GSI TECHNOLOGIES USA INC /DE
Form 10KSB/A
November 10, 2003

UNITED STATES,

U.S. Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-KSB / A
AMENDMENT 2

(X) ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 31, 2002

Commission File No. 333-30474

GSI TECHNOLOGIES USA INC.

(Name of small business issuer in its charter)

| Delaware | 65-0902449 |
|---|---|
| (State or other jurisdiction of Incorporation or organization) | (I.R.S. Employer Identification Number) |

400, St-Jacques Street, Suite 500
Montreal, Quebec H2Y 1S1

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code (514)-282-9292

Securities registered under Section 12(b) of the Exchange Act: None Securities registered under Section 12(g) of the Exchange Act:

CLASS B COMMON STOCK (PAR VALUE $.001 PER SHARE)
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. (x) Yes ( ) No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part 1II of this Form 10-KSB or any amendment to this

Form 10-KSB. (X)

The Registrant's revenues for its most recent fiscal year were $23,750.00.

The aggregate market value for the voting and non-voting common equity held by non-affiliates on October 31, 2002 was approximately $15,668.00. Shares of common stock held by each officer and director and by each person who owns 5% or more of the outstanding common stock of the Company have been excluded because such persons may be deemed to be affiliates.

The total number of shares of Class B Common Stock outstanding on October 31, 2002 was 26,291,023.

## PART I

This Amendment No. 2 on Form 10-KSB/A (this "Amendment") amends the Company's Annual Report on Form 10-KSB for the year ended October 31, 2002, originally filed on February 5th, 2003 (the "Original Filing"). This Amendment is being filed to amend the financial statements and footnotes to address SEC comments and to clean up other parts of the Original Filing. In addition, in connection with the filing of this Amendment and pursuant to the rules of the Securities and Exchange Commission, the Company is including with this Amendment certain currently dated certifications.

Except as described above, no other changes have been made to the Original Filing. This Amendment continues to speak as of the date of the Original Filing, and the Company has not updated the disclosures contained herein to reflect any events which occurred at a date subsequent to the filing of the Original Filing.

The Form 10-KSB contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results could differ materially from those expressed or forecasted in any such forward-looking statements as a result of a number of factors, which are not within the Registrant's control.

## ITEM 1. DESCRIPTION OF BUSINESS

### (a) Organization

GSI Technologies USA Inc. ("GSI") is a Delaware corporation, originally established in July 1998 as I.B.C. Corporation. Following a change of control to the current principal shareholders and the creation of a new business plan, we acquired an exclusive worldwide license from GSI Technologies ("GSI Canada") relating to a unique technology in the field of electronic commercial advertising. The license includes proprietary software, hardware, and broadcasting systems enabling users to transmit and receive full-motion video, graphics, along with compressed or uncompressed audio on any kind of display units, whether mobile or static, indoor or outdoor. The technology offers users remote control through telephone lines, LANs, the internet, wireless systems, cell phones, global systems for mobile telecommunications, or GSMs, fibbers optics and short waves. GSI also acquired broadcasting server technology from GSI Canada.

GSI participates in the information technology industry, specializing in broadcasting solutions principally for media operators, advertisers and others seeking to reach the greatest number of "viewers per day" at the street level. Street level advertising is the strategic placement of signage so they are readily visible to pedestrians and motorists. In addition to addressing potential consumers in busy urban and suburban settings, public service messages can also be conveyed using our technology.

Based upon our knowledge of the industry, the potential market for which GSI sells its products is large with opportunities for growth. The advertising industry, for example, is always looking for new ways to reach consumers. Having acquired our license from GSI Canada, we believe we are now able to respond to their needs as well as those of other industries. Whereas traditional media groups such as television, radio, and newspapers used to specialize in their respective activities, as reflected below, our research shows that there is a clear pattern of them utilizing newly developed electronic media in order to maintain and extend their reaching power.

Historical background

A predecessor entity called Groupe Solcom was founded in 1995 by a group of individuals experienced in the out of home advertising and retail industries. The primary goal of the Montreal-based R&D firm was to find ways of channeling commercial messages to a wider range of viewers in a structured and targeted method via electronic remotely controlled screens. Originally serving the casino and stadium industries,

Groupe Solcom soon identified diverse locations across North America in which to successfully install, manage and remotely control automated display systems. From 1996 through September 1998, Group Solcom controlled and operated large electronic signs in Vancouver, Edmonton, Toronto and Montreal.

With the rapid evolution of electronic sign capabilities via full video broadcast signals, media companies were beginning to seek new ways of transferring images and information from remote stations to signs in a compressed and secure environment. Effectively using the Internet was the logical solution. In order to respond expeditiously to market trends and to concentrate all its resources in the completion of a fully integrated software-hardware package, Group Solcom next applied for advantageous governmental grants available in the area of multimedia R&D. As a result, in

September 1998, GSI Canada was incorporated in order to qualify for and receive a CDTI Cite du Multimedia research license. Cite du Multimedia is a major provincial government-sponsored project in Montreal designed to bring together in the same location companies working in the information and communications technology field. The government subsidy is an exclusive twelve-year program of incentives that includes a subsidy of up to 40% of the salaries of research & development personnel (within individual limits), up to 40% subsidy of the capital cost for specialized R & D equipment, as well as other Federal tax credits and exemptions. From 1998 to 2000, in accordance with its strategic plan of vertical integration, GSI Canada made three acquisitions. Vertical integration has facilitated and accelerated the process of providing a complete turnkey solution to its target market, the media operators. These acquisitions included Lexton Group, Hi Tech Neon and ITS Services Inter-Teck.

In June 1999, with a view to financing the enterprise and eventually going public, the owners of GSI Canada founded GSI Technologies USA Inc, a Delaware incorporated company. By August 1999, the preliminary testing of the basic server system and software package was completed, and in October 1999, GSI Canada granted GSI an exclusive master license to market and commercialize its technology. In October 1999, we successfully completed a private placement of $1,000,000 under SEC Rule 504. On February 15, 2000, we filed a Registration Statement on Form SB-2 with the Securities and Exchange Commission. On August 3, 2000, we filed Form 8A to become a reporting company, and on September 13, 2000, began trading on the NASD over-the-counter bulletin board under the symbol GSITB.

The Company's cash position and stock values have deteriorated significantly in the past year, making it difficult to raise funds with which to continue essential R&D and marketing activities. This is a reflection more of over all market conditions in terms of market performance and the advertising industry. The Company believes in its technology advantage, and value proposition, and anticipates a turnaround in conditions in 2003.

Using cash on hand, we have continued operations in a reduced fashion, while pursuing appropriate strategies to realize market success of our products. The Company intends to pursue new sales opportunities aggressively, while re-organizing to attract new investors. As of year-end, we have entered into discussions which will reinforce our technology leadership, and lead to greater market penetration.

The technology

The basic technological advance achieved by GSI Canada and available to us by way of the master licensing agreement is the successful integration of various hardware components and specialty software for the transmission of broadcast signals in real time. Using our GSI Multimedia Pack software, which is described below, we have the unique capability to broadcast from a central server to full video screens in remote locations anywhere in the world. The system is capable of updating pinpoint information virtually in real time by way of video compressing systems and other fully automated software systems.

By utilizing our products and services, media and advertisers have an improved way of reaching consumers right in their daily out-of-home environment, especially in suburban shopping malls and the downtown cores where thousands of people circulate daily as pedestrians, as motorists or as they use public transportation going to and from work or to shop.

HARDWARE

To achieve its sales goals, GSI is commercializing products such as Citycolumn, Digicolumn, E-Column, and Skycolumn. These products can all be marketed directly by GSI to end-users or via sub-licensing agreements with media operators which are described below.

GSI's objective is to offer the possibility of what we call GSITV.COM, The Total Vision Network, linking large numbers of installations of our products in various locations. Animated advertising displays and information of public interest can be efficiently and economically managed from strategically placed servers in central locations. The content broadcast on the network will be continuously updated. For optimal exposure, the content will consist of a three-minute loop divided into eighteen segments of ten seconds each. Besides advertising, these segments will include messages of public interest issued by our newsroom, drawing on the technical support of our control room. For example, six of the segments can be dedicated to local advertising while the other twelve are made available for regional or national advertising and the messages of public interest. The involvement of radio and television networks is being sought for this part of the network's offering.

(b) Products

SOFTWARE

GSI's software is the cornerstone of its broadcasting solution, providing a modern, economic alternative to static advertising media and an improved means of attracting the attention of pedestrians and motorists in high-traffic locations. This broadcast-enabling software, coupled with integrated hardware solutions, clearly distinguishes the Company from traditional static content providers. The GSI Multimedia Pack which enables virtually real time broadcasting consists of three sub-packs, each with its own applications, enabling users to schedule and send content to any number of display units and then to play it. The key advantage is that it enables intensive, pinpoint advertising campaigns and efficient changes to the content. Through this software the Company is able to effectively monitor and transmit up-to-the-minute news and commercials directly to each screen location. Demographic criteria such as average age, population size, gender, language, and nationality can be programmed for each screen. Consequently, GSI is able to provide its advertisers or strategic partners with a complete advertising campaign package. All together, the GSI Multimedia Pack consists of five applications. Innovative applications include: database graphical user interface (GUI), schedule manager, billing manager, file transfer manager and the multimedia player.

HARDWARE

To effectively demonstrate the power of its broadcasting capability and the software that drives it, GSI has developed an array of actual and potential hardware applications. Designed, assembled and integrated in various forms and shapes suited for the precise out-of-home environment, GSI's know-how is constituted in the products we are currently commercializing such as Citycolumn, E-Column, Skycolumn, and Digicolumn, the latter two being the simplest of the units using LED and plasma screens. Other variants are under development. Customized user requirements can also be met. A key element of GSI's total media solution and market development strategy, the display units typically incorporate television screens, plasma screens, computer components and heating, ventilation, and control systems that are purchased from various suppliers. The design of the units truly differentiates the Company's solution from traditional static billboards, attracting and retaining viewers for longer periods of time. A brief description is found below of the different hardware alternatives offered by GSI.

CITYCOLUMN

Citycolumn is an interior display unit or kiosk consisting of three television screens 36" wide. Full-size video, 3D animations and stereo sound can be broadcast on these units and they can be remotely controlled and reprogrammed via GSI's software from anywhere in the world. Adding a remote control unit can also extend Citycolumn's capabilities by providing advertisers with interactivity. The combination of video and

computer digital displays makes changing commercials almost instantaneous, allowing for short advertising campaigns, special promotions, and the latest news headlines. In addition to the animated display there are two backlit display panels 28" wide and 40" high. Other features of the interactive kiosk include a tactile menu on a 15" tactile screen, promotional windows for advertisers as well as directories and location maps.

DIGICOLUMN

Part of the "high-tech" generation of communications products it has flat plasma-screens, having the same features and programming capabilities as the Company's Citycolumn unit. Plasma screens with a 50" diagonal width and only 3.5" deep, provide added image quality and purity of color. This screen can be installed in virtually any indoor location, effectively rendering all wall-space a potential advertising medium.

SKYCOLUMN

Skycolumn is a giant outdoor screen, capable of transmitting video images from a server located anywhere in the world. Potential installation sites include airports, sport stadiums, and large expressways.

E-COLUMN

E-column is an internet-enabled information kiosk that will provide consumers with animated information on products and services, and facilitate transactions such as express check out and event ticket purchases. Potential installations sites include high traffic areas such as airports, hotels, conference halls and large warehouse stores.

NOVACOLUMN

In the category of what major advertisers call "urban furniture" or "street furniture," Novacolumn, is designed for outdoor displays and meeting the requirements of traditional advertisers. Via a single projector and providing a field of view of from 5 to 300 feet, the main display side features a large screen 36" wide by 42" high, the dimensions of a regular advertising poster. The other two sides include space for static backlit posters. This kiosk can be remotely controlled and reprogrammed via GSI's software. As with Citycolumn, the combination of video and computer digital display makes changing commercials almost instantaneous, allowing for short advertising campaigns, special promotions, and the latest headlines. Adding a remote control unit can also extend Novacolumn's capabilities, providing advertisers with interactive applications. For instance, the Novacolumn can be made to control another potential product offering, the interactive parking meter. Novacolumn's specifications include sturdy, composite materials and each unit is molded in sections. Providing climate control for installations in environments that will periodically experience extreme weather conditions, including hot and/or cold, Novacolumn is equipped with a CEMU or computerized environmental management unit.

SERVICOLUMN

Servicolumn is a customized, outdoor, self-contained unit that is designed to be incorporated in the display portion of transit shelters. GSI's aim for this unit is to replace the static backlit display in the offerings of other manufacturers. 24" in depth, on one side will be a 36" X 48" display of animated content and on the other side pedestrians and public transportation users will have access to a 14" touch-screen, a smart card reader, and a wireless phone providing informational content, transactional functions and access to emergency or information phone numbers.

(c) Industry

OUT-OF-HOME ADVERTISING INDUSTRY

The out-of-home advertising industry encompasses media such as billboard advertising, transit advertising, stadium signage, urban buildings, and other distinctive forms of advertising that reach individuals outside of their domestic residences. The industry constitutes all types of advertising and is currently undergoing notable transformations. The key participants in the industry are the large media operators who seek to optimize the number of people exposed to advertising and enhance their rates of retention. The primary opportunity in out-of-home advertising stems from the fact that large audiences are available and can be reached by less expensive forms of media than radio, and the press. Industry analysts expect traditional approaches to advertising to give way to more creative solutions using new technologies. Many of the limitations associated with traditional out-of-home advertising approaches will disappear, yielding to multimedia-based approaches. Digital display product systems will provide advertisers with a new forum by which they are able to more profoundly impact their target audience. Thus the growth in deployment of interactive electronic display products is expected to continue at an accelerating rate.

INDUSTRY OVERVIEW

According to the latest edition of Advertising Expenditure Forecasts published by Zenith Media, global advertising expenditure is projected to have increased by 8% to $332 billion in 2000. Spending in North America and Europe, the two regions targeted by the Company, is estimated to have grown at 8% to $233 billion, or approximately 70% of global spending.

From the same data source, spending in North America by advertising medium in 2000 comprised:

| Advertising Medium | $Spent (Billions) | % of Total |
|---|---|---|
| Television | 53.9 | 38.6 |
| Newspapers | 48.1 | 34.4 |
| Radio | 18.1 | 13.0 |
| Magazines | 16.8 | 12.0 |
| Outdoor | 2.6 | 1.9 |
| Cinema | 0.1 | 0.1 |
| Total | 139.6 | 100.0 |

According to Zenith Media, advertising spending in North America and Europe is projected to increase to $273 billion by 2003, a compound annual growth rate of 5.5 %.

While television's relative position has been maintained, advances in technology now enable the consumer to select from more than 500 television channels at home. Many of these are specialized channels and pay television that do not broadcast advertising. Broadcasters are not able to reach the same number of in-home "viewers per day" as they used to. To maintain and increase reach, it has become strategically imperative for the advertisers and advertising agencies to seek other out-of-home possibilities. Mainly through mergers and acquisitions, media companies are now increasingly able to offer advertisers a variety of multimedia-based approaches. Clear Channel Corporation is in the forefront.

GSI believes that significant potential exists in the indoor sector of the market in particular. Unlike the outdoor sector, which depends to a large extent on the approval of municipal authorities for the use of public sites, the indoor environment is inherently more hospitable, both from an environmental standpoint and due to the private ownership characteristic. Media operators are actively seeking to penetrate the indoor advertising market which is largely untapped and still in an embryonic stage of development. Shopping centers and office buildings offer excellent opportunities. Information about the shopping center industry was obtained from Scope 1999 from the website www.icsc.org of the ICSC. According to the National Research Bureau, there were a total of 43,600 shopping centers in the United States in 1998, an increase of

1.7% from 1997. Retail sales in shopping centers increased by 5.0% to $1,044.6 billion, representing 51% of total retail sales in the country, excluding auto dealer sales. In a typical month, 189 million adults shop at shopping centers and 94% of the population over 18 years of age. Similarly, in Canada, there were 4,298 shopping centers in Canada by the end of 1998, generating $94.2 billion in retail sales.

Media operators generally negotiate with the owners of public and private property sites suitable for advertising campaigns. Clear Channel Communications, an American multinational, is the largest in the world, operating over 750,000 display faces in 40 countries. It has erected over 700,000 out-of-home signs over a span of 28 years. Clear Channel's direct competitor is JC Decaux, a French multinational with extensive U.S. operations, which has deployed 160,000 backlit advertising panels and 205,000 units of urban furniture worldwide. Outdoor Systems is also a major operator in the out-of-home industry, having deployed its urban furniture products in 90 U.S. metropolitan regions and 13 Canadian cities.

Through our research and from our direct contacts with these dominant media operators, we have confirmed that they are actively seeking multimedia-based approaches to complement and enhance their traditional urban furniture products and to accelerate growth. In addition, national, regional, and local advertisers are expected to be more and more interested in the unique benefits offered by digital networks.

One clear trend in the out-of-home advertising industry is the consolidation of media operators as they seek to strengthen their national coverage and expand their network of installations. Leading industry players such as Clear Channel, TDI, Outdoor Systems and JC Decaux are primarily driving the trend of consolidation throughout the industry.

(d) Patents and trademarks

Intellectual property

GSI has acquired an exclusive worldwide license from GSI Canada, which has proprietary rights on the software required to operate the system. These rights are governed and protected by applicable commercial law. GSI intends to take all reasonable and practicable steps to obtain patent and trademark protection, when available, to protect its rights to the licensed technology. Our legal advisors specializing in trademarks are in the process of filing trademark applications for the following brand names used by the Company in the United States and Canada: Citycolumn; Novacolumn; GSI Multimedia Pack; GSI Technologies; GSITV.COM.

In April 2002, GSI Canada and the Company executed an Addendum to the Master License Agreement which granted the Company the right to sell and/or issue licenses for the technology for 10 years.  This addendum superseded the Master License Agreement, thereby terminating all other obligations contained in the

Master License Agreement. More importantly the addendum grants the Company the right to modify and further develop the source code at the Company's sole discretion. Any such developments made by GSI Technologies USA Inc. would remain the property of the GSI Technologies USA Inc.

(e) Market Development

A key element of GSI's strategy is to establish relationships and alliances to assist in marketing, selling, and deploying its electronic urban furniture. We believe that strong global alliances are expected to achieve solid market penetration and to package and bundle turnkey solutions for customers.

(f) Customer Service and Technical Support

At year end, we have initiated discussions with LTS Networks Inc. ("LTS"), a Montreal-based provider of Linux-based technology solutions to serve our customers and provide technical support to projects underway, and under discussion.

LTS Networks is a Network Systems development company specializing in Low Total Cost of Ownership (TCO) institutional network computing solutions. The company designs and builds commodity networks , vertical market computing appliances and client side software. LTS Networks leverages commodity computing hardware and Open Source software to deliver robust, scalable low cost solutions.

(g) Research and Development

Our in works agreement with LTS Networks as of Year-End envisages a partnership that will allow us to

work closely together on the new development of our software enhancement. LTS Networks' engineering team will provide GSI with full analysis on our existing platform and going forward needs.

(h) Competition

The media industry is highly competitive. It encompasses broadcast and cable television, the Internet, radio, magazines, newspapers, traditional billboards and direct mail marketers. Operators compete in the out-of-home environment in locations such as highways, shopping centers and malls, airports, stadiums, movie theaters and supermarkets; as well as in transit shelters, and in taxis, trains, buses and subways. The out-of-home advertising industry is attracting numerous alternative media products, many of which will be direct competitors. Although the existing major media operators such as Clear Channel, JC Decaux, TDI and Outdoor Systems could become significant clients, they could also decide to develop their interactive display products and become competitors.

Other firms are currently placing electronic-type display products in various locations such as retail outlets, elevators, airports and subways. Next Generation Network (NGN) is emerging within the US market having installed over 6,500 electronic billboards in locations throughout the United States. NGN's network infrastructure has attracted the attention of many industry analysts and is considered the influential source driving change in the out-of-home advertising sector. Other competitors include Fred Systems Ltd. of Waterloo, Canada, New York-based Golden Screen Interactive Technologies and Montreal-based Digital Advertising Network ("DAN"), Vert Intelligent Displays of Summerville, Massachusetts, Clarity Visual Systems of Willsonville, Oregon and Pioneer Electronic Corporation of Tokyo, Japan.

(i) Human Resources

Throughout the year, the Company downsized so that by year end, The President was the sole employee. During the year we hired consultants on an as-needed basis.

The Company believes that with a new business approach, it can attract new investor interest. Proceeds from which would be used to rebuild an executive team capable of executing the business plan, and providing investor confidence. The Company intends to be in a position to report such events in our 10-QSB filing in March 2003.

ITEM 2. DESCRIPTION OF PROPERTY

We own no real estate. In January 6th, 2000, GSI USA entered into a co-sharing leasing agreement with our affiliate GSI Canada with 2849-3930 Quebec Inc. represented by SITQ Inc. for a term of 4 years. Due to our affiliate financial difficulties and to the market crash with technologies corporations, we entered during the year 2002, in negotiations with the land-lord (SITQ) to leave the premises. Our monthly rent represented fees of approximately 20,000.00$ USD and was previously hosting 70 people. On October 8, 2002, the Company entered into a final settlement and release agreement with the SITQ whereby the Company could cancel its lease with a one time payment of approximately $44,000. This payment was made during October 2002.

In September 2002, we moved our Montreal business office to 400, St-Jacques West, Suite 500, in the City of Montreal. Our facilities are located in approximately 2,500 square feet of leased office space in Montreal. The lease expires on September 1, 2005 and provides for an annual rental of approximately $24,000.

On October 1st, 2002, the Company entered into a one year office lease for 1,600 square feet of office-warehouse space in Plattsburg for its USA Office in New York with an annual rental of approximately $12,000.

ITEM 3. LEGAL PROCEEDINGS

(1) MR. JACQUES BIRON : We remain party to one proceeding initiated by another party, Mr. Jacques Biron, against GSI Canada, GSI, our former President 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.

(2) MR. ALEX ZERVAKOS: On September 2001, we received a law suit from Mr. Alex Zervakos a former employee of GSI USA. We concluded an out of court settlement, on November 22nd, 2002, for the amount of $7,750 USD as final settlement.

(3) CITY OF MONTREAL: The Company has been involved in litigation for unpaid business taxes with the City of Montreal. The litigation has been settled in the amount of approximately $23,000 USD of which $5,000 USD has been paid by October 31, 2002.

(4) SITQ, PREVIOUS LANDLORD: On October 8, 2002, the Company entered into a final settlement and release agreement with its landlord in its original downtown Montreal office whereby the Company could cancel its lease with a one time payment of approximately $44,000. This payment was made during October 2002.

(5) CVMQ: 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.

(6) FORMER DIRECTOR AND OFFICER: In March 2002, a former Director, who was also an Officer in the Company, along with another employee of the Company, filed a civil action against the Company in the State of Florida alleging unpaid wages and expense reimbursements totaling approximately $225,000. The Company has not retained legal counsel but believes this complaint is without merit and is in the process of negotiating a settlement and release agreement with these two individuals in the amount of approximately $13,000. The Company has received an oral confirmation to the $13,000 settlement and release agreement. The $13,000 has been accrued and reflected in the October 31, 2002 financial statements.

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

None

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) Market for Common Stock

Our common stock traded in the over-the-counter market on the "OTC Bulletin Board" under the symbol GSITB from September 13, 2000 until March 2002, when it was delisted for late filing of our annual report for the period ended October 31, 2001. The Company is now current with its filings and is trading on the OTC market. Until March 5, 2002, we have provided the closing bid and ask prices and thereafter the closing sales prices. These do not include retail markups, markdowns or commissions. Nor do they represent actual transactions.

| | CLOSING BID | | CLOSING ASK | |
|---|---|---|---|---|
| | HIGH | LOW | HIGH | LOW |
| Fiscal Year Ended October 31,2002 | | | | |
| First Quarter | .40 | .07 | .51 | .11 |
| Feb. 1- March 5, 2002 | .35 | .09 | .50 | .20 |

CLOSING BID

| | HIGH | LOW |
|---|---|---|
| Second Quarter | .45 | .05 |
| Third Quarter | .05 | .05 |
| Fourth Quarter | .001 | .001 |

(b) Recent Sales of Unregistered Securities

On November 19, 2001 the Company issued 600,000 shares to a consultant for services totaling $8,000.

On November 19, 2001 the Company issued 400,000 shares to its president in settlement of payments made by the President to settle Company expenses on behalf of the Company totaling $38,995 Cdn.

On November 19, 2001 the Company issued 200,000 shares to its director for settlement of legal services performed totaling $4,000.

On November 19, 2001 the Company issued 266,000 shares for the purchase of a company in Europe. The transaction was recorded at par value since the European company had no financial history or viable operation.

On December 19, 2001 the Company issued 100,000 shares to an organization in settlement of consulting services totaling $2,000.

On July 3, 2002 the Company issued 200,000 shares to an organization in settlement of consulting services totaling $4,000.

(c) Issuance of warrants

No warrants have been issued during fiscal year 2001-2002.

(d) Cancellation of Class A Shares

None

(e) Grant of stock options

On August 1, 2000 the Board of Directors approved a Long Term Incentive Plan. Under the plan, stock options were approved for the directors, officers, and certain key employees of GSI and its affiliates; as well as for certain consultants to GSI. The initial design of the plan reflects the issuance of "Nonqualified Stock Options." A maximum of 10% of the authorized capital of the Corporation, being equivalent to a total of 5,500,000 Class B common shares, was reserved and available for distribution pursuant to the terms of the plan. Nonqualified Stock Options to purchase a total of up to 3,000,000 Class B common shares of GSI at a price of $2.00 per share were to be granted to certain employees and other eligible individuals, as determined by the Chief Executive Officer. One-third will vest on December 18, 2000; a following one-third will vest on December 18, 2001; the remaining one-third will vest on December 18, 2002. The stock options expire seven years from the date of the grant. Further grants may be made periodically at an exercise price not less than the closing price on the day prior to the date of the grant. On November 20, 2000, the Board of Directors approved a re-granting of the options at an exercisable price of $1.25. During the Corporation's restructuring phase, the principals of the Corporation have decided to postpone any grants or options until further notice. No grants or options have been issued during fiscal year ending October 31st, 2002.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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 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 pinpoint 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.

RESULTS FROM OPERATIONS

During the fiscal year from November 1, 2001 to October 31, 2002, GSI USA incurred a loss of $1,667,839 or $0.06 per share versus a loss of $2,589,345 or $0.12 per share in the same period in the prior year. The current year loss can be attributed to limited revenue generated as well as a 1.1 million loss on write off of an affiliate note receivable.

REVENUES

$23,750 in revenue was recognized during the current fiscal year versus $229,793 for the same period in the prior year. These revenues are 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.

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 $10,634 in direct operating cost for the current fiscals year versus $121,797 for the same period in the prior year.

Operating expenses

During the current fiscal year ended October 31st, 2002, GSI USA has incurred $510,753 in operating

expenses versus $1,752,839 for the same period in 2001. The decrease is attributable primarily to a drastic cut back in operations for the current year.

Other income

During the current fiscal year ending October 31st, 2002, $1,170,202 in other expenses were realized compared to $944,503 of other expenses in the prior year. These amounts are primarily attributable to the write offs of the Loss on Affiliate note receivables and advances.

Liquidity and capital resources

At October 31, 2002 GSI USA had zero cash as compared to $6,019 at October 31, 2001. Cash used in operating activities during the year ending October 31, 2002 was $252,545, 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 current year are comprised of purchases of property and equipment totaling $163,705. Cash provided by investing activities during the prior year reflected repayment of short-term loans to GSI Canada in the amount of $801,656.

Cash provided from financing activities during the current year of $410,232 include the net effect of short-term borrowing through note payables as well as proceeds from an investment group. Cash provided from financing activities during the prior year of $519,469 reflects a private placement as well as funding provided by issuance of Notes Payable.

MANAGEMENT DISCUSSION AND ANALYSIS

Since beginning of our operations we worked closely with an affiliate company, "GSI Canada" (GSIC). The overall market strategy was that GSI Technologies USA Inc. (GSIUS) developed business through its unique understanding of the advertising industry, notably in providing custom, software, sales services and products to customers for electronic, out of home, advertising media applications and needs. We depended on GSIC as the technology developer, and in our dealings with that company, acquired exclusive licensing rights agreement on proprietary software technology.

As such, GSIUS has advanced funds to GSIC for the addition of significant upgrades and additional intellectual property of GSIUS to that base software.

In this regard, we have in the past, from time to time, supported our affiliate's development of technologies by advancing funds to enhance our modular software applications and allow us to remain ahead of competition. In addition, we had co-located certain of our activities with the affiliated company to ensure proximity to the development team and shared some of these costs (leases, communications, IT, etc.).

In the later part of 2001, GSIC was forced to file for receivership in Canada due to extraordinary circumstances and a downturn in overall market conditions. As such, in the period beginning November 2001 to Mid September 2002, GSIC had to shut down most of its operations and was not able to repay advances to our corporation or to provide us with necessary services.

During the course of 2002, GSIUS negotiated new agreements directly with suppliers to reduce our costs, while remaining a viable, stand-alone business having lost the services of GSIC. Significant downsizing at GSIUS accompanied this event, in an effort to cut costs, re-consider our business plan, and re-establish the Company's business foundation at time of turmoil in the electronic advertising industry in our core markets of the USA and Europe. An example of cost saving measures was to lease new offices facilities and move our operations from a $20,000.00 monthly rent to $2,000. Further, we didn't renew any employment contracts and negotiated our way out of consulting contracts to bring our operations to minimize expenses.

At the end of fiscal year October 31st, 2002, we decided to take a right off on our affiliate loan for an

approximate value of $1,145,792.00.

We have negotiated a loan agreement allowing us to resolve most of pending financial issues and reduce our payables considerably by end of October 2002 and anticipate completing our restructuring program by end of next quarter. We are currently investigating the potential of transforming certain loans and liabilities into equity partnerships and to seek into the possibility of raising new capital in the Corporation.

Based on a solid foundation, the Company anticipates a rebuilding phase in early Fiscal 2003. We have initiated discussions with both customers and new suppliers to move forward with initial phase of upgrading and developing our own proprietary technology, in order to reduce our dependence on third party services and to build a long-term solution for the best interest of our customers and corporation's shareholders.

Our past experience allowed us to design and tailor an application plan based on pilot projects and market tests in real situation, with greater possibilities, more efficiency, more durability and stability supported and combined with upgrades of hardware and other software development available in the industry.

Although, our affiliate's situation affected our sales potential, we maintained our 5-year relationship with a major customer based in the USA and one of the world's largest out-of-home media corporation. In the later part of year 2002, we have significantly moved forward to reach a new business agreement with that company to tailor new software in order to support their needs of worldwide development of electronic out-of-home media. At year end of Fiscal 2002, we received a purchase order for the first phase for a value of $30,000.00 and agreed with the Client's management team to negotiate through the course of year 2003 a longer term plan with more appropriate cost structure.

Their specifications are based on a 3 phase development plan, in which we eagerly anticipate closure soon after year end 2002. While preliminary, that agreement would call for the first beta version to be delivered by the end of March 2003. The second phase will be initiated after testing of version I by the Client's engineering team and GSI's R&D team.

In July 2002, we completed a Letter of Intent with a Californian based Entertainment Company specialized in Internet market content. The agreement calls for the Client to install a network of full motion video plasma screens in approximately 200 preferred locations in the United States. As of year-end, we have been informed that our customer has succeeded in signing in over 100 locations and anticipates starting installation during the month of March 2003. We have negotiated a 10-year licensing agreement starting when the networks begins operations, management of the network contract and content production service agreement. There are no assurances that the Company will ever receive any revenues based upon this transaction.

We have initiated discussions for strategic alliances and potential partnerships with new equity partners and allied strategic partners and anticipate new results at the outset of Fiscal 2003.

We strongly believe all these measures will help us re-establish our business presence and build value for the benefit of our Corporation and shareholders.

ITEM 7. FINANCIAL STATEMENTS

Attached is Appendix A containing the following information:

- Independent Auditor's Report - Balance Sheets as of October 31st, 2002 and 2001 - Statements of Operations for the years ended October 31st, 2002 and 2001.
- Statements of Stockholders' Equity (Deficiency) for the years ended October 31st, 2002 and 2001.
- Statements of Cash Flows for the years ended October 31st, 2002 and 2001.
- Notes to Financial Statements

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

Not applicable.

PART III

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

(a) Directors and Officers.

Our executive officers and directors are listed below. The term of each director is for one year.

| Name | Office | Age |
|---|---|---|
| Rene Arbic | Chief Executive Officer<br>President and Director<br>(Since September 18, 2001) | 50 |
| Marc Cote | Director<br>(Since October 23, 2000) | 42 |
| Marie El-Ahmar Eid | Secretary of the board<br>(Since May 27, 2002) | 40 |

RENE ARBIC

Mr. Arbic has served on multiple boards of technologies companies after retiring from Bell Canada in 1996, where he occupied multiple functions as well in technical positions than management. In 1997, he was cofounder of a telecommunication consultant firm name Rave Communications. In 1997, he was cofounder of a publicly traded company: Bridgepoint International. Bridgepoint built and operated colocation central offices facilities in multiple cities in North America. Mr. Arbic will bring a long experience in marketing and management to GSI as a board member.

MARC COTE

Mr. Cote graduated in civil law from the University of Ottawa and has been a member of the Quebec Bar since 1985. Mr. Cote has been a senior partner in the Montreal law firm of Labelle Boudreault Cote & Ass. Since 1990, He currently specializes in the area of commercial law. Mr. Cote became a Board Member in October 2000.

MARIE EL-AHMAR EID

Mrs. Eid graduated from Lebanese University in Management of Networks Technologies in 1983. She occupied multiple functions at the National Bank of Canada from 1993 to 1999. In 1999, she was hired by GSI Technologies USA Inc. as an Executive Assistant to the CEO. In 2001, she was Human Resources Manager and Business Development Manager. In 2003, she became Business Development and Investor Relations Director. She became a Board Member on May 27, 2002.

(b) Section 16(a) Beneficial Ownership Reporting Compliance.

Not applicable

ITEM 10. EXECUTIVE COMPENSATION

The following table shows for the last three fiscal years, compensation awarded or paid to, or earned by, the Company's President and Chief Executive Officer.

| | Annual Compensation | | | Long Term Compensation Awards |
|---|---|---|---|---|
| Name and Principal Position | Year | Salary ($) | Bonus ($) | Securities Underlying Options |
| Rene Arbic, President & CEO | 2002(1) | 16,129 | | |
| | 2001(2) | 0 | | |

(1) During fiscal year 2002, Mr. Arbic was paid $16,129 in salary. Mr. Arbic also advanced, on behalf of the Company, $38,995.55 Cdn to cover several Company expenses. Mr. Arbic agreed and received 400,000 shares in settlement of the advances and these shares were issued on November 22nd, 2001.

(2) Mr. Arbic was hired at the beginning of September 2001 and his salary was to commence in November 2001.

OPTION GRANTS IN LAST FISCAL YEAR

None

AGGREGATED FISCAL YEAR-END OPTION VALUES

There were no option exercises by the Named Executive Officers during the fiscal year ended October 31,2002.

AGGREGATED FISCAL YEAR-END OPTION VALUES

There were no option exercises by the Named Executive Officers during the fiscal year ended October 31,2001.

The Company has no arrangement for the remuneration of its directors. No remuneration was paid to the directors during the year ended October 31, 2002.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of October 31, 2002, information regarding the beneficial ownership of our common stock based upon the most recent information available to us for

- each person known by us to own beneficially more than five (5%) percent of our outstanding common stock,
- each of our executive officers and directors, and
- all of our executive officers and directors as a group.

Each stockholder's address is c/o GSI Technologies USA Inc., 400, St-Jacques West, Suite 500, Montreal, Quebec, CANADA, H2Y 1S1.

| | Number of Shares Owned | |
|---|---|---|
| Name | Beneficially | % of Total |
| RENE ARBIC | 400,000 | 1.5 |
| MARC COTE | 200,000 | * |
| MARIE EL-AHMAR EID | 6,764 | * |
| J.MICHEL DE MONTIGNY | 10,123,724 (1) | 38.5 |
| CRAIG PERRY | 2,000,000 | 7.6 |
| All Officers and Directors as a Group (3 persons) | 606,764 | 2.3 |