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

FORM 10-QSB

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

For the quarter ended September 30, 2001 Commission file number 0-33037

NBO SYSTEMS, INC.

Maryland	87-0527348
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No)

3676 W. California Ave. Bldg. D
Salt Lake City, Utah 84104
(Address of Principal Executive Offices)

(801) 887-7000
(Registrant's telephone number)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

As of September 30, 2001, the number of shares outstanding of the registrant's only class of common stock was 15,998,313.

Transitional Small Business Disclosure Format (check one): Yes ________ No ____X_____

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ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NBO Systems, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2001 (unaudited)	March 31, 2001
CURRENT ASSETS		
Cash	$ -	$ 7,866
Restricted cash	9,559,750	10,438,926
Accounts receivable, net of allowance for uncollectible accounts of $5,000 in September 30, 2001 and March 31, 2001	139,836	133,258
Employee advances	551	1,667
Inventory (Note D)	26,777	19,141
Prepaid expenses	150,897	59,231
Total current assets	9,877,811	10,660,089
PROPERTY AND EQUIPMENT, NET	1,518,144	1,646,380
OTHER ASSETS, NET	463,224	546,399
	$ 11,859,179	$ 12,852,868

(continued)

The accompanying notes are an integral part of these statements.

NBO Systems, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS - CONTINUED

LIABILITIES AND STOCKHOLDERS' DEFICIT

	September 30, 2001	March 31, 2001
	(unaudited)	
CURRENT LIABILITIES		
Checks written in excess of cash in bank	$ 334,260	$ -
Gift certificates payable	9,559,750	10,438,926
Accounts payable	551,006	461,584
Accrued liabilities	478,867	336,387
Notes to stockholders	1,731,276	1,554,065
Notes to officer	305,000	250,000
Current maturities of long-term obligations	17,451	66,138
Total current liabilities	12,977,610	13,107,100
LONG-TERM LIABILITIES		
Deferred gain	1,250	5,000
Total liabilities	12,978,860	13,112,100
COMMITMENTS AND CONTINGENCIES (Note H)	-	-
STOCKHOLDERS' DEFICIT (Note E and I)		
Capital stock		
Convertible redeemable preferred stock, par value $1.00; authorized 1,000,000 shares; issued and outstanding 53,847 and 48,952 shares at September 30, 2001 and March 31, 2001, respectively; redemption value $2.20 per share	53,847	48,952
Common stock, par value $0.0005; authorized 20,000,000 shares; 15,998,313 and 15,608,511 shares issued and outstanding at September 30, 2001 and March 31, 2001, respectively	8,000	7,804
Subscriptions receivable	(17,900)	(17,900)
Additional paid-in capital	20,976,042	18,962,236
Accumulated deficit	(22,139,670)	(19,260,324)
Total stockholders' deficit	(1,119,681)	(259,232)
	$ 11,859,179	$ 12,852,868

The accompanying notes are an integral part of these statements.

NBO, Systems Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months ended September 30,		Six months ended September 30,	
	2001	2000	2001	2000
Revenues				
Third party gift certificates	$ 391,812	$ 1,672	$ 743,674	$ 2,372
Merchant fees earned from retailers	4,744	11,947	28,096	28,392
Convenience fees earned from customers	268	1,815	1,916	5,123
Equipment and software income	12,485	-	19,835	7,525
Interest on restricted cash	58,480	64,753	123,870	125,734
	467,789	80,187	917,391	169,146
Cost of revenues				
Third party gift certificates	325,382	1,482	630,445	2,118
Other	59,520	40,869	111,824	96,894
	384,902	42,351	742,269	99,012
Gross profit	82,887	37,836	175,122	70,134
Operating expenses				
Personnel	713,986	630,496	1,484,101	1,255,444
Legal and accounting	64,128	10,550	114,630	12,504
Rent	76,781	74,023	154,413	141,530
Office	101,632	103,286	208,248	202,215
Consulting	3,500	29,419	3,500	48,838
Travel	15,720	24,916	37,983	61,718
Bad debts	5,138	-	11,696	2,000
Marketing	940	2,380	20,799	40,695
Depreciation and amortization	87,146	53,880	173,968	93,738
Miscellaneous	13,802	14,343	21,141	19,576
	1,082,773	943,293	2,230,479	1,878,258
Operating loss	(999,886)	(905,457)	(2,055,357)	(1,808,124)
Other income (expense)				
Interest expense	(430,227)	(110,570)	(700,108)	(292,095)
Interest income	669	6,667	5,975	18,548
Loss on disposal of other assets, and property and equipment	(2,845)	-	(3,768)	-
Other income	110	30,106	110	30,373
	(432,293)	(73,797)	(697,791)	(243,174)
NET LOSS	$ (1,432,179)	$ (979,254)	$ (2,753,148)	$ (2,051,298)
Net loss per common share – basic and diluted (Note F)	$ (0.10)	$ (0.07)	$ (0.18)	$ (0.14)
Weighted-average number of common shares outstanding – basic and diluted (Note F)	15,927,057	14,979,822	15,817,111	14,828,746

The accompanying notes are an integral part of these statements.

NBO Systems, Inc.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
(UNAUDITED)

For the six months ended September 30, 2001

	Preferred stock		Common stock					
	Number of shares	Amount	Number of shares	Amount	Subscriptions receivable	Additional paid-in capital	Accumulated deficit	Total
Balance at April 1, 2001	48,952	$ 48,952	15,608,511	$ 7,804	$ (17,900)	$ 18,962,236	$ (19,260,324)	$ (259,232)
Preferred stock dividends	4,895	4,895	-	-	-	121,303	(126,198)	-
Common stock issued for								
Notes payable	-	-	128,788	64	-	299,936	-	300,000
Services	-	-	6,274	3	-	30,722	-	30,725
Payment of interest	-	-	20,476	10	-	100,090	-	100,100
Cash (net of issuance costs of $60,616)	-	-	234,264	119	-	969,350	-	969,469
Interest expense recognized on beneficial conversion features on notes payable	-	-	-	-	-	408,977	-	408,977
Common stock options and warrants issued for services and compensation	-	-	-	-	-	9,573	-	9,573
Stock warrants issued for interest	-	-	-	-	-	73,855	-	73,855
Net loss	-	-	-	-	-	-	(2,753,148)	(2,753,148)
Balance at September 30, 2001	53,847	$ 53,847	15,998,313	$ 8,000	$ (17,900)	$ 20,976,042	$ (22,139,670)	$ (1,119,681)

The accompanying notes are an integral part of this statement.

NBO Systems, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six months ended September 30, 2001	Six months ended September 30, 2000
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities		
Net loss	$ (2,753,148)	$ (2,051,298)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	173,968	93,738
Loss on disposal of other assets, and property and equipment	3,768	-
Bad debt expense	11,696	2,000
Common stock options and warrants issued for services and compensation	9,573	38,838
Common stock warrants issued for interest	73,855	9,946
Interest expense recognized on beneficial conversion features on notes payable	408,977	200,000
Common stock issued for services	30,725	-
Common stock issued for interest	100,100	-
Amortization of prepaid interest on loans	34,138	-
Changes in assets and liabilities		
Accounts receivable	(18,274)	11,948
Employee advances	1,116	16,948
Inventory	(7,636)	(5,966)
Prepaid expenses and other assets	(40,389)	(66,420)
Accounts payable	89,422	(173,936)
Accrued liabilities	142,480	40,582
Total adjustments	1,013,519	167,678
Net cash used in operating activities	(1,739,629)	(1,883,620)

(continued)

NBO Systems, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
(UNAUDITED)

	Six months ended September 30, 2001	Six months ended September 30, 2000
Cash flows from investing activities -		
Purchase of property and equipment	(55,490)	(552,082)
Cash flows from financing activities		
Increase in checks written in excess of cash in bank	334,260	11,071
Principal payments on unsecured loan	-	(30,000)
Principal payments on long-term obligations	(48,687)	(41,860)
Proceeds from sale of common stock	969,469	1,768,984
Proceeds from loans to stockholders	55,000	-
Proceeds from notes to officer	485,000	275,000
Principal payments on notes to stockholders	(7,789)	(9,854)
Net cash provided by financing activities	1,787,253	1,973,341
Net decrease in cash	(7,866)	(462,361)
Cash at beginning of period	7,866	462,361
Cash at end of period	$ -	$ -

Supplemental disclosures of cash flow information

	2001	2000
Cash paid during the period for		
Interest	$ 49,715	$ 49,028

Noncash investing and financing activities (Note E)

	2001	2000
Beneficial conversion feature of convertible debt	$ 408,977	$ 200,000
Common stock issued for interest expense	100,100	-
Common stock warrants issued for interest expense	73,855	9,946
Common stock issued for services	30,725	-
Common stock options and warrants issued for services	9,573	38,838

(continued)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
September 30, 2001 and 2000

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of NBO Systems, Inc. (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) for interim financial information and with the instructions to Form 10-QSB. Accordingly, these financial statements do not include all of the information and footnote disclosures required by US GAAP for complete financial statements. These financial statements and footnote disclosures should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended March 31, 2001. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to fairly present the Company's consolidated financial position as of September 30, 2001, its consolidated results of operations for the three months ended September 30, 2001 and 2000 and its consolidated results of operations and cash flows for the six months ended September 30, 2001 and 2000. The results of operations for the three months and six months ended September 30, 2001, may not be indicative of the results that may be expected for the year ending March 31, 2002.

NOTE B - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company generated net losses of $1,432,179 and $2,753,148 for the three month and six month periods ended September 30, 2001, respectively, and net losses since inception (June 23, 1994) of $22,139,670 as of September 30, 2001. The Company's current liabilities exceed its current assets by $3,099,799 as of September 30, 2001. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to meet its obligations, to obtain additional financing as may be required and ultimately to attain profitability. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Although the revenue sources available to the Company as a result of the new multi-year exclusive agreements entered into are expected to be significant, management intends to pursue additional debt or equity financing until revenue sources are sufficient to meet the Company's on-going operational expenses.

NOTE C - REVENUE RECOGNITION

During the six month period ended September 30, 2001 the Company began purchasing and selling gift certificates of third party retailers. The Company records as revenue the amount received from the customer at the time of sale. The amount that the Company pays the retailer is recorded as a cost of revenue. The Company recognizes convenience fee revenue earned from customers from the sale of gift certificates upon the occurrence of the event. Merchant fee revenue earned from retailers is recognized when gift certificates are redeemed. Revenue from the sale of kiosks is recognized upon shipment or installation if the Company is required to install the kiosks. Interest income is recognized when earned.

NOTE D – INVENTORY

Inventory consists of gift certificates purchased from third party retailers. Gift certificates are recorded at cost (specific identification method).

NOTE E - EQUITY

Common Stock

Effective August 14, 2001, the Company approved a 5 for 4 stock split for all outstanding shares of common stock. All shares of common stock in these financial statements and footnotes have been restated to reflect the stock split.

From April 1, 2001 through September 30, 2001, the Company received $1,030,085 before offering costs of $60,616 for the sale of 234,264 shares of common stock.

The Company issued 20,476 shares of common stock to a stockholder for interest in the amount of $100,100 according to terms of a note payable. The note holder is also a shareholder and an accredited investor. These transactions were completed in accordance with Rule 506.

The Company converted notes to stockholders of $300,000 to 128,788 shares of common stock pursuant to Rule 506.

The Company issued 6,274 shares of common stock valued at $30,725 for services. This transaction was a private placement under section 4(2) of the Securities Act of 1933, as amended, and Rule 506.

The Company recognized charges related to the beneficial conversion feature of the notes payable to stockholders issued during the six month period ended September 30, 2001. The beneficial conversion feature is the difference between the market value of the common stock and the conversion rate of the debt limited to the amount of debt. The beneficial conversion feature is recognized as interest expense over the period from the date of the note to the date of maturity when the conversion of the debt into stock may take place. For the six month period ended September 30, 2001, the beneficial conversion resulted in a noncash charge recorded as additional interest expense of $408,977.

During the six month period, the Company issued 2,159 common stock options for services and compensation to a consultant pursuant to Rule 701. The Company recognized $9,573 of expense for options granted.

During the six month period, the Company issued 101,250 common stock warrants to a stockholder and recorded additional interest expense of $73,855 in connection with two outstanding notes payable. The note holders are also shareholders and accredited investors. These transactions were completed in accordance with Rule 506.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
September 30, 2001 and 2000

NOTE F - LOSS PER COMMON SHARE

	Three month period ended September 30,		Six month period ended September 30,	
	2001	2000	2001	2000
Net loss per common share - basic and diluted				
Net loss	$ (1,432,179)	$ (979,254)	$ (2,753,148)	$ (2,051,298)
Dividends on preferred stock	(126,198)	(91,823)	(126,198)	(91,823)
Net loss available to common shareholders	$ (1,558,377)	$ (1,071,077)	$ (2,879,346)	$ (2,143,121)
Common shares outstanding during the entire period	15,797,901	14,739,394	15,608,511	14,623,644
Weighted average common shares issued during the period	129,156	240,428	208,600	205,102
Weighted average number of common shares used in basic EPS	15,927,057	14,979,822	15,817,111	14,828,746
Dilutive effect of stock options, warrants, and convertible preferred stock	-	-	-	-
Weighted average number of common shares and dilutive potential common stock used in diluted EPS	15,927,057	14,979,822	15,817,111	14,828,746

The average number of shares of all stock options and warrants granted, all convertible notes to stockholders, and convertible preferred stock have been omitted from the computation of diluted loss per share because their inclusion would have been anti-dilutive for the three and six month periods ended September 30, 2001 and 2000.

For the three and six month periods ended September 30, 2001, the Company had 4,410,708 and 4,351,110 potentially dilutive shares of common stock, respectively, not included in the computation of diluted loss per share because they would have had an anti-dilutive effect (4,481,328 and 4,510,801 potentially dilutive shares for the three and six month periods ended September 30, 2000, respectively).

NOTE G - RELATED PARTY TRANSACTIONS

During May 1996, the Company entered into a promissory note with its president for $250,000 which the president advanced to the Company for payment of the Company's general and administrative expenses. The note bears 10 percent interest, payable (including interest) on the earlier of July 10, 1996 or upon the Company obtaining $750,000 of debt or equity financing. The president advanced the Company an additional $55,000 during July 2001. The note is not collateralized.

NOTE H - COMMITMENTS AND CONTINGENCIES

Litigation

The Company is party to litigation and claims in the ordinary course of business. After consultation with legal counsel, management believes that the liabilities, if any, arising from such litigation and claims will not have a material effect on the financial position or results of operations of the Company.

NOTE I - SUBSEQUENT EVENTS

During October, November and December 2001, the Company sold 16,226 shares of common stock at $5.50 per share totaling $89,243 under the August 16, 2001 private placement offering. In addition, as part of an incentive rights offering to shareholders only, the Company issued 10,636 shares of common stock at $2.75 per share totaling $29,249. An equivalent number of shares were redeemed from the president and chairman of the Company, Keith A. Guevara, the single largest stockholder for the same price per share in accordance with Supplement 1 of the August 16, 2001 private placement offering at $2.75 per share. However, Mr. Guevara did not receive any payment from the Company. In lieu of payment, the Company issued an unsecured note in the amount of $29,249 to pay the redemption amount at a time determined in the future by the Board of Directors when the Company is in a financial position to pay the redemption price without adversely affecting the Company. The Company did not pay commissions in connection with the sale of these securities.

During January 2002, the Company sold 25,000 shares of common stock at $5.50 per share totaling $137,500 under the August 16, 2001 private placement offering. In addition, as part of an incentive rights offering to shareholders only, the Company issued 25,000 shares of common stock at $2.75 per share totaling $68,750. An equivalent number of shares were redeemed from the president and chairman of the Company, Keith A. Guevara, the single largest stockholder for the same price per share in accordance with Supplement 1 of the August 16, 2001 private placement offering at $2.75 per share. However, Mr. Guevara did not receive any payment from the Company. In lieu of payment, the Company issued an unsecured note in the amount of $68,750 to pay the redemption amount at a time determined in the future by the Board of Directors when the Company is in a financial position to pay the redemption price without adversely affecting the Company. The Company did not pay commissions in connection with the sale of these securities.

NOTE I - SUBSEQUENT EVENTS - CONTINUED

In January 2002, NBO, Inc., a Utah Corporation, merged into its wholly-owned subsidiary, NBO Systems, Inc., which was incorporated in the State of Maryland, and thereafter filed a dba as The Gift Certificate Company. The effect of this transaction was to reincorporate the Company in the State of Maryland. The reincorporation did not affect the substantive rights of the shareholders.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This item discusses the results of operations for the Company for the three and six months ended September 30, 2001, and compares these periods with the same periods of the previous year. In addition, the discussion describes the significant changes in the financial condition of the Company at September 30, 2001 as compared to March 31, 2001, the fiscal year end for the Company. This discussion should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes presented in Part I, Item 1 of this report.

Overview

The Company's primary business is to provide comprehensive gift certificate and gift card programs to shopping mall managers and non-mall retailers. The Company provides shopping mall managers with a gift certificate/gift card product that is accepted and redeemable at all mall stores and administers the entire program including accounting, banking, and complying with escheatment regulations. The shopping mall program was initiated in October of 1998 and currently includes malls managed by Urban Retail Properties, Inc, The Rouse Company, JP Realty, Inc., Bayer Properties, Inc., Prime Retail, Inc., Konover Property, as well as independently operated properties. In addition, the Company has developed a gift certificate program for non-mall retailers, which consists of a network of participating merchants in a regional market that accept the Company's certificates. This program is also fully administered and supported by the Company. Salt Lake City is the first retail market to be developed and currently has approximately 282 retailers with approximately 500 participating outlets. Finally, the Company provides all Call Center and Internet Fulfillment of gift certificates for Darden Restaurants, Inc. (Darden), a subsidiary of General Mills Restaurant, Inc., (GMRI), the largest casual dining restaurant company in the world. Darden concepts include over 1,100 Red Lobster, Olive Garden, Bahama Breeze, and Smokey Bones restaurants in North America. The Company is in the process of soliciting, negotiating, and finalizing additional relationships with other national retail chains and retail outlets that typically have store locations in malls and shopping districts across the United States.

Results of Operations

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. (Note B to the condensed consolidated financial statements at 9/30/01).

Sale of Gift Certificates

The following is included because the Company derives the majority of its revenues from the sale of gift certificates. The following figures are included for informational purposes only and are not included in the Company's condensed consolidated statements of operations.

The Company experienced an increase in the face amount of gift certificates sold of 58.5% or $2,252,582 to $6,102,068 from $3,849,486 in the three months ended September 30, 2001 compared to the three months ended September 30, 2000 respectively. The Company experienced a 68.4% increase, or $5,860,634 in the face amount of gift certificates sold to $14,429,541 from $8,568,907 in the six months ended September 30, 2001 compared to the six months ended September 30, 2000 respectively.

Revenues and Cost of Revenues

The Company experienced an increase in total revenues of 483.4% or $387,602 to $467,789 from $80,187 in the three months ended September 30, 2001 compared to the three months ended September 30, 2000 respectively. The Company experienced an increase in total revenues of 442.4% or $748,245 to $917,391 from $169,146 in the six months ended September 30, 2001 compared to the six months ended September 30, 2000 respectively. (Note C to the condensed consolidated financial statements at 9/30/01).

Due to implementation of the agreement with Darden, where the Company began purchasing and selling gift certificates of third party retailers and providing Call Center and Internet fulfillment of Darden's gift certificate orders, sale of third party gift certificates increased $390,140 from $1,672 to $391,812 in the three months ended September 30, 2001, compared to the three months ended September 30, 2000 respectively. Sale of third party gift certificates increased $741,302 from $2,372 to $743,674 in the six months ended September 30, 2001 compared to the six months ended September 30, 2000 respectively.

The Company experienced an increase in the total cost of revenues of 808.8% or $342,551 to $384,902 from $42,351 in the three months ended September 30, 2001 compared to the three months ended September 30, 2000 respectively. The Company experienced an increase in the total cost of revenues of 649.7% or $643,257 to $742,269 from $99,012 in the six months ended September 30, 2001 compared to the six months ended September 30, 2000 respectively. This increase is due primarily to the increase in cost of third party certificates as described below.

The Company experienced an increase in the cost of third party certificates of $323,900 to $325,382 from $1,482 in the three months ended September 30, 2001 compared to the three months ended September 30, 2000 respectively. The Company experienced an increase in the cost of third party certificates of $628,327 to $630,445 from $2,118 in the six months ended September 30, 2001 compared to the six months ended September 30, 2000 respectively. This increase in cost is related primarily to the increase in the number of third party gift certificates sold.

The Company experienced an increase in gross profit of 119.1% or $45,051 to $82,887 from $37,836 in the three months ended September 30, 2001 compared to the three months ended September 30, 2000 respectively. The Company experienced an increase in gross profit of 149.7% or $104,988 to $175,122 from $70,134 in the six months ended September 30, 2001 compared to the six months ended September 30, 2000 respectively.

New Business Developments

On July 6, 2001 the Company signed an agreement with eBay, The World's Online Marketplace™ to be a preferred provider of national retailer gift certificates, offering buyers one of the largest selections available in one location. The Company is negotiating to resell national retailer gift certificates on the eBay website, including, but not limited to; gift certificates for Red Lobster, Olive Garden, BLOCKBUSTER, Marriott Hotels and Resorts, Media Play, Borders, and more. The Company will provide participating national retailers exposure to eBay's 30 million registered users. From a marketing standpoint, targeted exposure to qualified buyers is expensive to obtain, but the Company is now able to offer this targeted exposure through eBay without additional costs to the retailer. The Company will continue to evaluate opportunities to expand into unique vertical markets to offer gift certificates in an auction-style environment. (www.ebay.com).

On September 11, 2001 the Company entered into a five-year exclusive agreement to distribute mall gift certificates with another Urban Retail Property mall, Crossroads Plaza, located in Salt Lake City, Utah. This increased the total number of Urban Retail Property malls under contract with the Company to twenty-two (22). The Company anticipates Crossroads Plaza annual gift certificate face value sales of approximately $300,000 and annual revenues to the Company of approximately $15,000.

The items described above will not require the purchase or sale of any property or significant equipment. The Company expects no significant changes in the number of employees in the next fiscal quarter and for the remainder of the 2002 fiscal year.

Operating Expenses

The Company experienced an increase in total operating expenses of 14.8% or $139,480 to $1,082,773 from $943,293 in the three months ended September 30, 2001 compared to the three months ended September 30, 2000 respectively. The Company experienced an increase in total operating expenses of 18.8% or $352,221 to $2,230,479 from $1,878,258 in the six months ended September 30, 2001 compared to the six months ended September 30, 2000 respectively. The increase during the six month period ended September 30, 2001 compared to the six month period ended September 30, 2000 is attributable mainly to an increase or (decrease) in:

Personnel

In the three months ended September 30, 2001 compared to the three months ended September 30, 2000 respectively, personnel costs increased 13.2% or $83,490 to $713,986 from $630,496. In the six months ended September 30, 2001 compared to the six months ended September 30, 2000 respectively, the total number of employees increased from 52 to 56, with the number of full time salaried employees increasing from 30 to 31, and the number of hourly employees increasing from 22 to 25. The number of part-time employees decreased from 6 to 3 employees, and the number of temporary employees increased from 0 to 5 employees. Personnel costs increased 18.2% or $228,657 to $1,484,101 from $1,255,444 due to the increased cost of full time employees, an increase in the hourly wages paid to hourly employees, and the addition of 5 temporary employees.

Legal and accounting

In the three months ended September 30, 2001 compared to the three months ended September 30, 2000 respectively, legal and accounting expenses increased 507.8% or $53,578 to $64,128 from $10,550. In the six months ended September 30, 2001 compared to the six months ended September 30, 2000 respectively, legal and accounting expenses increased 816.7% or $102,126 to $114,630 from $12,504 due to costs incurred for auditing and legal document review associated with several Private Placement Offerings (Notes E and I to the condensed consolidated financial statements), and the costs associated with filing with the SEC as a reporting company.

Outside consultants

In the three months ended September 30, 2001 compared to the three months ended September 30, 2000 respectively, consulting expenses decreased 88.1% or $25,919 to $3,500 from $29,419.

In the six months ended September 30, 2001 compared to the six months ended September 30, 2000 respectively, consulting expenses decreased 92.8% or $45,338 to $3,500 from $48,838 as the Company ceased all agreements with outside consultants.

Travel

In the three months ended September 30, 2001 compared to the three months ended September 30, 2000 respectively, travel expense decreased 36.9% or $9,196 to $15,720 from $24,916. In the six months ended September 30, 2001 compared to the six months ended September 30, 2000 respectively, travel expense decreased 38.5% or $23,735 to $37,983 from $61,718 as more business was conducted via mail, email, facsimile and telephone.

Depreciation and amortization

In the three months ended September 30, 2001 compared to the three months ended September 30, 2000 respectively, depreciation and amortization expense increased 61.7% or $33,266 to $87,146 from $53,880. In the six months ended September 30, 2001 compared to the six months ended September 30, 2000 respectively, depreciation and amortization increased 85.6% or $80,230 to $173,968 from 93,738 due to an increase in the amount of equipment installed in various mall properties the Company has under contract.

The Company's operating expenses exceeded gross profit in the three and six month periods ending September 30, 2001. The Company experienced an increase in operating losses of 10.4% or $94,429 to ($999,886) from ($905,457) in the three months ended September 30, 2001 compared to the three months ended September 30, 2000 respectively. The Company experienced an increase in operating losses of 13.7% or $247,233 to ($2,055,357) from ($1,808,124) in the six months ended September 30, 2001 compared to the six months ended September 30, 2000 respectively.

Other Income (Expenses)

The Company experienced an increase in total other expenses of 485.8% or $358,496 to ($432,293) from ($73,797) in the three months ended September 30, 2001 compared to the three months ended September 30, 2000 respectively. The Company experienced an increase in total other expenses of 187.0% or $454,617 to ($697,791) from ($243,174) in the six months ended September 30, 2001 compared to the six months ended September 30, 2000 respectively. The increases are primarily from an increase in interest expense associated with the beneficial conversion feature of debt incurred by the Company. The beneficial conversion feature is the difference between the market value of the common stock and the conversion rate of the debt limited to the amount of debt. The beneficial conversion feature is recognized as interest expense over the period from the date of the note to the date of maturity when the conversion of the debt into stock may take place.

Liquidity and Capital Resources

The Company's expenses are currently greater than revenues. The Company to date has had a history of losses and the accumulated deficit (since inception June 23, 1994) as of September 30, 2001 was ($22,139,670), an increase of 14.9% or $2,879,346 from ($19,260,324) on March 31, 2001.

The Company's net losses increased by 46.3% or $452,925 to ($1,432,179) from ($979,254) in the three months ended September 30, 2001 compared to the three months ended September 30, 2000 respectively. The Company's net losses increased 34.2% or $701,850 to ($2,753,148) from ($2,051,298) in the six months ended September 30, 2001 compared to the six months ended

September 30, 2000 respectively. The Company's current liabilities exceed its current assets by $3,099,799 as of September 30, 2001.

The Company's continuation as a going concern is dependent on its ability to meet its obligations, to obtain additional financing as may be required and ultimately to attain profitability. (Note B to the condensed consolidated financial statements at 9/30/01). The Company will continue to attempt to raise capital through private equity offerings until internally generated profitability is achieved. The Company is taking steps to improve profitability by restructuring contracts to increase the amount of revenue generated by each contract, and to pass along certain costs to the operator previously absorbed by the Company; increasing sales efforts to obtain contracts with mall developers and national retailers not currently under contract; and reducing expenses by implementing a hiring freeze unless absolutely essential to the Company's operations, along with a reduction in workforce through normal attrition. The Company currently has excess square footage in its headquarters and plans to sub-lease this space as an additional revenue source.

Cash

The Company's cash position was $0, and checks written in excess of cash in the bank totaled $334,260 at September 30, 2001, due primarily to timing of receipts and payments at September 30, 2001, compared to $7,866 and $0 respectively at March 31, 2001. Additional funds were obtained from notes with stockholders and from the sale of common stock from the November 1, 2000 Private Placement Memorandum which was closed July 30, 2001, and the August 16, 2001 Private Placement Memorandum subsequent to September 30, 2001 to cover operating expenses.

Restricted Cash

Restricted cash and the related offsetting payable representing the amount of unredeemed gift certificates decreased 8.4% or $879,176 to $9,559,750 at September 30, 2001 from $10,438,926 at March 31, 2001 primarily due to seasonal factors.

Accounts Payable

Accounts Payable increased 19.4% or $89,422 to $551,006 at September 30, 2001 from $461,584 at March 31, 2001 primarily due to the Company's decision to postpone certain payments until after the end of the fiscal quarter ended September 30, 2001.

Accrued Liabilities

Accrued Liabilities increased 42.4% or $142,480 to $478,867 at September 30, 2001 from $336,387 at March 31, 2001 primarily due to accrued interest on various notes to shareholders.

Liquidity and Financing Arrangements

Additional Paid-In Capital increased 10.6% or $2,013,806 to $20,976,042 at September 30, 2001 from $18,962,236 at March 31, 2001.

From April 2001 through September 30, 2001, the Company received $1,030,085 before offering costs of $60,616 for the sale of 234,264 shares of common stock.

From April 2001 through September 30, 2001, the Company issued 20,476 shares of common stock to a stockholder for interest in the amount of $100,100 according to terms of a note payable.

From April 2001 through September 30, 2001, the Company converted notes to stockholders of $300,000 to 128,788 shares of common stock.

From April 2001 through September 30, 2001, the Company issued 6,274 shares of common stock valued at $30,725 for services.

The Company recognized charges related to the beneficial conversion feature of the notes payable to stockholders issued during the six month period ended September 30, 2001. The beneficial conversion feature is the difference between the market value of the common stock and the conversion rate of the debt limited to the amount of debt. The beneficial conversion feature is recognized as interest expense over the period from the date of the note to the date of maturity when the conversion of the debt into stock may take place. For the six month period ended September 30, 2001, the beneficial conversion resulted in a noncash charge recorded as additional interest expense of $408,977.

From April 2001 through September 30, 2001, the Company issued 2,159 common stock options for services and compensation to a consultant pursuant to Rule 701. The Company recognized $9,573 of expense for options granted.

From April 2001 through September 30, 2001, the Company issued 101,250 common stock warrants to a stockholder and recorded additional interest expense of $73,855 in connection with two outstanding notes payable.

The Company further supplemented its operating capital through loans from shareholders. In the six month period ended September 30, 2001 the Company borrowed from its shareholders a total of $540,000. Of this amount, $55,000 was borrowed from the Company's President, Keith A. Guevara, an affiliate of the Company. The note is not collateralized. These loan proceeds were used in part to repay two outstanding loans to other nonaffiliated shareholders. No other related party transactions took place.

The Company currently operates without a line of credit and occasionally enters into short-term promissory notes with accredited investors. These promissory notes often have conversion privileges into the Company's common stock, easing debt service requirements. Despite these efforts, significant amounts of additional cash will be needed to reduce the Company's debt and losses until such time as the Company becomes profitable. In conjunction with efforts to improve results of operations, the Company is actively seeking infusions of capital from investors from the August 16, 2001 Private Placement Memorandum. Due to cash flow constraints, the Company will rely on equity financing to meet anticipated capital needs. There can be no assurances that the Company will be successful in obtaining any such capital. Additional issuance of shares for debt and/or equity will serve to dilute the value of the Company's common stock and existing shareholder positions. If the Company fails to obtain financing and/or fails to improve results from operations, the Company will be unable to meet obligations as they become due. This could raise substantial doubt about the Company's ability to continue as a going concern.

Forward-looking Statements

All statements made herein, other than statements of historical fact, which address activities, actions, goals, prospects, or new developments that the Company expects or anticipates will occur in the future, including such things as expansion and growth of operations and other such matters, are forward-looking statements. Any one or a combination of factors could materially affect the Company's operations and financial condition. These factors include competitive pressures, success or failure of marketing programs, changes in pricing, creditor actions, and conditions in the capital markets. Forward-looking statements made by the Company are based on knowledge of the Company's business and the environment in which the Company currently operates. Because of the factors listed above, as well as factors beyond the Company's control, actual results may differ from those in the forward-looking statements.

Subsequent Events

On November 1, 2001, the Company entered into a five-year exclusive agreement to distribute mall gift certificates with another Urban Retail Property mall, The Streets at Southpoint, located in Durham, North Carolina. This increased the total number of malls of Urban Retail Property under contract with the Company to twenty-three (23). The Company anticipates The Streets at Southpoint annual gift certificate face value sales of approximately $500,000 and annual revenues to the Company of approximately $25,000.

Magnetic Stored Value Gift Card Pilot

On October 4, 2001 the Company signed a three year agreement with Bayer Properties, Inc. located in Birmingham, Alabama to provide, implement, and manage a stored-value mall gift card program in two properties, The Summit in Birmingham, Alabama and The Summit in Louisville, Kentucky, with further program details described below. The Company anticipates the two properties combined annual gift card face value sales of approximately $1,000,000 and annual revenues to the Company of approximately $150,000.

On October 8, 2001, the Company signed an agreement with, JP Realty, Inc., located in Salt Lake City, Utah to provide, implement, and manage a stored-value mall gift card program in two properties, Provo Towne Centre, located in Provo, Utah, and Boise Towne Square, located in Boise, Idaho, with further program details described below. This agreement is in addition to the agreements already in place for the Company to provide paper gift certificates. The Company anticipates the two properties combined annual gift card face value sales of approximately $2,300,000 and annual revenues to the Company of approximately $345,000.

On October 15, 2001, the Company signed an agreement with, Prime Retail, Inc., located in Baltimore, Maryland to provide, implement, and manage a stored-value mall gift card program in Grove City Factory Shops, located in Grove City, Pennsylvania, with further program details described below. This agreement is in addition to the agreement already in place for the Company to provide paper gift certificates. The Company anticipates Grove City Factory Shops annual gift card face value sales of approximately $300,000 and annual revenues to the Company of approximately $45,000.

The Company's gift card program offers a solution to many mall environment challenges. The customized plastic cards, with a magnetic stripe, enables signature-based debit services in an open transaction environment. Magnetic stored value gift cards will be sold, activated, and funded at

Customer Service Centers within the above listed mall properties, and at the Company's corporate facilities for Corporate and Internet transactions. Gift cards offered in this program are branded with the center's name on the face of the card, and can be redeemed at any retailer in the center. The gift cards are co-branded with the MasterCard logo on the face of the card. Bank of America is the MasterCard issuing member. The gift card is not personalized with the cardholder's name, but is embossed with the generic "Mall GiftCard Holder" instead. The program does not permit cash access (e.g. ATM). Gift card processing is performed by WildCard Systems, Inc. Gift card balances can be obtained at www.GiftCardBalance.com or by calling 866-261-3597, which are both listed on the back of the gift card. After ninety (90) days from the date of purchase, the Company reserves the right to charge an administration fee not to exceed $2.50 per month. The most current business practice is to charge a $2.50 administration fee per month beginning on the first day of the sixth month from the date of purchase. Terms and conditions are provided with the purchase of each gift card that details where the card may be used, fees, expired funds, etc. The agreements listed above do not preclude the sale of paper gift certificates as a back-up to the magnetic stored value gift cards. Upon completion of the pilot period, the program will be evaluated by the issuing member and the Company for rollout to other mall properties.

The Company sold 43,014 magnetic stored value gift cards with a face value of $2,292,565 in the five pilot properties from October 29, 2001 through December 31, 2001. This represents 6.6% of the Company's sale of gift certificates/cards in the three months ended December 31, 2001. The average face value of the gift cards sold was $53.30 which is a 52.3% increase, or $18.30 more per card than the $35 average face value of paper gift certificates sold by the Company.

The gift card program provides a new revenue source. The Company will charge a non-use administration fee (as described above) on gift cards that retain a balance after a specified period of time from the date of purchase, and continue to assess the fee until the gift card expires, or the card balance is reduced to zero. The non-use fee will continue if the card is reissued (unless otherwise prohibited by law). The non-use fees are deducted from the balance of the gift card in accordance with the Terms and Conditions provided with the gift card at the time of purchase. The mall property or mall property owner shares in both the revenues and the costs of the gift card program. Interest income is the property of the Company.

The Company anticipates the revenues from the magnetic stored value gift card in the form of administration fees will be in excess of revenues generated from the current paper gift certificate programs. The Company will support both paper gift certificate and plastic gift card programs going forward, as some mall developers will transition to the gift card program from gift certificates at different paces. The Company anticipates there will be some properties that may not wish to convert to a gift card program for some time, until the concept is completely proven.

In January 2002, NBO, Inc., a Utah Corporation, merged into its wholly-owned subsidiary, NBO Systems, Inc., which was incorporated in the State of Maryland, and thereafter filed a dba as The Gift Certificate Company. The effect of this transaction was to reincorporate the Company in the State of Maryland. The reincorporation did not affect the substantive rights of the shareholders.

PART II
OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds.

As of July 27, 2001, the Company completed the private placement common stock offering that began November 1, 2000. The gross proceeds of the offering amounted to $2,002,000. The Company did not pay commissions in connection with the sale of these securities. The Company issued 40,949 shares of common stock and warrants to purchase 2,159 shares of common stock as a finder's fee. The Company issued 222,878 shares of common stock and received $980,485 in proceeds during the year ended March 31, 2000. From April 1, 2001 to July 27, 2001, the Company received the remaining $1,021,515 for the sale of 232,163 shares of common stock. These transactions were completed in accordance with Rule 506.

Effective August 14, 2001, the Company approved a 5 for 4 stock split for all outstanding shares of common stock. All shares of common stock in these financial statements and footnotes have been restated to reflect the stock split (Note E).

During October, November and December 2001, the Company sold 16,226 shares of common stock at $5.50 per share totaling $89,243 under the August 16, 2001 private placement offering. In addition, as part of an incentive rights offering to shareholders only, the Company issued 10,636 shares of common stock at $2.75 per share totaling $29,249. An equivalent number of shares were redeemed from the president and chairman of the Company, Keith A. Guevara, the single largest stockholder for the same price per share in accordance with Supplement 1 of the August 16, 2001 private placement offering at $2.75 per share. However, Mr. Guevara did not receive any payment from the Company. In lieu of payment, the Company issued an unsecured note in the amount of $29,249 to pay the redemption amount at a time determined in the future by the Board of Directors when the Company is in a financial position to pay the redemption price without adversely affecting the Company. The Company did not pay commissions in connection with the sale of these securities. These transactions were completed in accordance with Rule 506.

During the nine month period ended December 31, 2001, the Company issued 27,300 shares of common stock at the fair market price of $5.50 per share for a total of $150,150 for interest according to terms of a note payable which matured and was not paid. The note holder is also a shareholder and an accredited investor. These transactions were completed in accordance with Rule 506.

During the nine month period ended December 31, 2001, the Company issued 163,125 common stock warrants to a stockholder and recorded additional interest expense of $107,132 in connection with two outstanding notes payable. The note holders are also shareholders and accredited investors. These transactions were completed in accordance with Rule 506.

During the nine month period ended December 31, 2001, the Company issued 6,886 shares of common stock valued at $34,095 for services rendered by its security and alarm company. This transaction was a private placement under section 4(2) of the Securities Act of 1933, as amended, and Rule 506.

During January 2002, the Company sold 25,000 shares of common stock at $5.50 per share totaling $137,500 under the August 16, 2001 private placement offering. In addition, as part of an incentive rights offering to shareholders only, the Company issued 25,000 shares of common stock at $2.75 per share totaling $68,750. An equivalent number of shares were redeemed from the president and chairman of the Company, Keith A. Guevara, the single largest stockholder for the same price per share in accordance with Supplement 1 of the August 16, 2001 private placement offering at $2.75 per share. However, Mr. Guevara did not receive any payment from the Company. In lieu of payment, the Company issued an unsecured note in the amount of $68,750 to pay the redemption amount at a time determined in the future by the Board of Directors when the Company is in a financial position to pay the redemption price without adversely affecting the Company. The Company did not pay commissions in connection with the sale of these securities. These transactions were completed in accordance with Rule 506.

Item 4. Submission of Matters to a Vote of Securities Holders.

Effective August 14, 2001, the Company approved a 5 for 4 stock split for all outstanding shares of common stock. All shares of common stock in these financial statements and footnotes have been restated to reflect the stock split (Note E). The stock split was approved by written consent of shareholders holding a majority of the outstanding shares as required by law.

Item 6. Exhibits and Reports on Form 8-K

Reports on Form 8-K for the period covered by this report: None

Exhibits: The exhibits required are set forth below and are incorporated by reference to Form 10-SB/A filed April 26, 2002.

Number		Description	Date
(2)	a.	Articles of Incorporation in the State of Maryland.	1/30/02
	b.	Articles of Merger.	1/29/02
	c.	Bylaws of NBO Systems, Inc.	
(6)	a.	Services Agreement between WILDCARD SYSTEMS, INC., a Florida corporation, and NBO, Inc.	3/20/01
	b.	INTERNET GIFT CARD(S) AGREEMENT between NBO, Inc., and GMRI, Inc.	8/4/00
	c.	Warrant Agreement	11/8/95
	d.	Stock Option Plan and Agreement	1/22/97
	e.	The Rouse Company Standard Mall Agreement	2000
	f.	Urban Retail Properties Standard Mall Agreement	2000
	g.	JP Realty Inc. Standard Mall Agreement	1999
	h.	Independent Malls Standard Mall Agreement	8/21/00
	i.	Value-Added Reseller Agreement between GEMPLUS Corporation and NBO, INC.	1998
	j.	Standard Gift Certificate Participation Agreement	1999
	k.	CONTRACT SERVICES AGREEMENT between Neighborhood Box Office, Inc., and Smith's Food and Drug Centers, Inc.	4/11/00
	l.	ADVERTISING AND PROMOTIONS AGREEMENT between EBAY INC., and Neighborhood Box Office	6/2001
	m.	Bayer Properties Standard Mall Agreement	2001
	n.	Prime Retail Standard Mall Agreement	2001

SIGNATURES

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

NBO SYSTEMS, INC.

By /s/	Keith A. Guevara Chairman/President/CEO	May 1, 2002
	/s/ Kent Jasperson Chief Accounting Officer	May 1, 2002
	/s/ Christopher Foley Vice President of Finance	May 1, 2002