (Registration No. 333-10665).
3.7	Fifth Amendment to Certificate of Incorporation of the Company dated June 25, 1997. Incorporated herein by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-3 (Registration No. 333-10665).
3.8	Sixth Amendment to Certificate of Incorporation of the Company dated March 31, 1998. Incorporated herein by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated April 13, 1998.
3.9	Seventh Amendment to Certificate of Incorporation of the Company dated March 31, 1998. Incorporated herein by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated April 13, 1998.
3.10	Eighth Amendment to Certificate of Incorporation of the Company dated April 9, 1998. Incorporated herein by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K dated April 13, 1998.
3.11	Ninth Amendment to Certificate of Incorporation of the Company dated June 9, 1999. Incorporated herein by reference to Exhibit 3.11 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999.
3.12	Certificate of Amendment of Certificate of Incorporation of the Company dated June 6, 2000. Incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-QSB for the period ended June 30, 2000.
10.1	1991 Incentive Stock Option Plan, dated August 14, 1991. Incorporated herein by reference to Exhibit 10.10 to Lasertechnics' Annual Report on Form 10-KSB for the year ended December 31, 1991. +
10.2	Form of Warrant to purchase shares of the Company's common stock issued to Antiope Partners LLC and Amphion Ventures LP Incorporated herein by reference to Exhibit 10.20 to Amendment No. 1 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997.
10.3	Non-Voting Common Stock Purchase Warrant dated September 30, 1999, to purchase 180,362 shares of the Company's non-voting common stock, issued to Amphion Ventures LP Incorporated herein by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999.
10.4	Employment Agreement dated July 16, 1999, by and between the Company and Allan Griebenow. Incorporated herein by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999. +
10.5	AXCESS Inc. Stock Option Plan. Incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (Registration No. 333-80857). +
10.6	AXCESS Inc. Director Compensation Plan. Incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (Registration No. 333-80843). +
10.7	AXCESS Inc. Non-Employee Directors' Stock Option Plan. Incorporated herein by reference to Exhibit 4. (a)

- to the Company's Registration Statement on Form S-8 (Registration No. 333-98160). +
- 10.8 Amendment No. 1 to the AXCESS Inc. 1991 Incentive Stock Option Plan dated April 26, 2000. Incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-QSB for the period ended June 30, 2000. +
- 10.9 AXCESS Inc. 2001 Incentive Plan. Incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2001. +
- 10.10 Form of Bridge Financing Agreement, dated as of July 30, 2002, between the Company and certain investors. Incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2002.
- 10.11 Agreement to amend purchase note and payment terms as of December 12, 2003, executed by AXCESS and PV Proceeds holdings, Inc. Incorporated herein by reference to Exhibit 10.1 on Form 8-K filed on December 16, 2003.
- 10.12 Amended and restated purchase note dated as of December 12, 2003, executed by AXCESS and PV Proceeds holdings, Inc. Incorporated herein by reference to Exhibit 10.2 on Form 8-K filed on December 16, 2003.
- 10.13 Agreement to amend demand note dated as of December 12, 2003, executed by AXCESS and Amphion Investment LLC. Incorporated herein by reference to Exhibit 10.3 on Form 8-K filed on December 16, 2003.
- 10.14 Amended demand note dated as of November 30, 2003, executed by AXCESS payable to Amphion Investment LLC in the principal amount of \$393,787. Incorporated herein by reference to Exhibit 10.4 on Form 8-K filed on December 16, 2003.
- 10.15 Letter dated November 30, 2003, from Antiope Partners LLC regarding conversion Series I Preferred Stock and accrued dividends. Incorporated herein by reference to Exhibit 10.32 on Form 10-KSB filed on March 30, 2004.
- 10.16 Letter dated November 30, 2003, from Antiope Partners LLC regarding conversion Series J Preferred Stock and accrued dividends. Incorporated herein by reference to Exhibit 10.33 on Form 10-KSB filed on March 30, 2004.
- 10.17 Agreement to offset and convert between Amphion Ventures LP and Axxess. Incorporated herein by reference to Exhibit 10.34 on Form 10-KSB filed on March 30, 2004.
- 10.18 Agreement to convert between VennWorks LLC and Axxess. Incorporated herein by reference to Exhibit 10.35 on Form 10-KSB filed on March 30, 2004.
- 10.19 Agreement to convert between JP Morgan SBIC and Axxess. Incorporated herein by reference to Exhibit 10.36 on Form 10-KSB filed on March 30, 2004.
- 10.20 Letter dated December 18, 2003, from Jackson Hole regarding conversion Series J Preferred Stock and accrued dividends. Incorporated herein by reference to Exhibit 10.37 on Form 10-KSB filed on March 30, 2004.
- 10.21 Letter dated December 18, 2003, from Jackson Hole regarding conversion Series C Preferred Stock and accrued dividends. Incorporated herein by reference to Exhibit 10.38 on Form 10-KSB filed on March 30, 2004.
- 10.22 Stock Purchase agreement for the 2004 Preferred Equity Offering from May 2004. Incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-QSB for the period ended March 31, 2004.
- 10.23 Letter dated April 14, 2004, from Ardinger regarding conversion Series I Preferred Stock and accrued dividends. Incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-QSB for the period ended March 31, 2004.
- 10.24 Letter dated April 14, 2004, from Ardinger regarding conversion Series J Preferred Stock and accrued dividends. Incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-QSB for the period ended March 31, 2004.
- 10.25 Advisory agreement between NVW LLC and Axxess. Incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-QSB for the period ended March 31, 2004.
- 10.26 Borrowed employees and advisory agreement between Amphion Capital Partners and Axxess. *
- 14.1 Code of Ethics for Senior Financial Officers dated and approved by the Board of Director on March 26, 2004.

*

- 21.1 Subsidiaries of the Company. *
- 23.1 Consent of Hein & Associates LLP. *
- 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. *
- 99.1 Audit Committee charter. *
- 99.2 Nominating and Governance Committee charter. *
- 99.3 Whistleblower Policy. *

(b) Reports on Form 8-K:

Date	Description
July 19, 2004	On July 19, 2004, Axxess International Inc. filed an 8-K announcing an exclusive license agreement between Axxess and TechSearch dated June 30, 2004.
November 23, 2004	On November 23, 2004 Axxess International Inc. filed an 8-K announcing Tyco International's ADT group delivered a new product release to its organization announcing that Axxess ActiveTag product line is now available for sale by ADT.
February 2, 2005	On February 2, 2005, Axxess International Inc. filed an 8-K announcing the results for the year ended December 31, 2004.

* Filed herewith

+ Denotes management contract or compensatory plan.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following table presents fees for professional audit services rendered by Hein & Associates LLP for the audit of Axxess International Inc.'s annual consolidated financial statements for the years ended December 31, 2004 and December 31, 2003 and fees billed for other services rendered by Hein & Associates LLP during those periods.

	December 31, 2004	December 31, 2003
Audit fees (1)	\$ 68,200	\$ 65,700
Audit related fees (2)	—	—
Tax fees (3)	16,100	10,400
All other fees (4)	—	—
Total	\$ 84,300	\$ 76,100

1) Audit Fees consist of fees billed for professional services rendered for the audit of the Company's consolidated annual financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by Hein & Associates LLP in connection with statutory and regulatory filings or engagements.

2) Audit-Related Fees would normally consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees."

(3) Tax Fees consist of fees billed for professional services rendered for federal and state tax compliance, tax advice and tax planning.

(4) All Other Fees would normally consist of fees for services other than the services reported above.

Access International, Inc.'s Audit Committee approves the engagement of an accountant to render all audit and non-audit services prior to the engagement of the accountant based upon a proposal by the accountant of estimated fees and scope of the engagement. Access International, Inc.'s Audit Committee has received the written disclosure and the letter from Hein & Associates LLP required by Independence Standards Board Standard No. 1, as currently in effect, and has discussed with Hein & Associates LLP their independence.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 31st day of March 2005.

AXCESS INTERNATIONAL INC.

By: /s/ Richard C.E. Morgan
Richard C.E. Morgan, Chairman of the Board

In accordance with the Exchange Act, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated, on the 31st day of March 2005.

<u>Signature</u>	<u>Capacity</u>
<u>/s/ Richard C.E. Morgan</u> Richard C.E. Morgan	Chairman of the Board
<u>/s/ Allan Griebenow</u> Allan Griebenow	Director, President and Chief Executive Officer (Principal Executive Officer)
<u>/s/ Allan L. Frank</u> Allan L. Frank	Chief Financial Officer (Principal Accounting and Financial Officer)
<u>/s/ Paul J. Coleman, Jr.</u> Paul J. Coleman, Jr.	Director
<u>/s/ Robert J. Bertoldi</u> Robert J. Bertoldi	Director
<u>/s/ Robert F. Hussey</u> Robert F. Hussey	Director

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Axxess International, Inc.

We have audited the accompanying consolidated balance sheets of Axxess International, Inc. (the Company) as of December 31, 2004 and 2003 and the related consolidated statements of operations, stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Axxess International, Inc., at December 31, 2004 and 2003, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company's recurring losses from operations and resulting continued dependence upon access to additional external financing raise substantial doubt about its ability to continue as a going concern. If the Company is unable to generate profitable operations or raise additional capital it may be forced to seek protection under federal bankruptcy laws. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ HEIN & ASSOCIATES LLP

January 21, 2005
Dallas, Texas

AXCESS INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 461,101	\$ 2,163,977
Accounts receivable - trade, net of allowance for doubtful accounts of \$8,859 and \$65,367, respectively.	79,965	85,248
Inventory, net	144,714	131,515
Prepaid expenses and other	97,164	148,490
Total current assets	782,944	2,529,230
Property, plant and equipment, net	49,395	61,756
Intellectual property, net	133	149,704
Deferred debt issuance costs	506,889	675,852
Other assets	3,906	595
Total assets	\$ 1,343,267	\$ 3,417,137
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 490,100	\$ 813,976
Accrued liabilities	789,589	802,355
Notes payable:		
Convertible notes payable (includes \$66,667 with related party in 2004)	483,333	—
Discounts on convertible debt	(289,482)	—
Dividends payable	316,062	125,999
Total current liabilities	1,789,602	1,742,330
Notes payable to stockholders	3,932,092	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	(34,084)	(680,457)
Total liabilities	5,924,277	6,409,162
Commitments and contingencies (Notes 2, 8 and 13)		
Stockholders' deficit:		
Convertible preferred stock, 7,000,000 shares authorized		
With liquidation preference; 0 and 54 shares issued and outstanding in 2004 and 2003, respectively; \$536,623 aggregated liquidation preference 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; 24,720,939 shares issued and outstanding in 2004 and 19,446,028 shares issued and outstanding in 2003	247,209	194,461
Shares of common stock to be issued, 4,529,345 shares in 2003	—	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	149,898,600	146,246,094
Accumulated deficit	(154,750,969)	(150,032,396)
Total stockholders' deficit	(4,581,010)	(2,992,025)
Total liabilities and stockholders' deficit	\$ 1,343,267	\$ 3,417,137

See accompanying notes

AXCESS INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Sales	\$ 911,565	\$ 915,825
Cost of sales	439,215	562,060
Inventory impairment	<u>14,874</u>	<u>148,866</u>
Gross profit	457,476	204,899
Expenses:		
Research and development	718,278	632,974
General and administrative	1,528,937	1,287,944
Selling and marketing	827,323	280,190
Depreciation, amortization and impairment	<u>202,394</u>	<u>440,573</u>
Operating expenses	<u>3,276,932</u>	<u>2,641,681</u>
Loss from operations	(2,819,456)	(2,436,782)
Other income (expense):		
Interest expense	(781,434)	(1,149,059)
Gain on vendor settlements	177,787	355,848
Other	6,551	(13,139)
Loss on debt settlements, net	<u>—</u>	<u>(6,328,527)</u>
Other expense, net	<u>(597,096)</u>	<u>(7,134,877)</u>
Net loss	(3,416,552)	(9,571,659)
Preferred stock dividend requirements	<u>(299,481)</u>	<u>(1,841,670)</u>
Net loss applicable to common stock	<u>\$ (3,716,033)</u>	<u>\$ (11,413,329)</u>
Basic and diluted net loss per share	<u>\$ (0.16)</u>	<u>\$ (0.62)</u>
Weighted average shares of common stock outstanding	<u>23,848,676</u>	<u>18,337,645</u>

See accompanying notes.

ACCESS INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
YEARS ENDED DECEMBER 31, 2004 and 2003

	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		NON-VOTING CONVERTIBLE COMMON STOCK		ADDITIONAL PAID-IN CAPITAL
	NUMBER OF SHARES	PAR VALUE	NUMBER OF SHARES	PAR VALUE	NUMBER OF SHARES	PAR VALUE	
Balance at December 31, 2002	11,976	\$ 4,872,847	16,566,148	\$ 165,662	--	\$ --	\$ 123,768,261
Shares issued in conjunction with convertible debt offering	--	--	272,500	2,725	--	--	81,697
Shares issued in conjunction with 2003 Preferred equity offering	2,050,001	20,500	315,000	3,150	--	--	1,436,975
Preferred stock discount in conjunction with 2003 Preferred stock offering	--	--	--	--	--	--	1,460,230
Conversion of Preferred Series 2003	(2,050,001)	(20,500)	2,050,001	20,500	--	--	--
Shares issued for services rendered	--	--	200,000	2,000	--	--	78,000
Issuance of common stock upon exercise of stock options	--	--	30,750	308	--	--	51,968
Conversion of Convertible note	--	--	11,629	116	--	--	20,050
Shares issued in conjunction with 2003B Preferred equity offering	1,790,000	17,900	--	--	--	--	4,662,236
Preferred stock discount in conjunction with 2003 Preferred stock offering	--	--	--	--	--	--	--
Conversion and offset of Amphion Venture notes receivable and payable	--	--	--	--	--	--	1,177,827
Conversion of VennWorks demand notes	--	--	--	--	--	--	7,324,850
JP Morgan conversion of promissory note	--	--	--	--	--	--	492,304
Conversion of PV Proceeds Holdings, Inc. Series 1999 preferred to common stock	(152)	(1,515,492)	--	--	--	--	1,723,432
Conversion of Antiope Partners Series I preferred to common stock	(65)	(645,369)	--	--	--	--	756,861
Conversion of Antiope Partners Series J preferred to common stock	(157)	(1,566,675)	--	--	--	--	1,809,452
Conversion of Jackson Hole Series C preferred to common stock	(11,522)	(347,869)	--	--	--	--	432,906
Conversion of Jackson Hole Series J preferred to common stock	(15)	(146,629)	--	--	--	--	169,838
Conversion of JP Morgan Series I preferred to common stock	(9)	(90,171)	--	--	--	--	106,369
Conversion of JP Morgan Series J preferred to common stock	(2)	(24,019)	--	--	--	--	27,906
Warrants issued in conjunction with PV Proceeds note extension	--	--	--	--	--	--	664,932
Preferred stock dividends	--	--	--	--	--	--	--
Net Loss	--	--	--	--	--	--	--
Balance at December 31, 2003	1,790,054	\$ 554,523	19,446,028	\$ 194,461	---	\$ ---	\$ 146,246,094
Shares issued from issueable at December 31, 2003	--	--	4,529,345	45,293	--	--	--
Conversion of Ardinger Series I preferred to common stock	(52)	(516,299)	248,769	2,488	--	--	619,434
Conversion of Ardinger Series J preferred to common stock	(2)	(20,324)	9,648	96	--	--	24,022
Shares issued in conjunction with 2004 Preferred equity offering	625,000	6,250	--	--	--	--	2,196,290
Shares issued for services rendered	--	--	25,000	250	--	--	64,750
Shares cancelled related to services rendered	--	--	(100,000)	(1,000)	--	--	1,000
Conversion of Convertible note	--	--	476,349	4,763	--	--	713,548
Issuance of common stock upon exercise of stock options	--	--	85,800	858	--	--	33,462
Preferred stock dividends	--	--	--	--	--	--	--
Net Loss	--	--	--	--	--	--	--
Balance at December 31, 2004	<u>2,415,000</u>	<u>\$ 24,150</u>	<u>24,720,939</u>	<u>\$ 247,209</u>	<u>--</u>	<u>\$ --</u>	<u>\$ 149,898,600</u>

	COMMON STOCK <u>ISSUABLE</u>	DUE FROM STOCKHOLDERS	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
Balance at December 31, 2002	\$ --	\$ (4,711,915)	\$ (136,836,236)	\$ (12,741,381)
Shares issued in conjunction with convertible debt offering	--	--	--	84,422
Shares issued in conjunction with 2003 Preferred equity offering	--	--	--	1,460,625
Preferred stock discount in conjunction with 2003 Preferred stock offering	--	--	--	1,460,230
Conversion of Preferred Series 2003	--	--	--	--
Shares issued for services rendered	--	--	--	80,000
Issuance of common stock upon exercise of stock options	--	--	--	52,275
Conversion of Convertible note	--	--	--	20,167
Shares issued in conjunction with 2003B Preferred equity offering	1,570	--	--	4,681,706
Preferred stock discount in conjunction with 2003B Preferred stock offering	--	--	(1,782,831)	(1,782,831)
Conversion and offset of Amphion Venture note receivable and payable	2,945	4,711,915	--	5,892,687
Conversion of VennWorks demand notes	18,313	--	--	7,343,163
JP Morgan conversion of promissory note	2,279	--	--	494,583
Conversion of PV Proceeds Holdings, Inc. Series 1999 preferred to common stock	6,921	--	--	214,862
Conversion of Antiope Partners Series I preferred to common stock	3,040	--	--	114,531
Conversion of Antiope Partners Series J preferred to common stock	7,267	--	--	250,044
Conversion of Jackson Hole Series C preferred to common stock	1,739	--	--	86,775
Conversion of Jackson Hole Series J preferred to common stock	682	--	--	23,891
Conversion of JP Morgan Series I preferred to common stock	426	--	--	16,624
Conversion of JP Morgan Series J preferred to common stock	112	--	--	3,999
Warrants issued in conjunction with PV Proceeds note extension	--	--	--	664,932
Preferred stock dividends	--	--	(1,841,670)	(1,841,670)
Net Loss	--	--	(9,571,659)	(9,571,659)
Balance at December 31, 2003	\$ 45,293	\$ --	\$ (150,032,396)	\$ (2,992,025)
Shares issued from issueable at December 31, 2003	(45,293)	--	--	--
Conversion of Ardinger Series I preferred to common stock	--	--	--	105,623
Conversion of Ardinger Series J preferred to common stock	--	--	--	3,794
Shares issued in conjunction with 2004 Preferred equity offering	--	--	(1,002,540)	1,200,000
Shares issued for services rendered	--	--	--	65,000
Shares cancelled related to services rendered	--	--	--	--
Conversion of Convertible note	--	--	--	718,311
Issuance of common stock upon exercise of stock options	--	--	--	34,320
Preferred stock dividends	--	--	(299,481)	(299,481)
Net Loss	--	--	(3,416,552)	(3,416,552)
Balance at December 31, 2004	\$ --	\$ --	\$ (154,750,969)	\$ (4,581,009)

See accompanying notes

ACCESS INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Net loss	\$ (3,416,552)	\$ (9,571,658)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	202,394	440,573
Gain on vendor settlements	(177,787)	(355,848)
Loss on debt settlements, net	—	6,328,527
Amortization of financing discount and issuance costs	525,854	379,946
Shares issued for services rendered	65,000	80,000
Loss on sale of assets	—	13,139
Inventory impairment	14,874	148,866
Changes in operating assets and liabilities:		
Accounts receivable	5,283	131
Inventory	(28,073)	(49,302)
Prepaid expenses and other	51,326	(60,679)
Other assets	(3,311)	28,789
Accounts payable and accrued liabilities	(8,876)	451,659
Net cash used by operating activities	<u>(2,769,868)</u>	<u>(2,165,857)</u>
Cash flow from investing activities:		
Capital expenditures	(40,462)	(4,133)
Net cash used by investing activities	<u>(40,462)</u>	<u>(4,133)</u>
Cash flow from financing activities:		
Borrowings under financing agreements	—	611,603
Principal payments on financing agreements	(126,866)	(697,662)
Note payable extension fee	—	(25,000)
Net proceeds from issuance of common stock from employee options	34,320	52,277
Net proceeds from issuance of common and preferred stock	1,200,000	4,359,500
Net cash provided by financing activities	<u>1,107,454</u>	<u>4,300,718</u>
Net increase in cash and cash equivalents	(1,702,876)	2,130,728
Cash and cash equivalents, beginning of year	2,163,977	33,249
Cash and cash equivalents, end of year	<u>\$ 461,101</u>	<u>\$ 2,163,977</u>
Supplemental information:		
Cash paid during the year for interest	<u>\$ —</u>	<u>\$ 4,780</u>
Supplemental disclosure of non-cash investing and financing activities:		
Value of equity instruments and beneficial conversion feature recorded as preferred stock dividends	\$ —	3,243,060
Conversions of notes payable into common stock	568,333	6,071,901
Conversions of accrued interest into common stock	149,979	1,350,173
Record discounts on notes payable	—	84,598
Record debt issuance costs	—	664,932
Conversions of preferred stock into common stock	536,623	4,356,724
Conversions of accrued interest into notes payable	—	43,787
Conversions of accrued dividends into common stock	109,417	710,727
Preferred stock dividends accrued	299,481	381,440

See accompanying notes

AXCESS
NOTES TO FINANCIAL STATEMENTS

(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 2005 is predicated principally upon the successful marketing of its RFID and digital video products. During 2004, operating activities utilized approximately \$2.8 million of cash. During 2004 the Company raised a net of \$1.2 million of additional working capital through a Preferred Stock offering. The offering closed during the second quarter, raised approximately \$1.2 million and is designated as 2004 Preferred. The Company issued 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 when the Company achieves a full quarter of profitability or if the closing twenty-day average stock price is over \$4.00 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 2005.

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 LLC, VennWorks LLC (formerly incuVest LLC), Amphion Capital Management LLC, 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 65% of the outstanding voting stock of the Company.

(c) Use of Estimates

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 and the valuation allowance for deferred tax assets. Actual results could differ from those estimates, and the differences may be significant.

(d) Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(e) 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 December 31, 2003 and December 31, 2002:

	December 31, 2004	December 31, 2003
Raw materials	\$ 56,701	\$ 36,682
Work-in-process	109	10,513
Finished goods	87,904	84,320
	<u>\$ 144,714</u>	<u>\$ 131,515</u>

The Company recorded a charge of \$14,874 and \$148,866 for inventory impairment during the years ended December 31, 2004 and 2003, respectively. The amount reflects items that have not been able to be used by our contract manufacturers in the building of additional products. The impairment was as a result of the change in strategy to contract manufacturing.

The components of cost of sales are summarized as follows:

	December 31, 2004	December 31, 2003
Product Cost	\$ 452,682	\$ 531,543
Warranty Expense	(13,467)	30,517
Inventory Impairment	14,874	148,866
Cost of Sales	<u>\$ 454,089</u>	<u>\$ 710,926</u>

(f) Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. The Company capitalizes costs associated with software developed or obtained for internal use when both the preliminary project stage is completed and management has authorized further funding for the project, which it deems completion to be probable, and that the project will be used to perform the function intended. Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended use. The Company currently has no capitalized software development on its books.

(g) Intangible Assets

Intangible assets, which consist primarily of patents and developed technologies, have been recorded as the result of acquisitions of business and developed technologies and are being amortized on the straight-line basis over five years.

(h) Impairment of Long-Lived Assets-and Long-Lived Assets to Be Disposed Of

Long-lived assets and identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated-by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the assets based on estimated future cash flows. Assets to be disposed of are reported at the lower of-the carrying amount or fair value less costs to sell. Revenues from the sale of products utilizing the Company's purchased technologies have not grown according to our expectations and the Company has experienced operating losses since the respective dates of acquisition. The Company believes that assumptions made in projecting future cash flows for this evaluation are reasonable. However, if future actual results do not meet expectations, the Company may be required to record an additional impairment charge, the amount of which could be material to the results of its operations and financial position. During the years ended December 31, 2004 and 2003 the Company recorded no impairment charges.

(i) Financial Instruments

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable and notes receivable. Products are sold to customers, including distributors and integrators, located principally in the United States. The Company continually evaluates the creditworthiness of its customers' financial condition and generally does not require collateral. The Company evaluates the collect ability of its accounts receivable based on a

combination of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations to us, the Company records a specific reserve for bad debts against amounts due. The Company has not experienced significant losses on uncollectible accounts receivable.

The carrying amounts of cash equivalents, accounts receivable, accounts payable, accrued liabilities and notes payable approximate fair value because of the short-term maturity of these instruments.

(j) Revenue Recognition

The Company recognizes revenue on sales of its products when the products are shipped from the Company. Company policy does not allow customers to return products for credit. The Company currently provides a one-year warranty on all products. Provision is made at the time the related revenue is recognized for estimated product repair costs.

(k) Research and Development Costs

Research and development costs are expensed as incurred.

(l) Depreciation and Amortization

Depreciation of property and equipment is recorded using the straight-line method over the estimated useful lives of the respective assets. Internally developed software and purchased technologies (Note 5) are amortized over the estimated useful lives of the respective technology.

(m) Stock-Based Compensation

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.

	Twelve Months Ended	
	December 31,	
	2004	2003
Pro forma impact of fair value method (FAS 148)		
Reported net loss attributed to common stock	\$ (3,716,033)	\$ (11,413,328)
Less: fair value of employee stock compensation	(568,994)	(617,303)
Pro forma net loss attributed to common stock	<u>(4,285,027)</u>	<u>(12,030,631)</u>
Loss per common share		
Basic and diluted net loss per share – as reported	\$ (0.16)	\$ (0.62)
Basic and diluted net loss per share – pro forma	\$ (0.18)	\$ (0.66)
Weighted average Black-Scholes fair value assumptions		
Risk free interest rate	4.25%	4.25%
Expected life	3 years	3 years
Expected volatility	164%	142%
Expected dividend yield	0.0%	0.0%

(n) Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized. Income tax expense is the total of tax payable for the period and the change during the period in deferred tax assets and liabilities.

(o) Net Loss Per Common Share

Basic loss per share data is computed by dividing the net loss applicable to common stock by the weighted average number of common shares outstanding during the year. Diluted earnings per share, which includes the dilutive effect of the conversion of convertible preferred stock and the convertible debt and exercise of options and warrants has not been presented because, due to the net losses recorded by the Company for all periods presented, their inclusion would be anti-dilutive. Conversion of convertible preferred stock, convertible debt and the exercise of options and warrants would result in 37,920,763 and 36,205,589 common shares outstanding at December 31, 2004 and 2003, respectively.

(p) Segment Reporting

The Company operates in one-industry segment selling two primary product lines, digital video and RFID. Sales, cost of sales and gross profits for each product line are as follows:

Twelve Months Ended December 31:	Digital Video		RFID	
	2004	2003	2004	2003
Sales	\$ 139,090	\$ 328,725	\$ 772,475	\$ 587,100
Cost of Sales	60,260	187,333	378,956	374,727
Inventory Impairment	9,375	113,120	5,498	35,746
Gross Profit	\$ 69,455	\$ 28,272	\$ 388,021	\$ 176,627

(q) Significant Customers

During the twelve months ended December 31, 2004, the Company had one customer that accounted for 14% of the Company's overall revenue, three customers that accounted for 65% of the digital video product sales and one customer that accounted for 16% of the RFID product sales. During the twelve months ended December 31, 2003, the Company had three customers that accounted for 28% of the Company's overall revenue, three customers that accounted for 65% of the digital video product sales and two customers accounted for 26% of the RFID product sales.

(r) Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 123R (SFAS 123R), a revision of SFAS No. 123 (SFAS 123), "Accounting for Stock-Based Compensation." This statement requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The compensation expense will be recognized over the period during which an employee is required to provide service in exchange for the award. Public entities that file as small business issuers will be required to apply SFAS 123R in the first interim or annual reporting period that begins after December 15, 2005. The adoption of SFAS 123R will require us to record compensation expense for the unvested fair value of our equity instruments given to our employees. We are in the process of evaluating the impact of the adoption of SFAS 123R on our financial position and results of operations. However, the adoption of SFAS 123R will have no effect on our cash flows, but will have an adverse impact on our results of operations.

(2) Operations, Liquidity and Going Concern

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 December 31, 2004, we had a working capital deficit of \$1,006,658.

Our operations continued to generate losses in 2004. Our cash decreased \$1,702,876 during 2004 with operating activities using \$2,769,868 of cash. We funded operations primarily through borrowings and equity offerings with financing activities providing net cash of \$1,107,454. No assurance can be given that such activities will continue to be available to provide funding to us. Our business plan for 2005 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 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.

Our auditors have included an explanatory paragraph in their audit opinion with respect to our consolidated financial statements at December 31, 2004. 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.

Our business plan for 2005 is predicated principally upon the successful marketing of our RFID products and the digital video products. We anticipate that our existing working capital resources and revenues from operations will not be adequate to satisfy our funding requirements through 2004.

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.

(3) Prepaid Expenses and Other Current Assets

Prepaid expenses and other consists of the following:

	December 31, 2004	December 31, 2003
Prepaid insurance	\$ 49,270	\$ 115,673
Prepaid trade shows	32,750	30,949
Prepaid other	15,144	1,868
	<u>\$ 97,164</u>	<u>\$ 148,490</u>

(4) Property, Plant and Equipment

Property, plant and equipment consist of the following:

	December 31, 2004	December 31, 2003	Amortization/ Depreciation Period
Leasehold improvements	\$ 66,435	\$ 66,435	Lease term
Machinery and equipment	1,785,466	1,744,467	5 years
Furniture and fixtures	128,675	128,675	5 to 10 years
	<u>1,980,576</u>	<u>1,939,577</u>	
Accumulated depreciation and amortization	(1,931,181)	(1,877,821)	
Property, plant and equipment, net	<u>\$ 49,395</u>	<u>\$ 61,756</u>	

Depreciation totaled \$52,823 and \$143,032 during 2004 and 2003, respectively.

(5) Intellectual property

Intellectual property consists of the following:

	December 31, 2004	December 31, 2003	Useful Lives	Weighted Average Remaining Useful Lives at December 31, 2004
Purchased RFID technology	\$ 1,714,449	\$ 1,714,449	5 years	—
Purchased video technology	5,087,483	5,087,483	5 years	0.1 years
Internally developed software	350,337	350,337	5 years	—
	<u>7,152,269</u>	<u>7,152,269</u>		
Accumulated amortization and impairment	(7,152,136)	(7,002,565)		
Intellectual property, net	<u>\$ 133</u>	<u>\$ 149,704</u>		

The following table sets forth the estimated amortization expense on the intellectual property for the fiscal years ended December 31:

2005	133
Total	<u>\$ 133</u>

The video technology was acquired in 1999 and consists of proprietary digital video compression technology used in video and CCTV products as well as the related U.S. and international patent rights.

The RFID technology was acquired in 1998 and includes a patent, trade secret rights software, hardware, product designs and all other technical information necessary for the Company to manufacture and market radio frequency identification products in the areas of access control and asset management. Up to an aggregate of an additional \$6,000,000 is payable by the Company to the sellers of the RFID technology only if certain net operating profit targets are realized during each of the five years following the acquisition date. Such payments would be treated as additional cost of the RFID technology, if and when paid, and amortized over the remaining economic life of the technology. At December 31, 2004 and December 31, 2003, no additional consideration was due to the sellers.

Internally developed software costs were capitalized once the technological feasibility was achieved. These costs are reviewed for recoverability based on the expected future cash flows to be generated.

Amortization expense of intellectual property totaled \$149,571 and \$297,541 during 2004 and 2003, respectively.

(6) Accrued Liabilities

Accrued liabilities consist of the following:

	December 31, 2004	December 31, 2003
Accrued vacation	\$ 161,919	\$ 147,404
Accrued interest payable	431,449	314,751
Accrued professional fees, litigation settlements and other	196,221	340,200
	<u>\$ 789,589</u>	<u>\$ 802,355</u>

(8) Lease Obligations

The Company leases its office space and certain equipment under operating leases. Annual rental expense recorded for operating leases was \$80,610 and \$106,813 for the years ended December 31, 2004 and 2003, respectively. The Company's Carrollton, Texas facility is on a one year lease through October 31, 2005 and the California lease runs through September 2005. At December 31, 2004, future minimum lease payments on operating leases were \$66,065 all due in 2005.

(9) Notes Payable to Stockholders (including convertible notes payable)

Notes payable consist of the following:

	December 31, 2004	December 31, 2003
Due to stockholders:		
5.00% PV Proceeds Holdings, Inc., due December 31, 2007	\$ 3,538,305	\$ 3,665,169
5.00% Amphion Investment LLC note, due December 31, 2007	393,787	393,787
7.00% convertible debt	720,000	1,288,333
Discount relating to 7.00% convertible debt	(323,566)	(680,457)
	<u>4,328,526</u>	<u>4,666,832</u>
Less current maturities including discount amortization	(193,851)	—
Non-current notes payable to stockholders	<u>\$ 4,134,675</u>	<u>\$ 4,666,832</u>

The following table sets forth the maturities for notes payable for the fiscal years ended December 31:

2005	\$ 483,333
2006	236,667
2007	3,932,092
	<u>\$ 4,652,092</u>

Amphion Ventures LP

Axcess reached an agreement with Amphion Ventures LP with regards to a note payable between the Parties. Axcess was indebted to Amphion Ventures LP for \$5,530,637 of principal and accrued interest. Amphion Ventures LP owed Axcess \$4,711,915 of note receivable and accrued interest. The above-described notes were set off against each other there by reducing the debt owed Amphion Ventures LP by Axcess to \$818,722. Amphion Ventures LP also agreed to convert the remaining amount of demand notes and accrued interest into 294,476 common shares and an equal number of warrants priced at \$2.75 that will expire on November 30, 2005. These shares and warrants were issued during 2004. As a result of the above-described

transactions, Axxess recorded a loss on debt settlement charge of \$362,050 for the excess of the value of the shares and warrants issued over the book value of the notes during the year ended December 31, 2003.

PV Proceeds Holdings, Inc.

On July 28, 1999, the Company acquired substantially all of the assets of PV Proceeds Holdings, Inc. (formerly "Prism Video"), a privately held corporation, and agreed to pay \$4,000,000 to PV Proceeds Holdings, Inc. on December 31, 2002. The balance of the indebtedness under the PV Proceeds Holdings, Inc. note issued was due in full by the Company on December 31, 2002 and was in default during 2003 until extended by PV Proceeds Holdings, Inc. The note payable had an original face amount of \$4,000,000 and was collateralized by the Company's note receivable from Amphion Ventures, LP ("Amphion Ventures") (Note 7). Pursuant to the Asset Purchase Agreement between AXCESS and PV Proceeds Holdings, Inc., AXCESS assigned PV Proceeds Holdings, Inc. all payments of principal to be made by Amphion Ventures under the note receivable until the balance of the note receivable was paid in full or the balance due under the note payable to PV Proceeds Holdings, Inc. was paid in full, whichever occurred first. In addition, the shares of common stock, which PV Proceeds Holdings, Inc. may acquire upon conversion of preferred stock or by exercise of the warrant, were subject to a three-year lockup from the date of the closing, which could be reduced to two years upon the occurrence of certain events. The warrant was exercisable on or before July 28, 2004.

Axxess 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 Axxess granted to PV Proceeds Holdings, Inc. a warrant to purchase up to 500,000 shares of common stock of Axxess. 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. Axxess has also agreed to reduce the principal amount due first for 10% of equity proceeds and second 20% of proceeds from options exercised. Axxess 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 \$506,889 and 675,852 at December 31, 2004 and 2003, respectively.

VennWorks LLC

In December 2003, VennWorks agreed to convert the entire amount of their outstanding demand notes (\$1,130,233) plus all accrued unpaid interest (\$171,240) into 1,831,332 common shares and an equal number of warrants priced at \$2.75 that will expire on November 3, 2005. The shares and warrants were issued during 2004. As a result of the above-described transaction, Axxess recorded a loss on debt settlement charge of \$6,041,691 for the excess of the value of the shares and warrants issued over the book value of the notes during the year ended December 31, 2003.

JP Morgan SBIC LLC (formerly known as J.P. Morgan Investment Corporation)

Axxess issued to JP Morgan a Senior Promissory Note ("*Note*") originally entered on June 25, 1997 and the last amendment was on April 12, 2002. The Note was due on December 31, 2003 and as of December 31, 2003 had an outstanding principal balance of \$400,000 and unpaid interest thereon of \$169,796. JP Morgan agreed to convert that amount of notes and accrued interest into 227,918 common shares. As a result of the above-described transaction, Axxess recorded a restructuring gain on debt settlement of \$75,213 during the year ended December 31, 2003.

Amphion Investment LLC

Axxess entered into a 6.75% convertible note with Amphion Investments, LLC, dated January 25, 2002. The principal outstanding under this note may be converted into securities of Axxess at the option of Amphion Investments on terms yet to be specified. The borrowings are unsecured and are due and payable on demand by Amphion Investments. As of November 30, 2003, there was an outstanding balance of \$350,000 on this note and accrued interest of \$43,787.

Axxess reached an agreement with Amphion Investment LLC with regards to the above-described note executed between them for \$393,787 of principal and accrued interest. Amphion Investment LLC 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.

7% Convertible Note

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 unregistered shares of the Company's common stock.

Pursuant to the bridge financing agreement, the Company registered the shares of common stock comprising the units in December 2003. 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.

In July 2003, one holder elected to convert one-third of his note plus accrued interest into 11,629 shares of Access common stock. During 2004, nine holders elected to convert \$500,000 of their notes plus \$122,313 of accrued interest into 399,721 shares of Access common stock, which were issued during 2004.

In connection with this bridge financing, the Company recorded a \$1,000,000 debt discount due to the value of the equity consideration and beneficial conversion of the financing, pursuant to the guidance issued by the Emerging Issues Task Force. The debt discount is being amortized using the effective interest method over the three-year life of the agreement.

On January 17, 2003, Access 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 unregistered shares of our common stock.

Pursuant to the bridge financing agreement, the Company registered the shares of common stock comprising the units of the bridge financing agreement. 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 Access. 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.

In connection with this bridge financing, the Company recorded an \$84,598 debt discount due to the value of the equity consideration of the financing, pursuant to the guidance issued by the Emerging Issues Task Force. The debt discount is being amortized using the effective interest method over the three-year life of the agreement.

During 2004 nine holders elected to convert \$68,333 of their note plus \$18,646 of accrued interest into 72,947 shares of Access common stock, which were issued during 2004. During 2004 the Board elected to convert \$9,018 of accrued and unpaid interest into 3,681 shares of Access common stock.

(10) 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.

	<u>Series I</u>	<u>Series J</u>	<u>2003B Series</u>	<u>Series 2004</u>
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	—
December 31, 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 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 A, Series B and Series C Convertible Preferred Stock*

As of December 31, 2004 and December 31, 2003, the Company had no Series A or Series B Convertible Preferred shares outstanding. The holders of the Company's Series C Preferred Stock are entitled to receive quarterly dividends on each such share held at the annual rate of 10% 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 at the option of the holder.

During 2003, Jackson Hole converted 11,522 shares of Series C Preferred Stock plus accrued dividends into an aggregate of 173,858 shares of the Company's common stock. As of December 31, 2004 and 2003, the Company had no Series C Convertible Preferred shares outstanding.

The holders of the Company's Series C Preferred Stock were entitled to receive quarterly dividends on each such share held at the annual rate of 10% 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 at the option of the holder.

(b) *Series I and J Convertible Preferred Stock*

Each Share of Series I Preferred Stock and Series J Preferred Stock are convertible in whole or in part at any time at the option of the holder into a number of shares of voting or non-voting common stock of the Company, respectively, equal to the quotient of (a) the aggregate original issue price of \$10,000 per share divided by (b) the conversion price of \$2.51 per share. The Series I Preferred Stock and the Series J Preferred Stock are both subject to optional redemption at any time by the Company, in whole or in part, at a redemption price per share equal to the stated value, plus any accrued, but unpaid dividends thereon. The Company's optional right of redemption is subject to each Series I Preferred Stock or Series J Preferred Stockholder's right to convert such Series I Preferred Stock or Series J Preferred Stock into voting or non-voting common stock, as the case may be, within ten business days after the Company's notice of redemption.

The Series I Preferred Stock and the Series J Preferred Stock are also subject to the mandatory conversion by the Company into shares of the Company's voting or non-voting common stock, as the case may be, if the closing bid price of the Company's common stock on the NASDAQ SmallCap Market is at least \$10.00 per share for a period of at least ninety (90) consecutive trading days.

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. The Company has accrued \$0 and \$95,182 of dividends payable for Series I Preferred Stock at December 31, 2004 and December 31, 2003, respectively. The Company has also accrued \$0 and \$3,384 of dividends payable for Series J Preferred Stock at December 31, 2004 and December 31, 2003, respectively.

During December 2003, the Company reached an agreement with the Antiope Partners LLC that converted 65 shares of Preferred Series I (plus accrued dividends) and 157 shares of Preferred Series J (plus accrued dividends) into 1,030,648 shares of common stock of Axxess.

During December 2003, the Company reached an agreement with the Jackson Hole that converted 15 shares of the Preferred Series J (plus accrued dividends) into 68,208 shares of common stock of Axxess.

During December 2003, the Company reached an agreement with the JP Morgan SBIC LLC that converted 9 shares of Preferred Series I (plus accrued dividends) and 2 shares of Preferred Series J (plus accrued dividends) into 53,763 shares of common stock of Axxess.

During December 2004, the Company reached an agreement with the Ardinger that converted 52 shares of Preferred Series I (plus accrued dividends) and 2 shares of Preferred Series J (plus accrued dividends) into 258,417 shares of common stock of Axxess.

As of December 31, 2004, the Company had no shares of Preferred Series I and no shares of Preferred Series J outstanding.

(c) *Series 1999 and 2000 Preferred Stock*

In connection with the purchase of the Prism video assets during 1999, the Company issued 125 shares of Series 1999 Preferred Stock ("Series 1999 Preferred Stock"). Dividends are payable-semi-annually on each share at the annual rate of 8% in cash or in additional shares of Series 1999 Preferred Stock at the option of the Company. Shares of 1999 Preferred Stock are convertible into shares of Common Stock at a conversion price of \$2.51 per share.

The shares of common stock which Prism acquired upon conversion of the Series 1999 Preferred Stock are subject to a three-year lockup from the date of the closing, which may be reduced to two years upon the occurrence of certain events

Prior to 2003, all but 152 shares of the Company's Series 1999 Preferred Stock were converted into common stock.

During December 2003, the Company reached an agreement with the holder of the preferred series 1999 that converted 152 shares of Preferred Series 1999 (plus accrued dividends) into 692,142 shares of common stock of Axxcess. As of December 31, 2004, the Company had no Series 1999 or 2000 Preferred shares outstanding.

(d) Series 2003 Preferred Stock

The Company completed a \$1,537,500 Preferred Stock Offering during May of 2003. The Preferred Stock is designated as 2003 Preferred and each \$75,000 unit consisted of 100,000 shares of Preferred Stock bearing a 7% dividend, approximately 15,000 shares of common stock and 100,000 warrants to purchase the Company's common stock exercisable for two years at \$1.00 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 \$2.00. On June 5, 2003 the closing twenty-day average was at \$2.02 and the 2003 Preferred converted to 2,050,001 shares of Common Stock. As of December 31, 2004, the Company had no Series 2003 Preferred shares outstanding.

In connection with the issuance of the 2003 Preferred Stock, the Company recorded preferred stock dividends of \$1,460,625 which are reflected in the income statement.

(e) Series 2003B Preferred Stock

The Company completed a \$3,132,500 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 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. The Company has also accrued \$247,309 of dividends payable for Series 2003B Preferred Stock at December 31, 2004. As of December 31, 2004, the Company 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 that will be reflected as preferred stock dividends as the underlying preferred stock converts to common stock. As of December 31, 2004 that amount is reflected in accumulated deficit on the balance sheet.

(f) Series 2004 Preferred Stock

During the second quarter of 2004 the Company raised a net of \$1,200,000 of additional working capital through a 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 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. The Company has also accrued \$68,753 of dividends payable for Series 2004 Preferred Stock at December 31, 2004. As of December 31, 2004, 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 December 31, 2004 that amount is reflected in accumulated deficit on the balance sheet.

The Series I and the Series J Preferred Stock rank senior in right of payment to the Company's common stock.

(11) Employee Benefit Plans

The Company sponsors a 401(k) retirement plan. The Company, at its discretion, matches a portion of the participant's contribution. Participants are vested in the Company's matching contribution after 4 years of full time service and may join the plan January or July of each year. The Company suspended its matching contribution on February 28, 2001.

(12) Stock Options and Warrants

(a) Stock Option Plans.

Under the Company's 2001 Equity Incentive Plan, the Company may grant up to 2,000,000 shares of common stock to its employees. The exercise price of each option is not less than the market price of the Company's stock on the date of grant and an option's maximum term is ten years. The Company has issued stock options to various members of the Board of Directors and officers of the Company under this plan. Options are generally granted each year and have various vesting requirements. Options granted typically vest over a four-year period. During 2004 and 2003, the Company made grants of 190,000 and 0 options, respectively, as an inducement for the employment of certain employees and officers of the Company, which does not reduce the 2,000,000 options available for grant under the stock option plan.

In 1998, the Company adopted a director compensation plan pursuant to which it pays each director who is not employed by the Company and who does not beneficially own more than 5% of the shares of common stock outstanding an

annual grant of 5,000 options to acquire common stock of the Company at an exercise price equal to the fair market value per share of the common stock at the time the option is granted (the "Annual Grant"). The Annual Grant customarily occurs on the date of the Company's annual meeting. The director compensation plan also provided for a one-time initial grant of 15,000 to each director of the Company as of July 21, 1998, the date the director compensation plan was approved by the Company's stockholders (the "Initial Grant"). The Company has authorized 150,000 shares for issuance under this plan.

Stock option transactions for the years ended December 31, 2004 and 2003 are summarized below:

	2004		2003	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding at beginning of year	2,468,465	\$ 2.40	2,175,999	\$ 3.20
Options granted	905,749	2.10	1,000,000	0.40
Options exercised	(85,800)	0.40	(30,750)	1.70
Options forfeited	=	—	(676,784)	2.04
Options outstanding at end of year	<u>3,288,414</u>	2.37	<u>2,468,465</u>	2.40
Options exercisable at end of year	<u>2,113,755</u>	2.10	<u>1,840,670</u>	1.94
Options available for grant at the end of the year	<u>1</u>		<u>715,750</u>	
Fair value of options granted during the year	<u>1,552,141</u>		<u>270,000</u>	

The options outstanding at December 31, 2004 have exercise prices as indicated in the table below.

Option Price	Number of Options	Weighted Average Remaining Life
\$0.00 - \$1.00	769,700	8.95
\$1.01 - \$2.00	1,159,999	8.79
\$2.01 - \$3.00	889,375	6.19
\$3.01 - \$4.00	201,340	5.84
\$4.01 - \$5.00	20,000	6.42
\$5.01 - \$6.25	248,000	5.22
Total	<u>3,288,414</u>	7.66

The Company has issued warrants to purchase common stock in connection with issuance of notes payable to stockholders, convertible debentures, and preferred stock. The following table summarizes warrants outstanding at December 31:

2004			2003		
WARRANTS	EXERCISE PRICE	EXPIRATION	WARRANTS	EXERCISE PRICE	EXPIRATION
7,918,947	\$ 0.65 - 3.20	05/05 - 02/08	8,242,167	\$ 0.65 - 3.00	07/04 - 02/08
<u>7,918,947</u>			<u>8,242,167</u>		

During the twelve months ended December 31, 2004 the Company issued an additional 357,142 warrants in conjunction with the 2004 preferred equity offering. The warrant price is \$3.20 and they expire on May 6, 2006.

(13) Contingencies

Pioneer Standard Electronics, Incorporated ("Pioneer"), filed a lawsuit against the Company in the county court in Dallas County, Texas on September 28, 2001. Pioneer was a vendor to the Company and seeks damages of \$81,533 for non-payment for services provided. During the first quarter of 2003, Pioneer was granted a judgment for the entire amount. The Company reached a settlement with Pioneer in 2003 and is making payments under the settlement agreement.

Access is also 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 \$104,205. We are currently defending or seeking to settle each of the vendor's claims. At December 31, 2004, we had accrued the delinquent amounts we expect to be liable for, for the claims described in this paragraph.

(14) Income Taxes

There was no provision for income taxes for the years ended December 31, 2004 and 2003 due to the net loss incurred for each year. The Company had no material deferred tax liabilities at December 31, 2004.

The Company had the following deferred tax assets at December 31, 2003 as follows:

Net operating loss	\$	16,254,000
Property and equipment		1,738,000
Other		82,000
Valuation allowance		(18,074,000)
	\$	<u>—</u>

The valuation allowance increased by approximately \$1,474,000 and \$1,400,000 during the years ended December 31, 2004 and 2003, respectively.

At December 31, 2004 and 2003, the Company had a net operating loss carry forward of approximately \$43,811,000 and \$39,300,000, respectively for U.S. federal income tax purposes. The net operating loss will expire from 2005 through 2018.

A change in ownership, as defined for purposes of the Internal Revenue Code, occurred in 1996 and the Company believes that a subsequent ownership change occurred during 1998, each of which limit the annual utilization of the U.S. federal net operating loss carry forward under the applicable Internal Revenue Service. Other portions of the net operating loss may also be limited due to subsequent ownership changes.

(15) Subsequent Event

During the first quarter of 2005 the Company received a net of \$1,626,684 of additional working capital from the exercise of 1,700,001 warrants. The Company offered to all warrant holders that held warrants expiring on May 15, 2005 an inducement to exercise those warrants prior to February 1, 2005. The Company offered an additional warrant with an exercise price of \$1.50 with an expiration date of January 28, 2010 for each warrant exercised. Therefore the Company issued an additional 1,700,001 warrants during the first quarter of 2005.

In February 2005, one holder of the July 30, 2002 Convertible Note elected to convert \$33,333 of his original note plus \$4,004 of accrued interest into 37,791 shares of Axxess common stock, which were issued during the first quarter of 2005.

In February 2005, two holders of the January 17, 2003 Convertible Note elected to convert \$73,334 of their notes plus \$5,093 of accrued interest into 79,301 shares of Axxess common stock, which were issued during the first quarter of 2005.

During the first quarter of 2005, four employees exercised 36,800 stock options.

Borrowed Employees and Advisory Agreement

This Borrowed Employees and Advisory Agreement is made effective as of January 1, 2005, between Amphion Capital Partners LLC (“ACP”) and Access International, Inc. (“AXCESS”). AXCESS is publicly traded on the Bulletin Board as OTCBB: AXSI. AXCESS is a provider of hardware and software solutions in the security and transportation industry. ACP will assist in a variety of areas relating to the investor relations and technology research for AXCESS under the following terms and conditions:

1. Use of ACP Employees. AXCESS requires certain services as described in section 2 below, to operate and maintain its business. However, the rendering of such services does not rise to the level of AXCESS hiring full time employees. ACP hereby agrees to allow AXCESS to utilize, on an “as needed” part-time basis, two of its current employees who have the ability to provide the services needed by AXCESS. It is understood and agreed by the parties that the compensation described herein shall be all the compensation required to be paid by AXCESS for use of the ACP employees and AXCESS, under no circumstances, will pay the employees directly or be responsible for payment of any withholding taxes or benefits. It is further understood and agreed that neither party, for any purpose, will make any claim that the ACP employees are employees of AXCESS.

2. Services of ACP.

For the Term of this Agreement (as hereinafter defined), ACP will work cooperatively with AXCESS to assist in the growth of AXCESS as set forth below. ACP will provide AXCESS with the use of employees as described above who will be dedicated, on a part-time basis, to provide these services, in addition to the services of Robert Bertoldi and Richard Morgan. ACP will provide AXCESS the following:

- a. Identification, evaluation and advice on a variety of options for AXCESS to undertake to enhance its current technology offerings, including sources of complementary technology and technology partnering;
- b. Investor relations services, including becoming the initial point of contact for the Preferred Equity Investors, providing both materials and information to interested parties;
- c. Advice and assistance with strategies relating to asset development, asset enhancement and maximization of asset utilization, including those associated with any intellectual property assets.

3. Non-Exclusivity of Relationship.

It is understood and acknowledged by AXCESS that ACP presently has, and anticipates having throughout the Term, other clients for which it performs the same or similar services to those to be performed in accordance herewith, and that ACP shall be under no obligation to restrict its ability in any way to perform services for any other client-companies.

It is understood that AXCESS, from time to time, will employ investment bankers, analysts, finders, brokers, public relations firms, and consultants to assist AXCESS. This Agreement shall only refer to those opportunities and services introduced by ACP, or introduced by AXCESS for the assistance and help from ACP.

4. Term of Agreement.

The Agreement shall be effective for a period of twelve (12) months, commencing on the date first appearing above (the "Term of Agreement") and will renew on an annual basis unless either party notifies the other in writing, not less than 30 days before the end of the term, of their desire to terminate the agreement.

5. Compensation to ACP from AXCESS.

In consideration for the services rendered by ACP to AXCESS pursuant to the Agreement (and in addition to the expenses provided for in Paragraph 6 hereof), and throughout the Term of Agreement, AXCESS shall compensate ACP as follows:

Monthly Retainer and Additional Compensation. ACP shall be compensated at the rate of \$7,500 per month payable in advance on the first day of each month. This cash payment will automatically be suspended for any month in which AXCESS' cash position falls below \$500,000 with an additional month being added on to the end of the contract to compensate ACP for their services.

6. Expenses.

It is anticipated that expenses incurred in the fulfillment in connection with the services performed by ACP pursuant to this Agreement shall be addressed on a case by case basis and pre-approved by an officer of AXCESS.

7. Role of Finder.

In connection with any Financing Transactions hereunder, AXCESS acknowledges that ACP is not a registered broker-dealer under Section 15A of the U.S. Securities Exchange Act of 1934, or any similar state law, and that ACP cannot, and shall not be required hereunder to, engage in the offer or sale of securities for or on behalf of AXCESS. While ACP has pre-existing relationships and contacts with various investors, registered broker-dealers and investment funds, ACP's participation in any actual or proposed offer or sale of Company securities shall be limited to that of an advisor to AXCESS.

AXCESS acknowledges and agrees that the solicitation and consummation of any purchases of AXCESS' securities shall be handled by AXCESS or one or more NASD member firms engaged by AXCESS for such purposes.

8. Third Party Fees.

Any third party fees payable in connection with the services described shall be the exclusive responsibility of, and shall be paid by ACP.

9. Limitation on Use of Certain Information.

AXCESS acknowledges that all services and advice (written or oral) provided by ACP to AXCESS in connection with the Agreement are intended solely for the benefit and use of AXCESS in considering the subject matter to which they relate, and AXCESS agrees that no person or entity (including any shareholders of AXCESS) other than AXCESS shall be entitled or advised to make use of or rely upon the advice of ACP provided pursuant hereto. In any event, neither AXCESS nor any other parties may use the ACP name in any public references, press releases or public filings in connection with AXCESS without ACP's prior written consent.

10. Reliance by ACP on Accuracy of Information; 12(b) 5 Representation.

AXCESS recognizes and acknowledges that, in advising AXCESS and in fulfilling the Agreement hereunder, ACP will use and rely on data, material and other information furnished to ACP by AXCESS. AXCESS agrees that ACP may do so without independently verifying the accuracy or completeness of such data, material or other information. AXCESS represents and warrants that any such data, material or information shall be true and accurate and shall not, as of the time communicated, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

11. Confidentiality.

If any of the data, material or other information is non-public or confidential when revealed or otherwise shared with representatives of ACP, and identified in writing as such at the time it is revealed or shared ("Confidential Information"), ACP and its officers, directors, employees, agents and associates shall hold all Confidential Information in complete and strict confidence and will not, without prior written consent of AXCESS, in each instance, disclose any Confidential Information, in whole or part, to any other person or for any other purpose than is expressly approved by AXCESS in writing. To the extent that AXCESS in writing approves disclosure of Confidential Information, excepting information required to be disclosed by legal process, law or regulation, ACP agrees that each party or individual to whom such disclosure is made shall be informed of the confidential nature of the information disclosed and be obligated to sign standard non-disclosure agreements.

12. Indemnification.

Each party (an "Indemnifying Party") hereby agrees to indemnify and hold the other party and its respective affiliates, directors, officers, employees and agents (collectively, the "Indemnified Parties") harmless from, and to reimburse each of the Indemnified Parties for, any loss, damage, deficiency, claim, obligation, suit, action, fee, cost or expense of any nature whatsoever (including, but not limited to, reasonable attorney's fees and costs) arising out of, based upon or resulting from any breach of any of the representations, warranties, covenants, agreements or undertakings of the Indemnifying Party contained in or made pursuant to this Agreement Letter.

13. Nature of Agreement; Limitation on Authority of ACP to Bind.

ACP shall perform its services hereunder as an independent contractor and not as an employee of AXCESS or an affiliate thereof. It is expressly understood and agreed to by the parties hereto that ACP shall have no authority to act for, represent or bind AXCESS or any affiliate thereof in any manner, except as may be agreed to expressly by AXCESS in writing from time to time.

14. Miscellaneous.

- (a) This Agreement constitutes the entire agreement and understanding of the parties hereto, and supersedes any and all previous agreements and understandings, whether oral or written, between the parties with respect to the matters set forth herein.
- (b) Any notice or communication permitted or required hereunder shall be in writing and shall be deemed sufficiently given if hand-delivered via courier or overnight service or sent (i) postage prepaid by registered mail, return receipt requested, to the respective parties as set forth below, or to such other address as either party may notify the other of in writing:

If to ACP, Inc. to: Robert J. Bertoldi, President
 Amphion Capital Partners LLC
 330 Madison Avenue, 31st Floor
 New York, NY 10017

If to AXCESS, to: Allan Griebenow, CEO
 Axcoss International, Inc.
 3280 Commander Drive
 Carrollton, TX 75006

(c) This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors, legal representatives and assigns.

(d) AXCESS represents that it has the power to enter into this Agreement and to carry out its obligations hereunder. This Agreement constitutes the valid and binding obligation of AXCESS and is enforceable in accordance with its terms. AXCESS further represents that this Agreement does not conflict with or breach any agreement to which it is subject or by which it is bound.

(e) This Agreement may be executed in any number of counterparts, each of which together shall constitute one and the same original document.

(f) No provision of this Agreement may be amended, modified or waived, except in writing and signed by all of the parties hereto.

(g) This Agreement shall be construed in accordance with and governed by the laws of the State of Texas, without giving effect to its conflict of law principles. The parties hereby agree that any dispute between them arising out of or in connection with this Agreement shall be adjudicated before a court located in Collin County, Texas, and they hereby submit to the exclusive jurisdiction of the courts of the State of Texas.

(h) AXCESS hereby acknowledges that it shall bear the burden of proof in any action or proceeding involving a claim by ACP to any Additional Compensation due hereunder arising out of any Compensable Event involving a third party claimed by ACP to have been originally introduced to AXCESS by ACP.

(i) Whenever used in this agreement, Company shall include its officers, directors, employees, agents, associates, affiliates, subsidiaries, successors and assigns.

If the foregoing correctly sets forth the understanding between ACP and AXCESS with respect to the foregoing, please so indicate by signing in the place provided below, at which time this Agreement shall become a binding agreement.

Axcoss International, Inc.
By: /S/ Allan Griebenow
President

Accepted and Agreed:
Amphion Capital Partners LLC
By: /S/ Robert J. Bertoldi

ACCESS INTERNATIONAL, INC.
CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS

This Code of Ethics applies to the Chief Executive Officer, Chief Financial Officer, and any Principal Accounting Officer or Controller (“Senior Financial Officers”) of Access International, Inc. (the “Company”). Its purpose is to promote honest and ethical conduct and compliance with the law, particularly as related to the maintenance of the Company’s financial records and the preparation of financial statements filed with the Securities and Exchange Commission (the “SEC”).

General Principles

Senior Financial Officers are expected to carry out their responsibilities honestly and with integrity, exercising at all times their best independent judgment.

1. ***Conflict of Interests.*** Senior Financial Officers must avoid situations in which their own interests conflict, or may appear to conflict, with the interests of the Company. A conflict of interest can arise when a Senior Financial Officer takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest also arise when a Senior Financial Officer, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Company. In any case in which a Senior Financial Officer finds himself or herself with an actual or apparent material conflict of interest, he or she must properly disclose it to the Company’s counsel, who will review the transaction or relationship. If Company’s counsel determines that a material conflict does exist, he or she will refer the matter to the Audit Committee of the Board of Directors, which shall determine how the situation should be resolved. In furtherance of the foregoing, no Senior Financial Officer may:
 - (a) compete, directly or indirectly, with or against the Company;
 - (b) work for or receive payments for services from any competitor, customer, distributor or supplier of the Company;
 - (c) receive compensation in connection with services performed relating to any transaction entered into by the Company, other than compensation received in the ordinary course of employment by the Company;
 - (d) take or otherwise appropriate for his or her personal benefit, or for the benefit of any other person or enterprise, any opportunity or potential opportunity that arises or may arise in any line of business in which the Company or any Company subsidiary engages or is considering engaging, without first notifying and obtaining the written approval of the Audit Committee;
 - (e) hold, or have any immediate family member who holds, any interest in any corporation or entity that directly or indirectly competes with the Company or any division or affiliate;
 - (f) accept gifts of more than a nominal value from any customer or supplier; or
 - (g) provide a gift to any person or entity that would violate any law.

2. ***Full, Fair, and Timely Disclosure.*** Senior Financial Officers are responsible for assuring full, fair, accurate, timely and understandable disclosure of relevant financial information to shareholders and investors. In particular, they are responsible for assuring that the Company complies with the federal securities laws governing disclosure of financial information, and for assuring that press releases and communications with investors and securities analysts are fair and accurate. Accordingly, it is the responsibility of each of the Senior Financial Officers to promptly bring to the attention of the Company’s counsel and to the Audit Committee any credible information of which he or she becomes aware, that would place in doubt the accuracy or completeness, in any material respect, of any disclosures of which he or she is aware, that have been made or are to be made, whether directly or indirectly by the Company, in any public SEC filing or submission, or any other formal or informal public communication, whether written or oral (including but not limited to a press release).

Additionally, each Senior Financial Officer is responsible for promptly bringing to the attention of the Company’s counsel and the Audit Committee any credible information of which he or she becomes aware that indicates any deficiency in the Company’s internal control over financial reporting within the meaning of Section 404 of the Sarbanes-Oxley Act and the SEC’s implementing rules, and/or the Company’s disclosure controls and procedures for preparing SEC reports or other public communications as mandated by Section 302 of the Sarbanes-Oxley Act and the SEC’s implementing rules, even if a materially inaccurate or incomplete

disclosure by or on behalf of the Company has not resulted or is not expected imminently to result from such deficiency.

Each Senior Financial Officer is reminded, moreover, that the Company is required by law and this Code of Ethics to keep books and records that accurately and fairly reflect its business operations, its acquisition and disposition of assets and its incurrence of liabilities, as part of a system of internal accounting controls that will ensure the reliability and adequacy of these books and records and that will ensure that access to Company assets is granted only as permitted by Company policies.

Among other things, Senior Financial Officers shall:

- (a) establish and maintain internal controls and procedures and disclosure controls and procedures designed to assure that financial information is recorded, processed and transmitted to those responsible for preparing periodic reports and other public communications containing financial information so that they are complete, accurate and timely;
- (b) oversee the appropriate personnel to help ensure that the internal controls and procedures and disclosure controls and procedures are being followed;
- (c) carefully review each periodic report for accuracy and completeness before it is filed with the SEC and carefully review each public communication containing financial information before it is released;
- (d) never create or maintain secret or unrecorded funds, assets, or accounts, or intentionally make a payment or approve an invoice, expense report or other document that is incorrect, misleading or inaccurate; and
- (e) comply at all times with applicable government laws, rules and regulations.

3. **Compliance with the Code of Ethics.** Senior Financial Officers should promptly bring to the attention of the Audit Committee or the full Board of Directors:

- (a) any matters that could compromise the integrity of the Company's financial reports;
- (b) any disagreements with respect to any material accounting matter; and
- (c) any violation of this Code of Ethics or of any law or regulation related to the Company's accounting or financial affairs.

4. **Whistleblowers.** No Senior Financial Officer may discharge, demote, suspend, threaten, harass, or in any other manner discriminate against an employee in the terms and conditions of employment because of any lawful act done by the employee (1) to provide information, cause information to be provided, or otherwise assist in an investigation regarding any conduct that the employee reasonably believes constitutes a violation of law, including any rule or regulation of the SEC, or any provision of federal law relating to fraud against shareholders or (2) to file, cause to be filed, testify, participate in, or otherwise assist in a proceeding filed or about to be filed (with any knowledge of the employer) relating to an alleged violation of law, including any rule or regulation of the SEC, or any provision of federal law relating to fraud against shareholders.

5. **Independent Auditors.** Senior Financial Officers are prohibited from directly or indirectly taking any action to fraudulently influence, coerce, manipulate or mislead the Company's independent public auditors for the purpose of rendering the financial statements of the Company misleading.

6. **Amendment or Waiver.** The Board of Directors shall approve any waiver of or amendment to this Code of Ethics, and any such waiver or amendment shall be disclosed promptly, as required by law or SEC regulation.

7. **Sanctions for Violation.** A failure by any Senior Financial Officer to comply with the laws or regulations governing the Company's business, this Code of Ethics, or any other Company policy or requirement may result in disciplinary action, including immediate termination and, if warranted, legal proceedings. The Audit Committee will investigate violations and appropriate action will be taken in the event of any violations of this Code of Ethics.

Dated and approved by the Board of Directors on this 26th day of March 2004.

ACCESS INTERNATIONAL INC.
SUBSIDIARIES OF THE COMPANY

Name of Subsidiary -----	State of Incorporation -----
Sandia Imaging Systems Corporation	Delaware

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements Nos. 33-42214, 33-98160, 333-80857 and 333-80843 on Form S-8 of Axxess International Inc. of our report dated January 21, 2005, with respect to the consolidated financial statements of Axxess International Inc. as December 31, 2004 and 2003 and for the years then ended included in its Annual Report (Form 10-KSB) for the year ended December 31, 2004.

/s/ Hein & Associates LLP

March 30, 2005
Dallas, Texas

**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 annual report on Form 10-KSB of Axxess International, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 annual 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 annual report (the "Evaluation Date"); and
 - c) presented in this annual 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 annual 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: March 31, 2005

/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 annual report on Form 10-KSB of Axxess International, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 annual 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 annual report (the "Evaluation Date"); and
 - c) presented in this annual 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 annual 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: March 31, 2005

/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 Annual Report of AXCESS International Inc. (the “*Company*”) on Form 10-KSB for the period ended December 31, 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: March 31, 2005

**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 Annual Report of AXCESS Inc. (the “*Company*”) on Form 10-KSB for the period ended December 31, 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: March 31, 2005

ACCESS INTERNATIONAL, INC. AUDIT COMMITTEE CHARTER

Organization

This charter governs the operations of the audit committee. The committee shall review and reassess the charter at least annually and obtain the approval of the board of directors. The committee shall be appointed by the board of directors and shall comprise at least three directors, each of whom are independent of management and the Company. Members of the committee shall be considered independent if they have no relationship that may interfere with the exercise of their independence from management and the Company. All committee members shall be financially literate, [or shall become financially literate within a reasonable period of time after appointment to the committee,] and at least one member shall have accounting or related financial management expertise.

Statement of Policy

The audit committee shall provide assistance to the board of directors in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, and the legal compliance and ethics programs as established by management and the board. In so doing, it is the responsibility of the committee to maintain free and open communication between the committee, independent auditors, the internal auditors and management of the Company. In discharging its oversight role, the committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to retain outside counsel, or other experts for this purpose.

Responsibilities and Processes

The primary responsibility of the audit committee is to oversee the Company's financial reporting process on behalf of the board and report the results of their activities to the board. Management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing those financial statements. The committee in carrying out its responsibilities believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

The following shall be the principal recurring processes of the audit committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the committee may supplement them as appropriate.

- The committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the board and the audit committee, as representatives of the Company's shareholders. The committee shall have the ultimate authority and responsibility to evaluate and, where appropriate, recommend the replacement of the independent auditors. The committee shall discuss with the auditors their independence from management and the Company and the matters included in the written disclosures required by the Independence Standards Board. Annually, the committee shall review and recommend to the board the selection of the Company's independent auditors, subject to shareholders' approval.
- The committee shall discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits including the adequacy of staffing and compensation. Also, the committee shall discuss with management, the internal auditors, and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's system to monitor and manage business risk, and legal and ethical compliance programs. Further, the committee shall meet separately with the internal auditors and the independent auditors, with and without management present, to discuss the results of their examinations.
- The committee shall review the interim financial statements with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, the committee shall discuss the results of the quarterly review and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards. The chair of the committee may represent the entire committee for the purposes of this review.
- The committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the committee shall discuss the results of the annual audit and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards.

ACCESS INTERNATIONAL, INC.
NOMINATING AND GOVERNANCE COMMITTEE CHARTER

Purpose

The Nominating and Governance Committee of the Board of Directors will monitor the composition of the Board and, when appropriate, seek, screen and recommend for nomination qualified candidates for election to the Board of Directors at the Corporation's Annual Meeting of Stockholders. In addition, the Nominating and Governance Committee will seek qualified candidates to fill vacancies on the Board of Directors subject to appointment by the Board of Directors. The Nominating and Governance Committee will also evaluate the Board's structure and practices and, when appropriate, recommend new policies to the full Board. Finally, the Nominating and Governance Committee will periodically review succession planning with respect to the Chief Executive Officer and other key executive officers.

Membership

The Nominating and Governance Committee shall be elected by the Board of Directors and may be removed by the Board of Directors. The Nominating and Governance Committee will consist of a minimum of two members of the Board of Directors, each of whom shall be an "independent director." Members of the committee shall be considered independent if they have no relationship that may interfere with the exercise of their independence from management and the Company.

Role and Responsibilities

The responsibilities of the Nominating and Governance Committee include:

1. Reviewing Board structure, composition, and practices, and making recommendations on these matters to the Board.
2. Reviewing, soliciting and making recommendations to the Board of Directors and stockholders of the Corporation with respect to candidates for election to the Board of Directors.
3. Reviewing Board Committee composition and practices and making recommendations on these matters to the Board.
4. Reviewing succession planning for the Chief Executive Officer and other key executive officers.
5. Performing such other tasks as may be authorized by the Board of Directors.

The Nominating and Governance Committee shall have the sole authority to retain special legal, accounting or other consultants, including search firms, to advise the Nominating and Governance Committee. The Nominating and Governance Committee may request any officer or employee of the Company or the Company's outside counsel to attend a meeting of the Nominating and Governance Committee or to meet with any members of, or consultants to, the Nominating and Governance Committee.

Meetings

The Nominating and Governance Committee will meet as often as the members shall determine to be necessary or appropriate but at least one time during each year. Reports of meetings of the Nominating and Governance Committee shall be made to the Board of Directors at its next regularly scheduled meeting following the Nominating and Governance Committee meeting, accompanied by any recommendations to the Board of Directors approved by the Nominating and Governance Committee.

Dated and approved by the Board of Directors on this 22nd day of February 2005.

ACCESS INTERNATIONAL, INC. WHISTLEBLOWER POLICY

Purpose

This policy establishes standards and procedures to ensure that complaints and concerns (each an "Allegation") regarding the Access International Inc. ("Company") operations, conduct and reporting are handled in a manner that complies with management's and the Audit Committee's objectives. In addition, this policy:

- establishes guidance for the receipt, retention, and treatment of verbal or written reports received by the Company regarding accounting, internal controls, auditing matters, disclosure, fraud and unethical business practices, whether submitted by Company employees or third parties ("Allegation"), and
- establishes guidance for providing Company employees a means to make Reports in a confidential and anonymous manner, and
- makes clear the Company's intention to discipline, up to and including termination of employment, any person determined to have engaged in retaliatory behavior,

pursuant to Section 301 of the Sarbanes-Oxley Act of 2002 and Rule 10A-3 under the Securities Exchange Act of 1934.

Receipt

This policy and information regarding problem resolution resources shall be provided to the Company's employees and made generally available through the Company website and / or intranet. The Company has designated the Chairman of the Audit Committee of the Board of Directors to be the recipients of all the Allegations. Any Allegation received by a Company officer, director, or employee from a Company or non-Company source should be immediately forwarded to Chairman of the Audit Committee.

Procedures

The Audit Committee shall receive, retain, investigate, document and act on all Allegations concerning accounting, internal accounting controls and auditing matters and other unethical or illegal business conduct. In addition the Audit Committee shall receive and oversee the handling and disposition of all Allegations regarding improper conduct towards employees and violations of Company policies, laws or regulations regarding harassment, discrimination, affirmative action and health and safety issues.

The Audit Committee shall determine whether the Audit Committee, the Company's Outside Counsel or management should investigate an Allegation, taking into account the following considerations, in addition to any other factors that the Audit Committee deems appropriate under the circumstances:

- i. Who is the alleged wrongdoer?
- ii. How serious is the alleged wrongdoing?
- iii. How credible is the allegation of wrongdoing?

If the Audit Committee determines that management should investigate the Allegation, the Audit Committee will notify the Chief Executive Officer in writing of that conclusion. Management, under the guidance of the CEO, shall promptly thereafter investigate the Allegation and shall report the results of its investigation, in writing, to the Audit Committee. Management shall be free in its discretion to engage outside auditors, counsel or other experts to assist in the investigation and in the analysis of results.

If the Audit Committee determines that Outside Counsel should investigate the Allegation, the Audit Committee will notify the Outside Counsel in writing of that conclusion. The Outside Counsel shall promptly thereafter investigate the Allegation and shall report the results of the investigation, in writing, to the Audit Committee. The Outside Counsel shall be free in his or her discretion to engage outside auditors, counsel or other experts to assist in the investigation and in the analysis of results.

If the Audit Committee determines that it should investigate the Allegation, the Audit Committee shall promptly determine what professional assistance, if any, it needs in order to conduct the investigation. The Audit Committee shall be free in its discretion to engage outside auditors, counsel or other experts to assist in the investigation and in the analysis of results. The

Audit Committee shall investigate and document the Allegation with the assistance of the Company's Chief Financial Officer, if any, who shall report to and be solely under the direction of the Audit Committee.

Prompt and corrective action will be taken when and as warranted in the judgment of the Audit Committee.

Delegation of Authority With In the Audit Committee

At the discretion of the Audit Committee, responsibilities of the Audit Committee created by these procedures may be delegated to any member of the Audit Committee or to a subcommittee of the Audit Committee and / or Board.

Interpretation

The Audit Committee, in consultation with outside counsel shall have the authority to make interpretations regarding the operation of this Policy.

Retaliation

Retaliation against any employee that files a Report or voices a concern under this policy is strictly prohibited. Employees determined to have engaged in retaliatory behavior or who fail to maintain an employee's anonymity if requested may be subject to discipline, which could include termination of employment. Any employee who feels that he or she has been subjected to any behavior that violates this policy should immediately report such behavior to his or her supervisor, Chief Executive Officer, Chief Financial Officer or the Chairman of the Audit Committee. Please note however, that employees who knowingly file misleading or false reports, or without a reasonable belief as to truth or accuracy, will not be protected by this policy and may be subject to discipline, including termination of employment.

Audit Committee Review of Reports

A summary of reports received under this policy will be communicated to the Board on a quarterly basis (or a more frequent basis should conditions warrant more timely action).

Reporting Allegations

Anyone may forward Allegations on a confidential or anonymous basis to the Audit Committee by writing to the Audit Committee c/o Axxess International Inc., 3208 Commander Drive, Carrollton, Texas 75006 or by calling the following hotline: 972-407-6080 ext. 237. The Audit Committee, in its discretion, may appoint a representative to monitor receipt of Allegations.

Dated and approved by the Board of Directors on this 22nd day of February 2005.