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, 2002 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 __X____ No _______

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

As of November 5, 2002, the number of shares outstanding of the registrant's only class of common stock was 16,582,405.

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

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(UNAUDITED)
September 30, 2002 and 2001

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NBO Systems, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2002 (unaudited)	March 31, 2002
CURRENT ASSETS		
Cash	$ 28,886	$ 456,295
Restricted cash	7,314,741	12,802,496
Accounts receivable, net of allowance for uncollectible accounts of $4,269 at September 30, 2002 and $5,014 at March 31, 2002	143,902	164,828
Employee advances	6,094	-
Inventory	57,700	17,534
Prepaid expenses	23,537	6,309
Total current assets	7,574,860	13,447,462
PROPERTY AND EQUIPMENT, NET	1,064,486	1,413,937
OTHER ASSETS		
Trademarks, net	8,691	9,107
Other assets and deposits	774,659	485,866
	783,350	494,973
	$ 9,422,696	$ 15,356,372

(continued)

The accompanying notes are an integral part of these financial statements.

NBO Systems, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS – CONTINUED

LIABILITIES AND STOCKHOLDERS' DEFICIT

	September 30, 2002 (unaudited)	March 31, 2002
CURRENT LIABILITIES		
Checks written in excess of cash in bank	$ -	$ 811,785
Gift certificates payable	9,105,529	12,802,496
Accounts payable	955,785	792,516
Accrued liabilities	661,518	554,615
Notes to stockholders	955,752	1,283,055
Notes to officer	273,625	273,625
Total current liabilities	11,952,209	16,518,092
LONG-TERM LIABILITIES	-	-
Total liabilities	11,952,209	16,518,092
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' DEFICIT		
Capital stock		
Convertible redeemable preferred stock, par value $1.00; authorized 1,000,000 shares; 59,231 and 53,847 shares issued and outstanding at September 30, 2002 and March 31, 2002; redemption value $2.20 per share	59,231	53,847
Common stock, par value $0.0005; authorized 20,000,000 shares; 16,582,405 and 16,569,887 shares issued and outstanding at September 30, 2002 and March 31, 2002	8,291	8,285
Subscriptions receivable	(17,900)	(17,900)
Additional paid-in capital	22,660,999	22,374,130
Accumulated deficit	(25,240,134)	(23,580,082)
Total stockholders' deficit	(2,529,513)	(1,161,720)
	$ 9,422,696	$ 15,356,372

The accompanying notes are an integral part of these financial statements.

NBO Systems, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months ended September 30, 2002	Three months ended September 30, 2001	Six months ended September 30, 2002	Six months ended September 30, 2001
Revenues				
Sale of third party gift certificates/cards	$ 394,105	$ 391,812	$ 872,499	$ 743,674
Abandoned gift certificates	150,304	-	672,423	-
Merchant fees earned from retailers	180,711	74,372	357,340	178,989
Fees earned from customers	54,624	21,566	114,791	54,058
Equipment and software income	4,448	12,485	4,448	19,835
Interest on restricted cash	10,865	58,480	25,092	123,870
Lease revenue	16,211	-	23,961	-
Total revenues	811,268	558,715	2,070,554	1,120,426
Cost of revenues				
Third party gift certificates	346,626	325,383	774,907	630,445
Merchant fees and charges	185,520	114,358	374,514	238,111
Gift card and gift certificate stock	15,604	9,309	25,470	14,888
Postage and handling	7,219	14,768	25,629	37,141
Rebates	5,416	7,831	13,663	14,158
Other	30,340	4,179	33,265	10,561
Total cost of revenues	590,725	475,828	1,247,448	945,304
Gross profit	220,543	82,887	823,106	175,122
Operating expenses				
Personnel	667,058	713,986	1,353,438	1,484,101
Legal and accounting	62,486	64,128	138,973	114,630
Rent	81,643	76,781	163,166	154,413
Office	93,833	101,632	190,574	208,248
Depreciation and amortization	78,577	87,146	161,442	173,968
Other	54,994	39,100	101,775	95,119
Total operating expenses	1,038,591	1,082,773	2,109,368	2,230,479
Operating loss	(818,048)	(999,886)	(1,286,262)	(2,055,357)
Other income (expense)				
Interest expense	(104,587)	(430,227)	(226,693)	(700,108)
Interest income	1,320	669	2,550	5,975
Loss on disposal of assets, and property and equipment	(7,362)	(2,845)	(10,949)	(3,768)
Other income (expense), net	112	110	111	110
Total other expense, net	(110,517)	(432,293)	(234,981)	(697,791)
NET LOSS	$ (928,565)	$ (1,432,179)	$(1,521,243)	$(2,753,148)
Net loss per common share – basic and diluted	$ (0.06)	$ (0.10)	$ (0.10)	$ (0.18)
Weighted-average number of common shares outstanding – basic and diluted	16,838,616	15,927,057	16,578,689	15,817,111

The accompanying notes are an integral part of these financial statements.

NBO Systems, Inc.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFECIT

(UNAUDITED)

For the six months ended September 30, 2002

	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, 2002	53,847	$ 53,847	16,569,887	$ 8,285	$ (17,900)	$ 22,374,130	$ (23,580,082)	$ (1,161,720)
Preferred stock dividends	5,384	5,384	-	-	-	133,425	(138,809)	-
Common stock issued as Payment of interest	-	-	12,518	6	-	68,842	-	68,848
Common stock warrants issued for interest	-	-	-	-	-	84,602	-	84,602
Net loss	-	-	-	-	-	-	(1,521,243)	(1,521,243)
Balance at September 30, 2002	59,231	$ 59,231	16,582,405	$ 8,291	$ (17,900)	$ 22,660,999	$ (25,240,134)	$ (2,529,513)

The accompanying notes are an integral part of this financial statement.

NBO Systems, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six months ended September 30, 2002	Six months ended September 30, 2001
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities		
Net loss	$ (1,521,243)	$ (2,753,148)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	161,442	173,968
Loss on disposal of other assets and property and equipment	10,949	3,768
Bad debt expense	9,611	11,696
Common stock options and warrants issued for services and compensation	-	9,573
Common stock warrants issued for interest	84,602	73,855
Interest expense recognized on beneficial conversion features on notes payable	-	408,977
Common stock issued for services	-	30,725
Common stock issued as payment of interest	68,848	100,100
Amortization of prepaid interest on loans	-	34,138
Changes in assets and liabilities		
Accounts receivable	(101,610)	(18,274)
Employee advances	(6,094)	1,116
Inventory	(40,166)	(7,636)
Prepaid expenses and other assets	34,392	(40,389)
Accounts payable	163,270	89,422
Accrued liabilities	106,903	142,480
Total adjustments	492,147	1,013,519
Net cash used in operating activities	(1,029,096)	(1,739,629)

(continued)

The accompanying notes are an integral part of these financial statements.

NBO Systems, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

(UNAUDITED)

	Six months ended September 30, 2002	Six months ended September 30, 2001
Cash flows used in investing activities		
Purchase of property and equipment	(50,265)	(55,490)
Proceeds from sale of property, equipment, and other assets	252	-
Net cash used in investing activities	(50,013)	(55,490)
Cash flows from financing activities		
Increase (decrease) in checks written in excess of cash in bank	(811,785)	334,260
Principal payments on long-term obligations	-	(48,687)
Advances on restricted cash	1,790,788	-
Proceeds from sale of common stock	-	969,469
Proceeds from notes to officer	-	485,000
Proceeds from loans to stockholders	-	55,000
Principal payments on notes to stockholders	(327,303)	(7,789)
Net cash from financing activities	651,700	1,787,253
Net decrease in cash	(427,409)	(7,866)
Cash at beginning of period	456,295	7,866
Cash at end of period	$ 28,886	$ -
Supplemental disclosures of cash flow information		
Cash paid during the period for interest	$ 43,090	$ -
Noncash investing and financing activities		
Common stock issued for interest expense	$ 68,848	$ -
Common stock warrants issued for interest expense	84,602	-

The accompanying notes are an integral part of these financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
September 30, 2002 and 2001

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of NBO Systems, Inc. ("NBO" or "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, 2002 included in the Company's Form 10-KSB. 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, 2002, its consolidated results of operations for the three and six months ended September 30, 2002 and 2001, and its cash flows for the six months ended September 30, 2002 and 2001. The results of operations for the three and six months ended September 30, 2002, may not be indicative of the results that may be expected for the year ending March 31, 2003.

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 $928,565 and $1,521,243 for the three and six month periods ended September 30, 2002, respectively, and net losses since inception (June 23, 1994) of $25,240,134 as of September 30, 2002. The Company's current liabilities exceed its current assets by $4,377,349 as of September 30, 2002. 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 – RESTRICTED CASH

Restricted cash consists of funds held for the payment of issued and outstanding gift certificates to customers. These funds are maintained at several financial institutions in depository accounts and associated sweep accounts held by NBO. In the case of merchant retailers, including Urban Retail Properties, The Rouse Company and JP Realty, these accounts are held jointly by NBO and the merchants. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to $100,000. Uninsured balances aggregate to approximately $6,420,000 at September 30, 2002 and approximately $10,981,000 at March 31, 2002.

Withdrawals of the funds are restricted to the redemption payment of issued and outstanding gift certificates and may not be transferred into operating accounts until such time that the unredeemed gift certificates are considered breakage, whether by expiration, legal statute of limitation, or based on the accumulation of sufficient historical breakage data upon which to make reliable estimates.

Amounts considered to be unredeemed gift certificates ("breakage") by expiration or legal statute of limitation are recorded as revenue, and that dollar amount is removed from gift certificates payable. A corresponding amount is removed from restricted cash and recorded as unrestricted cash. Amounts considered to be estimated unredeemed gift certificates ("estimated breakage") based on Company historical breakage data are not recorded as revenue until the expiration date or the legal statute of limitation passes. However, the Company may transfer all or a portion of estimated breakage up to but not exceeding the estimated breakage total from restricted cash to unrestricted cash. Any estimated breakage amount transferred to unrestricted cash decreases the restricted cash balance but remains in gift certificates payable, until such estimated breakage is recognized as revenue. At such time, gift certificates payable is reduced by a corresponding amount.

NOTE D – INVENTORY

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

NOTE E – EQUITY

During the six month period ended September 30, 2002 the Company issued 12,518 shares of common stock to stockholders for interest in the amount of $68,848 according to terms of a note payable. The note holders are also shareholders and are accredited investors.

During the six month period ended September 30, 2002 the Company issued 111,250 common stock warrants to a stockholder and recorded additional interest expense of $84,602 in connection with two outstanding notes payable. Of the 111,250 warrants issued, 56,250 have an exercise price of $4.40 and expire July 6, 2005. The remaining 55,000 warrants issued have an exercise price of $4.40 and expire January 29, 2006. The note holder is also a shareholder and accredited investor.

NOTE F - LOSS PER COMMON SHARE

	Three months ended September 30,		Six months ended September 30,	
	2002	2001	2002	2001
Net loss per common share - basic and diluted				
Net loss	$ (928,565)	$ (1,432,179)	$ (1,521,243)	$ (2,753,148)
Dividends on preferred stock	(138,809)	(126,198)	(138,809)	(126,198)
Net loss available to common shareholders	$ (1,067,374)	$ (1,558,377)	$ (1,660,052)	$ (2,879,346)
Common shares outstanding during the entire period	16,829,122	15,797,901	16,569,887	15,608,511
Weighted average common shares issued during the period	9,494	129,156	8,802	208,600
Weighted average number of common shares used in basic EPS	16,838,616	15,927,057	16,578,689	15,817,111
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	16,838,616	15,927,057	16,578,689	15,817,111

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.

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, 2002 and 2001.

NOTE F - LOSS PER COMMON SHARE – CONTINUED

For the three and six month periods ended September 30, 2002, the Company had 7,379,664 and 7,311,492 potentially dilutive shares of common stock, respectively, not included in the computation of diluted loss per share because of the anti-dilutive effect (7,661,385 and 7,717,417 potentially dilutive shares for the three and six month periods ended September 30, 2001).

NOTE G - 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 H - SUBSEQUENT EVENTS

On October 11, 2002 the Company entered into a three year Cash Card Issuer Agreement with Discover Financial Services, Inc., ("DFS"), a Delaware Corporation with offices located in Riverwoods, Illinois. DFS operates the Discover Card Network that allows cardholders to purchase goods or services from participating merchants using Discover mall gift cards issued by the Company.

On October 14, 2002 the Company entered into an exclusive three year contract with Merle Hay Mall, an Iowa Limited Partnership, with offices located in Chicago, Illinois. The Company will manage the Discover gift card program at Merle Hay mall located in Des Moines, Iowa. The Company anticipates annual mall gift card sales of approximately $700,000 and annual revenues to the Company of approximately $84,000.

On October 17, 2002 the Company entered into an exclusive one year Gift Certificate Services Agreement with the Saladworks, Inc., a Pennsylvania corporation with offices located in Conshohocken, Pennsylvania. Saladworks operates a total of 35 restaurants including, 13 restaurants in New Jersey, 20 restaurants in Pennsylvania, 1 restaurant in Chicago, Illinois, and 1 restaurant in Washington, DC. Saladworks has contracted with the Company to be the sole fulfillment provider of gift certificates, whether from the store locations, over the Internet, or through call center sales. The revenue impact is unknown at this time.

On October 28, 2002 the Company entered into four exclusive three year contracts with The Rouse Company, with offices located in Columbia, Maryland to provide mall gift cards for the malls located in San Antonio, Texas, Collin Creek, Texas, Highland, Texas, and Hulen, Texas. Rouse is the Company's largest mall developer relationship, and this contract increases the number of mall gift

NOTE H - SUBSEQUENT EVENTS - CONTINUED

certificate/gift card programs managed for Rouse by the Company from 43 to 47. The Company anticipates total annual mall gift card sales for the four new properties to be approximately $3.0 million, and annual revenues to the Company to be approximately $360,000.

On October 31, 2002 the Company entered into an exclusive two year contract with Warmack & Company LLC, with offices located in Texarkana, Texas to provide mall gift cards for three properties located in Fort Smith, Arkansas, Texarkana, Texas, and Port Arthur, Texas. The Company anticipates annual mall gift card sales to be approximately $3 million, and annual revenues to the Company to be approximately $360,000. Additionally, on October 31, 2002 the Company signed a letter of intent with Warmack to provide mall gift cards by January 31, 2003 in four additional properties located in Jonesboro, Arkansas, Salina, Kansas, Lawton, Oklahoma, and Muskogee, Oklahoma. The Company anticipates annual mall gift card sales from the four additional properties to be approximately $4 million, and annual revenues to the Company to be approximately $480,000.

On October 31, 2002 the Company enterer into an exclusive, three year Master Services Agreement with IPS Card Solutions, Inc., doing business as ValueLink, a Maryland corporation, with offices located in Englewood, Colorado. ValueLink will contract with the Company to, on an outsourced back-end support services basis, allow and enable ValueLink to offer, sell and provide to each and any of its clients that use ValueLink’s Stored Value Card Services, card order fulfillment services to be provided by NBO. NBO will provide all fulfillment, activation, loading of value, packaging and customer support for ValueLink merchants provided to the Company by a work order, through the internet and the Company’s call center, billable to ValueLink on a per card basis. ValueLink is a wholly owned subsidiary of First Data Corp. The Company anticipates revenues to the Company, based on ValueLink clients for the remainder of fiscal 2003, could be approximately $500,000 and could be approximately $3,400,000 for fiscal year 2004.

During the six month period ended September 30, 2002 the Company initiated the ramp-up of the Children’s Heroes™ Fundraising Program, a "grass roots" loyalty and community fundraising program. The program is designed to drive increased transactions, monthly visits, and incremental profit for shopping centers, restaurants, and local merchants while concurrently raising funds for community schools, youth sports, youth groups, and other local nonprofit organizations. The Company's intent is to revolutionize both the community-based loyalty and fundraising industries. The Company is also announcing the hiring of Mr. Chris Hutcherson, a leading national expert in merchant loyalty and community based fundraising. Mr. Hutcherson will be the Company’s senior executive in charge of the Children’s Heroes™ neighborhood loyalty and fundraising program. The Company anticipates the sales and revenue impact of the Children’s Heroes program to be not material for the remainder of fiscal year 2003, as the program is ramped up and rolled out in 9 east coast cities. The Company plans to roll out an additional 18 markets in fiscal year 2004 and an additional 18 markets in fiscal year 2005. The Company anticipates a growth in personnel to support the program over the next three years of 140 employees, comprised of 50 salaried field employees

NOTE H - SUBSEQUENT EVENTS - CONTINUED

including Mr. Hutcherson, and 90 hourly support personnel stationed at the Company's headquarters in Salt Lake City, UT. The Company anticipates a positive revenue impact that could reach approximately $11 million in fiscal year 2004, and approximately $45.3 million in fiscal year 2005. The Company anticipates the strength of this program will facilitate the acquisition of the necessary funding to not only roll out this program, but enable the Company to generate sufficient cash flow to fund on-going operations.

NBO Systems, Inc.

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, 2002, 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, 2002 as compared to March 31, 2002, 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, and Form 10-KSB for the fiscal year ended March 31, 2002.

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 The Rouse Company, Urban Retail Properties, Inc., JP Realty, Inc., Simon Properties, General Growth Properties, Westfield America Trust, CBL & Associates Properties, Inc., Bayer Properties, Inc., Prime Retail, Inc., Konover Property, as well as independently operated properties. In addition, the Company provides all Call Center and Internet Fulfillment of gift certificates/cards 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 unaudited condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. (see Note B to the condensed consolidated financial statements).

Sale of Gift Certificates

The following is included because the Company derives the majority of its revenues from the sale of gift certificates and gift cards. 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 7.9% decrease, or $479,638 in the face amount of gift certificates sold in the three months ended September 30, 2002 to $5,622,430 from $6,102,068 at September 30, 2001 due to the net loss of 13 malls involved in the Rodamco mall sale transaction incorporated herein by reference to Form 10-QSB for the three month period ended June 30, 2002. The Company experienced an 11.4% increase, or $1,642,190 in the face amount of gift certificates sold in the six months ended September 30, 2002 to $16,071,731 from $14,429,541 at September 30, 2001.

Revenues

The Company experienced an increase in total revenues of 45.2% or $252,553 to $811,268 from $558,715 in the three months ended September 30, 2002, compared to the three months ended September 30, 2001, respectively. The Company experienced an increase in total revenues of 84.8% or $950,128 to $2,070,554 from $1,120,426 in the six months ended September 30, 2002, compared to the six months ended September 30, 2001, respectively. The increase is due primarily to an increase in the sale of third party gift certificates/cards, the recognition as revenue of unredeemed gift certificates, and an increase in merchant fees earned from retailers as described below.

The Company purchases and sells third party retailer gift certificates and gift cards, primarily Darden, and provides Call Center and Internet fulfillment on those gift certificate/card orders. The sale of third party gift certificates increased 0.6% or $2,293 to $394,105 from $391,812 in the three months ended September 30, 2002, compared to the three months ended September 30, 2001, respectively. The sale of third party gift certificates increased 17.3% or $128,825 to $872,499 from $743,674 in the six months ended September 30, 2002, compared to the six months ended September 30, 2001, respectively.

The Company recognized as revenue $150,304 in unredeemed gift certificates in the three months ended September 30, 2002. The Company did not recognize revenue of this type in the three month period ended September 30, 2001, as the Company was still collecting historical redemption and breakage data in order to provide accurate and reliable estimates regarding unredeemed gift certificates. The Company recognized as revenue $672,423 in unredeemed gift certificates in the six months ended September 30, 2002. The Company did not recognize revenue of this type in the six month period ended September 30, 2001, as the Company was still collecting historical redemption and breakage data in order to provide accurate and reliable estimates regarding unredeemed gift certificates. The Company began recognizing revenue from unredeemed gift certificates for the first time in the fourth quarter of the fiscal year ended March 31, 2002.

The Company experienced an increase in merchant fees earned from retailers of 143.0% or $106,339 to $180,711 from $74,372 in the three months ended September 30, 2002, compared to the three months ended September 30, 2001, respectively. The Company experienced an increase in merchant fees earned from retailers of 99.6% or $178,351 to $357,340 from $178,989 in the six months ended September 30, 2002, compared to the six months ended September 30, 2001, respectively. This increase is due primarily to the Company billing retailers for the cost of services previously absorbed by the Company.

Cost of Revenues

The Company experienced an increase in the total cost of revenues of 24.1% or $114,897 to $590,725 from $475,828 in the three months ended September 30, 2002, compared to the three months ended September 30, 2001, respectively. The Company experienced an increase in the total cost of revenues of 32.0% or $302,144 to $1,247,448 from $945,304 in the six months ended September 30, 2002, compared to the six months ended September 30, 2001, respectively. This increase is due primarily to the increase in sales of third party certificates, and an increase in merchant fees and charges related to the sale of mall gift certificates as described below. The $590,725 total cost of revenues represents 72.8% of total revenues in the three months ended September 30, 2002, compared to the $475,828 and 85.2% in the three months ended September 30, 2001, respectively. The $1,247,448 total cost of revenues represents 60.2% of total revenues in the six months ended September 30, 2002, compared to the $945,304 and 84.4% in the six months ended September 30, 2001, respectively.

The Company experienced an increase in the cost of third party gift certificates/cards of 6.5% or $21,243 to $346,626 from $325,383 in the three months ended September 30, 2002, compared to the three months ended September 30, 2001, respectively. The Company experienced an increase in the cost of third party certificates/cards of 22.9% or $144,462 to $774,907 from $630,445 in the six months ended September 30, 2002, compared to the six months ended September 30, 2001, respectively. This increase in cost is related primarily to the associated increase in the sale of third party gift certificates/cards.

The Company experienced an increase in merchant fees and charges incurred of 62.2% or $71,162 to $185,520 from $114,358 in the three months ended September 30, 2002, compared to the three months ended September 30, 2001, respectively. The Company experienced an increase in merchant fees and charges incurred of 57.3% or $136,403 to $374,514 from $238,111 in the six months ended September 30, 2002, compared to the six months ended September 30, 2001, respectively. This increase is due primarily to the associated costs incurred as a result of the increase in gift certificate sales.

The Company experienced an increase in gross profit of 166.1% or $137,656 to $220,543 from $82,887 in the three months ended September 30, 2002, compared to the three months ended September 30, 2001, respectively. The Company experienced an increase in gross profit of 370.0% or $647,984 to $823,106 from $175,122 in the six months ended September 30, 2002, compared to the six months ended September 30, 2001, respectively. Gross profit margins increased to 27.2% from 14.8% in the three months ended September 30, 2002, compared to the three months ended September 30, 2001, respectively. Gross profit margins increased to 39.8% from 15.6% in the six months ended September 30, 2002, compared to the six months ended September 30, 2001, respectively. These increases are attributable mainly to the recognition as revenue of unredeemed gift certificates.

New Business Developments

On July 2, 2002 the Company entered into a 90-day agreement to evaluate and collect data relating to the implementation, operation and acceptance of a gift card program in two of CBL and Associates Properties, Inc. ("CBL") mall properties (the 90-day period commences with the actual sale of gift cards at the properties which occurred August 20, 2002). CBL currently owns and operates 53 mall properties with gift certificate sales of approximately $43 million annually. Their corporate headquarters are located in Chattanooga, Tennessee. The two test properties are St. Clair Square located in Fairview Heights, Illinois and Walnut Square located in Dalton, Georgia which represent combined annual gift certificate sales of approximately $2 million. Upon completion of this 90-day pilot test (November 20, 2002), it is the intent of the Company and CBL to continue the gift card program, providing all test issues are completely satisfactory to both parties, and in that case, all terms and conditions are to be mutually agreed upon in a new agreement (currently being negotiated). The potential additional annual revenue to the Company for the two properties is approximately $250,000. The Company anticipates implementing additional CBL properties prior to the end of the fiscal year upon successful completion of this pilot test.

On July 11, 2002 the Company entered into a three year Advertising Sales Agreement with APS Marketing, Inc., ("APS") a New Jersey Corporation with offices located in Glen Rock, New Jersey. APS is in the business of advertising sales and marketing and has contracted with the Company as its Agent to represent the Company in the solicitation and placement of all advertisement on mall gift certificates to mall merchants. APS receives a commission for each advertisement placed on the gift certificates. The future impact on revenue for the Company is unknown at this time, as no advertising sales have been transacted.

On July 31, 2002 the Company entered into a five year License and Services Agreement with Card Commerce International, Inc., ("CCI"), a Delaware corporation with offices located in Los Angeles, California. Card Commerce International is a leading provider of value added, information-based solutions, including data and risk management solutions to loyalty program providers, merchant acquirers/processors and others. Over the last seven years, CCI's risk management system set the standard for reliable detection and analysis of risk in the merchant acquiring industry. As a result, CCI is now also the leading provider of affinity/loyalty solutions, matching merchant and consumer participants, determining their eligibility and calculating the amount of their rebates, rewards and incentives. With CCI's existing connectivity to virtually all major processors in the card interchange networks, and gateways to every major authorizations network, CCI securely and reliably acquires and processes more than 350 million transactions per month, in any format and from any data source. For more information on CCI, go to www.cardcommerce.com. This agreement will be incorporated into the Children's Heroes™ credit/debit card registration efforts and other product offerings detailed below. Revenue impact for the remainder of fiscal 2003 is not material. The Company anticipates the agreement with CCI could result in annual revenues of approximately $1,100,000 in fiscal year 2004.

On September 17, 2002 the Company signed a letter of intent to enter into an exclusive, three year Master Services Agreement with IPS Card Solutions, Inc., doing business as ValueLink, a Maryland corporation, with offices located in Englewood, Colorado. ValueLink will contract with the Company to, on an outsourced back-end support services basis, allow and enable ValueLink to offer, sell and provide to each and any of its clients that use ValueLink's Stored Value Card Services, card order fulfillment services to be provided by NBO. NBO will provide all fulfillment, activation, loading of value, packaging and customer support for ValueLink merchants provided to the Company by a work order, through the internet and the Company's call center, billable to ValueLink on a per card basis. ValueLink is a wholly owned subsidiary of First Data Corp. As the leading provider of high quality, high volume information processing and related services, First Data identified an emerging market for stored value products that could be customized to meet a client's specific business needs while leveraging First Data's expertise in information and transaction processing. In 1994, ValueLink was created to introduce online transaction and information-based solutions that enable its clients to quickly and cost effectively introduce and support their own customized stored value card programs such as gift cards, merchandise credits, coupons, promotions, phone cards, and much more. ValueLink's only business is the development, implementation and support of stored value card programs, including gift and spending card programs. ValueLink assists its clients by implementing stored value card programs that deliver faster transaction processing, greater financial controls, improved security and increased sales and customer loyalty. In April 1995, ValueLink launched its first third-party driven gift card program (Blockbuster Entertainment) in the retail industry. Today, ValueLink continues to draw upon its experience and expertise to deliver innovative, customized gift and spending card programs for the markets it serves. ValueLink has implemented and continues to support over 70 clients and 120 brands in the retail, oil and petroleum, grocery, restaurant, and specialty industries. ValueLink was in search of a fulfillment provider for its client based and contacted NBO. For more information on ValueLink, go to www.valuelink.info. The Company anticipates the implementation of the first ValueLink client on or about November 12, 2002. The Company anticipates revenues based on ValueLink clients for the remainder of fiscal 2003 could be approximately $500,000 and could be approximately $3,400,000 for fiscal year 2004.

On September 24, 2002 the Company entered into an exclusive one year Internet Sales Participation Agreement with the Bigtime Restaurant Group, a Florida corporation with offices located in West Palm Beach, Florida. Bigtime Restaurant Group operates 8 restaurants in the south Florida area and has contracted with the Company to be the sole fulfillment provider of Internet gift certificate sales from the client's website. This agreement has the same financial structure as the Darden agreement. The revenue impact is unknown at this time.

On September 26, 2002 the Company renewed all 42 mall property contracts with The Rouse Company for an additional 3 year term, and added a 43rd property, the Village of Merrick Park located in Coral Gables, Florida. This is a significant affirmation of the Company's gift certificate program, as the Rouse Company is NBO's largest mall developer relationship, having transacted over $40,470,000 in gift certificate sales, representing nearly 1,000,000 gift certificates sold since the first contracts were signed in 1999.

On September 30, 2002 the Company renewed 3 Urban Properties, Inc. contracts for an additional 3 year term. The remaining 4 Urban contracts will be extended an additional 3 years at their regular renewal dates. The Company will continue to pursue gift certificate contracts with Urban for the remaining 30 properties in their portfolio. This is a significant affirmation of the Company's gift certificate program. Urban was the Company's first mall gift certificate client in October 1998, and has transacted over $69,500,000 in gift certificate sales, representing over 2,000,000 gift certificates processed by the Company.

In the three month period ended September 30, 2002 the Company ceased gift certificate operations in 13 malls (4 Simon malls, 9 Westfield malls) involved in the Rodamco (Urban) sale of properties incorporated herein by reference to Form 10-QSB for the period ended June 30, 2002. The Company continued gift certificate operations in the mall properties transferred from Urban to Rouse. The net potential lost annual revenue to the Company of the entire transaction is approximately $720,000.

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 2003 fiscal year.

Operating Expenses

The Company experienced a decrease in total operating expenses of 4.1% or $44,182 to $1,038,591 from $1,082,773 in the three months ended September 30, 2002, compared to the three months ended September 30, 2001, respectively. The Company experienced a decrease in total operating expenses of 5.4% or $121,111 to $2,109,368 from $2,230,479 in the six months ended September 30, 2002, compared to the six months ended September 30, 2001, respectively. The decrease is attributable mainly to a decrease in personnel expense.

Personnel

In the six month period ended September 30, 2002, the total number of employees decreased from 46 to 40, with the number of full time salaried employees decreasing from 43 to 38, and the number of part-time hourly employees decreasing from 3 to 2. These decreases were a combination of a 10% reduction in staff, normal attrition, and productivity gains achieved through automation. Personnel costs decreased 6.6% or $46,928 to $667,058 from $713,986 in the three months ended September 30, 2002, compared to the three months ended September 30, 2001, respectively. Personnel costs decreased 8.8% or $130,663 to $1,353,438 from $1,484,101 in the six months ended September 30, 2002, compared to the six months ended September 30, 2001, respectively.

The Company's operating expenses exceeded gross profit in the three and six month periods ending September 30, 2002. The Company experienced a decrease in operating losses of 18.2% or $181,838 to ($818,048) from ($999,886) in the three months ended September 30, 2002, compared to the three months ended September 30, 2001, respectively. The Company experienced a decrease in operating losses of 37.4% or $769,095 to ($1,286,262) from ($2,055,357) in the six months ended September 30, 2002, compared to the six months ended September 30, 2001, respectively.

Other Income (Expense)

The Company experienced a decrease in total other expenses of 74.4% or $321,776 to ($110,517) from ($432,293) in the three months ended September 30, 2002, compared to the three months ended September 30, 2001, respectively. The Company experienced a decrease in total other expenses of 66.3% or $462,810

to 234,981) from ($697,791) in the six months ended September 30, 2002, compared to the six months ended September 30, 2001, respectively. The decrease is primarily from a decrease in interest expense associated with notes to stockholders that were retired.

Liquidity and Capital Resources

The Company's total costs and expenses are currently greater than its revenues. The Company to date has had a history of losses and the accumulated deficit (since inception June 23, 1994) as of September 30, 2002 was ($25,240,134).

The Company's net losses decreased by 35.2% or $503,614 to ($928,565) from ($1,432,179) in the three months ended September 30, 2002, compared to the three months ended September 30, 2001, respectively. The Company's net losses decreased by 44.7% or $1,231,905 to ($1,521,243) from ($2,753,148) in the six months ended September 30, 2002, compared to the six months ended September 30, 2001, respectively. The Company's current liabilities exceed its current assets by $4,377,349 as of September 30, 2002. The Company anticipates net losses of approximately $2.5 million in the fiscal year ending 2003, but net income could be approximately $7.6 million in the fiscal year ending 2004 due to the ramp-up of the Children's Heroes program described in Subsequent Events below, as well as expansion of existing programs.

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. (see Note B to the condensed consolidated financial statements). 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.

Liquidity and Financing Arrangements

During the six month period ended September 30, 2002 the Company issued 12,518 shares of common stock to stockholders for interest in the amount of $68,848 according to terms of a note payable. The note holders are also shareholders and are accredited investors. These transactions were completed in accordance with Rule 506 promulgated by the SEC under Section 4(2) of the Exchange Act of 1933 as amended.

During the six month period ended September 30, 2002 the Company issued 111,250 common stock warrants to a stockholder and recorded additional interest expense of $84,602 in connection with two outstanding notes payable. Of the 111,250 warrants issued, 56,250 have an exercise price of $4.40 and expire July 6, 2005. The remaining 55,000 warrants issued have an exercise price of $4.40 and expire January 29, 2006. The note holder is also a shareholder and accredited investor. These transactions were completed in accordance with Rule 506 promulgated by the SEC under Section 4(2) of the Exchange Act of 1933 as amended.

During the six month period ended September 30, 2002, the Company made principal payments on notes to stockholders totaling $327,303. Notes to stockholders represents 8.0% of current liabilities at September 30, 2002 compared to 7.8% of current liabilities at March 31, 2002.

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. 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. These statements represent the Company's expectations, hopes, beliefs, anticipations, commitments, intentions and strategies regarding the future. They may be identified by the use of words or phrases such as "believes," "expects," "anticipates," "should," "could be," "plans," "estimates," and "potential," among others. 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 October 11, 2002 the Company entered into a three year Cash Card Issuer Agreement with Discover Financial Services, Inc., ("DFS"), a Delaware Corporation with offices located in Riverwoods, Illinois. DFS operates the Discover Card Network that allows cardholders to purchase goods or services from participating merchants using Discover mall gift cards issued by the Company.

On October 14, 2002 the Company entered into an exclusive three year contract with Merle Hay Mall, an Iowa Limited Partnership, with offices located in Chicago, Illinois. The Company will manage the Discover gift card program at Merle Hay mall located in Des Moines, Iowa. The Company anticipates annual mall gift card sales of approximately $700,000 and annual revenues to the Company of approximately $84,000.

On October 17, 2002 the Company entered into an exclusive one year Gift Certificate Services Agreement with the Saladworks, Inc., a Pennsylvania corporation with offices located in Conshohocken, Pennsylvania. Saladworks operates a total of 35 restaurants including, 13 restaurants in New Jersey, 20 restaurants in Pennsylvania, 1 restaurant in Chicago, Illinois, and 1 restaurant in Washington, DC. Saladworks has contracted with the Company to be the sole fulfillment provider of gift certificates, whether from the store locations, over the Internet, or through call center sales. The revenue impact is unknown at this time.

On October 28, 2002 the Company entered into four exclusive three year contracts with The Rouse Company, with offices located in Columbia, Maryland to provide mall gift cards for the malls located in San Antonio, Texas, Collin Creek, Texas, Highland, Texas, and Hulen, Texas. Rouse is the Company's largest mall developer relationship, and this contract increases the number of mall gift certificate/gift card programs managed for Rouse by the Company from 43 to 47. The Company anticipates total annual mall gift cards sales for the four new properties to be approximately $3.0 million, and annual revenues to the Company to be approximately $360,000.

On October 31, 2002 the Company entered into an exclusive two year contract with Warmack & Company LLC, with offices located in Texarkana, Texas to provide mall gift cards for three properties located in Fort Smith, Arkansas, Texarkana, Texas, and Port Arthur, Texas. The Company anticipates annual mall gift cards sales to be approximately $3 million, and annual revenues to the Company to be approximately $360,000. Additionally, on October 31, 2002 the Company signed a letter of intent with Warmack to provide mall gift cards by January 31, 2003 in four additional properties located in Jonesboro, Arkansas, Salina, Kansas, Lawton, Oklahoma, and Muskogee, Oklahoma. The Company anticipates annual mall gift cards sales from the four additional properties to be approximately $4 million, and annual revenues to the Company to be approximately $480,000.

On October 31, 2002 the Company enterer into an exclusive, three year Master Services Agreement with IPS Card Solutions, Inc., doing business as ValueLink, a Maryland corporation, with offices located in Englewood, Colorado. ValueLink will contract with the Company to, on an outsourced back-end support services basis, allow and enable ValueLink to offer, sell and provide to each and any of its clients that use ValueLink's Stored Value Card Services, card order fulfillment services to be provided by NBO. NBO will provide all fulfillment, activation, loading of value, packaging and customer support for ValueLink merchants provided to the Company by a work order, through the internet and the Company's call center, billable to ValueLink on a per card basis. ValueLink is a wholly owned subsidiary of First Data Corp. As the leading provider of high quality, high volume information processing and related services, First Data identified an emerging market for stored value products that could be customized to meet a client's specific business needs while leveraging First Data's expertise in information and transaction processing. In 1994, ValueLink was created to introduce online transaction and information-based solutions that enable its clients to quickly and

cost effectively introduce and support their own customized stored value card programs such as gift cards, merchandise credits, coupons, promotions, phone cards, and much more. ValueLink's only business is the development, implementation and support of stored value card programs, including gift and spending card programs. ValueLink assists its clients by implementing stored value card programs that deliver faster transaction processing, greater financial controls, improved security and increased sales and customer loyalty. In April 1995, ValueLink launched its first third-party driven gift card program (Blockbuster Entertainment) in the retail industry. Today, ValueLink continues to draw upon its experience and expertise to deliver innovative, customized gift and spending card programs for the markets it serves. ValueLink has implemented and continues to support over 70 clients and 120 brands in the retail, oil and petroleum, grocery, restaurant, and specialty industries. ValueLink was in search of a fulfillment provider for its client based and contacted NBO. For more information on ValueLink, go to www.valuelink.info. The Company anticipates the implementation of the first ValueLink client on or about November 12, 2002. The Company anticipates revenues to the Company based on ValueLink clients for the remainder of fiscal 2003 could be approximately $500,000 and could be approximately $3,400,000 for fiscal year 2004.

During the six month period ended September 30, 2002 the Company initiated the ramp-up of the Children's Heroes™ Fundraising Program, a "grass roots" loyalty and community fundraising program. The program is designed to drive increased transactions, monthly visits, and incremental profit for shopping centers, restaurants, and local merchants while concurrently raising funds for community schools, youth sports, youth groups, and other local nonprofit organizations. The Company's intent is to revolutionize both the community-based loyalty and fundraising industries. The loyalty program will kick off with a "Back To School" campaign in selected markets in the fiscal quarter ending December 31, 2002. The Company will send a team of fundraising experts into each market to enroll merchants for the Company's new gift certificate and gift card products. The products are designed to allow multiple mall merchants, restaurants, or local community retailers or service providers to accept one gift certificate or gift card redeemable at all merchant locations. In

distribution channel for the thousands of parent and grandparent consumers who support these groups. Traditionally, these groups raise funds by purchasing billions of dollars annually in fundraising products such as candy, candles, trinkets, etc. each year. Now, instead of children having to sell products "door-to-door," adults can do all of the fundraising by simply enrolling and shopping at their local merchants in the Children's Heroes™ fundraising loyalty program. The Company is announcing the hiring of Chris Hutcherson, a leading national expert in merchant loyalty and community based fundraising. Mr. Hutcherson will be the Company's senior executive in charge of the Children's Heroes™ neighborhood loyalty and fundraising program. The Company anticipates the sales and revenue impact of the Children's Heroes program to be not material for the remainder of fiscal year 2003, as the program is ramped up and rolled out in 9 east coast cities. The Company plans to roll out an additional 18 markets in fiscal year 2004 and an additional 18 markets in fiscal year 2005. The Company anticipates a positive revenue impact that could reach approximately $11 million in fiscal year 2004, and approximately $45.3 million in fiscal year 2005. The Company anticipates a growth in personnel to support the program over the next three years of 140 employees, comprised of 50 salaried field employees including Mr. Hutcherson, and 90 hourly support personnel stationed at the Company's headquarters in Salt Lake City, UT. The Company anticipates the strength of this program will facilitate the acquisition of the necessary funding to not only roll out this program, but enable the Company to generate sufficient cash flow to fund on-going operations and beyond.

ITEM 3. CONTROLS AND PROCEDURES

Based on their evaluation, as of a date within 90 days of the filing date of this Form 10-QSB, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure control and procedures (as defined in Rule 13a-14(c) and 15d-14(c) under the Securities and Exchange Act of 1934, as amended) are effective. There have been no significant changes in internal controls or in other factors that could significantly affect these controls, subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities and Use of Proceeds.

During the six month period ended September 30, 2002 the Company issued 12,518 shares of common stock to stockholders for interest in the amount of $68,848 according to terms of a note payable. The note holders are also shareholders and are accredited investors. These transactions were completed in accordance with Rule 506 promulgated by the SEC under Section 4(2) of the Exchange Act of 1933 as amended.

During the six month period ended September 30, 2002 the Company issued 111,250 common stock warrants to a stockholder and recorded additional interest expense of $84,602 in connection with two outstanding notes payable. Of the 111,250 warrants issued, 56,250 have an exercise price of $4.40 and expire July 6, 2005. The remaining 55,000 warrants issued have an exercise price of $4.40 and expire

January 29, 2006. The note holder is also a shareholder and accredited investor. These transactions were completed in accordance with Rule 506 promulgated by the SEC under Section 4(2) of the Exchange Act of 1933 as amended.

During the six month period ended September 30, 2002, the Company made principal payments on notes to stockholders totaling $327,303.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Reports on Form 8-K for the period covered by this report: None.

(b) Exhibits: The exhibits required are set forth below:

(10).1	CBL – Agreement for the Gift Card Pilot Program		07/02/02
(10).2	APS Marketing – Advertising Sales Agreement		07/11/02
(10).3	CCI – License and Services Agreement		07/31/02
(10).4	ValueLink – Letter of Intent		09/17/02
(10).5	Bigtime Restaurants – Internet Sales Participation Agreement		09/24/02
(10).6	Rouse – Contract Services Agreements		
	(10).6.1	Augusta Mall, (GA)	09/26/02
	(10).6.2	Bayside Marketplace, (FL)	09/26/02
	(10).6.3	Beachwood Place, (OH)	09/26/02
	(10).6.4	Bridgewater Commons, (NJ)	09/26/02
	(10).6.5	Cherry Hill Mall, (NJ)	09/26/02
	(10).6.6	Echelon Mall, (NJ)	09/26/02
	(10).6.7	Exton Square, (PA)	09/26/02
	(10).6.8	Faneuil Hall (MA)	09/26/02
	(10).6.9	Fashion Place Mall (UT)	09/26/02
	(10).6.10	Gallery at Market East, (PA)	09/26/02
	(10).6.11	Gallery at Harbor Place, (MD)	09/26/02
	(10).6.12	Governor's Square (FL)	09/26/02
	(10).6.13	Jacksonville Landing, (FL)	09/26/02
	(10).6.14	Lakeside Mall, (MI)	09/26/02

(10).6.15	Mall St. Matthews, (KY)	09/26/02
(10).6.16	Mondawmin Mall, (MD)	09/26/02
(10).6.17	Moorestown Mall, (NJ)	09/26/02
(10).6.18	Oakbrook Center, (IL)	09/26/02

(10).6.19	Oakwood Center, (LA)	09/26/02
(10).6.20	Oviedo Marketplace, (FL)	09/26/02
(10).6.21	Owings Mills Mall, (MD)	09/26/02
(10).6.22	Paramus Park, (NJ)	09/26/02
(10).6.23	Park Meadows, (CO)	09/26/02
(10).6.24	Perimeter Mall, (GA)	09/26/02
(10).6.25	Pioneer Place, (OR)	09/26/02
(10).6.26	Plymouth Meeting Mall, (PA)	09/26/02
(10).6.27	Ridgedale Center, (MN)	09/26/02
(10).6.28	Riverwalk, (LA)	09/26/02
(10).6.29	South Street Seaport, (NY)	09/26/02
(10).6.30	Southland Center, (MI)	09/26/02
(10).6.31	Staten Island Mall, (NY)	09/26/02
(10).6.32	Streets at Southpoint, (NC)	09/26/02
(10).6.33	The Fashion Show, (NV)	09/26/02
(10).6.34	The Mall in Columbia, (MD)	09/26/02
(10).6.35	Towson Town Center, (MD)	09/26/02
(10).6.36	Village of Cross Keys, (MD)	09/26/02
(10).6.37	Village of Merrick Park, (FL)	09/26/02
(10).6.38	Water Tower Place, (IL)	09/26/02
(10).6.39	Westdale Mall, (IA)	09/26/02
(10).6.40	Westlake Center, (WA)	09/26/02
(10).6.41	White Marsh Mall, (MD)	09/26/02
(10).6.42	Willowbrook Mall, (NJ)	09/26/02
(10).6.43	Woodbridge Center, (NJ)	09/26/02
(10).7	Urban – Contract Services Agreements	
(10).7.1	Louis Joliet Mall	09/30/02
(10).7.2	North Riverside Park Mall	09/30/02
(10).7.3	Valencia Town Center	09/30/02

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	November 14, 2002
	/s/ Kent Jasperson Chief Accounting Officer	November 14, 2002
	/s/ Christopher Foley Chief Financial Officer	November 14, 2002

NBO Systems, Inc.

STATEMENT PURSUANT TO 18 U.S.C. SECTION 1350

Keith A. Guevara, as Chief Executive Officer of NBO Systems, Inc. (the “Company”), and Christopher Foley, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350(b), that

(1) the Company’s Quarterly Report of Form 10-QSB for the quarterly period ended September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the applicable requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2002

/s/
Keith A. Guevara
Chief Executive Officer
Of
NBO Systems, Inc.

Dated: November 14, 2002

/s/
Christopher Foley
Chief Financial Officer
Of
NBO Systems, Inc.

NBO Systems, Inc.

I, Keith A. Guevara, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of NBO SYSTEMS, INC.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Keith A. Guevara

[Signature]

Chairman of the Board of Directors, Chief Executive Officer and President

I, Christopher Foley, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of NBO SYSTEMS, INC.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Christopher Foley

[Signature]

NBO Systems, Inc.

Member of the Board of Directors and Chief Financial Officer