

Edgar Filing: GSI TECHNOLOGIES USA INC /DE - Form 10QSB

GSI TECHNOLOGIES USA INC /DE
Form 10QSB
June 17, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(MARK ONE)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended APRIL 30, 2002.

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 0-31229

GSI TECHNOLOGIES USA INC.

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

Delaware

65-0902449

(State or other jurisdiction of incorporation or organization)

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

2001 McGill College Avenue, Suite 1310, Montreal, Quebec H3A 1G1 Canada

(Address of principal executive offices)

(514) 940-5262

(Issuer's Telephone Number, including Area Code)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 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 []

As of March 15th, 2002, there were 25,802,134 shares of the issuer's \$.001 par value common stock issued and outstanding

Transitional Business Disclosure Format (Check one): Yes [] No

INDEX TO FORM 10-QSB

For the Quarter Ended APRIL 30, 2002

PAGE

PART I. FINANCIAL INFORMATION

Edgar Filing: GSI TECHNOLOGIES USA INC /DE - Form 10QSB

| | |
|--|--------|
| Item 1. Financial Statements (Unaudited) | |
| Balance Sheet as of January 31st, 2002 | 3 |
| Statement of Operations for the Three Months ended January 31st, 2002 and 2001 | 4 |
| Statements of Cash Flows for Three Months Ended January 31st, 2002 and 2001 | 5 |
| Notes to Financial Statements for the three Months Ended January 31st, 2002. | 6 - 7 |
| Item 2. Management's Discussion and Analysis | 8 - 13 |
| PART II. OTHER INFORMATION | 14 |
| Item 1. Legal Proceedings | 14 |
| Item 2. Changes in Securities | 14 |
| Item 3. Defaults Upon Senior Securities | 14 |
| Item 4. Submission of Matters to a Vote of Security Holders | 14 |
| Item 5. Other Information | 15 |
| Item 6. Exhibits and Reports on Form 8-K | 15 |
| | 2 |

PART I - FINANCIAL INFORMATION

Item 1. Financial statements

GSI TECHNOLOGIES USA, INC.
BALANCE SHEET
AT APRIL 30, 2002
(UNAUDITED)

ASSETS

| | |
|--|-----------|
| Current Assets | |
| Receivables, net (principally related party) | 1 624 163 |
| | ----- |
| Total current assets | 1 624 163 |
| Property and equipment, net | 34 088 |
| Intangible assets, net | 236 089 |
| Other assets | 19 908 |
| | ----- |
| TOTAL ASSETS | 1 914 247 |
| | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Edgar Filing: GSI TECHNOLOGIES USA INC /DE - Form 10QSB

| | |
|---|--------------|
| Accounts payable | 857 032 |
| Notes Payable | 76 392 |
| Other current liabilities | 116 821 |
| | ----- |
| Total current liabilities | 1 050 246 |
| Stockholder's Equity | |
| Common Stock, class A, \$1.00 par value; authorized 5,000,000 shares; issued and outstanding none | - |
| Common Stock, class B, \$.001 par value; authorized 55,000,000 shares; issued and outstanding - 25,802,134 | 25 802 |
| Paid in Capital | 5 243 740 |
| Deficit accumulated during the development stage | (4 405 928) |
| Accumulated other comprehensive income | 388 |
| | ----- |
| Total Shareholder's Equity | 864 001 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | \$ 1 914 247 |
| | ===== |

Read the accompanying summary of significant accounting notes to financial statements, which are an integral part of this financial statement

3

GSI TECHNOLOGIES USA, INC.
STATEMENT OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2002 AND 2001
(UNAUDITED)

| | Three months ended April 30, | | Six months ended April | |
|---|---------------------------------|------------|---------------------------|-------|
| | 2002 | 2001 | 2002 | |
| | ----- | ----- | ----- | ----- |
| Revenues | \$ - | \$ 126 043 | \$ 23 750 | \$ |
| Cost of Sales | - | 60 343 | 10 634 | |
| Gross Profit | - | 65 700 | 13 116 | |
| Operating Expenses: | | | | |
| Marketing | 16 051 | 41 143 | 24 412 | |
| Management and administrative fees | 1 534 | 239 733 | 1 534 | |
| Salaries and related costs | - | 61 982 | 38 996 | |
| Rent | 13 703 | 9 853 | 51 426 | |
| Financing expense | - | 10 000 | - | |
| Professional fees | 2 457 | 10 255 | 9 029 | |
| Consulting | - | - | - | |
| Depreciation | 973 | 2 600 | 1 947 | |
| Amortization | 23 845 | 23 879 | 47 691 | |
| Travel | - | 29 001 | - | |
| Other selling, general and administrative | 17 737 | 54 404 | 45 841 | |
| | ----- | ----- | ----- | |
| Total operating expenses | 76 300 | 482 850 | 220 875 | |
| Loss before other income (expense) | (76 300) | (417 150) | (207 759) | |

Edgar Filing: GSI TECHNOLOGIES USA INC /DE - Form 10QSB

| | | | |
|--|------------|------------|------------|
| Other income (expense): | | | |
| Interest income (principally related party) | | 105 756 | |
| Interest expense (principally related party) | (4 417) | (106 566) | (8 759) |
| Foreign exchange gain/(loss) | (24 529) | - | (15 960) |
| Equity in net earnings (loss) of affiliates | - | 42 550 | - |
| | ----- | ----- | ----- |
| Total other income (expense) | (28 946) | 41 740 | (24 719) |
| | ----- | ----- | ----- |
| Net Loss | (105 246) | (375 410) | (232 479) |
| | ===== | ===== | ===== |
| Basic weighted average common shares outstanding | 20 788 768 | 20 595 223 | 20 689 767 |
| | ===== | ===== | ===== |
| Basic Loss per common share | \$ (0,01) | \$ (0,02) | \$ (0,01) |
| | ===== | ===== | ===== |

Read the accompanying summary of significant accounting notes to financial statements, which are an integral part of this financial statement

4

GSI TECHNOLOGIES USA, INC.
STATEMENT OF CASH FLOWS
FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2002 AND 2001
(UNAUDITED)

| | For the six months ended April 30, | |
|--|---------------------------------------|--------------|
| | 2002 | 2001 |
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income (Loss) | \$ (232 479) | \$ (600 856) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation and amortization | 49 638 | 51 588 |
| Issuance of stock for contract settlement | 38 996 | 5 000 |
| Accrued Interest Expense | 8 759 | 193 349 |
| Accrued Interest Income | | (194 462) |
| Equity in net earnings (loss) of affiliates | | (219 048) |
| Changes in Operating assets and liabilities: | | |
| Receivables and other assets | (4 871) | (134 472) |
| Accounts Payable and Accrued Liabilities | 133 939 | 189 630 |
| | ----- | ----- |
| Net cash provided by/(used in) operating activities | (6 019) | (709 271) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net cash provided by/(used in) investing activities | | |
| Loan Receivable, principally related parties | - | (655 743) |
| Purchase of property and equipment | - | (459) |

Edgar Filing: GSI TECHNOLOGIES USA INC /DE - Form 10QSB

| | | |
|--|---------|-----------|
| | ----- | ----- |
| Net cash provided by/(used in) investing activities | - | (656 202) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from: | | |
| Notes payable, principally related parties | - | 50 000 |
| Short term borrowings | - | 1 103 617 |
| Sales of common stock | - | 225 000 |
| | ----- | ----- |
| Net cash provided by/(used in) financing activities | - | 1 378 617 |
| | ----- | ----- |
| Effect of exchange rate changes on cash and cash equivalents | - | - |
| | ----- | ----- |
| Net increase (decrease) in cash and cash equivalents | (6 019) | 13 144 |
| Cash and cash equivalents, beginning of period | 6 019 | 4 404 |
| | ----- | ----- |
| Cash and cash equivalents, end of period | \$ - | \$ 17 548 |
| | ===== | ===== |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

None

Read the accompanying summary of significant accounting notes to financial statements, which are an integral part of this financial statement

5

GSI TECHNOLOGIES USA, INC.
(A COMPANY IN THE DEVELOPMENT STAGE)
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Unaudited)

APRIL 30, 2002

NOTE 1 -BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements of GSI Technologies USA, Inc. have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. The financial statements reflect all adjustments consisting of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the periods shown. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

These financial statements should be read in conjunction with the audited financial statements and footnotes thereto included in GSI Technologies USA, Inc.'s 10K-SB as filed with the Securities and Exchange Commission.

The preparation of financial statements in conformity with generally

Edgar Filing: GSI TECHNOLOGIES USA INC /DE - Form 10QSB

accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and that effect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying financial statements reflect GSI Technologies USA, Inc. is no longer considered to be in the development stage. From inception (July 06, 1998) through October 31, 2001, The Company was considered to be in the development stage.

NOTE 2 - REVENUE RECOGNITION

Revenue from sales of display units are recorded at the time the units are delivered. Revenues from sub-licensing the master licensing agreement are recognized over the term of the sub-licensing agreement.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition," which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB 101 outlines the basic criteria that must be met to recognize revenue and provide guidance for disclosures related to revenue recognition policies. Management believes that GSI Technologies USA, Inc.'s revenue recognition practices are in conformity with the guidelines of SAB 101.

6

NOTE 3 - NET EARNINGS (LOSS) PER SHARE

Earnings (Loss) per common share are calculated under the provisions of SFAS No. 128, "Earnings per Share," which establishes standards for computing and presenting earnings per share. SFAS No. 128 requires the Company to report both basic earnings (loss) per share, which is based on the weighted-average number of common shares outstanding during the period, and diluted earnings (loss) per share, which is based on the weighted-average number of common shares outstanding plus all potential dilutive common shares outstanding. Options and warrants are not considered in calculating diluted earnings (loss) per share since considering such items would have an anti-dilutive effect.

NOTE 4 - GOING CONCERN

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company reported a net loss of \$232,479 for the six months ended April 30, 2002 (unaudited). Continuation of the Company as a going concern is dependent upon obtaining sufficient working capital for its planned activity. Management of the Company has developed a strategy, which it believes will accomplish this objective through financing, which will enable the Company to operate for the coming year.

NOTE 5 - STOCKHOLDER'S EQUITY

During the three month period ending January 31, 2002, the Company issued 900,000 shares of common stock class B to settle liabilities in the amount of \$87,625. The Company also issued 600,000 shares to the President of the Company to settle unpaid salaries for the period.

Item 2. Management's discussion and analysis

Forward looking statements.

This report contains forward-looking statements that are based on the Company's beliefs as well as assumptions made by and information currently available to the Company. When used in this report, the words "believe," "expect," "anticipate," "estimate," and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions, including without limitation, the overall strength of the national securities markets, the Company's present financial condition and the risks and uncertainties concerning the availability of additional capital as and when required, technological changes, increased competition, and general economic conditions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. The Company cautions potential investors not to place undue reliance on any such forward-looking statements, all of which speak only as of the date made.

Overview

GSI Technologies USA (GSI USA) specializes in offering broadcasting solutions principally for out home advertising, such as electronic billboards, interactive advertising kiosks and any type of animated electronic screens with full video capabilities. GSI USA's software enable user to transmit pin point animated information contact as well as receive full motion video, graphics and audio files. GSI's software and concept allows advertisers to reach more consumer on a daily bases and permits to measure impact of their ads by interacting with consumer.

CSI USA is holder of a worldwide license on technologies. GSI has accomplished all market tests indoor and outdoor and has proved to offer worlds best technologies for advertising applications.

Results from operations

6 months ending January 31, 2002 and 2001

During GSI's first and second quarter from November 1, 2001 to April 30 2002, GSI USA incurred a loss of \$232,479 or \$.01 per share versus a loss of \$600,856 or .03 per share in the same period in 2001.

Revenues

\$23,750 in revenue was recognized during the six month period, versus \$132,293 for the same period in the prior year. This is related to sub-licensing agreements realized over the respective terms.

Cost of revenues and direct operating costs

According to the master license agreement with GSI Canada, GSI USA owns 60% of the price of any sub-license it sells to a new licensee. This amount is

Edgar Filing: GSI TECHNOLOGIES USA INC /DE - Form 10QSB

payable to GSI Canada by the end of the calendar quarter in which the sub-license is granted its sub-license. GSI USA has incurred \$10,634 in direct operating cost for this six month period, versus 64,093 for the same period in the prior year.

8

Operating expenses

During the six months ended April 30, 2002, GSI USA has incurred \$220,875 in operating expenses versus 889,576 for the same period in 2001.

Other income

During the six months ending April 30, 2002, ZERO in interest was earned mainly on the outstanding loan to GSI Canada due to the fact that it has protection from the bankruptcy courts, while \$8,759 in interest was incurred. This amount is principally for loans outstanding.

Liquidity and capital resources

At January 31, 2002 GSI USA had ZERO in cash. Cash used in operating activities during the three months ending January 31, 2002 was 6,019, which was mainly attributable to the net cash loss from operations plus changes in net operating assets and liabilities.

Cash used by investing activities during the period reflects additional short-term loans to GSI Canada in the amount of \$0.

Cash provided from financing activities during the period was ZERO.

The result of all activities during the six-month period ending April 30, 2002 was a net decrease of \$6,019 in our cash position.

9

MANAGEMENT DISCUSSION AND ANALYSIS

GSI USA

We have completed our restructuring program, concentrating on our core business to serve, inform and communicate with the consumer in its daily environment, offering information media content out of home as well as providing services to citizens customized to their needs on a day to day basis.

After a 2 year beta testing, in real market application, our affiliate GSI Canada through its R&D Center and team has learned a great deal of experience, by managing a network of 32 city Columns through the Ivanho shopping malls network in Canada.

After unfortunate September 11th events, we concentrated on trying to improve our concept to allow our 2 way software multimedia pack to become a tool and information center in the event of any public crisis. The defense department has recently published a 2000 pages report on lack of communications on September 11th events.

Our vision is to deploy a wide network of kiosks in public areas such as airports, malls, offices building, postal offices, subways, government offices

Edgar Filing: GSI TECHNOLOGIES USA INC /DE - Form 10QSB

etc . Through strategic partnership, we are currently negotiating deployment of 15000 locations coast to coast reaching millions of consumers on a pin point service capabilities.

Our R&D team has enhance our software modular applications, allowing to install cameras integrated in our units offering monitoring sources to serve authorities and prompt reaction informational capabilities in the event of any security problems.

On June the 5th and the 6th 2002, we were exhibitors in the home land defense and security show in Washington D.C. featuring our new servicolumn product. We have received a great deal of interest for our product by many government department and public authorities.

Through a new venture agreement with Boston based corporation, Bio Defense, we have integrated for the purpose of the show, the mail defender unit in our servicolumn. The mail defender product allows consumers to safely and simply take any letters or documents of any kind and within 10 minutes cycle destroy all traces of bio contamination, such as anthrax, E-coli and many others bacteria will be destroyed without altering the documents. We envision a wide network of integrated technologies in postal services environment worldwide.

Furthermore, we have concluded on June the 10th 2002, an exclusive licensing agreement with Bio Defense corp., allowing GSI to integrate such technology in a out of home public area network of kiosks. The potential revenues for such a product will have tremendous impact on our sales.

To serve, to inform, to communicate, to detect and to protect.

Our affiliate GSI Canada, has completed its restructuring program and began to repay its line of credit with the CIBC Bank as well as its creditors. In April 2002, our affiliate repaid to GSI USA the balance of its debts of 994,581.00 by transferring all licensing rights and sales rights to our corporation. GSI USA has, now, all sales and licensing rights on our technologies worldwide.

Our affiliate GSI Canada has entered into negotiation with Bio Defense corporation to produce and assemble the mail defender units in Canadian's facilities. The basis of the contract is to assemble 900,000 units in the next 24 months. The advantages of the tax credit government program in the Mirabel

10

free trade zone allows GSI Canada to offer various investments advantages as well as highly qualified personal to fulfill a large production capability. We have concluded on June 10th 2002, a memorandum of understanding and are currently working the details through this new partnership's venture. Our affiliate anticipates achieving profitable results in Fall 2002.

The board of directors of GSI USA is considering negotiating the potential acquisition of our affiliate after restructuring program is completed.

The benefits of Government programs are tremendous and represents a leading edge value for the benefit of GSI USA shareholders.

All operations research, broadcast and engineering are now operated by GSI Canada.

All sales and licensing are performed by GSI USA.

Our cash requirements for the next quarter represents approximately 150,000 in total. We are currently negotiating with financial institutions as well as

Edgar Filing: GSI TECHNOLOGIES USA INC /DE - Form 10QSB

investment bankers and sophisticated investors to seek for more capitalization.

On February 7th 2002, GSI USA board of directors offered a board member position to Mr. Julian Beardsley and another one to Mr. Dario Littera. After reviewing and evaluating the candidates agenda and availabilities the board has decided not to retain their services. The two candidates did not filed in a form 3 as required by regulator authorities.

On February 7th 2002, the board announced a promissory notes program through the CHGC investment banking, after evaluating the program through a complete due diligence, the board of directors of GSI USA has decided to terminate all discussions and negotiations in that regards.

On June 7th 2002, GSI USA concluded a memorandum of understanding with Stellar Holdings, to evaluate the possibility of joining forces through integration of Stellar wireless technologies and GSI's concept. We are currently evaluating the potential and structure of such a venture agreement. The revenue's structure represents approximately 22,000,000 in 2001 and 24,000,000 in 2002.

The real equity of Stellar operations is 14,465,640 in 2001 and over 18,000,000 in 2002. Our respective engineering departments are evaluating the potential of integration of technologies for the benefit of GSI's concept.

Our administrative officers are going through evaluation and due diligence process and have agreed on a closing date before July 30th 2002.

This transaction is subject to due diligence and approval of regulator authorities. The impact and leverage of the transaction could represent immediate benefits to shareholders of both corporation.

Investment in affiliates

As of March 2nd 2002, GSI USA had no longer any investments in affiliate.

Product sales, distribution and provision of services

Our affiliate GSI Canada R&D's team have completed tremendous break through in GSI's software of version 2.0 with modular applications of the managing and scheduling module allowing to monitor on a day to day bases the sales and hits per day. The engineers continue to enhance the capabilities of the software

11

integrating interactive capabilities for the consumer to respond to the content messages and animated advertising.

It allows advertisers to measure impact of their marketing campaign through network pin point consumer environment.

Our affiliate continues to benefit from tax credit program, and is completing an anticipated demand of incomes from Canadian government for 2002's benefits.

The R&D's team has developed a large experience in managing networks of interactive advertising modules and finished the development of specific units such as :

- City column, indoor display unit 3 faces advertising screen, with interactive touch screen unit and internet access. These 32 units are

Edgar Filing: GSI TECHNOLOGIES USA INC /DE - Form 10QSB

in operation and have given results over the past 2 years in the shopping center environment.

- Transa column, has 2 faces display unit with internet kiosk and integrating ATM bank terminal. The target market is directly oriented to offer multi transactional capabilities for banking services as well as E-com transactions supported by advertising broadcast content. The consumer can use the units to pay bills, make a transaction, withdraw cash, take E-Mails and internet access. We have completed a market study with banking institutions and identify the need for such product in North America as well as Europe. We are currently negotiating with Canada Post and some banks the implementation of a large network in north America. We believe that we will conclude before the end of the next quarter.
- Sky Column, full outdoor video LED screen for high traffic areas bill board size. We have been managing this type of screens for over 5 years and a half.
- Digicolumn, display kiosk using plasma screen, technology integrated in totem supports, vertical and horizontal applications.
- I Column, the latest technology, 15 inches LED screen integrating computer to the back of the screen on a very robust industrial application. We have made recent sales of 150 units in indoor and outdoor market. The hype around this product allows us to fit units in various position to generate instant impulses to buy in stores, kiosks, restaurants, airports in a cash counter area.

After the events of September 11th, 2002, our engineering department developed a full security monitoring system for banks, airports and other public areas enabling the institutions to detect metal as well as explosives and video capture in real time any events or individuals. The GSI's software pack integrated in such context allows to re forward the information to various terminals at same time. We have made a first installation in Banco Bilbao and we are in the phase of pilot project analysis. When the testing period is achieved, we forecast great potential for fall 2002.

Our objective is to ramp up revenues from sales of units as well as revenues from broadcasting technical support maintenance, production of content and consulting contracts.

In any of these sales the media operator must buy from GSI software license as well as sub license for using the concept in each respective markets.

In April 2001, GSI USA sold a license to the More Group in United Kingdom division of Clear Channel International. More Group has deployed its first installations of Sky columns in city of Swindom and Bristol.

The GSI's server system has been installed successfully in England. Our software has been running the operations with great satisfaction from the More Group.

12

In September 2001, the Dauphin Group in France division of Clear Channel International, acquired a license for its territory from Group Solcom. The Dauphin Group is now in the phase of deploying advertising kiosks in shopping malls as well as city of Nantes.

On March 7th, GSI USA received a purchase order from Dauphin to install server system in Paris and service contract for monitoring the broadcast network. Our engineers will install the systems on the week of March 18th 2002.

Edgar Filing: GSI TECHNOLOGIES USA INC /DE - Form 10QSB

Clear Channel is counting on the 2 pilots projects in UK and France to move the concept worldwide. If these projects are successful, the advertising group will deploy a worldwide network.

GSI is very proud to serve the Clear Channel Group and very happy to be the official supplier retained by this giant media group.

Our management team has reoriented their sales targets and strategies. We have put together an aggressive sales plan for United States by putting together partnerships ventures, including specific high profile corporation acting respectively in their field of activities such as :

- Media Operator sales group
- Banking institution
- Information content, media broadcaster
- Property owner, governments, public institutions for locations
- GSI USA product & Systems

By joining these forces together based on our past experience, service units driven by advertising revenues and services creates a multi revenue potential, using the power of each respective partners.

Now, that we have completed our pilot projects and business sales strategies, we have focused and trained our sales staff to penetrate the United States market.

After the announcement of United States President on June 6th 2002, about a new government department voting 37 billions budget for home land defense, we believe our software and kiosk's concept will generate a lot of interest for security and information content potential.

13

PART II - OTHER INFORMATION

Item 1. Legal proceedings

Legal proceeding

On December 15, 2000, we signed an agreement with the Quebec Securities Commission to conform to filing requirements for any sales of shares to residents of the Province. Our former President also agreed that the sale of any shares directly by himself or shares owned by companies in which he has an interest would be in conformity with the filing requirements in the jurisdiction of Quebec.

On September 2001, we concluded a partial settlement with the Quebec Securities for the release of promissory notes.

We remain party to one proceeding initiated by another party, a Mr. Jacques Biron, against GSI Canada, GSI, our President, and others in the Superior Court of the Province of Quebec, District of Montreal. An amount of \$98,766 in Canadian dollars has been claimed for our alleged failure to pay a commission and consequent damages relating to negotiations with GSI Canada for an acquisition. We have retained legal counsel in Montreal, Mr. Marc Cote of Labelle, Boudrault, Cote & Associates, who advises that, in his opinion, Mr. Biron's case against the company is without merit; that he has no right in law to sue GSI Technologies USA Inc.

On September 2001, we received a law sue from Mr. Alex Zervakos a former employee of GSI USA. Our lawyer in Quebec is negotiating with the adverse party in order to resolve this matter.

Edgar Filing: GSI TECHNOLOGIES USA INC /DE - Form 10QSB

During the last quarter, GSI USA received two law suits from former employees. Although, an understanding was reached with the two employees, they change their opinion later on, and filed in small claims courts. After review from our lawyers a motion to set aside default judgments continue cases. Consolidate cases and transfer to circuit court was deposited and accepted. We are waiting date for trial on settlement.

Item 2. Changes to authorized shareholders' capital

None.

Item 3. Defaults upon senior securities

None.

Item 4. Submission of matters to vote of security holders

None.

14

Item 5. Other information

Late filing 10K

On February 4th, 2002, we became delinquent because we was late filing our annual 10K report. Our ticker symbol changed then from GSITB to GSIBE.

Since we have changed management of the corporation and reorganized the financial structure of the corporation, we were late filing our annual report 10K.

On March 5th, 2002, we were temporarily delisted from the OTCBB.

On March 8th, 2002, we have filed our 10K report.

We have appointed a market maker to fill in a c-211 form and forecast being back on OTCBB soon.

We now file our quarterly report 10Q on time and will do so in the future.

The board of GSI USA is proud to announce the nomination of Mrs. Marie El Ahmar Eid as new board member of GSI USA. Mrs. Eid has been serving the corporation for over 3 years as President assistant as well as human resources director and development manager. We are very happy of her implication on the board and believe strongly that she will be very useful to the corporation considering her long term experience and capabilities.

Item 6. Exhibits and reports on Form 8-K

The following exhibits are contained in this 10-QSB:

None.

SIGNATURES

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

Dated: June 17th, 2002

GSI TECHNOLOGIES USA INC.

By: /s/ Rene Arbic

Rene Arbic
Chief Executive Officer