

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

FORM 10-QSB

(Mark One)

Quarterly report pursuant to Sections 13 or 15(d) of the Securities
Exchange Act of 1934

For the quarterly period ended March 31, 2003

Transition report pursuant to Sections 13 or 15(d) of the Securities
Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 0-24431

InkSure Technologies Inc.
(Exact Name of Small Business Issuer as Specified in Its Charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

84-1417774
(I.R.S. Employer
Identification No.)

32 Broadway, Suite 1314, New York, NY 10004
(Address of Principal Executive Offices, Including Zip Code)

(212) 269-0370
(Issuer's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year,
if Changed Since Last Report)

The number of shares outstanding of our Common Stock, \$0.01 par value per share, as of March 31, 2003, was 11,982,166 shares.

Transitional Small Business Disclosure Format (check one):

Yes No

InkSure Technologies Inc.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

| | March 31, 2003 <u>Unaudited</u> | December 31, 2002 |
|--|--|----------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 486 | \$ 213 |
| Short-term deposits | 3,274 | 4,063 |
| Trade receivables | - | 730 |
| Other accounts receivable and prepaid expenses | 309 | 226 |
| Inventories | 88 | 88 |
| <u>Total current assets</u> | <u>4,157</u> | <u>5,320</u> |
| SEVERANCE PAY FUND | 84 | 71 |
| PROPERTY AND EQUIPMENT, NET | 350 | 356 |
| OTHER ASSETS, NET | 400 | 418 |
| <u>Total assets</u> | <u>\$ 4,991</u> | <u>\$ 6,165</u> |

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share data)

| | March 31, 2003 <u>Unaudited</u> | December 31, 2002 |
|--|--|----------------------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Trade payables | \$ 199 | \$ 470 |
| Employees and payroll accruals | 135 | 110 |
| Accrued expenses and other liabilities | 153 | 280 |
| <u>Total current liabilities</u> | <u>487</u> | <u>860</u> |
| ACCRUED SEVERANCE PAY | <u>93</u> | <u>75</u> |
| STOCKHOLDERS' EQUITY: | | |
| Stock capital: | | |
| Preferred stock of \$ 0.01 par value: | | |
| Authorized: 10,000,000 stocks at March 31, 2003 and December 31, 2002; Issued and outstanding: 0 stocks at March 31, 2003 and December 31, 2002 | | |
| Common stock of \$ 0.01 par value - | | |
| Authorized: 35,000,000 stocks at March 31, 2003 and December 31, 2002; Issued and outstanding: 11,982,166 stocks at March 31, 2003 and December 31, 2002 | | |
| | 119 | 119 |
| Additional paid-in capital | 9,741 | 9,741 |
| Accumulated other comprehensive income | 118 | 118 |
| Accumulated deficit | (5,567) | (4,748) |
| <u>Total stockholders' equity</u> | <u>4,411</u> | <u>5,230</u> |
| <u>Total liabilities and stockholders' equity</u> | <u>\$ 4,991</u> | <u>\$ 6,165</u> |

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands (except share and per share data)

| | Three months ended | |
|--|--------------------|------------------|
| | March 31, | |
| | 2003 | 2002 |
| | Unaudited | |
| Revenues | \$ - | \$ 1,059 |
| Cost of revenues | - | 186 |
| Gross profit | - | 873 |
| Operating expenses: | | |
| Research and development | 290 | 160 |
| Selling and marketing, net | 378 | 370 |
| General and administrative | 173 | 122 |
| <u>Total operating expenses</u> | <u>841</u> | <u>652</u> |
| Operating income (loss) | (841) | 221 |
| Financial expenses (income), net | (22) | 1 |
| Net income (loss) | (819) | 220 |
| Redeemable Preferred A shares deemed dividend | - | (200) |
| Net income (loss) applicable to Common stockholders | <u>\$ (819)</u> | <u>\$ 20</u> |
| Weighted average number of Common shares used in computing basic and diluted net loss per share | <u>11,982,166</u> | <u>5,808,822</u> |
| Basic and diluted net income (loss) per share | <u>\$ (0.07)</u> | <u>\$ -</u> |

The accompanying notes are an integral part of the consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

| | Share capital | Receipts on account of shares | Additional paid-in capital | Deferred stock compensation | Accumulated other comprehensive income | Accumulated deficit | Total shareholders' equity (deficiency) |
|---|------------------|-------------------------------------|----------------------------------|-----------------------------------|---|------------------------|--|
| Balance as of January 1, 2002 | \$ 57 | \$ 250 | \$ 1,997 | \$ (61) | \$ 118 | \$ (3,927) | \$ (1,566) |
| Issuance of Common stock and warrants, net | 48 | (250) | 5,972 | - | - | - | 5,770 |
| Issuance of Common stock due to the reverse acquisition, net | 14 | - | 153 | - | - | - | 167 |
| Capital surplus in respect of transaction between InkSure Delaware and Supercom Ltd. | - | - | 1,480 | - | - | - | 1,480 |
| Reversal of deferred compensation due to forfeiture of stock options to employees | - | - | (61) | 61 | - | - | - |
| Deemed dividend upon conversion of Common stock to Redeemable Preferred A shares | - | - | 200 | - | - | (200) | - |
| Net loss | - | - | - | - | - | (621) | (621) |
| Balance as of December 31, 2002 | 119 | - | 9,741 | - | 118 | (4,748) | 5,230 |
| Net loss | - | - | - | - | - | (819) | (819) |
| Balance as of March 31, 2003 (unaudited) | <u>\$ 119</u> | <u>\$ -</u> | <u>\$ 9,741</u> | <u>\$ -</u> | <u>\$ 118</u> | <u>\$ (5,567)</u> | <u>\$ 4,411</u> |

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

| | Three months ended | |
|--|---------------------------|-------------|
| | March 31, | |
| | 2003 | 2002 |
| | Unaudited | |
| <u>Cash flows from operating activities:</u> | | |
| Net income (loss) | \$ (819) | \$ 220 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 38 | 34 |
| Accrued severance pay, net | 5 | (4) |
| Decrease (increase) in trade receivables | 722 | 128 |
| Increase in other accounts receivable and prepaid expenses | (75) | (1) |
| Decrease in inventories | - | 135 |
| Increase (decrease) in trade payables | (271) | (117) |
| Increase (decrease) in employees and payroll accruals | 25 | (73) |
| Decrease in accrued expenses and other liabilities | (127) | (253) |
| Accumulated interest on short-term deposits | (20) | - |
| | <u>(522)</u> | <u>69</u> |
| <u>Cash flows from investing activities:</u> | | |
| Purchase of property and equipment | (14) | (2) |
| Investment in short-term deposits | - | - |
| Proceeds from short-term deposits | 809 | - |
| | <u>795</u> | <u>(2)</u> |
| <u>Cash flows from financing activities:</u> | | |
| Short-term bank credit, net | - | (184) |
| Proceeds from issuance of Common stock and warrants, net | - | 81 |
| Principal payment of long-term loans from related party | - | (50) |
| Proceeds from issuance of Redeemable Preferred A shares | - | 150 |
| Cash received in connection with reverse acquisition | - | - |
| | <u>-</u> | <u>(3)</u> |
| Net cash provided by (used in) operating activities | <u>(522)</u> | <u>69</u> |
| Net cash provided by (used in) investing activities | <u>795</u> | <u>(2)</u> |
| Net cash provided by (used in) financing activities | <u>-</u> | <u>(3)</u> |
| Increase in cash and cash equivalents | 273 | 64 |
| Cash and cash equivalents at the beginning of the period | <u>213</u> | <u>2</u> |
| Cash and cash equivalents at the end of the period | \$ 486 | \$ 66 |

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

| | Three months ended | |
|---|---------------------------|-------------|
| | March 31, | |
| | 2003 | 2002 |
| | Unaudited | |
| <u>Non-cash transactions:</u> | | |
| In respect of transaction between the Company and Supercom Ltd. | \$ - | \$ 1,480 |
| Conversion of Common stock into Redeemable Preferred A shares | \$ - | \$ 1,000 |
| <u>Supplemental disclosure of cash flows information:</u> | | |
| Cash paid during the period for: | | |
| Interest | \$ - | \$ 8 |

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1: GENERAL

InkSure Technologies Inc. and its subsidiaries (formerly: Lil Marc. Inc.) ("the Company") was incorporated under the laws of the state of Nevada on April 22, 1997. The Company specializes in comprehensive security solutions, designed to protect branded products and documents of value from counterfeiting, fraud and diversion.

The Company conducts its operations and business with and through its direct and indirect subsidiaries, InkSure Inc., a Delaware corporation incorporated in March 2000; IST Operating Inc., a Delaware corporation, incorporated in May 2000 (formerly: Insure Technologies Inc.); InkSure Ltd., which was incorporated in December 1995 under the laws of Israel and InkSure RF Inc. a Delaware corporation incorporated in March 2002 (as of March 31, 2003 InkSure RF Inc. is inactive).

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2002, are applied consistently in these financial statements. In addition, the following accounting policy is applied:

Accounting for stock-based compensation:

The Company has elected to follow Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB No. 25") and FASB Interpretation No. 44 "Accounting for Certain Transactions Involving Stock Compensation" ("FIN No. 44") in accounting for its employee stock option plans. Under APB No. 25, when the exercise price of the Company's stock options is less than the market price of the underlying shares on the date of grant, compensation expense is recognized.

Under Statement of Financial Accounting Standard No. 123, "Accounting for Stock Based Compensation" ("SFAS No. 123"), pro forma information regarding net loss and loss per share is required, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that statement. The fair value for these options was estimated at the date of grant using a Black-Scholes Option Valuation Model with the following weighted-average assumptions for three months ended March 31, 2003 and 2002: risk-free interest rate of 2% for each period, with dividend yields of 0% for each period, volatility factors of the expected market price of the Company's Common stock of 0.99 and 0.5, and a weighted-average expected life of the options of 3 and 5 years. Stock compensation, for pro-forma purposes, is amortized over the vesting period.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following table illustrates the effect on net income (loss) and earnings (loss) per share as if the fair value method had been applied to all outstanding and unvested awards in each period:

| | Three months ended | |
|---|---------------------------|------------------|
| | March 31, | |
| | 2003 | 2002 |
| | Unaudited | |
| Net income (loss), as reported | \$ (819) | \$ 20 |
| Deduct: Total stock-based compensation expense determined under fair value method for all awards | <u>(69)</u> | <u>(165)</u> |
| Pro forma net loss | <u>\$ (888)</u> | <u>\$ (145)</u> |
| Basic and diluted net earnings (loss) per share, as reported | <u>\$ (0.07)</u> | <u>\$ -</u> |
| Basic and diluted net loss per share, pro forma | <u>\$ (0.07)</u> | <u>\$ (0.03)</u> |

NOTE 3: UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ended December 31, 2003.

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

In this section, “Management’s Discussion and Analysis or Plan of Operation,” references to “we,” “us,” “our,” and “ours” refer to InkSure Technologies, Inc. and its consolidated subsidiaries.

This Quarterly Report on Form 10-QSB contains statements that may constitute “forward-looking statements” within the meaning, and made pursuant to the Safe Harbor provisions, of the Private Securities Litigation Reform Act of 1995. Such statements are based on management’s current expectations and are subject to a number of risks and uncertainties, including, but not limited to, the difficulty inherent in operating an early-stage company in a new and rapidly evolving market, market and economic conditions, the impact of competitive products, product demand and market acceptance risks, changes in product mix, costs and availability of raw materials, fluctuations in operating results, delays in development of highly complex products, risk of customer contract or sales order cancellations and other risks detailed from time to time in our filings with the Securities and Exchange Commission. These risks and uncertainties could cause our actual results to differ materially from those described in the forward-looking statements. Any forward-looking statement represents our expectations or forecasts only as of the date it was made and should not be relied upon as representing its expectations or forecasts as of any subsequent date. Except as required by law, we undertake no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, even if our expectations or forecasts change.

The following discussion and analysis should be read in conjunction with the financial statements, related notes and other information included in this Quarterly Report on Form 10-QSB.

Overview

On October 28, 2002, a wholly owned subsidiary of Lil Marc, Inc. merged with and into InkSure Technologies, Inc., a Delaware corporation (“InkSure Delaware”) and InkSure Delaware became a wholly-owned subsidiary of Lil Marc in a transaction accounted for as a reverse acquisition of Lil Marc by InkSure Delaware. Prior to the reverse merger, Lil Marc was a non-operating public shell corporation with nominal assets. Following the reverse merger, the management of InkSure Delaware controlled the merged company and the principal shareholders of InkSure Delaware became principal shareholders of the merged company. Following the closing of the reverse merger, Lil Marc changed its name to InkSure Technologies Inc. As a result of the reverse merger transaction, InkSure Delaware changed its name to IST Operating Inc. and continued as an operating entity and as our wholly owned subsidiary, and the historical financial statements of InkSure Delaware replaced those of Lil Marc.

A. RESULT OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes. The financial statements have been prepared in accordance with US Generally Accepted Accounting Principles, or GAAP.

This discussion contains forward-looking statements that involve risks and uncertainties.

Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors.

Critical Accounting Policies

Our financial statements are prepared in accordance with US GAAP. The significant accounting policies followed in the preparation of the financial statements, applied on a consistent basis and which have been prepared in accordance with the historical cost convention, are set forth in Note 2 to the Consolidated Financial Statements.

Of these significant accounting policies, certain policies may be considered critical because they are most important to the portrayal of our financial condition and results, and they require management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue recognition. We derive revenues from the selling of security inks and readers by utilizing a combination of our own sales personnel, strategic alliances and licenses with intermediaries. Revenues from product sales are recognized in accordance with Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements", ("SAB No. 101"), when delivery has occurred, persuasive evidence of an agreement exists, the vendor's fee is fixed or determinable, no further obligation exists and collectability is probable. When a right of return exists, we defer revenues until the right of return expires. We do not grant a right of return to our customers. Revenues we receive from licenses to market and utilize our technologies are recognized over the term of the license agreement.

Inventories. Inventories are stated at the lower of cost or net realizable value. Cost is determined by calculating raw materials, work in process and finished products using the "first in, first out" method.

Three Months Ended March 31, 2003 Compared with Three Months Ended March 31, 2002

Revenue. Revenue consists of gross sales of products less discounts and refunds and costs associated with technology transfer. We are currently concentrating on entering and implementing large-scale projects. These potential contracts are subject to a long sales cycle and fluctuated timetable for entering and implementing such projects. This affected our results for the three months ended March 31, 2003, where we had no revenue, compared to \$1,059,000 in the three months ended March 31, 2002. Revenue in the three months ended March 31, 2002 consisted primarily of the first shipments and implementation of the transportation project in Turkey. Revenues from this agreement were \$569,000 for the three months ended March 31, 2002.

Revenue from the agreement with Westvaco Brand Security was \$ 382,000 for the three months ended March 31, 2002. The agreement expired on December 31, 2002.

Cost of Revenue. Our cost of revenue consists of materials, sub-contractors and compensation costs. We had no cost of revenue in the three months ended March 31, 2003, compared to \$186,000 in the three months ended March 31, 2002. Cost of revenue in the three months ended March 31, 2002 was in connection with the initiation of our transportation project in Turkey.

Research and Development Expenses. Research and development expenses consist primarily of compensation costs attributable to employees engaged in ongoing research and development activities, development-related raw materials and sub-contractors, and other related costs. Research and development expenses increased by \$130,000, or 81%, to \$290,000 in the three months ended March 31, 2003 from \$160,000 in the three months ended March 31, 2002.

Selling and Marketing Expenses. Selling and marketing expenses consist primarily of costs relating to compensation attributable to employees engaged in sales and marketing activities, promotion, advertising, trade shows and exhibitions, sales support, travel, commissions and related expenses. Selling and marketing expenses increased by \$8,000, or 2%, to \$378,000 in the three months ended March 31, 2003 from \$370,000 in the three months ended March 31, 2002. We believe that the significant investment in pre-sales and marketing activities will contribute to our short-term and long-term sales levels.

General and Administrative Expenses. General and administrative expenses consist primarily of compensation costs for administration, finance and general management personnel, insurance, legal, accounting and administrative costs. General and administrative expenses increased by \$51,000, or 42%, to \$173,000 in the three months ended March 31, 2003 from \$122,000 in the three months ended March 31, 2002. This increase was primarily a result of the merger and the higher insurance, legal and accounting costs related to our being a public company.

Financial Income, Net. Financial income, net increased by \$23,000, to \$22,000 in the three months ended March 31, 2003 from \$(1,000) in the three months ended March 31, 2002. This increase was due to the interest earned on our short-term deposits.

Net loss from Continued Operations. We had a net loss of \$819,000 in the three months ended March 31, 2003, compared with a net income of \$220,000 in the three months ended March 31, 2002. The increase in net loss in the three months ended March 31, 2003 in comparison with the three months ended March 31, 2002 is attributable

to the various influences described above, which resulted in us having no revenue in the three months ended March 31, 2003.

B. LIQUIDITY AND CAPITAL RESOURCES

We have incurred substantial losses since our inception in May 2000. We had an accumulated deficit of approximately \$5,567,000 at March 31, 2003, and had a working capital (current assets less current liabilities) of approximately \$3,670,000 at March 31, 2003.

Capital expenditures were approximately \$14,000 in the three months ended March 31, 2003 and \$2,000 in the three months ended March 31, 2002. We do not have any material commitments for capital expenditures for the year ending December 31, 2003.

At March 31, 2003, we had cash, cash equivalents and short-term deposits of approximately \$3,760,000 (\$66,000 in 2002); \$0 short-term bank credit (\$226,000 in 2002) and a \$0 in principal and interest outstanding under a long-term loan from a former related party (\$200,000 in 2002). The differences from March 31, 2003 to March 31, 2002 in the three amounts stated above are due to amounts raised in the InkSure Delaware offering, the paying off of all short-term bank credit following the InkSure Delaware offering and the related party's cancellation of the loan following our payment of \$200,000 to such related party, respectively.

We generated negative cash flow from operating activities of approximately \$522,000 in the three months ended March 31, 2003 compared to positive cash flow of \$69,000 in the three months ended March 31, 2002.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

We believe that our future success will depend upon our ability to enhance our existing products and systems and introduce new commercially viable products and systems addressing the demands of the evolving markets for brand and document protection. As part of the product development process, we work closely with current and potential customers, distribution channels and leaders in certain industry segments to identify market needs and define appropriate product specifications. Our employees also participate in industry forums in order to stay informed about the latest industry developments.

Our research and development expenses were approximately \$290,000 in the three months ended March 31, 2003, compared to \$160,000 in the three months ended March 31, 2002. To date, all research and development expenses have been charged to operating expense as incurred.

We currently hold 6 pending patents on our technologies.

D. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Our contractual obligations and commitments at March 31, 2003 principally include obligations associated with our future-operating lease obligations. Our total future obligation is \$274,000 until 2008. We expect to finance these contractual commitments from cash on hand and cash generated from operations.

Item 3. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15d-14(c)) within 90 days of the date of this report on Form 10-QSB, have concluded that, based on such evaluation, our disclosure controls and procedures were adequate and effective to ensure that material information relating to us, including our consolidated subsidiaries, was made known to them by others within those entities, particularly during the period in which this Quarterly Report on Form 10-QSB was being prepared.

(b) Changes in Internal Controls. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation. Since there were no significant deficiencies or material weaknesses in our internal controls, no corrective actions were required or undertaken.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following exhibits are being filed with this Report:

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|---|
| 2.1 | Agreement and Plan of Merger, dated July 5, among the Company, LILM Acquisition, and InkSure Delaware (Incorporated by reference to the Company's Information Statement on Schedule 14C, filed with the Commission on October 8, 2002). |
| 3.1 | Certificate of Change in Number of Authorized Shares of Class and Series of the Company (Incorporated by reference to the Company's report filed on Form 8-K, filed with the Commission on November 11, 2002). |
| 3.2 | Certificate of Amendment of Articles of Incorporation of the Company (Incorporated by reference to the Company's report filed on Form 8-K, filed with the Commission on November 11, 2002). |
| 3.3 | Articles of Incorporation of the Company (Incorporated by reference to the Company's Form 10-SB, filed with the Commission on June 10, 1998). |
| 3.4 | Amendment to Bylaws of the Company. |
| 3.5 | By-Laws of the Company (Incorporated by reference to the Company's Form 10-SB, filed with the Commission on June 10, 1998). |
| 10.1 | 2002 Employee, Director and Consultant Stock Option Plan. |
| 10.2 | Employment Agreement, dated as of February 6, 2002, by and between the Company and Elie Housman. |
| 99.1 | Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

(b) Reports on Form 8-K

During the three months ended March 31, 2003, we filed no reports on Form 8-K.

SIGNATURES

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

Dated: As of May __, 2003

InkSure Technologies Inc.

By: _____
Eyal Bigon
Chief Financial Officer,
Secretary, and Treasurer
(Principal Financial and
Accounting Officer)

Dated: As of May __, 2003

By: _____
Yaron Meerfeld
Chief Executive Officer
(Principal Executive Officer)

I, Eyal Bigon, certify that:

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

Dated: May __, 2003

By: _____
Eyal Bigon
Chief Financial Officer,
Secretary, and Treasurer
(Principal Financial and
Accounting Officer)

I, Yaron Meerfeld, certify that:

5. I have reviewed this quarterly report on Form 10-QSB of InkSure Technologies Inc.;
6. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
7. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report.
8. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The 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 the 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 weakness in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May __, 2003

By: _____
Yaron Meerfeld
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 99.1

**Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of InkSure Technologies Inc., a Nevada corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-QSB for the period ended March 31, 2003 (the "Form 10-QSB") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-QSB fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May __, 2003

Yaron Meerfeld, Chief Executive Officer

Dated: May __, 2003

Eyal Bigon, Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.