U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

_X_ Quarterly Report Under Section 13 or 15(d) of The Securities Exchange Act of 1934

For the quarterly period ended September 29, 2001

___ Transaction Report Under Section 13 or 15(d) of the Securities Exchange Act

For the transition period from ________________ to ________________

Commission File Number 000-04169

SYS
(Exact Name of Small Business Issuer as Specified in Its Charter)

California	95-2467354
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

9620 Chesapeake Drive, Suite 201, San Diego, California 92123
(Address of Principal Executive Offices)

(858) 715-5500
(Issuer's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ____

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 4,323,510 shares of common stock, without par value, as of November 16, 2001.

Transitional Small Business Disclosure Format (check one):

Yes ____ No _X_

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

SYS

CONDENSED CONSOLIDATED BALANCE SHEET

	Sep. 29, 2001 (Unaudited)
ASSETS	
Current assets:	
Cash	$ 45,000
Contract receivables, net	3,310,000
Other receivables	32,000
Deferred tax assets	81,000
Other current assets	60,000
Total current assets	3,528,000
Furniture and equipment, net	498,000
Capitalized software, net	256,000
Other assets	36,000
	$ 4,318,000
LIABILITIES & STOCKHOLDERS' EQUITY	
Current liabilities:	
Note payable to bank under line of credit	$ 803,000
Accounts payable	360,000
Accrued payroll and related taxes	835,000
Income taxes payable	25,000
Other accrued liabilities	19,000
Current portion of related party note payable	10,000
Current portion of other notes payable	34,000
Current portion of capital lease obligations	47,000
Total current liabilities	2,133,000
Other notes payable, net of current portion	31,000
Related party note payable, net of current portion	37,000
Capital lease obligations, net of current portion	141,000
Total liabilities	2,342,000
Stockholders' equity:	
4% convertible preferred stock; 110,000 shares issued and outstanding	55,000
9% convertible preference stock; 69,781 shares issued and outstanding	70,000
Common stock; 3,458,865 shares issued and outstanding	663,000
Unearned ESOP compensation	(54,000)
Retained earnings	1,242,000
Total stockholders' equity	1,976,000
	$ 4,318,000

SYS
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three months ended	
	September 29, 2001	September 30, 2000
Contract revenues	$ 3,534,000	$ 2,695,000
Costs and expenses:		
Contract costs	2,987,000	2,106,000
General and administrative	355,000	445,000
Totals	3,342,000	2,551,000
Income from operations	192,000	144,000
Other (income) expense:		
Interest income	(1,000)	(2,000)
Interest expense	35,000	22,000
Gain on sale and disposition of equipment	(5,000)	0
Totals	29,000	20,000
Income before income taxes	163,000	124,000
Provision for income taxes	63,000	42,000
Net income	100,000	82,000
Dividends on preferred and preference shares	3,000	3,000
Net income applicable to common stock	$ 97,000	$ 79,000
Basic earnings per common share	$ 0.03	$ 0.02
Diluted earnings per common share	$ 0.03	$ 0.02

SYS
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended	
	September 29, 2001	September 30, 2000
Operating activities:		
Net income	$ 100,000	$ 82,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	47,000	36,000
Gain on sale and disposition of equipment	(5,000)	0
Changes in operating assets and liabilities:		
Contract receivables	(501,000)	(310,000)
Other receivables	25,000	0
Other current assets	(30,000)	9,000
Other assets	(17,000)	(9,000)
Accounts payable	196,000	(65,000)
Accrued payroll and related taxes	309,000	185,000
Income taxes payable	(113,000)	(87,000)
Other accrued liabilities	(4,000)	(38,000)
Net cash provided by (used in) operating activities	7,000	(197,000)
Investing activities:		
Acquisition of furniture and equipment	(107,000)	(132,000)
Proceeds from sale of equipment	5,000	0
Net cash used in investing activities	(102,000)	(132,000)
Financing activities:		
Net line of credit borrowings	83,000	64,000
Proceeds from (payments on) other notes payable and capital leases	35,000	(16,000)
Payments of preference stock dividends	(3,000)	(3,000)
Net cash provided by financing activities	115,000	45,000
Net increase (decrease) in cash	20,000	(284,000)
Cash at beginning of period	25,000	311,000
Cash at end of period	$ 45,000	$ 27,000
Supplemental disclosure of cash flow data:		
Interest paid	$ 20,000	$ 21,000
Income taxes paid	$ 234,000	$ 131,000

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) In the opinion of the Registrant, the unaudited financial information in this report reflects all adjustments, consisting only of normal recurring accruals, which are considered necessary to a fair presentation of its financial position as of September 29, 2001 and its results of operations and cash flows for the periods shown. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to SEC regulations. It is suggested that these financial statements be read in conjunction with the audited financial statements included in the Registrant's Report on Form 10-KSB for the fiscal year ended June 30, 2001.

(2) Basic net earnings per common share are calculated by dividing net income applicable to common stock by the weighted average number of common shares outstanding during the period. The calculation of diluted earnings per common share is similar to that of basic earnings per common share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if all potentially dilutive common shares, principally those issuable upon the conversion of preferred stock and the exercise of stock options, were issued during the period and the numerator is adjusted to eliminate preferred and preference stock dividend requirements.

The following table summarizes the calculation of basic and diluted earnings per common share for each period:

	Three months ended	
	September 29, 2001	September 30, 2000
Numerators:		
Net income (A)	$ 100,000	$ 82,000
Deduct - preference dividend requirements	3,000	3,000
Net income applicable to common stock (B)	$ 97,000	$ 79,000
Denominators:		
Weighted average shares for basic net earnings per common share (C)	3,379,635	3,362,732
Add effects of dilutive securities from assumed:		
Exercise of stock options	341,760	9,155
Weighted average shares for diluted net earnings per common share (D)	3,721,395	3,371,887
Basic net earnings per common share (B/C)	$ 0.03	$ 0.02
Diluted net earnings per common share (B/D)	$ 0.03	$ 0.02

(3) The results of operations for the quarter ended September 29, 2001, are not necessarily indicative of the results to be expected for the full year.

(4) The Company's fiscal year runs from July 1 through June 30. The Company uses the 5-4-4 weeks per period method for each quarter; periods one (July) and twelve (June) may vary slightly in the actual number of days due to the beginning and end of each fiscal year.

(5) The Company's primary source of liquidity is its $1,500,000 revolving line of credit facility under a loan agreement with U.S. Bank that expires on January 15, 2002. The loan is collateralized by all of the Company's assets including contract receivables. U.S. Bank advances funds to the Company of up to 80% of the Company's billed contract receivables which are less than 90 days old. U.S. Bank charges an interest rate of 1.0% over prime. The Company has entered into discussions with U.S. Bank regarding the annual extension of the credit facility.

(6) On May 4, 2001, a business combination between Testmasters, Inc. and SYS was completed, whereupon SYS exchanged 200,000 shares of its common stock for all of Testmasters, Inc. outstanding common stock. The transaction was accounted for as a pooling of interests. As a result, Testmasters, Inc. became a wholly-owned subsidiary of SYS. The accompanying consolidated financial statements of the prior year have been restated to give effect to the combination. The following is a reconciliation of the amounts of revenues and net income previously reported for the quarter ended 9/30/2000 with restated amounts:

	Revenues	Net Income
As previously reported	$2,234,000	$66,000
Testmasters, Inc.	$ 461,000	$16,000
SYS	2,234,000	66,000
As restated	$2,695,000	$82,000

(7) The Company reports segment sales in the same format reviewed by the Company's Chief Operating Decision Maker ("CODM"). The CODM identifies the Company's segments based on the customer base. These segments offer services to different markets in accordance with their customer base. Accordingly, the Company's two business segments are centered on the operations associated with the SYS Government Services Division ("SYS") and the Testmasters Division ("Testmasters"). All of the Company's operations are conducted in the United States. The Company evaluates the performance of each segment based on income or loss before income taxes. The Company has no significant intersegment sales or transfers.

Net revenues, income (loss) before provision for income taxes and other related segment information for the first quarter of fiscal years 2002 and 2001 follows:

	SYS	Testmasters	Total
2002			
Net revenues	$3,422,000	$112,000	$3,534,000
Income (loss)before provision for income taxes	225,000	(62,000)	163,000
Depreciation and amortization	34,000	13,000	47,000
Total assets	3,957,000	361,000	4,318,000

	SYS	Testmasters	Total
2001			
Net revenues	$2,234,000	$461,000	$2,695,000
Income before provision for income taxes	108,000	16,000	124,000
Depreciation and amortization	27,000	9,000	36,000
Total assets	2,310,000	588,000	2,898,000

(8) Changes in Securities

On September 14, 2001, the Company issued 84,229 shares of common stock to the Company's 401(k)/Employee Stock Ownership Plan. These shares were part of the Company's contribution to the employees for 2001.

On September 14, 2001, the Company issued 11,904 shares of common stock to three of the Company's directors (Zoltan Harasty, 3,571; Kameron Maxwell, 4,365 and Charles Werner, 3,968) for services rendered. These shares were part of the directors' compensation for 2001.

On October 15, 2001, two Company employees each exercised stock options of 5,000 shares of common stock, a total of 10,000 shares.

As of November 13, 2001, two officers of the Company exercised stock options totaling 90,000 shares of common stock (Charles E. Vandeveer, 40,000 and Michael W. Fink, 50,000). The Company loaned Messrs. Vandeveer and Fink the funds required to exercise their stock options; the total amount loaned is less than $60,000 individually. On the same day, one other Company employee exercised a stock option for 1,000 shares of common stock.

On November 15, 2001, the Company's Chairman and CEO, W. Gerald Newmin, exercised stock options totaling 13,645 shares of common stock.

On October 3, 2001, the Company entered into an agreement with Scripps Ventures, Inc. in which Scripps Ventures will act as a finder while assisting the Company in the raising of capital through a Private Placement offering (the "Offering"), a maximum of $1,500,000 was authorized by the Board at their September 26, 2001 meeting. The Offering consists of 30 units priced at $50,000 each. Each buyer of a unit will receive 25,000 shares of Company common stock and a three year convertible note for $25,000. The note is convertible at $1.00 per share and pays 10% interest. The Company has successfully raised $1,500,000 through November 16, 2001, and the Board of Directors amended the plan at their meeting on November 20 by increasing the maximum amount to $2,000,000. The raised capital will be used by the Company to continue its growth. As of November 16, 2001, this private placement added 750,000 shares of common stock to those outstanding.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains forward-looking statements, which describe risks and uncertainties involving the Company. Such forward-looking statements include, but are not limited to, statements regarding future events and the Company's plans and expectations. The Company's actual results may differ significantly from the results discussed in the forward-looking statements as a result of certain factors including, but not limited to, those discussed herein.

Description of Business

The Company provides engineering, management and technical services. The Company was formed and incorporated in the State of California in 1966 as Systems Associates, Inc. It became a public corporation in 1968, and engaged in systems analysis, systems engineering, computer services and software for Government and industry. In addition to providing these services, the Company conducted other business activities in computer network operations and software applications, water resources development and management, and in engineering services for sanitary waste development and construction management, which it subsequently sold (1975) to other companies. The Company changed its name to Systems Associates, Inc. of California on December 4, 1979, and, as of March 18, 1985, it was changed to SYS. The Company corporate offices were moved to San Diego, California in February 19, 1984, from Long Beach, California. On May 4, 2001, the Company purchased all of the stock of Testmasters, Inc. Testmasters is now a wholly owned subsidiary of the Company.

The Company provides engineering, management and technical consulting services to various agencies of the United States Government and private industry as a prime contractor and as a subcontractor. The specific services provided are primarily in the fields of:

Systems Engineering	Management and Analysis Consulting
Naval Architecture and Marine Engineering	Software Development & Testing
Program Management	Information Management Systems
Environmental Engineering	Logistics Analysis and Engineering
Electronic Record Management	Cost Analysis and Forecasting
Information Operations	Theater Assessment Profiling
Effects Based Planning	Total Ownership Cost

The Company acquired Testmasters, Inc. in May of 2001. Within this document, the Company will be showing consolidated financial information. The term "government services group" means the Company less Testmasters.

The Underway Replenishment (UNREP) Program had its third of three option years exercised on December 1, 2000. This program accounted for about 6% of the Company's revenue in the first quarter of fiscal year 2002 and 6% of its group's revenue. The program provides in-service engineering to the U.S. Navy Fleet. The decline in the number of active fleet ships and the transfer of dedicated UNREP ships to the Military Sealift Command has resulted in a stepped up backfit program. The fleet is currently upgrading the UNREP systems to Navy Standard on the AOE 3 and 4. The Company is also providing engineering design support in the development of the next generation ACDX ship class that is scheduled to begin construction in late 2001. Efforts are also expected to begin in this coming year to design the next generation UNREP Heavy Lift System. Work is continuing on the Combatant Vertical Strikedown system for consideration in the construction of the Navy Surface Combatant DD-21 program. The Company has supported this

Navy program in various roles since 1982 and is in the process of recompeting for the UNREP contract..

The Management, Planning, Analytical and Administrative (MPAA) Program had its first of four option years exercised on February 1, 2001. This program accounted for about 32% of the Company's revenue in the first quarter of fiscal year 2002 and 35% of its group's revenue. This program supports the U.S. Navy's Port Hueneme Division, Naval Surface Warfare Center. The Statement of Work provides a broad and flexible scope of work allowing a wide range of tasking. The Company has developed work competencies in such areas as Management Consulting, Information Services, Human Resource Services, Business Process Re-engineering, Combat Systems Engineering, Facilities Engineering, and Public Relations. The MPAA program has received customer recognition for its high standards of excellence and professionalism. This fiscal year, the government rated the Company performance as outstanding for both the base and option years of the contract.

The Company was awarded a three-year subcontract on August 2, 1999 from Santa Barbara Applied Research, Inc. to continue its hazardous materials assessment support to the Naval Air Systems Command. This program accounted for about 2% of the Company's revenue in the first quarter of fiscal year 2002 and 2% of its group's revenue. This support provides environmental engineering and technical services focusing on the identification and reduction of hazardous material when providing maintenance to weapons and associated handling and shipping equipment. Hazardous material reduction support is being expanded to include support for Foreign Military Sales.

The Company successfully recompeted a five-year subcontract with their prime contractor, Tracor (now BAE Systems), on April 24, 1997. This program accounted for about 2% of the Company's revenue in the first quarter of fiscal year 2002 and 2% of its group's revenue. This subcontract is run out of the Company's Arlington, Virginia office. This subcontract provides program management support to the Program Executive Office, Surface Combatants/AEGIS Program (PEO, SC/AP), PMS400. The Company provides contract and other financial reconciliation and closure support for the Japanese AEGIS Foreign Military Sales cases. The Company also provides other financial management support including case closure processing support to PMS400.

The Company has three contracts from the General Services Administration (GSA). These three contracts are for Information Technology, Financial Management Services and Professional Engineering Services. The Company is utilizing GSA contract vehicles to provide Oracle programming services and logistics engineering services at the Naval Construction Battalion Center in support of the Naval Construction Forces. These contracts have proven to be successful as a means to develop new customers and they are registered in the GSA Advantage System. The GSA contracts accounted for about 29% of the Company's revenue in the first quarter of fiscal year 2002.

The Company's Information Technology GSA contract was modified to sell our Electronic Records Management services on a Time and Material and Piece Part count to the government. The contract has proved successful as a means to develop new customers. The Company's Financial Management Services GSA contract is presently utilized in the support of the Seabee Logistics Center. In January of 2001, the Company was awarded a new Professional Engineering Services contract with GSA. This new GSA contract will be utilized by the Company to develop new work in other government agencies as well as our current customer base.

The Company has won a five-year contract to support the Bureau of Reclamation (BOR) and two one year contracts to provide Electronic Records Management (ERM) services to the BOR, Minerals

Management Service. The Company has signed a new one year contract to support the NAVFAC Information and Technology Center for data warehousing and retrieval services.

The Company's Command, Control, Communication, Computer and Intelligence (C4I) group is primarily based in San Diego. This group is providing top-level C4I system engineering services; system architecture design; advanced concept development; test and evaluation; effects-based operation planning, execution and assessment; program management and business development support; organizational management analysis; and information technology and information operations (IO) support. The initial customer base includes SPAWAR Systems Center San Diego and Program Executive Office Strike Weapons and Unmanned Aviation. The C4I personnel work closely with Office of Naval Research, Defense Advanced Research Programs Agency, Assistant Secretary of the Navy for Research, Development and Acquisition, Chief of Naval Operations, Naval Warfare Development Command, Joint Battle Center, and other services and Joint Agencies.

The Company was awarded a $1.3 million contract on February 1, 2001 for information technology services in support of the Navy Marine Corps Intranet (NMCI) by Electronics Data Systems Corp. (EDS) of Herndon, Virginia. The period of performance is for 12 months. General Dynamics also awarded the Company a subcontract in support of Navy Marine Corps Intranet in May of 2001. This program accounted for about 9% of the Company's revenue in the first quarter of fiscal year 2002.

The Company teamed with BAE Systems in competing for the Naval Sea Systems Command's (NAVSEA) Multiple Award Contracts (MAC) in January of 2001. The MAC contract will provide engineering, logistics, program management and financial management support for NAVSEA Program Executive Offices, Directorates and Field Activities for the next 10 years. A contract was awarded to BAE Systems at the end of March with an effective date of April 2, 2001. The Company is a designated subcontractor on the BAE Systems team and can use this contract for NAVSEA work worldwide.

On September 28, 2001, the Company signed their Prime contract that was awarded as the result of full and open competition for highly classified technical support to SPAWAR Systems Center's Joint and National Systems Division. The subcontractors on the Company's winning team were BAE and TRW. Work on the contract is largely Intelligence and Surveillance oriented in support of numerous efforts by significant Agencies in that arena.

The Company's subsidiary, Testmasters, Inc., specializes in establishing and deploying effective software testing methodologies and disciplines. Testmasters' Testing and Quality Assurance focus is to provide their clients early warnings to issues or processes that will inhibit the success of the project. Testmasters' consultants offer an experienced perspective in evaluating potential risks and in deriving meaningful solutions. Testmasters' personnel have the tools, techniques, methodologies, training, and experience to make their clients' software development efforts successful. Testmasters' consultants rely on proven disciplines and practices that stem from a long history of successful engagements wherein Testmasters provided the primary test support and Quality Assurance services to their clients. These services have included: Independent Verification and Validation (IV&V), test planning; test procedures development; test life cycle development and practices assessment (policies and procedures); creation of test permutation definitions and scripts; test execution and test management; test tool selection and integration; and testing and quality assurance training. Since Testmasters' entire business focus is quality assurance and testing, the completion of each assignment adds to its wealth of expertise, experience and understanding of real world project dynamics and potential impediments to their success. Testmasters' IV&V services reflect a robust combination of pragmatic processes and personnel experienced in their application and review. Testmasters accounted for about 3% of the Company's revenue in the first quarter of fiscal year 2002.

Testmasters serves medium to large businesses that require testing of complex systems that are essential to their success. These businesses' have mission-critical applications which are event-driven, spanning multiple processing cycles and accommodating numerous cross-impacts due to interfacing applications and varying software/hardware platforms. Testmasters' experience covers many industries, including financial, insurance, entertainment, electric power deregulation, software development and county/state/federal government. Testmasters' consultants bring significant experience in many technologies: hardware platforms (mainframe, mini-computer, client/server, and PC); software platforms; automated test tools; communications networks; etc. Some current and past clients include: Bank of America, California Federal, Sanwa Bank, Ameriquest Mortgage, Sony Pictures Entertainment, California Power Exchange, and Thomson Corporation.

Results of Operations

The Company revenue for this quarter is more than 31% more than those in the same quarter in FY 2001. The primary reasons for the increase in revenue are additional work on the MPAA and GSA contracts and various new contracts.

Total contract and general and administrative expenses were 95% as a percentage of contract revenue for the first three months of FY 2002 and FY 2001. Interest expense is higher due to the increased use of the Company's credit facility. The reason for the increased use of the credit facility is due to the cash flow demands associated with the growth of the Company.

Income from operations, as a percentage of revenue, has remained steady at just over 5% for the first three months of FY 2002 and FY 2001. Net income for the quarter is $100,000 as compared to $82,000 for this quarter in the prior year. The negotiated contract backlog was approximately $10,884,000 at the end of the first quarter.

Liquidity and Capital Resources

The Company had contract receivables (net) of $3,310,000 at the end of the first quarter of FY 2002. For the same quarter in FY 2001, the contract receivables (net) were $2,039,000. The reason for the increase in contract receivables is due to the Company's increased revenue and slower payments from some of the Company's prime contractors.

The Company had accounts payable of $360,000 at the end of the first quarter of FY 2002. For the same quarter in FY 2001 the accounts payable were $276,000. The increased revenue has been generated through additional hires; these additional hires require new equipment with increases accounts payable. The Company has also had large invoices from subcontractors which had not been paid as of the close of the quarter.

The outstanding balance on the Company's revolving line of credit with U.S. Bank was $803,000 at the end of the first quarter of FY 2002. At the end of the same period in FY 2001, the line of credit balance was $276,000. The reason for the increased usage of the credit facility has been the Company's growth.

The Company's primary source of liquidity is its $1,500,000 revolving line of credit facility under a loan agreement with U.S. Bank that expires on January 15, 2002. The loan is secured by all of the Company's assets including contract receivables. U.S. Bank advances funds to the Company of up to 80% of the Company's billed contract receivables which are less than 90 days old. U.S. Bank charges an interest rate of 1.0% over prime. The Company has entered into discussions with U.S. Bank regarding the annual extension of the credit facility.

Management believes that the Company will have sufficient cash flow from operations, funds available under the revolving credit agreement with U.S. Bank and funds raised under the Company's Private Placement offering to finance its operating and capital requirements through at least the current fiscal year. Please see Part II, Item 2 for a description of the Private Placement offering. Long term liquidity depends on the Company's ability to maintain and expand its current business base.

Several key factors indicating the Company's financial condition include:

	September 29, 2001	June 30, 2001
Current ratio	1.65	1.82
Maximum debt to net worth	1.19	0.99
Net worth	$1,976,000	$1,879,000
Net working capital	$1,395,000	$1,366,000
Debt to total assets	54%	50%
Book value per common share	$0.56	$0.56

Certain factors that may effect the Company's financial performance are beyond the Company's control. The current ratio is derived by dividing total current assets by total current liabilities. Maximum debt to net worth is calculated by dividing total liabilities (total current liabilities plus other liabilities) by net worth. Net worth is total stockholders' equity. Net working capital is total current assets less total current liabilities. Debt to total assets is total liabilities divided by total assets. Book value per common share is stockholders' equity related to common shares divided by the weighted average number of common shares outstanding.

Item 2a. Factors Which May Affect Future Results

Information contained in this Form 10-QSB should be studied carefully by any potential investor while considering the following risk factors to the Company.

1. Lack of Business Diversification Essentially all the Company's business at the present time is with the U.S. Navy. Even though the level of business with its customers is growing and the Company has negotiated multiple-year contracts, there is no certainty that budget changes in Congress or the Defense Department will not seriously affect the Company.

2. Dependence on Key Personnel The Company has a few key management, project and technical personnel that are intimately involved in their functions and have day to day relationships with critical customers. The Company is not able to afford extra standby staff. As a result, at its current size, it would be affected in an uncertain way if any of these personnel were to be lost to the Company.

3. Competition The Company has many competitors who vie for the same customers as the Company. They are competent, experienced and continuously working to take work projects away from the Company.

4. Limited Assets of the Company The Company has very limited assets upon which to rely on for adjusting to business variations and for growing new businesses. While the Company is

likely to look for new funding to assist in the acquisition of other profitable businesses, it is uncertain whether such funds will be available. While the Company's management believes that its financial policies have been prudent, the Company's substantial reliance on a short term bank loan with Scripps Bank and other short-term accruals impose certain limitations on the Company. If the Company is to grow and expand its operations, the Company will need to raise significant amounts of additional capital. There can be no assurance that the Company will be successful in raising a sufficient amount of additional capital, or if it is successful, that the Company will be able to raise capital on reasonable terms in light of the Company's current circumstances. In the event that the Company raises additional capital, the Company's existing stockholders may incur substantial and immediate dilution.

5. Limited Market for Common Stock. The Company's stock is traded (OTC) on the Electronic Bulletin Board. Trading for the stock is sporadic and at present there is a limited market for the Company's Common Stock. There can be no assurance that a market will in fact develop. Even if a market does develop, it may not be sustained.

6. Possible Rule 144 Stock Sales. As of September 29, 2001, a total of 1,638,974 shares of the Company's outstanding Common Stock are "restricted securities" and may be sold only in compliance with Rule 144 adopted under the Securities Act of 1933 or other applicable exemptions from registration. Rule 144 provides that a person holding restricted securities for a period of one year may thereafter sell, in brokerage transactions, an amount not exceeding in any three-month period the greater of either (i) 1% of the Company's outstanding Common Stock, or (ii) the average weekly trading volume during a period of four calendar weeks immediately preceding any sale. Persons who are not affiliated with the Company and who have held their restricted securities for at least two years are not subject to the volume limitation. Possible or actual sales of the Company's Common Stock by present shareholders under Rule 144 may have a depressive effect on the price of the Company's Common Stock in any market which may develop.

7. Risks of Low Priced Stocks. Trading in the Company's stock is limited. Consequently, a shareholder may find it more difficult to dispose of, or to obtain, accurate quotations as to the price of, the Company's securities. In the absence of a security being quoted on NASDAQ, trading in the Common Stock is covered by Rule 3a51-1 promulgated under the Securities Exchange Act of 1934 for non-NASDAQ and non-exchange listed securities.

Under such rules, broker/dealers who recommend such securities to persons other than established customers and accredited investors (generally institutions with assets in excess of $5,000,000 or individuals with net worth in excess of $1,000,000 or an annual income exceeding $200,000 or $300,000 jointly with their spouse) must make a special written suitability determination for the purchaser and receive the purchaser's written agreement to a transaction prior to sale. Securities are also exempt from this rule if the market price is at least $5.00 per share, or, for warrants, if the warrants have an exercise price of at least $5.00 per share. The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure related to the market for penny stocks and for trades in any penny stock defined as a penny stock.

The Commission has recently adopted regulations under such Act which define a penny stock to be any NASDAQ or non-NASDAQ equity security that has a market price or exercise price of less than $5.00 per share and allow for the enforcement against violators of the proposed rules.

In addition, unless exempt, the rules require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule prepared by the Commission explaining important concepts involving a penny stock market, the nature of such market, terms used in such market, the broker/dealer's duties to the customer, a toll-free telephone number for inquiries about the broker/dealer's disciplinary history, and the customer's rights and remedies in case of fraud or abuse in the sale.

Disclosure also must be made about commissions payable to both the broker/dealer and the registered representative, current quotations for the securities and, if the broker/dealer is the sole market maker, the broker/dealer must disclose this fact and its control over the market.

Monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. While many NASDAQ stocks are covered by the proposed definition of penny stock, transactions in NASDAQ stocks are exempt from all but the sole market-maker provision for (i) issuers with $2,000,000 in tangible assets ($5,000,000 if the issuer has not been in continuous operation for three years), (ii) transactions in which the customer is an institutional accredited investor and (iii) transactions that are not recommended by the broker/dealer. In addition, transactions in a NASDAQ security directly with the NASDAQ market maker for such securities, are subject only to the sole market-maker disclosure, and the disclosure with regard to commissions to be paid to the broker/dealer and the registered representatives.

Finally, all NASDAQ securities are exempt if NASDAQ raised its requirements for continued listing so that any issuer with less than $2,000,000 in net tangible assets or stockholders' equity would be subject to delisting. These criteria are more stringent than the proposed increase in NASDAQ'S maintenance requirements. The Company's securities are subject to the above rules on penny stocks and the market liquidity for the Company's securities could be severely affected by limiting the ability of broker/dealers to sell the Company's securities.

8. Control by Officers and Directors. As of September 29, 2001, Officers and Directors of the Company own 34.1% or 1,178,452 shares of the Company's common stock (before including any shares acquired upon exercise of any stock options) and thereby control the Company's affairs.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

On September 14, 2001, the Company issued 84,229 shares of common stock to the Company's 401(k)/Employee Stock Ownership Plan. These shares were part of the Company's contribution to the employees for 2001.

On September 14, 2001, the Company issued 11,904 shares of common stock to three of the Company's directors (Zoltan Harasty, 3,571; Kameron Maxwell, 4,365 and Charles Werner, 3,968) for services rendered. These shares were part of the directors' compensation for 2001.

On October 15, 2001, two Company employees each exercised stock options of 5,000 shares of common stock, a total of 10,000 shares.

As of November 13, 2001, two officers of the Company exercised stock options totaling 90,000 shares of common stock (Charles E. Vandeveer, 40,000 and Michael W. Fink, 50,000). The Company loaned Messrs. Vandeveer and Fink the funds required to exercise their stock options; the total amount loaned is less than $60,000 individually. On the same day, one other Company employee exercised a stock option for 1,000 shares of common stock.

On November 15, 2001, the Company's Chairman and CEO, W. Gerald Newmin, exercised stock options totaling 13,645 shares of common stock.

On October 3, 2001, the Company entered into an agreement with Scripps Ventures, Inc. in which Scripps Ventures will act as a finder while assisting the Company in the raising of capital through a Private Placement offering (the "Offering"), a maximum of $1,500,000 was authorized by the Board at their September 26, 2001 meeting. The Offering consists of 30 units priced at $50,000 each. Each buyer of a unit will receive 25,000 shares of Company common stock and a three year convertible note for $25,000. The note is convertible at $1.00 per share and pays 10% interest. The Company has successfully raised $1,500,000 through November 16, 2001, and the Board of Directors amended the plan at their meeting on November 20 by increasing the maximum amount to $2,000,000. The raised capital will be used by the Company to continue its growth. As of November 16, 2001, this private placement added 750,000 shares of common stock to those outstanding.

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

Effective July 1, 2000, the Board of Directors approved a new compensation plan for the outside directors of the Company. Under the new compensation plan, each outside director will receive $1,000 per Board of Director meeting, in cash or common stock at the discretion of the Company. In addition, each outside director will receive stock options for 1,000 shares of common stock for each Board of Directors meeting attended by the director. For the Company's first quarter (July through September) the stock option price is $1.26 per share. The stock option price will be reviewed quarterly.

At the Company's Board of Directors meeting held on November 20, 2001, the Board agreed to increase the number of seats on the Board from five to nine. Four new directors, John M. Burns, Clifton L. Cooke, Jr., Lawrence L. Kavanau and David A. Derby, were elected effective November 20, 2001. All of the current directors have agreed to serve another term and will be included in the Company's proxy statement.

Item 6. Exhibits and Reports on Form 8-K

None

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.

SYS
(Registrant)

Date: November 27, 2001

/s/ W. Gerald Newmin
W. Gerald Newmin
Chief Executive Officer