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 December 31, 2001 Commission file number 0-33037

NBO SYSTEMS, INC.

Maryland
(State or other jurisdiction of incorporation or organization)

87-0527348
(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 December 31, 2001, the number of shares outstanding of the registrant's only class of common stock was 16,025,046.

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

	December 31, 2001	March 31, 2001
	(unaudited)	
CURRENT ASSETS		
Cash	$ -	$ 7,866
Restricted cash	30,255,703	10,438,926
Accounts receivable, net of allowance for uncollectible accounts of $5,000 in December 31, 2001 and March 31, 2001	286,899	133,258
Employee advances	1,608	1,667
Inventory (Note D)	18,331	19,141
Prepaid expenses	4,019	59,231
Total current assets	30,566,560	10,660,089
PROPERTY AND EQUIPMENT, NET	1,454,805	1,646,380
OTHER ASSETS, NET	501,273	546,399
	$ 32,522,638	$ 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

	December 31, 2001	March 31, 2001
CURRENT LIABILITIES	(unaudited)	
Checks written in excess of cash in bank	$ 355,921	$ -
Gift certificates payable	30,255,703	10,438,926
Accounts payable	1,274,783	461,584
Accrued liabilities	572,796	336,387
Notes to stockholders	1,800,526	1,554,065
Notes to officer	341,749	250,000
Current maturities of long-term obligations	-	66,138
Total current liabilities	34,601,478	13,107,100
LONG-TERM LIABILITIES		
Deferred gain	-	5,000
Total liabilities	34,601,478	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 December 31, 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; 16,025,046 and 15,608,511 shares issued and outstanding at December 31, 2001 and March 31, 2001, respectively	8,013	7,804
Subscriptions receivable	(17,900)	(17,900)
Additional paid-in capital	21,601,921	18,962,236
Accumulated deficit	(23,724,721)	(19,260,324)
Total stockholders' deficit	(2,078,840)	(259,232)
	$ 32,522,638	$ 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 December 31,		Nine months ended December 31,	
	2001	2000	2001	2000
Revenues				
Third party gift certificates	$ 973,480	$ 65,410	1,717,154	67,782
Merchant fees earned from retailers	224,257	124,911	252,353	153,303
Convenience fees earned from customers	5,742	11,556	7,658	16,679
Equipment and software income	10,832	19,600	30,667	27,125
Interest on restricted cash	33,541	91,378	157,411	217,112
	1,247,852	312,855	2,165,243	482,001
Cost of revenues				
Third party gift certificates	921,471	39,734	1,551,916	41,852
Other	110,534	312,648	222,358	409,542
	1,032,005	352,382	1,774,274	451,394
Gross profit (loss)	215,847	(39,527)	390,969	30,607
Operating expenses				
Personnel	738,511	741,355	2,222,612	1,996,799
Legal and accounting	17,883	38,671	132,513	51,175
Rent	87,409	80,472	241,822	222,002
Office	148,283	161,883	356,531	364,098
Consulting	-	36,399	3,500	85,237
Travel	16,400	34,274	54,383	95,992
Bad debts	9,620	8,500	21,316	10,500
Marketing	3,740	16,620	24,539	57,315
Depreciation and amortization	89,965	77,627	263,933	171,365
Miscellaneous	10,422	13,369	31,563	32,945
	1,122,233	1,209,170	3,352,712	3,087,428
Operating loss	(906,386)	(1,248,697)	(2,961,743)	(3,056,821)
Other income (expense)				
Interest expense	(675,283)	(185,562)	(1,375,391)	(477,657)
Interest income	359	7,906	6,334	26,454
Loss on disposal of other assets, and property and equipment	(3,486)	(7,610)	(7,254)	(7,610)
Other income (expense), net	(255)	8	(145)	30,381
	(678,665)	(185,258)	(1,376,456)	(428,432)
NET LOSS	$ (1,585,051)	$ (1,433,955)	$ (4,338,199)	(3,485,253)
Net loss per common share – basic and diluted (Note F)	$ (0.10)	$ (0.09)	$ (0.28)	(0.24)
Weighted-average number of common shares outstanding – basic and diluted (Note F)	16,016,263	15,244,034	15,883,735	14,996,816

The accompanying notes are an integral part of these statements.

NBO Systems, Inc.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
(UNAUDITED)

For the nine months ended December 31, 2001

	Preferred stock		Common stock			Additional		
	Number of shares	Amount	Number of shares	Amount	Subscriptions receivable	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	-	-	6,886	3	-	34,092	-	34,095
Payment of interest	-	-	29,576	15	-	150,135	-	150,150
Cash (net of issuance costs of $61,257)	-	-	251,285	127	-	1,061,437	-	1,061,564
Interest expense recognized on beneficial conversion features on notes payable	-	-	-	-	-	856,077	-	856,077
Common stock options and warrants issued for services and compensation	-	-	-	-	-	9,573	-	9,573
Stock warrants issued for interest	-	-	-	-	-	107,132	-	107,132
Net loss	-	-	-	-	-	-	(4,338,199)	(4,338,199)
Balance at December 31, 2001	53,847	$ 53,847	16,025,046	$ 8,013	$ (17,900)	$ 21,601,921	$ (23,724,721)	$ (2,078,840)

The accompanying notes are an integral part of this statement.

NBO Systems, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine months ended December 31,	
	2001	2000
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities		
Net loss	$ (4,338,199)	$ (3,485,253)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	263,933	171,365
Loss on disposal of other assets, and property and equipment	7,254	7,610
Bad debt expense	21,316	10,500
Common stock options and warrants issued for services and compensation	9,573	63,079
Common stock warrants issued for interest	107,132	73,040
Interest expense recognized on beneficial conversion features on notes payable	856,077	283,417
Common stock issued for services	34,095	-
Common stock issued for interest	150,150	2,000
Amortization of prepaid interest on loans	36,470	-
Changes in assets and liabilities		
Accounts receivable	(174,957)	(48,169)
Employee advances	59	21,575
Inventory	248	(15,599)
Prepaid expenses and other assets	78,903	55,626
Accounts payable	813,199	597,300
Accrued liabilities	236,409	20,345
Total adjustments	2,439,861	1,242,089
Net cash used in operating activities	(1,898,338)	(2,243,164)

(Continued)

NBO Systems, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
(UNAUDITED)

	Nine months ended December 31, 2001	Nine months ended December 31, 2000
Cash flows from investing activities -		
Purchase of property and equipment	(95,587)	(1,037,377)
Cash flows from financing activities		
Increase in checks written in excess of cash in bank	355,921	-
Principal payments on unsecured loan	-	(30,000)
Principal payments on long-term obligations	(66,138)	(64,515)
Proceeds from sale of common stock	1,090,813	2,938,618
Proceeds from loans to stockholders	811,752	725,500
Proceeds from notes to officer	62,500	20,000
Principal payments on notes to officer	-	(20,000)
Principal payments on notes to stockholders	(268,789)	(16,801)
Net cash provided by financing activities	1,986,059	3,552,802
Net increase (decrease) in cash	(7,866)	272,261
Cash at beginning of period	7,866	462,361
Cash at end of period	$ -	$ 734,622

Supplemental disclosure of cash flow information

	2001	2000
Cash paid during the period for		
Interest	$ 106,746	$ 69,960

Noncash investing and financing activities (Note E)

	2001	2000
Beneficial conversion feature of convertible debt	$ 856,077	$ 283,417
Common stock issued for interest expense	150,150	2,000
Common stock warrants issued for interest expense	107,132	73,040
Common stock issued for services	34,095	-
Common stock options and warrants issued for services	9,573	63,079
Common stock purchased from officer and related increase in notes payable to officer	29,249	-

(Continued)

NBO Systems, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
December 31, 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 December 31, 2001, its consolidated results of operations for the three months ended December 31, 2001 and 2000 and its consolidated results of operations and cash flows for the nine months ended December 31, 2001 and 2000. The results of operations for the three months and nine months ended December 31, 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 $1,585,051 and $4,338,199 for the three month and nine month periods ended December 31, 2001, respectively, and net losses since inception (June 23, 1994) of $23,724,721 as of December 31, 2001. The Company's current liabilities exceed its current assets by $4,034,918 as of December 31, 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 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 nine month period ended December 31, 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 2001 through December 31, 2001, the Company received $1,122,821 before offering costs of $61,257 for the sale of 251,285 shares of common stock.

The Company issued 29,576 shares of common stock to a stockholder for interest in the amount of $150,150 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 6,886 shares of common stock valued at $34,095 for services. This transaction was a private placement under section 4(2) of the Securities Act of 1933, as amended, and Rule 506.

On August 16, 2001, the Company authorized 1,400,000 shares of common stock to be sold in a private placement offering. The common stock is offered at $5.50 per share.

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.

NOTE E – EQUITY - CONTINUED

The Company recognized charges related to the beneficial conversion feature of the notes payable to stockholders issued during the nine month period ended December 31, 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 nine month period ended December 31, 2001, the beneficial conversion resulted in a noncash charge recorded as additional interest expense of $856,077.

During the nine 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 nine month period, 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.

NBO Systems, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
December 31, 2001 and 2000

NOTE F - LOSS PER COMMON SHARE

	Three month period ended December 31,		Nine month period ended December 31,	
	2001	2000	2001	2000
Net loss per common share - basic and diluted				
Net loss	$ (1,585,051)	$ (1,433,955)	$ (4,338,199)	$ (3,485,253)
Dividends on preferred stock	-	-	(126,198)	(91,823)
Net loss available to common shareholders	$ (1,585,051)	$ (1,433,955)	$ (4,464,397)	$ (3,577,076)
Common shares outstanding during the entire period	15,998,313	15,156,929	15,608,511	14,623,644
Weighted average common shares issued during the period	17,950	87,105	275,224	373,172
Weighted average number of common shares used in basic EPS	16,016,263	15,244,034	15,883,735	14,996,816
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	16,016,263	15,244,034	15,883,735	14,996,816

NOTE F - LOSS PER COMMON SHARE - CONTINUED

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 nine month periods ended December 31, 2001 and 2000.

For the three and nine month periods ended December 31, 2001, the Company had 4,508,967 and 4,403,729 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 (4,452,036 and 4,491,213 potentially dilutive shares for the three and nine month periods ended December 31, 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 $62,500 during the nine month period ended December 31, 2001. The Company also redeemed 10,636 shares of common stock from the president of the Company and increased the promissory note by $29,244 (Note E). 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 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.

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 December 31, 2001, and compares this period with the same period of the previous year. In addition, the discussion describes the significant changes in the financial condition of the Company at December 31, 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 12/31/01).

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 a 19.3% increase, or $5,630,194 in the face amount of gift certificates sold in the three months ended December 31, 2001 to $34,790,066 from $29,159,872 at December 31, 2000. The Company experienced a 30.5% increase, or $11,490,828 in the face amount of gift certificates sold to $49,219,607 from $37,728,779 in the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively.

Revenues and Cost of Revenues

The Company experienced an increase in total revenues of 298.9% or $934,997 to $1,247,852 from $312,855 in the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively. The Company experienced an increase in total revenues of 349.2% or $1,683,242 to $2,165,243 from $482,001 in the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively. (Note C to the condensed consolidated financial statements).

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 1,388.3% or $908,070 from $65,410 to $973,480 in the three months ended December 31, 2001, compared to the three months ended December 31, 2000 respectively. Sale of third party gift certificates increased 2,433.3% or $1,649,372 from $67,782 to $1,717,154 in the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively.

Merchant fees earned from retailers increased 79.5% or $99,346 from $124,911 to $224,257 in the three months ended December 31, 2001, compared to the three months ended December 31, 2000 respectively. Merchant fees earned from retailers increased 64.6% or $99,050 from $153,303 to $252,353 in the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively. This increase is due primarily to an increase in the amount of gift certificates sold for these retailers, and the subsequent redemptions of those gift certificates, which is when the Company is paid the fee.

Interest on restricted cash decreased 63.3% or $57,837 from $91,378 to $33,541 in the three months ended December 31, 2001, compared to the three months ended December 31, 2000 respectively. Interest on restricted cash decreased 27.5% or $59,701 from $217,112 to $157,411 in the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively. This decrease is due primarily to the reduced amount of restricted cash earning interest because of gift certificate redemptions, and also due primarily to a lower interest rate being earned on the restricted funds, because of a declining interest rate environment created by the current economy.

The Company experienced an increase in the total cost of revenues of 192.9% or $679,623 to $1,032,005 from $352,382 in the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively. The Company experienced an increase in the total cost of revenues of 293.1% or $1,322,880 to $1,774,274 from $451,394 in the nine months ended December 31, 2001 compared to the nine months ended December 31, 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 2,219.1% or $881,737 to $921,471 from $39,734 in the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively. The Company experienced an increase in the cost of third party certificates of 3,608.1% or $1,510,064 to $1,551,916 from $41,852 in the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively. This increase in cost is related primarily to the increase in the number of third party gift certificates sold.

The Company experienced a decrease in the cost of revenues other than the cost of third party certificates of 64.6% or $202,114 to $110,534 from $312,648 in the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively. The Company experienced a decrease in the cost of revenues other than the cost of third party certificates of 45.7% or $187,184 to $222,358 from $409,542 in the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively. This decrease is due primarily to the Company increasing margins on services provided, and initiating fees for services previously absorbed completely by the Company. The increased margins and fees helped to offset the costs associated with the sale of gift certificates other than third party gift certificates.

The Company experienced an increase in gross profit of 646.1% or $255,374 to $215,847 from ($39,527) in the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively. The Company experienced an increase in gross profit of 1,177.4% or $360,362 to $390,969 from $30,607 in the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively.

New Business Developments

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 Urban Retail Property malls 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 who may not wish to convert to a gift card program for some time, until the concept is completely proven.

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 a decrease in total operating expenses of 7.2% or $86,937 to $1,122,233 from $1,209,170 in the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively. The Company experienced an increase in total operating expenses of 8.6% or $265,284 to $3,352,712 from $3,087,428 in the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively. The increase during the nine month period ended December 31, 2001 compared to the nine month period ended December 31, 2000 is attributable mainly to an increase or (decrease) in:

Personnel

In the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively, personnel costs decreased 0.4% or $2,844 to $738,511 from $741,355. In the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively, the total number of employees decreased from 63 to 61, with the number of full time salaried employees decreasing from 55 to 46, the number of part-time employees decreasing from 8 to 3, and the number of temporary employees increasing from 0 to 12. Personnel costs increased 11.3% or $225,813 to $2,222,612 from $1,996,799 due to the increased cost of full time employees and an increase in the wages paid to for temporary employees.

Legal and accounting

In the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively, legal and accounting expenses decreased 53.8% or $20,788 to $17,883 from $38,671. In the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively, legal and accounting expenses increased 158.9% or $81,338 to $132,513 from $51,175 due to costs incurred for auditing and legal document review associated with several Private Placement Offerings (Note E to the condensed consolidated financial statements at 12/31/01), and the costs associated with filing with the SEC as a reporting company.

Rent

In the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively, rent increased 8.6% or $6,937 to $87,409 from $80,472. In the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively, rent increased 8.9% or $19,820 to $241,822 from $222,002 and was expected by the Company as part of the lease agreement in place.

Bad debts

In the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively, bad debt expense increased 13.2% or $1,120 to $9,620 from $8,500. In the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively, bad debt expense increased 103.0% or $10,816 to $21,316 from $10,500 as a course of normal business operations relating to the increased volume of gift certificates sold. The majority of the Company’s bad debt expense is related to chargebacks by the consumer for Call Center or Internet gift certificate orders, and fraud related activity.

Depreciation and amortization

In the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively, depreciation and amortization expense increased 15.9% or $12,338 to $89,965 from $77,627. In the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively, depreciation and amortization expense increased 54.0% or

$92,568 to $263,933 from $171,365 due to an increase in the amount of equipment installed in various mall properties the Company has under contract.

Outside consultants

In the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively, consulting expenses decreased $36,399 to $0 from $36,399. In the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively, consulting expenses decreased 95.9% or $81,737 to $3,500 from $85,237 as the Company ceased all agreements with outside consultants.

Travel

In the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively, travel expenses decreased 52.2% or $17,874 to $16,400 from $34,274. In the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively, travel expense decreased 43.3% or $41,609 to $54,383 from $95,992 as more business was conducted via mail, email, facsimile and telephone.

Marketing

In the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively, marketing expenses decreased 77.5% or $12,880 to $3,740 from $16,620. In the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively, marketing expenses decreased 57.2% or $32,776 to $24,539 from $57,315. The Company made a decision to focus on marketing and advertising related to the mall gift certificate programs across the country and national retailers, versus the Salt Lake City local market where funds had been expended in previous periods. The reductions in marketing expenses were offset by personnel increases to expand the Companies' web presence.

The Company's operating expenses exceeded gross profit in the three and nine month periods ending December 31, 2001. However, the Company experienced a decrease in operating losses of 27.4% or $342,311 to ($906,386) from ($1,248,697) in the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively. The Company experienced a decrease in operating losses of 3.1% or $95,078 to ($2,961,743) from ($3,056,821) in the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively.

Other Income (Expenses)

The Company experienced an increase in other expenses of 266.3% or $493,407 to ($678,665) from ($185,258) in the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively. The Company experienced an increase in other expenses of 221.3% or $948,024 to ($1,376,456) from ($428,432) in the nine months ended December 31, 2001 compared to the nine months ended December 31, 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 December 31, 2001 was ($23,724,721), an increase of 23.2% or $4,464,397 from ($19,260,324) on March 31, 2001.

The Company's net losses increased by 10.5% or $151,096 to ($1,585,051) from ($1,433,955) in the three months ended December 31, 2001 compared to the three months ended December 31, 2000 respectively. The Company's net losses increased 24.5% or $852,946 to ($4,338,199) from ($3,485,253) in the nine months ended December 31, 2001 compared to the nine months ended December 31, 2000 respectively. The Company's current liabilities exceed its current assets by $4,034,918 as of December 31, 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 12/31/01). 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 $355,921 at December 31, 2001, due primarily to timing of receipts and payments at December 31, 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 outstanding Private Placement Memorandum subsequent to December 31, 2001 to cover operating expenses.

Restricted Cash

Restricted cash and the related offsetting payable representing the amount of unredeemed gift certificates increased 189.8% or $19,816,777 to $30,255,703 at December 31, 2001 from $10,438,926 at March 31, 2001. The Christmas holiday season represents the largest percentage of the Company's sale of gift certificates.

Accounts Receivable

Accounts Receivable increased 115.3% or $153,641 to $286,899 at December 31, 2001 from $133,258 at March 31, 2001, primarily due to an increase in receivables from the Company's credit card payment processor.

Accounts Payable

Accounts Payable increased 176.2% or $813,199 to $1,274,783 at December 31, 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 calendar year.

Accrued Liabilities

Accrued Liabilities increased 70.3% or $236,409 to $572,796 at December 31, 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 13.9% or $2,639,685 to $21,601,921 at December 31, 2001 from $18,962,236 at March 31, 2001.

From April 2001 through December 31, 2001, the Company received $1,122,821 before offering costs of $61,257 for the sale of 251,285 shares of common stock. 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.

The Company recognized charges related to the beneficial conversion feature of the notes payable to stockholders issued during the nine month period ended December 31, 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 nine month period ended December 31, 2001, the beneficial conversion resulted in a non-cash charge recorded as additional interest expense of $856,077.

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.

During the nine 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 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.

During the nine month period ended December 31, 2001, the Company issued 6,886 shares of common stock valued at $34,095 for services.

The Company further supplemented its operating capital through loans from shareholders. In the nine month period ended December 2001, the Company borrowed from its shareholders a total of $874,252. Of this amount, $62,500 was borrowed from the Company's President, Keith A. Guevara, an affiliate of the Company. These loan proceeds were used in part to repay two outstanding loans to other nonaffiliated shareholders in the amount of $261,000. 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

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

During the 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 noteholder is also a shareholder and an accredited investor. These transactions were completed in accordance with Rule 506.

During the 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 noteholder is also a shareholder and an accredited investor. These transactions were completed in accordance with Rule 506.

During the 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 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 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