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GSI TECHNOLOGIES USA INC /DE
Form 10QSB
March 04, 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 October 31, 2001.

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 (I.R.S. Employer Identification No.)
incorporation or organization)

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 September 14, 2001, there were 21,076,636 shares of the issuer's \$.001 par value common stock issued and outstanding

Transitional Business Disclosure Format (Check one): Yes No

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GSI TECHNOLOGIES USA INC.
(A COMPANY IN THE DEVELOPMENT STAGE)
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2001 AND 2000

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GSI TECHNOLOGIES USA INC.
(A COMPANY IN THE DEVELOPMENT STAGE)
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2001 AND 2000

| | October 31, 2001 | Octo |
|--|------------------|-------|
| | ----- | ----- |
| ASSETS | | |
| ----- | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 6 019 | \$ |
| Receivables, net (principally related party) | 1 619 292 | |
| Other current assets | - | |
| | ----- | ----- |
| Total current assets | 1 625 311 | |
| Property and equipment, net | 36 248 | |
| Intangible assets, net | 283 567 | |
| Other assets | 19 908 | |
| | ----- | ----- |
| TOTAL ASSETS | 1 965 034 | |

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LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|----|-------------|
| Current Liabilities | | |
| Accounts payable | | 733 080 |
| Deferred Revenue | | 17 500 |
| Notes Payable (principally related party) | | 68 273 |
| Other current liabilities | | 176 321 |
| | | ----- |
| Total current liabilities | | 995 174 |
| Stockholder's Equity | | |
| Common Stock, class A, \$1.00 par value; authorized 5,000,000 shares; issued and outstanding none in 2001 and 2000 | | - |
| Common Stock, class B, \$.001 par value; authorized 55,000,000 shares; issued and outstanding - 24,502,134 and 20,543,636 shares respectfully | | 24 502 |
| Paid in Capital | | 5 118 419 |
| Receivable from the sale of stock | | - |
| Deficit accumulated during the development stage | | (4 173 450) |
| Accumulated other comprehensive income | | 388 |
| | | ----- |
| Total Shareholder's Equity | | 969 859 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | \$ | 1 965 034 |
| | | ----- |

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GSI TECHNOLOGIES USA INC.
(A COMPANY IN THE DEVELOPMENT STAGE)
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2001 AND 2000

| | Year Ended October 31, 2001 | Year Ended October 31, 2000 | Jul Oct |
|------------------------------------|--------------------------------|--------------------------------|------------|
| | ----- | ----- | ----- |
| Revenues | \$ 229 793 | \$ 596 409 | \$ |
| Cost of Sales | 121 797 | 469 416 | |
| | ----- | ----- | |
| Gross Profit | 107 997 | 126 993 | |
| Operating Expenses: | | | |
| Marketing | 92 298 | 209 739 | |
| Management and administrative fees | 707 533 | 506 722 | |
| Salaries and related costs | 229 770 | 99 825 | |
| Rent | 250 904 | 114 313 | |
| Financing expense | 15 000 | 30 342 | |
| Professional fees | 91 992 | 42 044 | |

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| | | |
|--|-------------|-------------|
| Consulting | 31 914 | 304 647 |
| Depreciation | 3 893 | 393 |
| Amortization | 95 382 | 95 062 |
| Travel | 46 361 | 9 529 |
| Other selling, general and administrative | 187 791 | 71 482 |
| | ----- | ----- |
| Total operating expenses | 1 752 839 | 1 484 098 |
| | | |
| Loss before other income (expense) | (1 644 842) | (1 357 105) |
| Other income (expense): | | |
| Interest income (principally related party) | 317 275 | 76 760 |
| Interest expense (principally related party) | (111 596) | (45 121) |
| Loss on Affiliate Note Receivable | (1 033 652) | |
| Equity in net earnings (loss) of affiliates | (25 000) | |
| Foreign exchange gain (loss) | (54 562) | |
| Loss on disposal of assets | (36 968) | |
| | ----- | ----- |
| Total other income (expense) | (944 503) | 31 639 |
| | ----- | ----- |
| Net Loss | (2 589 345) | (1 325 466) |
| | ===== | ===== |
| | | |
| Basic weighted average common shares outstanding | 22 403 444 | 20 149 092 |
| | ===== | ===== |
| | | |
| Basic Loss per common share | \$ (0,1156) | \$ (0,0658) |
| | ===== | ===== |

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GSI TECHNOLOGIES USA INC.
(A COMPANY IN THE DEVELOPMENT STAGE)
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2001 AND 2000

| Common Class A | | Paid in Capital | Receivable from sale of stock | Accumulated Deficit during Development Stage | Accumulated other Comprehensive Income/(loss) | Tot Shareho Equi |
|----------------|--------|--------------------|-------------------------------------|---|--|------------------------|
| Shares | Amount | | | | | |
| - | \$ - | \$ - | \$ - | \$ - | | \$ |
| 18 085 472 | 18 085 | - | - | - | | |
| 500 000 | 500 | - | - | - | | |
| 384 700 | 385 | 384 315 | - | - | | 3 |

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| | | | | | | |
|--|----------|-------------|-------------|----------------|--------|-------|
| 600 000 | 600 | 599 400 | | - | | 6 |
| | | (325 221) | | | | (3) |
| 18 000 | 18 | 17 982 | | - | | |
| 20 200 | 20 | 20 180 | | - | | |
| | | | | (258 639) | | (2) |
| 19 608 372 | 19 608 | 696 656 | - | (258 639) | - | 4 |
| <hr/> | | | | | | |
| 417 818 | 418 | 417 400 | | | | 4 |
| 148 639 | 149 | 148 490 | | | | 1 |
| 10 643 | 11 | 10 632 | | | | |
| 75 000 | 75 | 74 925 | | | | |
| 5 | | | | | | |
| <p>GSI TECHNOLOGIES USA INC. (A COMPANY IN THE DEVELOPMENT STAGE) NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2001 AND 2000</p> | | | | | | |
| 51 264 | 51 | 56 339 | | | | |
| 23 000 | 23 | 25 277 | | | | |
| 12 000 | 12 | 13 188 | (13 200) | | | |
| 126 900 | 127 | 228 293 | | | | 2 |
| 70 000 | 70 | 76 930 | | | | |
| | | | | (1 325 466) | | (1 3) |
| | | | | | 386 | |
| 20 543 636 | \$20 544 | \$1 748 131 | \$ (13 200) | \$ (1 584 105) | \$ 386 | \$ 1 |
| <hr/> | | | | | | |
| 125 000 | 125 | 124 875 | | | | 1 |
| (12 000) | (12) | (13 188) | 13 200 | | | |

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| | | | | | | |
|------------|----------|-------------|-------|----------------|--------|-------|
| (24 764) | (25) | (27 216) | | | | |
| 25 000 | 25 | 4 975 | | | | |
| 400 000 | 400 | 99 600 | | | | |
| 20 000 | 20 | 4 980 | | | | |
| 2 307 900 | 2 308 | 2 971 379 | | | | |
| 6 250 | 6 | 5 994 | | | | |
| 1 111 112 | 1 111 | 198 889 | | | | |
| | | | | (2 589 345) | | |
| | | | | | 2 | |
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| 24 502 134 | \$24 502 | \$5 118 419 | \$ - | \$ (4 173 450) | \$ 388 | \$ 9 |
| ===== | ===== | ===== | ===== | ===== | ===== | ===== |

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GSI TECHNOLOGIES USA INC.
(A COMPANY IN THE DEVELOPMENT STAGE)
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2001 AND 2000

| | October 31, 2001 | October 31, 2000 | O |
|--|---------------------|---------------------|-------|
| | ----- | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net Income (Loss) | \$ (2 589 345) | \$ (1 325 466) | \$ |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | | |
| Depreciation and amortization | 99 276 | 95 455 | |
| Loss on write down of Affiliate Note Receivable | 1 033 652 | - | |
| Issuance of stock for contract settlement | 11 000 | - | |
| Accrued Interest Expense (principally related party) | 107 530 | 45 121 | |
| Accrued Interest Income (principally related party) | (317 274) | (76 752) | |
| Changes in Operating assets and liabilities: | | | |
| Receivables and other current assets | (39 744) | 72 381 | |
| Other assets | 41 196 | (61 104) | |
| Accounts Payable and Accrued Liabilities | 334 198 | 415 514 | |
| | ----- | ----- | |
| Net cash provided by/(used in) operating activities | (1 319 511) | (834 851) | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Net cash provided by/(used in) investing activities | | | |
| Loan Receivable, principally related parties | 801 656 | (3 002 226) | |
| Purchase of property and equipment | | (41 066) | |
| | ----- | ----- | |
| Net cash provided by/(used in) investing activities | 801 656 | (3 043 292) | |

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CASH FLOWS FROM FINANCING ACTIVITIES:

| | | | |
|--|----------|-----------|-------|
| Proceeds from: | | | |
| Notes payable, principally related parties | 118 391 | 2 492 932 | |
| Notes payable - affiliate | 203 318 | - | |
| Sales of common stock | 197 760 | 1 039 210 | |
| | ----- | ----- | |
| Net cash provided by/(used in) financing activities | 519 469 | 3 532 142 | |
| | ----- | ----- | |
| Effect of exchange rate changes on cash and cash equivalents | | 386 | |
| | | ----- | |
| Net increase (decrease) in cash and cash equivalents | 1 615 | (345 615) | |
| Cash and cash equivalents, beginning of period | 4 404 | 350 019 | |
| | ----- | ----- | |
| Cash and cash equivalents, end of period | \$ 6 019 | \$ 4 404 | \$ |
| | ===== | ===== | ===== |

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GSI TECHNOLOGIES USA INC.
(A COMPANY IN THE DEVELOPMENT STAGE)
NOTES TO FINANCIAL STATEMENTS
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SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING
AND FINANCING ACTIVITIES:

Issuance of note for payment of license rights
Issuance of shares for license rights
Issuance of shares for dividend to affiliate
Issuance of shares for settlement of note payables

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GSI TECHNOLOGIES USA INC.
(A COMPANY IN THE DEVELOPMENT STAGE)
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2001 AND 2000

(A COMPANY IN THE DEVELOPMENT STAGE)
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(Unaudited)

October 31st 2001

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

GSI Technologies USA, Inc., formerly I.B.C. Corporation, was incorporated in the State of Delaware on July 06, 1998. The Company participates in the Information Technology (IT) industry, specializing in broadcasting solutions principally for advertisers and others seeking to reach the greatest number of "viewers per day" as well as to achieve other commercial and public service objectives. The basic advanced technology available to the company by way of a Master Licensing agreement is the successful integration of various hardware

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components and specialty software for the transmission of broadcast signals in real time via the Internet to remote locations. Using its universal transcoder system, the company has a unique capability in broadcasting from a central server to full video screens in remote locations anywhere in the world. The system is capable of updating pinpoint information minute by minute by way of video compressing systems and other fully automated software systems.

GSI Technologies USA, Inc. prepares its financial statements in accordance with generally accepted accounting principles. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. Financial statement items are recorded at historical cost and may not necessarily represent current values.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Certain amounts included in the financial statements are estimated based on currently available information and management's judgment as to the outcome of future conditions and circumstances. Changes in the status of certain facts or circumstances could result in material changes to the estimates used in the preparation of financial statements and actual results could differ from the estimates and assumptions. Every effort is made to ensure the integrity of such estimates.

Fair value of Financial Instruments

The carrying amounts reported in the balance sheet for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the immediate or short-term maturity of these financial instruments.

Impairment of long-lived assets:

Long-lived assets held and used by the Company are reviewed for possible impairment whenever events or changes in circumstances indicate 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 the assets to the 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 assets exceeds the fair value of the assets. The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and shall be used as the basis for the measurement, if available. If quoted market prices are not available, the estimate of fair value shall be based on the best information available in the circumstances. The estimate of fair value shall consider prices for similar assets and the results of

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NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2001 AND 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

valuation techniques to the extent available in the circumstances. Valuation techniques include the present value of estimated expected future cash flows using a discount rate commensurate with the risk involved, option-pricing models, matrix pricing and fundamental analysis.

Cash and cash equivalents:

The Company considers all highly liquid investments with original maturities of ninety days or less to be cash and cash equivalents. Such investments are valued at quoted market prices.

Receivables:

The Company believes that the carrying amount of receivables at October 31, 2001 approximates the fair value at such date.

Property, equipment and depreciation:

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives as follows when the property and equipment is placed in service:

| | Estimate Useful Life (In Years) |
|--------------------------------|------------------------------------|
| Office Furniture and Equipment | 10 |
| Leasehold Improvements | 5 |

Repairs and maintenance are charged to operations as incurred, and expenditures for significant improvements are capitalized. The cost of property and equipment retired or sold, together with the related accumulated depreciation, are removed from the appropriate asset and depreciation accounts, and the resulting gain or loss is included in operations.

License rights:

License rights are recorded at cost, less accumulated amortization. Licenses are amortized to operations using the straight-line method over the remaining term. The remaining term is 35 months for the current and only license which the company has rights to.

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.

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GSI TECHNOLOGIES USA INC.
(A COMPANY IN THE DEVELOPMENT STAGE)
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2001 AND 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Earnings (Loss) per share calculation:

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.

Recent Accounting Pronouncements:

The Statement of Financial Accounting Standards Board (SFAS) No. 141, "Business Combinations," was issued by the Financial Accounting Standards Board (FASB) in July 2001. This Statement establishes standards for accounting and reporting for business combinations. This statement requires the purchase method of accounting to be used for all business combinations, and prohibits the pooling-of-interests method of accounting. This Statement is effective for all business combinations initiated after June 30, 2001 and supercedes APB Opinion No. 16, "Business Combinations" as well as Financial Accounting Standards Board Statement of Financial Accounting Standards No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises." The adoption of this statement by the Company did not have a material impact on its financial condition or results of operations.

The Statement of Financial Accounting Standards Board (SFAS) No. 142, "Goodwill and Other Intangible Assets," was issued by the Financial Accounting Standards Board (FASB) in July 2001. This Statement addresses how intangible assets that are acquired individually or with a group of other assets should be accounted for in financial statements upon their acquisition. This statement requires goodwill amortization to cease and for goodwill to be periodically reviewed for impairment, for fiscal years beginning after October 31, 2001. SFAS No. 142 supercedes APB Opinion No. 17, "Intangible Assets." The Company does not expect the adoption of this statement to have a material impact on its financial condition or results of operations.

The Statement of Financial Accounting Standards Board (SFAS) No. 143, "Accounting for Asset Retirement Obligation," was issued by the Financial Accounting Standards Board (FASB) in August 2001. This Statement will require companies to record a liability for asset retirement obligations in the period in which they are incurred, which typically could be upon completion or shortly thereafter. The FASB decided to limit the scope to legal obligation and the liability will be recorded at fair value. This Statement is effective for fiscal years beginning after June 15, 2002. The Company does not expect the adoption of this statement to have a material impact on its financial condition or results of operations.

The Statement of Financial Accounting Standards Board (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," was issued by the Financial Accounting Standards Board (FASB) in October 2001. This Statement provides a single accounting model for long-lived assets to be disposed of and replaces SFAS No. 121 "Accounting for the Impairment of

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Long-Lived Assets and Long-Lived Assets to Be Disposed Of." This Statement is effective for fiscal years beginning after December 15, 2001. The Company is evaluating the effect of the adoption of this statement.

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GSI TECHNOLOGIES USA INC.
(A COMPANY IN THE DEVELOPMENT STAGE)
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2001 AND 2000

NOTE 3 - DETAILS OF FINANCIAL STATEMENT COMPONENTS

| | October 31, 2001 | October 31, 2000 |
|--|------------------|------------------|
| Receivables: | | |
| Note Receivable- GSI Technologies (3529363 Canada Inc.) | \$ 1,560,944 | \$ 3,058,950 |
| Note Receivable - Group Solcom France | - | 20,028 |
| Receivable - GSI Technologies (3529363 Canada Inc.) | - | 12,500 |
| Due from Tax Authority | 58,349 | 5,186 |
| | 1,619,292 | 3,096,664 |
| | 1,619,292 | 3,096,664 |
| Property and Equipment: | | |
| Furniture and fixture | 38,934 | 38,934 |
| Leasehold improvements | 2,133 | 2,133 |
| Less: Accum depreciation & amortization | 4,819 | 499 |
| | 36,248 | 40,568 |
| Property and equipment, net | \$ 36,248 | \$ 40,568 |
| Intangible Assets: | | |
| License rights | \$ 474,779 | \$ 474,779 |
| (Acquired from affiliate and recorded at predecessor basis with the cost over such basis recorded as a dividend to affiliate). | | |
| Accumulated amortization | (191,212) | (96,257) |
| | 283,567 | 378,522 |
| | \$ 283,567 | \$ 378,522 |

NOTE 4 - COMMITMENTS AND CONTIGENCIES

Office leases

On January 06, 2000 the Company entered into an office rent agreement with 2849-3930 Quebec Inc. for office space in Montreal, Quebec. This agreement is for a term of 4 year starting January 01, 2000 with a 5 year renewal option. The annual rent amount is \$164,344.

On June 16, 2000 the Company entered into an office rent agreement with Suntrust Center, L.L.C. for office space in Orlando, Florida. This agreement is for a term of 5 years and 15 days starting June 16, 2000. The annual rent amount is \$59,910.

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Guarantor agreement

On March 24, 2000, the Company agreed to act as a guarantor for GSI Technologies (3529363 Canada Inc.), a shareholder of the Company and an affiliate in an agreement with Admiralty Leasing Ltd. for office furniture. The term is for 3 years. The annual amount is \$20,400 CAD plus applicable taxes.

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GSI TECHNOLOGIES USA INC.
(A COMPANY IN THE DEVELOPMENT STAGE)
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 - COMMITMENTS AND CONTIGENCIES (CONTINUED):

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of October 31, 2001:

| Year ending October 31: | |
|-------------------------|-----------|
| 2002 - | \$252,320 |
| 2003 - | 247,189 |
| 2004 - | 244,200 |
| 2005 - | 73,111 |
| 2006 - | - . |
| | ----- |
| | 816,820 |
| | ===== |

NOTE 5 - 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 \$2,589,345 and \$1,325,466 for the twelve months ended October 31, 2001 and 2000 respectively as well as reporting net losses of \$4,173,450 from inception (July 08, 1998) to October 31, 2001. As reported on the statement of cash flows, the Company incurred negative cash flows from operating activities of \$1,319,511 and \$834,851 for twelve months ended October 31, 2001 and 2000 respectively and has reported deficient cash flows from operating activities of \$2,324,995 from inception (July 08, 1998). To date, these losses and cash flow deficiencies have been financed principally through the sale of common stock (\$1,480,195). Continuation of the Company as a going concern is dependent upon obtaining sufficient working capital for its planned activity and the management of the Company has developed a strategy, which it believes will accomplish this objective through additional equity funding, and long term financing, which will enable the Company to operate for the coming year.

NOTE 6 - RELATED PARTY TRANSACTIONS

Sub-license agreement:

On May 04, 2000, the Company entered into a sub-license agreement with GSI Technologies (3529363 Canada Inc.), a shareholder of the Company and an affiliate, whereby giving all commercial rights relating to the technology in the territory of Canada to GSI Technologies (3529363 Canada Inc.). The term of the sub-license agreement is 10 years with annual payments of \$25,000 US.

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On March 6, 2001, the Company entered into a sub-license agreement with Groupe Solcom International France S.A.S. whereby giving all commercial rights relating to the technology in the territory of the European Union to Groupe Solcom International France S.A.S. The Company has a 25% interest in Groupe Solcom International France S.A.S. with the other 75% owned by GSI Technologies (3529363 Canada Inc.), an affiliate of the Company. The term of the sub-license agreement is 10 years with annual payments of \$100,000 US.

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GSI TECHNOLOGIES USA INC.
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NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2001 AND 2000

NOTE 6 - RELATED PARTY TRANSACTIONS (CONTINUED):

Note receivable from stockholder:

From November 01, 1999 through October 31, 2001, the Company advanced funds to GSI Technologies (3529363 Canada Inc.), an affiliate of the Company in exchange for promissory notes in order to continue to develop the concept of GSITV.com, The Total Vision Network in Canada. The note has a term of one year, but has been extended indefinitely bearing interest at prime plus 2%. At October 31, 2001, the outstanding balance due from GSI Technologies (3529363 Canada Inc.) was \$1,560,944 including interest and a write down of the receivable of approximately \$1,034,000 due to GSI Technologies (3529363 Canada Inc.) approval from the Quebec Superior courts ratification of reorganization on October 9, 2001.

Note payable to affiliates

On September 07, 2000, the Company borrowed funds of \$2,822,599 from several affiliates and stockholders of the Company and issued promissory notes having a term of one year bearing interest at prime plus 2%. The notes are convertible at any time into common shares at the discretion of the Company. On May 3, 2001, the entire amount of the notes including interest of \$151,088 were converted into 2,307,900 of Class B Common Shares.

Marketing and Administrative Costs

From November 01, 1999 to October 31, 2001, the Company was charged marketing and administrative costs incurred by GSI Technologies (3529363 Canada Inc.) on behalf of the Company.

Consulting Agreement:

On January 10, 2000, the Company entered into a consulting agreement with Mr. Yves Lebel and 9035-2899 Quebec Inc., a shareholder of the company. Mr. Lebel is a Director, Chief Financial Officer and Executive Vice President of GSI Technologies (3529363 Canada Inc.). The term of the agreement is for one year with an additional year renewal term at the end of the initial year. The total amount of the agreement is \$78,000 per year. Mr. Lebel also entered into a non-competition and confidentiality agreement with the Company for as long as he remains a consultant and for an additional year thereafter.

NOTE 7 - INCOME TAXES

The Company did not provide any current or deferred United States federal, state or foreign income tax provision or benefit for the period presented because it has experienced operating losses since inception. The Company has provided a

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full valuation allowance on the deferred tax asset, consisting primarily of net operating loss carryforwards, because of uncertainty regarding its realizability.

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GSI TECHNOLOGIES USA INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 8 - INVESTMENT IN AFFILIATES

The Company's investments in affiliates consists of a 25% interest of Groupe Solcom, headquartered in France, which participates in the electronic advertising and interactive information display. The Company accounts for its 25% interest in Group Solcom using the equity method. Condensed financial information for investments in affiliates accounted for under the equity method of accounting are summarized below.

| | October 31, 2001 | October 31, 2000 |
|----------------------|------------------|------------------|
| Current assets | 3,158,385 | 0 |
| Other assets | 1,171,956 | 0 |
| | ----- | ----- |
| | 4,330,341 | 0 |
| Current liabilities | 4,302,065 | 0 |
| Shareholder's Equity | 28,276 | 0 |
| | ----- | ----- |
| | 4,330,341 | 0 |
| Net Sales | 2,415,733 | 0 |
| Gross profit | 1,855,652 | 0 |
| Net income | (391,672) | 0 |

NOTE 9 - SHAREHOLDERS' EQUITY

Common Stock

The Company has 5,000,000 shares of class A common stock which to date have never been issued. Management has no intent of issuing any of these shares and will be canceling these shares by filing an amendment to the articles of incorporation with the State of Delaware.

NOTE 10 - WARRANTS AND OPTIONS

On August 01, 2000 the Company adopted a Long Term Incentive Plan whereby directors, officers, certain key employees of the Company and its affiliates as well as certain consultants to the Company would be granted stock options. A maximum of 10% of the authorized Class B common shares totaling 5,500,000 can be reserved and available for distribution pursuant to the terms of the plan. On October 02, 2000, 925,000 options with an exercise price of \$1.25 had been issued to consultants and other non employee affiliates for services rendered to the Company throughout the

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year. The options vest one-third on December 18, 2000, one third on December 18, 2001 and one third on December 18, 2002. The stock options expire seven years from the date they were granted.

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In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation". The Company has determined that it will continue to account for employee stock-based compensation under Accounting Principles Board No. 25 and elect the disclosure-only alternative under SFAS No. 123. The fair value of a share of nonvested stock is measured at the market price of a share on the grant date. The proforma effect to net income and earnings per share is reflected as follows:

| | Year ended | Y |
|--|---------------|-------|
| | Oct. 31, 2001 | Oc |
| FAS 123 "Accounting for stock based compensation Paragraph 47 (a) | | |
| 1. Beginning of year - outstanding | | |
| i. number of options/warrants | 1,475,000 | |
| ii. weighted average exercise price | 1.19 | |
| 2. End of year - outstanding | | |
| i. number of options/warrants | 308,333 | |
| ii. weighted average exercise price | 1.25 | |
| 3. End of year - exercisable | | |
| i. number of options/warrants | 308,333 | |
| ii. weighted average exercise price | 1.25 | |
| 4. During the year - Granted | | |
| i. number of options/warrants | 0 | |
| ii. weighted average exercise price | 0 | |
| 5. During the year - Exercised | | |
| i. number of options/warrants | 0 | |
| ii. weighted average exercise price | 0 | |
| 6. During the year - Forfeited | | |
| i. number of options/warrants | 661,667 | |
| ii. weighted average exercise price | 1.25 | |
| 7. During the year - Expired | | |
| i. number of options/warrants | 550,000 | |
| ii. weighted average exercise price | 1.10 | |
| Paragraph 47 (b) Weighted-average grant-date fair value of options granted during the year: | | |
| 1. Exceeds market price | | 0 |
| Paragraph 47 (c) Equity instruments other than options/warrants | | none |
| Paragraph 47(d) Description of the method and significant assumptions used during the year to estimate the fair value of options: | | |
| 1. Weighted average risk-free interest rate | | 5.54% |
| 2. Weighted average expected life (in months) | | 71.00 |
| 3. Weighted average expected volatility | | 0.00% |
| 4. Weighted average expected dividends | | 0.00 |

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Paragraph 47(e) Total compensation cost recognized in income for stock-based employee compensation awards. 0

Paragraph 47(f) The terms of significant modifications of outstanding awards. none

Paragraph 48 - Options outstanding at the date of the latest statement of financial position presented:

| | | | |
|--|----|-------------|-------|
| 1. (a) Range of exercise prices | \$ | 1.10-\$1.25 | \$ |
| (b) Weighted-average exercise price | | | 1.25 |
| 2. Weighted-average remaining contractual life (in months) | | | 71.00 |

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| | Year ended Oct. 31, 2001 | Year ended Oct. 31, 2000 | Inception Jul. 08, 1998 Through Oct. 31, 2001 |
|---|-----------------------------|-----------------------------|--|
| | ----- | ----- | ----- |
| Net Income after proforma effect | (2,589,345) | (1,576,216) | (4,424,200) |
| Earnings per share after proforma effect \$ | (0.1156) | \$ (0.0782) | |

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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.

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Overview

GSI Technologies USA (GSI USA) specializes in broadcasting solutions principally for advertisers and others seeking to extend their reaching power for their commercial and public service messages. Holder of a world-wide license, GSI's proprietary software, hardware, and advanced broadcasting systems respond to their needs. In providing access to its remote control broadcasting capability, GSI USA enable users to transmit and receive full-motion video, graphics, and audio on an array of attractive, durable and interactive indoor and outdoor display products.

Results from operations

GSI USA is still in the development phase after starting up in 1999. During GSI's fourth quarter from August 1, 2001 to October 31, 2001, GSI USA incurred a loss of \$1,739,528 or \$0.0776 per share versus a loss of \$468,990 or \$0.0233 per share in the same period in 2000. The accumulated deficit to date during the development phase increased to \$4,173,450 or \$0.1863 per share.

Revenues

\$48,750 in revenue was recognized during the quarter, versus \$346,409 for the same period in the prior year. This is related to the sale of products, as well as a sub-license sold to Groupe Solcom International France S.A.S. ("Groupe Solcom") giving it commercialization rights for the territory of London, England, Nantes, France and a sub-license sold to GSI Technologies ("GSI Canada") giving it commercialization rights for the territory of Canada. Since inception, revenue totals \$826,202, primarily from product sales.

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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 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 \$27,977 in direct operating cost for the quarter, versus \$319,416 for the same quarter in the prior year. Since inception, cost of sales is \$591,213, including \$261,227 in royalties and \$329,986 in product costs.

Operating expenses

During the three months ended October 31st, 2001, GSI USA has incurred \$327,193 in operating expenses versus \$524,110 for the same period in 2000. The increase is attributable primarily to an increase in rent charges and consulting fees.

Since inception, operating expenses total \$3,495,575. These costs are primarily associated with the development of the company.

Other income

During the three months ending October 31st, 2001, \$32,699 in interest was

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earned mainly on the outstanding loan to GSI Canada, while \$102,538 in interest was brought into income due to the conversion of the Notes Payable. This amount includes \$80,705 for loans from shareholders and affiliated parties.

Since inception a total of \$394,035 in interest has been earned.

Equity in the loss of our European affiliate was \$25,000 for the period versus nil for the same period of 2000. As explained further below.

Liquidity and capital resources

At October 31, 2001 GSI USA had \$6,019 in cash. Cash used in operating activities during the year ending October 31, 2001 was \$1,319,511, which was mainly attributable to the net cash loss from operations plus changes in net operating assets and liabilities.

Cash provided by investing activities during the year reflect additional short-term loans to GSI Canada in the amount of \$801,656.

Cash provided from financing activities during the year of \$519,469 reflects a private placement as well as funding provided by issuance of Notes Payable.

In September 2000, GSI USA entered into formal loan arrangements with a group of existing investors borrowing funds totaling \$2,822,599. The promissory notes have a maturity date of September 7, 2001, bear interest at the rate of prime plus two per cent and are convertible at any time at the sole discretion of the Company into a certain number of shares for each holder. If converted, interest on the notes is waived. On May 3, 2001, the entire amount of the notes including interest of \$151,088 were converted into 2,307,900 of Class B Common Shares.

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The result of all activities during the year ending October 31, 2001 was a net increase of \$1,615 in our cash position.

From inception, net cash used in operations has been \$2,324,995. A total of \$2,241,636 has been used in investing activities, while \$4,572,263 has been provided by financing activities, including \$1,677,955 from sales of common stock.

MANAGEMENT DISCUSSION AND ANALYSIS

Since the beginning of 2001, GSI USA has been refocusing our activities to concentrate on our core business.

Through its affiliate, GSI Canada, last summer GSI USA installed, successfully, 32 CityColumns as phase one of our pilot project for shopping centers owned by the Ivanhoe Group. Based on the results of this pilot project, we have refined our concept and adjusted our marketing strategy and product development program. Operating as the media operator, GSI Canada has been able to measure the impact of our concept on advertising customers, advertising agencies, and target consumers.

On March 6, 2001, GSI USA sold a license to Groupe Solcom for \$1,000,000,

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payable in 10 annual installments of \$100,000. Groupe Solcom is owned 75% by GSI Canada and 25% by GSI. Other sales of licenses are planned in the European Community. Groupe Solcom has successfully completed other pilot projects.

During the last quarter, Groupe Solcom successfully completed the installation of 80 projection systems for their client, the MCR Multimedia Group, which use the GSI Multimedia Pack to broadcast animated advertising images in the Milan, Italy subway system. The operating system and installations have been working fine and provided the customers very satisfying business. The next phase have been delayed to the next quarter due to hold backs in the advertising industries after September 11th events.

Groupe Solcom has also completed a pilot project with the Societe Generale Bank, installing a network of plasma-screen based DigiColumns.

Cash requirements of approximately \$150,000 are anticipated during our next fiscal quarter to January 31st 2002.

In the previous quarter, the board capped to 4 million funding to its affiliate GSI Canada.

As of October 31st, GSI Canada had repaid the sum of \$1,865,419. At end of August, Groupe Solcom France repaid GSI USA the sum of \$1,140,000 by replacing GSI USA with line of credit to the Societe Generale as guarantor. At term of the transaction, GSI USA reimbursement by affiliates was at \$3,005,419. GSI USA is pursuing its activities of seeking for additional funding to sustain long term operation. We also, continue to negotiate with pin point investors and business partners that express their interest in participating in GSI USA capital structure. We believe we will be able to finalize agreements in beginning of year 2002.

We have been confronted to the facts that after September 11th events, the investment market was slowed down and projects and development were postponed to beginning of year 2002.

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We no longer have any line of credit or liabilities with the Societe Generale.

Investment in affiliates

Our 25% share in Groupe Solcom International from SAS is reflected as an investment in affiliates on the balance sheet. The value of this investment was \$25,000 at October 31st versus nil for the same period of 2000.

Product sales and distribution and provision of services

Under the master license acquired in October 1999, from our Canadian affiliate, GSI Canada, GSI USA has access to one of the most advanced technologies currently available in the field of information broadcast and electronic advertising and information interactive display. The term of the license is 5 years to October 26th, 2004 and is automatically renewable for another 5 years at the sole discretion of GSI. The cost is \$800,000, \$200,000 paid in cash in November 1999; the balance in \$600,000 worth of GSI'S common shares.

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GSI Canada's R&D department continues to enhance the GSI Multimedia Pack Software, in response to the market test application on installations in Montreal, Paris, and Milan. The R&D team has been working overtime in order to deliver a full operational new version for September 17th 2001.

Working in conjunction with GSI Canada's R & D department, our New Media division, has fully integrated its E-Commerce Software in order to be able to offer transactional capabilities via our products, further enhancing their potential for acceptance in the fast-evolving market place.

The prototype phase has been completed and we are now marketing the following products:

- o Citycolumn: an indoor display unit indoor/advertising unit, with interactive kiosk capability.
- o Transacolumn: an indoor display advertising unit with transactional e-column kiosks and ATM cash machine.
- o Skycolumn: a large outdoor full video advertising LED screen.
- o Projecolumn: an indoor advertising display unit which used a projecting system.
- o Digicolumn: a display kiosk using plasma screens.

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

In April 2001, GSI USA sold licenses and operating systems to the More Group UK, part of the Adshel Group, a division of Clear Channel International. We are currently installing our broadcasting facilities in London as previously announced on March 5th, 2001. GSI USA is serving the More Group in 2 cities, Bristol and Swindon, in the first phase and will be operational in October 2001. Activities in other cities in the UK are in the planning phase. GSI USA anticipates that the ongoing association with Adshel will help to identify the principal media operators in the various countries in Europe, Asia, and the Americas and continue to ramp up our commercial operations.

Our management team has refined our market penetration strategy. The world's large media groups are only beginning to convert from conventional static advertising to full video motion and interactive two-way systems. GSI USA is, therefore, concentrating on selling license agreements with large, local media operators. The networking feature of its concept and the variety of its products enable us to customize state-of-the-art applications for reaching consumers-"What do you want to say to your consumer today and where?"

As a pioneer in the advertising media industry, GSI USA is rapidly gaining experience in the application of all aspects of our concept, ranging from the design of the display products, to the software that drives them to the content advertisers. Interest in our technology and networking concept is growing,

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particularly from the suppliers of display equipment. Potential partners have been identified in the fields of telecommunications, banking, ATM services, and the Internet service providers.

Our business development has entered a crucial phase. By signing agreements with Adshel in the outdoor/indoor out of home market, GSI USA needs to deploy its studio and broadcast installations to support its massive market penetration.

Canada

On August 15th, our affiliate was forced to restructure its operations by closing down all of its divisions and maintaining strictly R&D personal and development.

Our affiliate filed an intent engagement with its creditors at 0.60\$/1.00\$; the proposition was accepted by the creditors.

GSI Canada will now concentrate on research & development. Only one managing employee is maintained in position.

All of Canada sales are now assumed by GSI USA.

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USA

The advertising industries in general did not escape from the economic slow down in North America.

We decided to restructure our US operations and closed down our offices in Orlando.

We moved our American operations in (Miami voir Rene). In order to save operations costs, we decided to focus on united States and Canada markets.

More so, we are mainly concentrating on sales of licenses to advertising partners and specific market applications such as :

1. Postal Service Kiosks
2. Virtual Banking Kiosks
3. Advertising Kiosks

By putting together partnerships ventures :

1. GSI Broadcast Software
2. Banking Authorities
3. Advertising sales groups
4. information content media
5. Land lord for network deployment

By venturing partners' energies together we have created a new business model offering multi services and revenues generating operating system. We are pursuing our negotiations with major business partners.

Several potential sub-licenses buyers have been identified and will be signed as soon as the Master License Agreement is completed.

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By proceeding to this restructure we realize tremendous savings. We maintained all our focus on sales. The savings will have a great impact on our next quarter. We are confident to conclude important sales agreements in beginning of year 2002.

We have postponed till further notice our developments in South America and Mexico.

Europe

Significant opportunities are being identified in Europe. The appetite in Europe for new technologies favors the development and installation of GSI's hi-tech products and services. Through these opportunities and the progress of our European affiliate, Groupe Solcom, we are responding to increasing customer demand from, amongst others, the major participants in the out-of-home advertising industry and retail stores. Considered the most hospitable environments in Europe at this stage of our development, our focus is on France, England, Italy, and Portugal.

After a successful presentation in August 2000 in the city of Nantes, with our partners Adshel (Clear Channel) the French division of Adshel won the tender and announced the implementation of 7 LED screens, 150 Internet kiosks, and 10 multi-media columns for March 2002.

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Working in conjunction with the Adshel's sales force, GSI USA is planning to install broadcast systems and a production Center. This project will become a flagship concept for our partners that can be extended to other major cities worldwide. We anticipate the sub-license agreement will be completed shortly. GSI would also benefit from a production contract and fees from the maintenance of the network. We have proposed a 10-year contract.

In April 2001, Groupe Solcom International acquired Providence Technologique. This company has developed a unique and futuristic touch screen, which can be useful in public sites such as shopping Centers, museums, administrative buildings, etc. This touch screen is managed by versatile and friendly user software we named Icos.

Providence Technologique has completed an agreement with Bank of Bilbao VIZCAYA, installing surveillance equipment for value of 100,000 EUROS.

Groupe Solcom France signed a formal contract with Rond Point/Minute pub for city of Amiens, Lehaure, Chambrery, Rennes for a value of 200,000 EUROS.

Other agreements are in negotiation with le Stade de France for installation of LED Screens.

The ServiColumns have retained a lot of attention in the tourism sector as well as the shopping malls industries. A joint venture with the firm Multivisu has been signed for usage of GSI Software in their projects in France.

Italy

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In January 2001, Groupe Solcom acquired an Italian company, TREDWEB S.R.L., which specializes in the creation of web sites and 3D animation. With this acquisition, the company has successfully penetrated the Italian market and has recruited experts in the field of animation. Supported by the GSI team, a wide-ranging project is underway: the installation of multimedia projectors using the GSI Multimedia Pack to broadcast animated advertising on the walls of the Milan subway system. The team is now in Phase 2 of the project. TREDWEB SRL also has contracts with major companies operating in Italy such as Young & Rubicam, Dlu, BDDO, ALMADEDIA, Touring Club and other large accounts for a turnover of US\$750,000.

TREDWEB has signed an agreement with Yong and Rubican Milano for networking services value of 150, 000 EURO.

Groupe Solcom has also concluded or is in the process of concluding several agreements in Italy with several major companies:

April 21, 2001, with SERENAM srl: This Italian company is doing business in outdoor advertising, mainly in Milan and Rome. It manages both the advertising site and the sale of advertising. The 3-year agreement is to provide SERENAM with 35 LED screens (6mX3m) in the current year, as well as licenses for the GSI MULTIMEDIA PACK and servers. SERENAM is forecasting orders of a minimum of 10 LED screens in the following years.

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Implementation start up is anticipated for April 2002:

April 21, 2001, in tandem with HGV ADVERTISING srl: a company specializing in the sale of advertising and 3D animation, GSI USA has obtained several contracts with supermarkets such as Conad Pianeta, Gabrielli Group, Conad Lazio, Auchan Pescara and This D. Puglia for the implementation of a network of plasma screens in supermarkets. Groupe Solcom has entered into a 6-year agreement for the creation of a joint company named OMNIKEY. This company will realize the implementation of the plasma screens network and the software to enable the broadcasting in supermarkets. The partners plan to implement their network in more than 650 supermarkets in the central area of Italy.

Implementation start up is anticipated before end of September 2001:

May 17 2001, with PIELLEFFE srl: an Italian company specialized in the management of major projects in Italy. They also developed an impressive contact network at the national level. This company is seeking a partnership with Groupe Solcom for the creation of a joint company to be called W.A.Waiting Advertising. The purpose of this company is to present tenders for important projects such as the installation of plasma screens for the Telebingos in Italy, for the COOP, the airport of Rome, Bologna, Torino; as well as for the metros of Rome and Naples.

On May 28th 2001, Groupe Solcom International has entered into formal agreement with INFORMATICA E TELECOMUNICAZIONI after due diligence and further negotiations decision was taken not to pursue this venture.

On August 27th, Groupe Solcom International completed an agreement with SINAGI Corporation for implantation of 1 300 screens in Newspaper kiosk first phase 300

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kiosks before end of year 2001, value of contract 3, 400,000 EURO, plus broadcast contract for production of content for 10 years.

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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 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 suit from Mr. Alex Zervakos a former employee of GSI USA. Our lawyer in Quebec is negotiating with the adverse party for resolution of approximately \$10,000.

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.

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Item 5. Other information

Montreal, September 19, 2001 - Rene Arbic, chairman of the board of directors of GSI Technologies USA Inc. ("GSI USA"), announced today that Groupe Solcom International France S.A.S., will not proceed with the offer to acquire all of the issued and outstanding shares of GSI USA and that the board of directors of GSI USA approved the following resolutions:

WHEREAS on or around February 26, 2001, GSI USA had deposited a letter of intent to acquire the share capital of Groupe Solcom International France S.A.S.

WHEREAS on or around May 16, 2001, Groupe Solcom International France S.A.S. had deposited a letter of intent to acquire the share capital of GSI Canada (3529363 Canada Inc.) and GSI USA.

Pursuant to a feasibility study, due diligence, an evaluation of the current status of the economic markets, the Board of directors of GSI USA decided not to proceed with the above stated transactions. The board of directors of GSI USA will advise of new intentions and plans shortly.

In the month of September 2001, Mr. Michel de Montigny had to resign as a board member for health conditions reasons.

On February 13th, 2002 2 other board members were nominated :

- Mr. Julian R. Beardsley have a vast experience in private banking and presently held the position of Director in a large tax consulting practice in United Kingdom. Mr. Beardsley will also serve as chairman of the board for GSI.
- Mr. Dario Litera is president of a large capital investment corporation. He also, act as trustee for various financial firm and government agencies.

We are extremely pleased to have them as members in our board.

Item 6. Exhibits and reports on Form 8-K

The following exhibits are contained in this 10-QSB:

None.

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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

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undersigned thereunto duly authorized.

Dated: MARCH 1ST, 2002

GSI TECHNOLOGIES USA INC.

By: /s/ Rene Arbic

Rene Arbic
Chief Executive Officer

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