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OMNI USA INC
Form 10QSB
February 14, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended December 31, 2001

Commission File Number: 0-17493

OMNI U.S.A., INC.

(Exact name of registrant as specified in its charter)

Nevada

(State of Incorporation)

88-0237223

(IRS Employer Identification No.)

7502 Mesa Road, Houston, Texas 77028

(Address of principal executive offices)

(713) 635-6331

(Issuer's Telephone Number)

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

At February 14, 2002, there were 1,207,912 shares of common stock \$.004995 par value outstanding.

OMNI U.S.A., INC. AND SUBSIDIARIES

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheets

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December 31, 2001 and June 30, 2001

Condensed Consolidated Statements of Operations

Three Months and Six Months Ended December 31, 2001 and December 31, 2000

Condensed Consolidated Statements of Cash Flows

Six Months Ended December 31, 2001 and December 31, 2000

Notes to Condensed Consolidated Financial Statements

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

OMNI U.S.A., INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS		December 31, 2001 (unaudited)

CURRENT ASSETS		
Cash		\$ 308,753
Accounts receivable, trade, net		2,265,294
Accounts receivable, related parties		26,413
Inventories		4,865,204
Notes receivable		123,387
Prepaid expenses		117,034
Deferred tax assets		40,393

TOTAL CURRENT ASSETS		7,746,478

PROPERTY AND EQUIPMENT, net of Accumulated depreciation and amortization		1,949,645

OTHER ASSETS		
Primarily intangible assets, net		194,426

TOTAL ASSETS		\$ 9,890,549
		=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable		\$ 3,111,663
Line of credit		1,796,945
Accrued expenses		303,547
Current portion of long-term debt		993,603

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TOTAL CURRENT LIABILITIES	6,205,758
LONG-TERM DEBT	861,963
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' EQUITY	
Common stock (1,227,079 shares issued and 1,207,912 outstanding)	6,129
Additional paid-in capital	5,372,815
Treasury Stock (19,167 shares)	(57,141)
Retained earnings (deficit)	(2,596,640)
Foreign currency translation adjustment	97,665
TOTAL STOCKHOLDERS' EQUITY	2,822,828
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 9,890,549

The accompanying notes are an integral part of the condensed consolidated financial statements.

OMNI U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF
OPERATIONS (UNAUDITED) FOR THE THREE MONTHS AND THE
SIX MONTHS ENDED DECEMBER 31, 2001 AND 2000

	THREE MONTHS ENDED DECEMBER 31, 2001	THREE MONTHS ENDED DECEMBER 31, 2000	SI D
NET SALES	\$ 4,382,065	\$ 6,290,169	\$
COST OF SALES	3,289,202	5,052,667	
GROSS PROFIT	1,092,863	1,237,502	
OPERATING EXPENSES			
Selling, general and administrative	923,175	1,133,848	
OPERATING INCOME (LOSS)	169,688	103,654	
OTHER INCOME (EXPENSE)			

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Interest expense	(93,146)	(138,691)	
Other, net	45,671	19,030	
	-----	-----	
TOTAL OTHER EXPENSE	(47,475)	(119,661)	
	-----	-----	
NET INCOME (LOSS)	\$ 122,213	\$ (16,007)	\$
	=====	=====	=====
COMPREHENSIVE INCOME - Foreign Currency Translation Adjustment	(137)	-	
	-----	-----	
NET AND COMPREHENSIVE INCOME (LOSS)	\$ 122,076	\$ (16,007)	\$
	=====	=====	=====
BASIC EARNINGS (LOSS) PER SHARE	\$ 0.10	\$ (0.01)	\$
	=====	=====	=====
FULLY DILUTED EARNINGS (LOSS) PER SHARE	\$ 0.10	\$ (0.01)	\$
	=====	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

OMNI U.S.A., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2001 AND 2000

	SIX MONTHS ENDED DECEMBER 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Loss	\$ (301,490)
Adjustments to reconcile net income (loss) to net cash provided / (used) by operating activities:	
Depreciation and amortization	194,132
Changes in operating assets and liabilities:	
Accounts receivable/ Notes receivable	1,106,817
Inventories	120,706
Prepaid expenses	(8,810)
Accounts payable and accrued expenses	(413,128)

Total adjustments	999,717

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Net cash provided/(used) by operating activities	698,227 -----
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of other assets	-
Capital expenditures	(18,862) -----
 Net cash used by investing activities	 (18,862) -----
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Borrowings on line of credit	5,033,205
Payments on line of credit	(6,007,421)
Payments on long-term debt	(56,214) -----
 Net cash used by financing activities	 (1,030,430) -----
 Effects of foreign currency translation	 717
 NET DECREASE IN CASH	 (350,348)
 CASH AT BEGINNING OF PERIOD	 659,101 =====
 CASH AT END OF PERIOD	 \$ 308,753 =====
 Supplemental disclosure of non-cash investing activities	
Capital expenditures financed by debt	\$ =====

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES: The consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The Company believes that the disclosures made in this report are adequate to make the information presented not misleading. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-KSB. In the opinion of the Company, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial position of Omni U.S.A., Inc. and subsidiaries as of December 31, 2001, and the results of their operations and cash flows for the six month and three month periods ended December 31, 2001, and December 31, 2000, in accordance with generally accepted accounting principles in the United States have been included.

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At December 31, 2001 the Company is not in compliance with its revolving line of credit with a finance company and has defaulted on two of its two long-term debt agreements. The Company is currently delinquent on \$175,396 in monthly principle and interest payments to an equipment manufacturer and \$159,442 in quarterly principle and interest payments to Paccar. Total outstanding principal on these notes amounts to approximately \$2,985,000 at December 31, 2001. The Company is in contact with the creditors and attempting to resolve these matters. During 2001, the Company was successful in renegotiating the payment terms on its junior subordinated notes to Butler Products Corporation former owners to extend the due date of this debt one year.

There are significant operations in Mainland China; however, the functional exchange rate for those operations is the U.S. dollar. The foreign currency translation adjustment primarily arises from the translation of amounts from operations in Hong Kong and Japan in which the functional currency is that of the foreign location.

2. EARNINGS PER SHARE: Basic and diluted loss per share is based on the weighted average number of shares of common stock outstanding. For the six month and three month periods ended December 31, 2001 and December 31, 2000, the Company's weighted average shares are calculated as follows:

	Quarter Ended December 31, 2001	Quarter Ended December 31, 2000	Six Months Ended December 31, 2001
Weighted average common shares outstanding	1,207,912	1,207,912	1,207,912
Effect of dilution of securities: conversion of stock options	-	-	-
Denominator for dilutive earnings per share	1,207,912	1,207,912	1,207,912

The Company is in a net loss position for the six month period ended December 31, 2001 and for the three and six month periods ended December 31, 2000. Accordingly, all common stock equivalents during these periods are considered anti-dilutive and are therefore not included in the calculation of earnings per share. During the three month period ended December 31, 2001, the exercise price of all common stock equivalents exceeded its average fair value. Accordingly, all common stock equivalents were considered anti-dilutive during the period and are therefore not included in the calculation of earnings per share.

3. REVERSE SPLIT: At a special meeting on June 14, 2001, the Company's Board of Directors approved a reduction in the number of authorized shares of common stock of the Company and a corresponding three for one reverse stock split of its common stock. In addition, all holders of options or warrants to purchase future shares of the Company's common stock were also reduced on an equal basis of three to one. The effect of the reverse split was to reduce the Company's common shares from 3,680,592 shares to 1,227,079 shares issued and 3,623,094 shares to 1,207,912 outstanding. The par value of the common stock is unchanged. Accordingly, the Company has presented all equity and earnings per share information as if the reverse stock split had occurred effective July 1, 2000.

4. MAJOR CUSTOMERS AND VENDORS: No single customer accounted for more than 10% of consolidated sales during the six months ended December 31, 2001. The Company

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and its subsidiaries had consolidated sales of \$1,898,426 to a domestic customer for a total of 17% of consolidated sales during the six months ended December 31, 2000. The Company had sales of \$503,695 to a foreign customer for a total of 11% of sales for the quarter ended December 31, 2001 and \$1,088,543 to a domestic customer for a total of 17% of consolidated sales during the quarter ended December 31, 2000. During the six months ended December 31, 2001 and December 31, 2000, the Company and its subsidiaries had consolidated purchases of \$2,569,610 from two vendors and \$4,084,128 from one vendor for a total of 41% and 45% of consolidated purchases. During the quarters ended December 31, 2001 and December 31, 2000, the Company and its subsidiaries had consolidated purchases of \$1,400,672 from two vendors and \$1,953,980 from one vendor for a total of 42% and 39% of consolidated purchases.

5. REVOLVING LINE OF CREDIT: The Company has a revolving line of credit with a financing company which provides for maximum borrowings of \$4,000,000 as determined by a formula based on trade accounts receivable and inventory. The line of credit matures June 2002, bears interest at prime plus 1%-2%, depending upon certain financial ratios, requires the maintenance of certain levels of income and tangible net worth and is secured by essentially all of the U.S. assets of the Company. As of December 31, 2001, the Company was not in compliance with its debt service coverage ratio covenant.

6. SEGMENT INFORMATION: The Company and its subsidiaries are engaged in the business of designing, developing and distributing power transmissions and trailer and implement components used for agricultural, construction and industrial equipment.

SEGMENT INFORMATION

THREE MONTHS ENDED DECEMBER 31, 2001	NET SALES	INCOME FROM OPERATIONS	INTEREST EXPENSE	IDENTIFIABLE ASSETS	CAPITAL EXPENDITURES	D A
Power Transmission Components	\$3,509,593	\$ 142,141	\$83,262	\$6,759,065	\$ 10,087	\$
Trailer and Implement Components	872,472	104,533	9,884	3,131,484		
Corporate and Eliminations		(76,986)				
Total Omni, U.S.A., Inc.	\$4,382,065	\$ 169,688	\$93,146	\$ 9,890,549	\$ 10,087	\$

THREE MONTHS ENDED DECEMBER 31, 2001	NET SALES	DECEMBER 31, 2001	PROPE EQUIPM
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Domestic customers	\$3,492,752	Domestic
Foreign customers	889,313	Foreign
Total Omni, U.S.A., Inc.	\$4,382,065	Total Omni, U.S.A., Inc.

THREE MONTHS ENDED DECEMBER 31, 2000	NET SALES	INCOME FROM OPERATIONS	INTEREST EXPENSE	IDENTIFIABLE ASSETS	CAPITAL EXPENDITURES	D A
Power Transmission Components	\$5,350,040	\$ 308,521	\$122,692	\$ 8,630,201	\$ 302,974	
Trailer and Implement Components	940,129	(71,089)	6,598	2,086,158	6,000	
Corporate and Eliminations		(133,778)	9,401			
Total Omni, U.S.A., Inc.	\$6,290,169	\$ 103,654	\$138,691	\$10,716,359	\$ 308,974	

THREE MONTHS ENDED DECEMBER 31, 2000	NET SALES	DECEMBER 31, 2000	PROPE EQUIPM
Domestic customers	\$5,981,697	Domestic	
Foreign customers	308,472	Foreign	
Total Omni, U.S.A., Inc.	\$6,290,169	Total Omni, U.S.A., Inc.	

SEGMENT INFORMATION
(CONTINUED)

SIX MONTHS ENDED DECEMBER 31, 2001	NET SALES	INCOME FROM OPERATIONS	INTEREST EXPENSE	IDENTIFIABLE ASSETS	CAPITAL EXPENDITURES	D A
Power Transmission						

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Components	\$6,217,304	\$ (39,073)	\$153,048	\$6,759,065	\$ 18,862	\$
Trailer and Implement Components	1,791,098	41,182	29,458	3,131,484		
Corporate and Eliminations		(144,896)				
Total Omni, U.S.A., Inc.	\$8,008,402	\$ (142,787)	\$182,506	\$ 9,890,549	\$ 18,862	\$

SIX MONTHS ENDED DECEMBER 31, 2001	NET SALES	DECEMBER 31, 2001	PROPE EQUIPM
Domestic customers	\$6,929,115	Domestic	
Foreign customers	1,079,287	Foreign	
Total Omni, U.S.A., Inc.	\$8,008,402	Total Omni, U.S.A., Inc.	

SIX MONTHS ENDED DECEMBER 31, 2000	NET SALES	INCOME FROM OPERATIONS	INTEREST EXPENSE	IDENTIFIABLE ASSETS	CAPITAL EXPENDITURES	D A
Power Transmission Components	\$9,122,267	\$ 333,732	\$210,162	\$ 8,630,201	\$ 316,583	\$
Trailer and Implement Components	2,073,543	(16,345)	26,848	2,086,158	49,838	
Corporate and Eliminations		(232,083)	21,033			
Total Omni, U.S.A., Inc.	\$11,195,810	\$ 85,304	\$258,043	\$10,716,359	\$366,421	

SIX MONTHS ENDED DECEMBER 31, 2000	NET SALES	DECEMBER 31, 2000	PROPE EQUIPM
Domestic customers	\$10,262,270	Domestic	
Foreign customers	933,540	Foreign	
Total Omni, U.S.A., Inc.	\$11,195,810	Total Omni, U.S.A., Inc.	

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

This report has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. This report should be read in conjunction with the Company's latest Form 10-KSB, a copy of which may be obtained by visiting the Company's home page at www.ousa.com, or by writing to the Investor Relations Department, Omni U.S.A., Inc., 7502 Mesa Road, Houston, Texas 77028.

Liquidity and Capital Resources

The Company's primary capital requirements are for working capital and acquisitions that are generally met through a combination of internally generated funds, a revolving line of credit facility and credit terms from suppliers. The Company's \$4,000,000 credit facility had an outstanding balance of \$1,796,945 at December 31, 2001. At December 31, 2001, the Company was not in compliance with this agreement. The Company had working capital of \$1,540,720 as of December 31, 2001 and working capital of \$1,862,151 as of June 30, 2001, a decrease of \$321,431 from June 30, 2001. The decrease in working capital from June 30, 2001 was due primarily to lower sales, collection of accounts receivable offset by payments of accounts payable and the line of credit as well as increasing amounts of debt that remain past due and classified as current.

Accounts receivable balance of \$2,291,707 as of December 31, 2001 decreased \$1,021,533 compared to June 30, 2001 accounts receivable balance of \$3,313,240. Inventory balance as of December 31, 2001 was \$4,865,204; a decrease of \$120,706 compared to June 30, 2001. Accounts receivable and inventory decreased during the period in response to lower sales levels in both business segments.

The Company had a cash balance of \$308,753 as of December 31, 2001; reflecting a negative cash flow of \$350,348 compared to the June 30, 2001 cash balance of \$659,101. The Company's cash provided by operating activities for the 6 months ended December 31, 2001 of \$698,227 consisted of the net loss for the period of \$301,490 plus non cash expenses, combined with a decrease in accounts receivable, accounts payable and inventories.

The Company's cash used in investing activities for the six months ended December 31, 2001 of \$18,862 consisted of capital expenditures for the period primarily in support of the power transmission component segment.

Net cash used by financing activities for the six months ended December 31, 2001 of \$1,030,430 was due primarily to net repayments on the line of credit.

The Company has continued to experience a decline in the market demand for the Company's products since the fourth quarter of the year ended June 30, 2001 as compared to previous years. As a result, the Company has experienced negative cash flows which have reduced cash balances, working capital and resulted in debt balances that have become due but remain unpaid as of and for the three months and six months ended December 31, 2001. During the quarter ended December 31, 2001, the Company amended the terms of the note payable to the former owners of Butler to extend the repayment terms an additional twelve months.

As of December 31, 2001, the Company is not in compliance with its debt service coverage ratio related to its line of credit facility and has

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significant amounts of debt past due. The Company believes that its relationship with the line of credit holder is good and that access to the lines of credit will continue to be granted. Debt balances that are currently past due are:

- o Paccar, Inc. quarterly payments totaling \$159,442. The Company has been granted temporary forbearance on payment of the balance until the Company has such ability to pay and is currently making interest payments on the balances owed as well as formally working with Paccar to restructure and amend the repayment terms;
- o Haas Automation payments totaling \$175,396. The Company is diligently working to repay the balances to bring the payments current in a mutually beneficial manner.

The Company believes that future demand is improving and, between its access to the line of credit facility and its ability to generate funds internally, it has adequate capital resources to meet its working capital requirements for the foreseeable future, given its current working capital requirements, known obligations, and assuming current levels of operations. In addition, the Company believes that it has the ability to raise additional financing in the form of debt or equity to fund additional capital expenditures and operations, if required, which may or may not be favorable to the Company. In response to general declines in demand and a recent economic downturn, management has initiated measures to minimize costs and scale down activities to match decreases in sales until such demand returns. Management believes that it is and will continue to be successful in this endeavor.

Results for the Quarter ended December 31, 2001 compared with the Quarter ended December 31, 2000

The Company had net sales of \$4,382,065 for the three months ended December 31, 2001. This represents a decrease of 30% compared to the three months ended December 31, 2000 net sales of \$6,290,169. Sales have decreased due an overall economic slowdown. The following table indicates the Company's net sales comparison and percentage of change for the three months ended December 31, 2001 and 2000:

	QUARTER ENDED 12/31/01	%	QUARTER ENDED 12/31/00	%	DOLLAR CHANGE
NET SALES		OF TOTAL		OF TOTAL	
Power Transmission Components	\$ 3,509,593	80%	\$ 5,350,040	85%	\$(1,840,447)
Trailer and Implement Components	872,472	20%	940,129	15%	(67,657)
Consolidated	\$ 4,382,065	100%	\$ 6,290,169	100%	\$(1,908,104)

Gross profit for the three months ended December 31, 2001 decreased \$144,639 to \$1,092,863, compared to gross profit for the three months ended

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December 31, 2000 of \$1,237,502. Gross profit as a percentage of net sales for the three months ended December 31, 2001 increased to 25% as compared to 20% for the three months ended December 31, 2000. This increase in profit margin was primarily due to the product mix of sales for the period and cost savings initiatives.

Selling, general and administrative expenses decreased \$210,673 to \$923,175 in the three months ended December 31, 2001 from \$1,133,848 in the three months ended December 31, 2000. Selling, general and administrative expenses decreased due to cost cutting initiatives put in place by management as a response to the lower sales volume for the quarter.

Income from operations for the Company increased \$66,034 to \$169,688 for the three months ended December 31, 2001, compared to \$103,654 for the three months ended December 31, 2000. This increase is the result of cost savings initiatives taken by management as well as changes in sales mix during the period.

Interest expense decreased \$45,545, to \$93,146 for the three months ended December 31, 2001 from \$138,691 for the three months ended December 31, 2000. The decrease resulted from a decreased borrowing rate and borrowings associated with the Company's line of credit to meet current inventory and working capital needs.

Other income was of \$45,671 for the three months ended December 31, 2001 compared to \$19,030 for the three months ended December 31, 2000. This change is principally from increased VAT refund from foreign sales.

The Company's net and comprehensive income increased \$138,083 to \$122,076, or \$0.10 per share, for the three months ended December 31, 2001 compared to \$(16,007), or \$(0.01) per share, for the three months ended December 31, 2000 despite decreased sales due to cost savings initiatives.

Results for the Six months ended December 31, 2001 compared with the Six months ended December 31, 2000

The Company had net sales of \$8,008,402 for the six months ended December 31, 2001. This represents a decrease of 28% compared to the six months ended December 31, 2000 net sales of \$11,195,810. Sales have decreased due to an overall economic slowdown. The following table indicates the Company's net sales comparison and percentage of change for the six months ended December 31, 2000 and 1999:

	SIX MONTHS ENDED 12/31/01	% OF TOTAL	SIX MONTHS ENDED 12/31/00	% OF TOTAL	DOLLAR CHANGE
Power Transmission Components	\$ 6,217,304	78%	\$9,122,267	81%	\$(2,904,963)
Trailer and Implement Components	1,791,098	22%	2,073,543	19%	(282,445)

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Consolidated	\$ 8,008,402	100%	\$11,195,810	100%	\$ (3,187,408)
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Gross profit for the six months ended December 31, 2001 decreased \$439,588 to \$1,768,673, compared to gross profit for the six months ended December 31, 2000 of \$2,208,261. Gross profit as a percentage of net sales for the six months ended December 31, 2001 decreased to 20% as compared to 22% for the six months ended December 31, 2000. This increase in gross profit was primarily due to the product mix of sales for the period and cost savings initiatives taken in the second quarter.

Selling, general and administrative expenses decreased \$211,497 to \$1,911,460 in the six months ended December 31, 2001 from \$2,122,957 in the six months ended December 31, 2000. Selling, general and administrative expenses decreased due to cost cutting initiatives put in place by management as a response to the lower sales volume for the period.

Income from operations for the Company decreased \$228,091 to \$(142,787) for the six months ended December 31, 2001, compared to \$85,304 for the six months ended December 31, 2000. This decrease is primarily the result decreased sales, especially in the first quarter of the period, offset by decreased selling, general and administrative expenses.

Interest expense decreased \$75,537, to \$182,506 for the six months ended December 31, 2001 from \$258,043 for the six months ended December 31, 2000. The decrease resulted from a decreased borrowing rate and borrowings associated with the Company's line of credit to meet current inventory and working capital needs.

Other income was \$23,803 for the six months ended December 31, 2001 compared to \$33,672 for the six months ended December 31, 2000. This change primarily results from lower commission income for the period offset by an increase in VAT refunds related to foreign sales.

The Company's net and comprehensive loss decreased \$161,706 to \$300,773, or \$0.25 per share, for the six months ended December 31, 2001 compared to \$139,067, or \$0.12 per share, for the six months ended December 31, 2000.

Cautionary Statement

The following is a "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995:

With the exception of historical facts, the statements contained in Item 2 of this form 10-QSB are forward-looking statements. Forward-looking statements discuss future expectations, plans, strategies, activities or events. They often include words such as believe, expect, anticipate, intend or plan, or words with similar meaning or with future or conditional verbs such as will, would, should, or may. The Company does not plan to update these forward-looking statements to reflect events or changes that occur after they are made.

Actual results may differ materially from those contemplated by the forward-looking statements. Investors are further directed to the Company's documents, such as its Annual Report on Form 10-KSB, Form 10-QSB's and Form 8-KSB filed with the Securities and Exchange Commission. These forward-looking

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statements involve risks and uncertainties, including but not limited to, the following:

- 1) acts or threats of war or terrorism, and the effects of such acts or threats on the Company, its employees, its debtors, customers and vendors as well as the local and international economies in which the Company sells its products,
- 2) changes in the availability of debt and equity capital resulting in increased costs, shareholder dilution, or reduced liquidity and lack of working capital,
- 3) cyclical downturns affecting the markets for our products over which we have no control,
- 4) our lack of ability to generate profitable operations and positive cash flows from those operations,
- 5) the effects of our failure to timely pay our outstanding debts and resulting default on our credit agreements in addition to our noncompliance with our primary lender's financial covenants and possible impact resulting from our inability to renegotiate acceptable terms with the Company's creditors,
- 6) substantial increases in interest rates,
- 7) availability or material increases in the costs of select raw materials,

The Company undertakes no obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to the Company or persons acting on its behalf are expressly qualified in the their entirety by the applicable cautionary statements.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There have been no material changes from the disclosure in the Company's Form 10-KSB for the fiscal year ended June 30, 2001.

Item 2. Change in Securities.

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

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

Not applicable.

Item 5. Other Information.

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None.

Item 6. Exhibits and Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 14, 2002

OMNI U.S.A., INC.

By: /s/ Jeffrey K. Daniel

Jeffrey K. Daniel
President and Chief Executive Officer