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 December 28, 2002

___ 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: 5,321,165 shares of common stock, without par value, as of January 31, 2003.

Transitional Small Business Disclosure Format (check one):

Yes ___ No _X_

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

SYS AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

	December 28, 2002 (Unaudited)
ASSETS	
Current assets:	
Cash	$ 75,000
Contract receivables, net of allowance for doubtful	6,468,000
accounts of $26,000	22,000
Receivable from related party	269,000
Deferred tax assets	133,000
Income tax refund receivable	277,000
Other current assets	
Total current assets	7,244,000
Furniture and equipment, less accumulated depreciation and amortization of $964,000	800,000
Capitalized software for internal use, net of accumulated amortization of $6,000	96,000
Goodwill	84,000
Other assets	335,000
	$ 8,559,000
LIABILITIES & STOCKHOLDERS' EQUITY	
Current liabilities:	
Borrowings under bank line of credit	$ 698,000
Current portion of working capital loan	190,000
Accounts payable	1,793,000
Accrued payroll and related taxes	893,000
Other accrued liabilities	115,000
Current portion of related party note payable	5,000
Current portion of capital lease obligations	33,000
Total current liabilities	3,727,000
Working capital loan, net of current portion	189,000
Convertible notes payable	450,000
Convertible notes payable to related parties	550,000
Capital lease obligations, net of current portion	79,000
Deferred tax liabilities	147,000
Total liabilities	5,142,000

Stockholders' equity:	
9% preference stock, $1.00 par value; 2,000,000 shares authorized; 69,781 Series B shares issued and outstanding	70,000
Common stock, no par value; 48,000,000 shares authorized; 5,012,313 shares issued and outstanding	2,182,000
Common stock subscriptions receivable from Company officers for 26,315 shares	(19,000)
Retained earnings	1,184,000
Total stockholders' equity	3,417,000
	$ 8,559,000

See Notes to Condensed Consolidated Financial Statements.

SYS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended		Six months ended	
	December 28, 2002	December 29, 2001	December 28, 2002	December 29, 2001
Contract revenues	$ 6,926,000	$ 3,481,000	$ 12,174,000	$ 7,015,000
Costs and expenses:				
Contract costs	6,049,000	3,012,000	10,402,000	5,999,000
General and administrative expenses	646,000	238,000	1,385,000	593,000
Totals	6,695,000	3,250,000	11,787,000	6,592,000
Income from operations	231,000	231,000	387,000	423,000
Other (income) expenses:				
Interest income	(3,000)	(1,000)	(4,000)	(2,000)
Interest expense	59,000	33,000	112,000	68,000
Gain on sale and disposition of equipment	0	0	0	(5,000)
Totals	56,000	32,000	108,000	61,000
Income before income taxes	175,000	199,000	279,000	362,000
Provision for income taxes	65,000	82,000	107,000	145,000
Net income	110,000	117,000	172,000	217,000
Preference dividend requirements	0	1,000	3,000	4,000
Income applicable to common stock	$ 110,000	$ 116,000	$ 169,000	$ 213,000
Basic income per common share	$ 0.02	$ 0.03	$ 0.03	$ 0.06
Diluted income per common share	$ 0.02	$ 0.03	$ 0.03	$ 0.06

See Notes to Condensed Consolidated Financial Statements.

SYS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended December 28, 2002	Six months ended December 29, 2001
Operating activities:		
Net income	$ 172,000	$ 217,000
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	113,000	100,000
Issuance of common stock for services	0	15,000
Bad debt expense	0	105,000
Gain on sale and disposition of equipment	0	(5,000)
Accretion of debt discount	22,000	0
Changes in operating assets and liabilities:		
Contract receivables	(2,021,000)	(1,185,000)
Other receivables	0	57,000
Other current assets	(148,000)	(85,000)
Other assets	(210,000)	(38,000)
Accounts payable	1,251,000	260,000
Accrued payroll and related taxes	188,000	139,000
Income taxes payable	0	(148,000)
Other accrued liabilities	52,000	15,000
Net cash used in operating activities	(581,000)	(553,000)
Investing activities:		
Acquisition of furniture and equipment	(204,000)	(212,000)
Proceeds from sale of equipment	0	5,000
Capitalization of software costs	0	(121,000)
Net cash used in investing activities	(204,000)	(328,000)
Financing activities:		
Net line of credit borrowings	698,000	359,000
Proceeds from private offering	0	742,000
Payments of related party note payable	(28,000)	0
Payments of other notes payable	(66,000)	(5,000)
Payments on capital lease obligations	(31,000)	(16,000)
Payments of dividends	(3,000)	(4,000)
Proceeds from stock options exercised	30,000	762,000
Net cash provided by financing activities	600,000	1,838,000
Net increase (decrease) in cash	(185,000)	957,000
Cash at beginning of period	260,000	25,000
Cash at end of period	$ 75,000	$ 982,000
Supplemental disclosure of cash flow data:		
Interest paid	$ 73,000	$ 52,000
Income taxes paid	$ 73,000	$ 293,000
Supplemental disclosure of noncash investing and financing activities:		
Common stock issued upon exercise of stock options in exchange for subscriptions receivable from Company officers		$ 64,000
Acquisition of equipment under capital lease obligations		$ 26,000
Offset of subscriptions receivable from Company officers with accrued compensation	$ (45,000)	

See Notes to Condensed Consolidated Financial Statements.

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 for a fair presentation of its financial position as of December 28, 2002 and its results of operations and cash flows for the periods shown. Certain information and footnote disclosures normally included in financial statements prepared in conformity 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, 2002.

(2) Basic income per common share is calculated by dividing income applicable to common stock by the weighted average number of common shares outstanding during the period. The calculation of diluted income per common share is similar to that of basic income 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 notes and the exercise of stock options, were issued during the period.

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

	Three months ended		Six months ended	
	Dec. 28 2002	Dec. 29, 2001	Dec. 28, 2002	Dec. 29, 2001
Numerators:				
Net income	$ 110,000	$ 117,000	$ 172,000	$ 217,000
Deduct - preferred and preference dividend requirements	0	1,000	3,000	4,000
Income applicable to common stock - basic (A)	110,000	116,000	169,000	213,000
Add - interest on convertible notes, net of tax effects	15,000	0	15,000	0
Income applicable to common stock - diluted (B)	$ 125,000	$ 116,000	$ 184,000	$ 213,000

Denominators:				
Weighted average shares for basic income per common share (C)	4,990,879	3,647,163	4,958,342	3,647,163
Add effects of dilutive securities from assumed exercise of stock options and warrants and conversion of notes payable	1,351,998	179,617	1,355,676	185,655
Weighted average shares for diluted income per common share (D)	6,342,877	3,826,780	6,314,018	3,832,818
Basic income per common share (A/C)	$ 0.02	$ 0.03	$ 0.03	$ 0.06
Diluted income per common share (B/D)	$ 0.02	$ 0.03	$ 0.03	$ 0.06

(3) The results of operations for the six months ended December 28, 2002 are not necessarily indicative of the results to be expected for the full year ending June 30, 2003.

(4) The Company's fiscal year is 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 Comerica Bank-California that expires on December 28, 2003. The loan is collateralized by all of the Company's assets including contract receivables. Comerica Bank-California advances funds to the Company of up to 80% of the Company's billed contract receivables which are less than 90 days old. Comerica Bank-California charges an interest rate of 0.750% over prime.

(6) The Company had reported segment information in its previous filings for the operations associated with its SYS Government Services Division and Testmasters Division (the "Testmasters Segment") in the same format as reviewed by its Chief Operating Decision Maker (the "CODM"). The sales, operating income and assets of the Testmasters Segment no longer meet the thresholds that require separate disclosure and the CODM no longer separately reviews such information. Accordingly, the Company discontinued reporting segment information in the second quarter of the year ending June 30, 2003.

Substantially all of the Company's operations are conducted in the United States.

(7) On August 28, 2002, the Board of Directors granted options to purchase 281,500 shares of common stock. All of these stock options were granted to employees of the Company at fair market value.

On September 13, 2002, the Company issued 54,443 shares of common stock to the

Company's 401(k)/Employee Stock Ownership Plan. These shares, which had a fair value of $73,000, were part of the Company's contribution to the employees for 2002.

On November 14, 2002, a former Director of the Company exercised stock options totaling 41,500 shares at various prices. The former Director paid the Company about $30,000 to exercise these options.

On January 9, 2003, the Company signed a license agreement with C-Cubed Corporation ("C-Cubed") whereby the Company received a five year exclusive license to manufacture and sell C-Cubed's "ViewCASE". ViewCASE is a portable, briefcase-sized videoconferencing system. The Company paid C-Cubed $150,000 cash and 261,552 shares of the Company's common stock with a fair value of approximately $600,000.

On January 17, 2003, two employees of the Company exercised stock options totaling 15,500 shares for which they paid approximately $11,000.

On January 22, 2003, two former Directors of the Company exercised stock options totaling 31,800 shares. The former Directors paid the Company about $23,000 to exercise these options. These former Directors immediately sold these shares to Michael W. Fink, an Officer of the Company. Mr. Fink has filed a Form 4 reporting the purchase.

(8) As previously reported, the Company and four employees were sued in Virginia by Systems Integration & Research, Inc. ("SIR") in February 2002, which claimed that they had conspired to divert a contract that SIR was performing for the U.S. Navy. The Company had sued SIR, its former Chairman and CEO and C-Cubed, Corp., its parent, in California alleging damages suffered by the Company as a result of a failed acquisition attempt by the Company of SIR. In January of 2003, all of SIR's claims against the Company and the four employees and all of the Company's claims against SIR and C-Cubed, Corp. were dismissed. However, the Company is continuing to pursue its case against the former Chairman and CEO of SIR. The Company did not incur any material charges in connection with the dismissal of the claims.

(9) On December 20, 2002, the Company entered into a Letter of Intent with the holders of approximately 80% of the outstanding shares of AP Labs, Inc. (AP Labs) to acquire all of their shares of AP Labs. AP Labs is a government contractor that provides commercial-off-the-shelf solutions and custom turnkey products, specializing in the design, development and manufacturing of rugged enclosures and integrated systems for high-end defense, aerospace and commercial markets. AP Labs also provides in-house precision sheet metal fabrication; wiring harnesses, circuit card and enclosure assemblies. Most of AP Labs customers are prime defense contractors.

If the acquisition is consummated as currently planned, the purchase price will consist of cash, convertible promissory notes and SYS common stock and the assumption of certain debts. The acquisition is subject to, among other things, completion of satisfactory due diligence by SYS and completion of the definitive agreements.

Item 2. Management's Discussion and Analysis or Plan of Operations

To the extent that the information presented in this quarterly report discusses financial projections, information or expectations about our business plans, results of operations, products or markets, or otherwise makes statements about future events, such statements are forward-looking. Such forward-looking statements can be identified by the use of words such as “intends,” “anticipates,” “believes,” “estimates,” “projects,” “forecasts,” “expects,” “plans” and “proposes.” Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, there are a number of risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. These include, among others, the cautionary statements in the “Factors Which May Affect Future Results” and “Management’s Discussion and Analysis or Plan of Operations” sections of this report. These cautionary statements identify important factors that could cause actual results to differ materially from those described in the forward-looking statements. When considering forward-looking statements in this report, you should keep in mind the cautionary statements in the “Factors Which May Affect Future Results” and “Management’s Discussion and Analysis or Plan of Operations” sections, and other sections of this report.

New Accounting Pronouncements

During 2002, the Company elected early adoption of the provisions of Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The adoption of the new standard did not have any effect on the accompanying condensed consolidated financial statements.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated with Exit or Disposal Activities (“Statement 146"). Management does not believe that the adoption of Statement 146 will have a material impact on the Company’s financial position or results of operations.

Description of Business

The Company provides engineering, management and technical services to public and private sector customers. 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. 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. On June 19, 2002, the Board of Directors adopted a resolution to use the DBA of SYS Technologies, Inc. The Company corporate offices were moved to San Diego, California on February 19, 1984, from Long Beach, California. On May 4, 2001, the Company purchased all of the stock of Testmasters, Inc. (Testmasters), which is now our wholly owned subsidiary. On March 27, 2002, the Company purchased all of the stock of Shadow Research International, Inc. (Shadow Research), which is now our wholly owned subsidiary.

The Company currently provides engineering, management and technical consulting services to various agencies of the U.S. government and private industry, as a prime contractor and 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
Software Training	Data Fusion and Knowledge Management
Joint C4I Architecture	Information Assurance

The Company has been providing Underway Replenishment (UNREP) services to the U.S. Navy since 1982. The latest UNREP contract became effective on September 16, 2002. This contract, which is cost plus fixed fee, is valued at $39.5 million over its ten year life, assuming that all options are exercised. The base year of this new contract is valued at $3.3 million. This program accounted for about 9% of the Company's revenue so far in fiscal year 2003. The program provides in-service engineering to the U.S. Navy Fleet. This work is performed by the Company's Enterprise Solutions Division, which is based in Oxnard, California.

The Management, Planning, Analytical and Administrative (MPAA) Program had its third of four option years exercised on February 1, 2003. This third option year is valued at $4.5 million. This program accounted for about 23% of the Company's revenue so far in fiscal year 2003. This contract, which is cost plus fixed fee, supports the U.S. Navy's Port Hueneme Division, Naval Surface Warfare Center. The MPAA program has received customer recognition for its high standards of excellence and professionalism. This fiscal year, the government rated the Company's performance as outstanding for both the base and option years of the contract. This work is performed by the Company's Enterprise Solutions Division.

The Company is continuing to provide hazardous materials assessment support to the Naval Air Systems Command through a subcontract. 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. This work is performed by the Company's Enterprise Solutions Division.

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. These contracts, which are time and material, have proven to be successful as a means to develop new customers and they are registered in the GSA Advantage System. The GSA Advantage System is an on-line service provided by GSA that lists the price schedules for all registered companies. The GSA contracts accounted for about 37% of the Company's revenue so far in fiscal year 2003. All of the Company's divisions utilize these GSA contracts.

The Company continues to provide Electronic Records Management (ERM) services. The Company's Information Technology (IT) GSA contract was amended to include ERM services. This work is performed by the Company's Enterprise Solutions Division.

The Company is continuing to provide support services for information technology services through a subcontract in support of the Navy Marine Corps Intranet (NMCI). This program accounted for about 4% of the Company's revenue so far in fiscal year 2003. This work is performed by the Company's Enterprise Solutions Division.

The Company's Command, Control, Communication, Computer, Intelligence, Surveillance and Recognizance (C4ISR) Division is primarily based in San Diego, California. 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 customer base includes SPAWAR Systems Center San Diego and U.S. Navy Commander in Chief, Pacific. 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 Forces Command, and other services and Joint Agencies.

The Company is a subcontractor to Science Applications International Corporation (SAIC) on its SPAWAR Systems Engineering & Integration contract. This program accounted for about 13% of the Company's revenue so far in fiscal year 2003. This work is performed by the Company's C4ISR Division.

The Company has a prime contract with SPAWAR Systems Center's Joint and National Systems Division. The Company has two subcontractors on this contract, BAE and TRW. Significant efforts include providing system engineering and architecture development for the Joint Strike Fighter, Unmanned Aerial Vehicle, Surveillance and Precision Engagement Programs. This program accounted for about 4% of the Company's revenue so far in fiscal year 2003. This work is performed by the Company's C4ISR Division.

At the beginning of the second quarter, the Company consolidated its Testmasters and Shadow Divisions into the C4ISR Division.

The Company is a subcontractor on the Naval Sea Systems Command's Professional Support Services contract. The Company received a subcontract effective January 1, 2002. This contract has a base year and four option years. This program accounted for about 3% of the Company's revenue so far in fiscal year 2003. Most of the work for this contract is being performed out of the Company's Systems Management and Engineering Division.

In the first quarter of FY 2003, the Company consolidated its training capabilities and established the SYS Training Division and opened an office in Carlsbad, California. The Training Division brings together some of the Company's existing training capabilities with a new group that will be offering a wide range of instructor-led training courses for Sun UNIX, Java Programming, Microsoft Windows and Desktop Publishing Applications. As a Microsoft Certified Partner, the Company now offers a full line of Microsoft classes, including Microsoft Applications, NT and Windows 2000. The Company's investment in the Training Division so far in fiscal year 2003 is $380,000.

The Company has established a Walk-Up Systems Division. This Division provides automated ticketing kiosks and on-site digital advertising systems. It received its first contract on January 30, 2003 for about $94,000(Canadian). The Company's investment in the Walk-Up Systems Division so far in fiscal year 2003 is $85,000.

Results of Operations

The Company's revenue for this quarter is about 99% more than in the same quarter in FY 2002. Year to date, the Company's revenue is about 74% more than in the same period of FY 2002. The primary reasons for the increase in revenue are the Company's new contracts and additional tasking on the Company's GSA, UNREP and MPAA contracts.

Total contract and general and administrative expenses were 97% as a percentage of contract revenue for the first two quarters of FY 2003 and 94% for FY 2002. The Company has lost about $380,000 in its new Training Division and $85,000 in its new Walk-Up Systems Division in the first two quarters of FY 2003. The Training and Walk-Up Systems Divisions are expected to at least breakeven in the last two quarters of FY 2003. The Company has also experienced large litigation costs in the first two quarters of FY 2003 due to two separate legal proceedings. In January of 2003, the Company has settled the lawsuit filed against it by C-Cubed Corporation. The Company's litigation against the former Chairman and CEO of Systems Integration & Research is ongoing. Interest expense is higher due to the debt associated with the private placement completed in FY 2002 and increased use of the Company's line of credit with Comerica Bank-California.

Income from operations, as a percentage of revenue, is 3% and 6% in the first two quarters in FY 2003 and 2002, respectively. Net income is $172,000 for the first two quarters in FY 2003 as compared to $217,000 for the prior period. If the Company had not made the investments in the Training and Walk-Up Systems Divisions described in the above paragraph, the Company would have shown net income of about $400,000 for the first two quarters of FY 2003. The negotiated contract backlog was approximately $11,984,000 at the end of the second quarter of FY 2003 compared to $12,100,000 for the same quarter in FY 2002.

Liquidity and Capital Resources

The Company had contract receivables (net) of $6,468,000 at the end of the second quarter of FY 2003. For the same quarter in FY 2002, the contract receivables (net) were $3,889,000. The reason for the increase in contract receivables is due to the Company's increased revenue.

The Company had accounts payable of $1,793,000 at the end of the second quarter of FY 2003. For the same quarter in FY 2002 the accounts payable were $424,000. The increased revenue has been generated through additional hires; these additional hires generally require new office and computer equipment which increases accounts payable. The Company had several subcontractors awaiting payment at period end.

The Company's primary source of liquidity is its $1,500,000 revolving line of credit facility under a loan agreement with Comerica Bank-California that expires on December 28, 2003. The outstanding balance on the Company's revolving line of credit was $698,000 at the end of the second quarter of FY 2003. At the end of the same period in FY 2002, the line of credit balance was $1,079,000. The loan is collateralized by all of the Company's assets including contract receivables. Comerica Bank-California advances funds to the Company of up to 80% of the Company's billed contract receivables which are less than 90 days old. Comerica Bank-California charges an interest rate of 0.750% over prime.

Management believes that the Company will have sufficient cash flow from operations and funds available under the revolving credit agreement with Comerica Bank-California to finance its current operating and capital requirements through at least the current fiscal year. Long-term liquidity depends on the Company's ability to manage cash, raise cash and maintain profitability.

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

	December 28, 2002	June 30, 2002
Current ratio	1.94	3.17
Debt to net worth	1.50	1.02
Net worth	$3,417,000	$3,100,000
Net working capital	$3,517,000	$3,599,000
Debt to total assets	60%	51%
Book value per common share	$0.67	$0.63

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. 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 number of common shares outstanding at the end of the period.

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 The majority of the Company's business at the present time is with the U.S. Navy. The Company has successfully grown and diversified its U.S. Navy business to several contracts and subcontracts. Even with this growth and diversification, budget changes in Congress or the Defense Department could 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, the loss of any of these key personnel could have a material and adverse affect on 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. Many of the competitors have substantially greater resources than the Company.

4. Limited Assets of the Company The Company has very limited assets upon which to rely 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 bank loan with

Comerica 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 more liquid market will in fact develop. Even if such market does develop, it may not be sustained.

6. Possible Rule 144 Stock Sales. As of December 28, 2002, a total of 2,219,572 shares of the Company's outstanding Common Stock are "restricted securities" and may be sold only pursuant to a registration statement or 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, AMEX or the NYSE, 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 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.

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 a 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.

8. Control by Officers and Directors. As of December 28, 2002, officers and Directors of the Company own 47.6% or 2,792,380 shares of the Company's common stock including any stock options exercisable within 60 days of December 28, 2002 and thereby control the Company's affairs.

9. Acquisitions. The Company has announced an aggressive growth strategy, which includes growth from within and through acquisitions. This strategy could continue to impact earnings negatively, and has certain inherent risks. Some of these risks include acquired companies that do not meet their projected revenues and earnings, debt and interest associated with the acquired companies, and possible dilution of existing shareholders.

Item 3. Controls and Procedures

Within 90 days prior to the date of this quarterly report on Form 10-QSB for the second quarter ended December 28, 2002, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and President, the principal executive officers and the Company's Chief Financial Officer, our principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 of the Securities Exchange Act of 1934. Based upon that evaluation, these principal executive officers and principal financial officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company, including its consolidated subsidiaries, required to be included in the Company's periodic SEC filings. There were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

As previously reported, the Company and four employees were sued in Virginia by Systems Integration & Research, Inc. ("SIR") in February 2002, which claimed that they had conspired to divert a contract that SIR was performing for the U.S. Navy. The Company had sued SIR, its former Chairman and CEO and C-Cubed, Corp., its parent, in California alleging damages suffered by the Company as a result of a failed acquisition attempt by the Company of SIR. In January of 2003, all of SIR's claims against the Company and the four employees and all of the Company's claims against SIR and C-Cubed, Corp. were dismissed. However, the Company is continuing to pursue its case against the former Chairman and CEO of SIR. The Company did not incur any material charges in connection with the dismissal of the claims.

Item 2. Changes in Securities

On August 28, 2002, the Board of Directors granted options to purchase 281,500 shares of common stock. All of these stock options were granted to employees of the Company at fair market value.

On September 13, 2002, the Company issued 54,443 shares of common stock to the Company’s 401(k)/Employee Stock Ownership Plan. These shares, which had a fair value of $73,000, were part of the Company’s contribution to the employees for 2002.

On November 14, 2002, a former Director of the Company exercised stock options totaling 41,500 shares at various prices. The former Director paid the Company about $30,000 to exercise these options.

On January 9, 2003, the Company signed a license agreement with C-Cubed Corporation (“C-Cubed”) whereby the Company received a five year exclusive license to manufacture and sell C-Cubed’s “ViewCASE”. ViewCASE is a portable, briefcase-sized videoconferencing system. The Company paid C-Cubed $150,000 cash and 261,552 shares of the Company’s common stock with a fair value of approximately $600,000.

On January 17, 2003, two employees of the Company exercised stock options totaling 15,500 shares for which they paid approximately $11,000.

On January 22, 2003, two former Directors of the Company exercised stock options totaling 31,800 shares. The former Directors paid the Company about $23,000 to exercise these options. These former Directors immediately sold these shares to Michael W. Fink, an Officer of the Company. Mr. Fink has filed a Form 4 reporting the purchase..

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 its current compensation plan for the outside directors of the Company. Under the compensation plan, each outside director will receive $1,000 per Board of Director meeting. 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. Directors receive additional compensation for work performed on the Board's committees. For the Company's second quarter (October through December) the stock option price is $1.34 per share. The stock option price is updated quarterly.

The Company is planning on having its Annual Meeting in late March or early April. The Annual Meeting Notice and Proxy Statement will be mailed shortly.

The Company's San Diego office will be changing locations in early March. The new address will be 5050 Murphy Canyon Road, San Diego, California 92123.

Item 6. Exhibits and Reports on Form 8-K

On December 26, 2002, the Company filed an 8-K announcing it had entered into a Letter of Intent with Sierra Genoa, Inc. and Mr. John M. Goode, the holders of approximately 80% of the outstanding shares of AP Labs, Inc. to acquire all of their shares of AP Labs.

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: February 10, 2003

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

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, W. Gerald Newmin, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of SYS;

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.

Dated: February 10, 2003

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

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael W. Fink, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of SYS;

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 we 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.

Dated: February 10, 2003

By: /s/ Michael W. Fink
Michael W. Fink
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, W. Gerald Newmin, Chief Executive Officer of SYS (the "Registrant"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

1. The Quarterly Report on Form 10-QSB of the Registrant for the period ended December 28, 2002 (the "Report") fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: February 10, 2003

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

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael W. Fink, Chief Financial Officer of SYS (the "Registrant"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

1. The Quarterly Report on Form 10-QSB of the Registrant for the period ended December 28, 2002 (the "Report") fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: February 10, 2003

By: /s/ Michael W. Fink
Michael W. Fink
Chief Financial Officer