

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2003**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number 1-9043**

**B.H.I.T. INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**

**36-3361229**

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

**6950 South Edgerton Road, Brecksville, Ohio**

**44141**

(Address of principal executive offices)

(Zip Code)

**(440) 838-4700**

Registrant’s telephone number, including area code

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ NO ☐.

Shares of Common Stock Outstanding as of May 5, 2003: **14,988,051**

Transitional Small Business Disclosure Format Yes ☐ No ☒.

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**B.H.I.T. INC.**  
**QUARTERLY REPORT ON FORM 10-QSB**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2003**

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B.H.I.T. INC.

Part I — FINANCIAL INFORMATION

Balance Sheets

|  | March 31, 2003 | December 31, 2002 |
|--|----------------|-------------------|
|  | (Unaudited)    |                   |
| <b>ASSETS</b>  |                |                   |
| <b>CURRENT ASSETS</b>  |                |                   |
| Cash and cash equivalents  | \$1,695,700    | \$1,712,815       |
| Interest receivable  | 1,777          | 2,142             |
| Prepaid insurance  | 6,000          | 9,000             |
| Total Current Assets   | \$1,703,477    | \$1,723,957       |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>  |                |                   |
| <b>CURRENT LIABILITIES</b>   |                |                   |
| Accounts payable and other accrued expenses  | \$ 42,998      | \$ 37,003         |
| <b>STOCKHOLDERS' EQUITY (DEFICIT)</b>  |                |                   |
| Shares of Common Stock, \$0.01 par value, 20,000,000 shares authorized, 15,020,808 shares issued for 2003 and 2002 | 88,060,847     | 88,060,847        |
| Accumulated deficit  | (86,392,179)   | (86,365,704)      |
| Treasury stock, at cost, for 32,757 shares of Common Stock   | (8,189)        | (8,189)           |
| Total Stockholders' Equity   | 1,660,479      | 1,686,954         |
| Total Liabilities and Stockholders' Equity   | \$ 1,703,477   | \$ 1,723,957      |

See accompanying notes to the Financial Statements.

**B.H.I.T. INC.**

**Statements of Operations**  
**For the Three Months Ended March 31, 2003 and 2002**  
(Unaudited)

|  | <u>2003</u>       | <u>2002</u>       |
|--|-------------------|-------------------|
| REVENUE  |                   |                   |
| Interest earned on cash and cash equivalents   | \$ 5,652          | \$ 7,931          |
| Interest earned on mortgage receivable   | —                 | 8,250             |
|  | <u>5,652</u>      | <u>16,181</u>     |
| Total revenue  |                   |                   |
|  | <u>5,652</u>      | <u>16,181</u>     |
| EXPENSES   |                   |                   |
| General and administrative   | 32,127            | 19,320            |
|  | <u>32,127</u>     | <u>19,320</u>     |
| NET LOSS   | <u>\$(26,475)</u> | <u>\$ (3,139)</u> |
| Basic and diluted net loss per share of Common Stock (based on weighted average number of shares outstanding of 14,988,051 in 2003 and 2002) | <u>\$ (0.002)</u> | <u>\$ (0.000)</u> |

*See accompanying notes to the Financial Statements.*

B.H.I.T. INC.

Statement of Stockholders' Equity  
For the Three Months Ended March 31, 2003  
(Unaudited)

|                                     | Common Stock     |              | Accumulated<br>Deficit | Treasury Stock |           | Total       |
|-------------------------------------|------------------|--------------|------------------------|----------------|-----------|-------------|
|                                     | Shares<br>Issued | Amount       |                        | Shares         | Amount    |             |
| Stockholders' equity (deficit)      |                  |              |                        |                |           |             |
| December 31, 2002                   | 15,020,808       | \$88,060,847 | \$(86,365,704)         | 32,757         | \$(8,189) | \$1,686,954 |
| Net loss for the three months ended |                  |              |                        |                |           |             |
| March 31, 2003                      | —                | —            | (26,475)               | —              | —         | (26,475)    |
| Stockholders' equity (deficit)      |                  |              |                        |                |           |             |
| March 31, 2003                      | 15,020,808       | \$88,060,847 | \$(86,392,179)         | 32,757         | \$(8,189) | \$1,660,479 |

See accompanying notes to the Financial Statements.

B.H.I.T. INC.

Statements of Cash Flows  
For the Three Months Ended March 31, 2003 and 2002  
(Unaudited)

|   | 2003        | 2002        |
|---|-------------|-------------|
| Operating Activities:   |             |             |
| Net Loss  | \$ (26,475) | \$ (3,139)  |
| Adjustments to reconcile net loss to net cash used in operating activities: |             |             |
| Changes in certain assets and liabilities:                                  |             |             |
| Interest receivable   | 365         | 3,141       |
| Prepaid insurance   | 3,000       | (18,000)    |
| Accounts payable and accrued expenses                                       | 5,995       | (5,438)     |
| Net cash used in operating activities                                       | (17,115)    | (23,436)    |
| Cash and cash equivalents at beginning of period                            | 1,712,815   | 1,471,139   |
| Cash and cash equivalents at end of period                                  | \$1,695,700 | \$1,447,703 |

See accompanying notes to the Financial Statements.

**B.H.I.T. INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Unaudited)**

**NOTE 1. BASIS OF PRESENTATION**

B.H.I.T. Inc. (the “Company”) was organized under the laws of the State of Massachusetts pursuant to a Declaration of Trust filed March 19, 1985 for the purpose of investing in mortgage loans. The Company was subsequently reorganized as a Delaware corporation on March 13, 1987.

The accompanying financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, these financial statements give effect to all normal recurring adjustments necessary to present fairly the financial position of the Company as of March 31, 2003 and December 31, 2002, and the results of its operations and cash flows for the three months ended March 31, 2003 and 2002.

The financial information included herein for the three months ended March 31, 2003 and March 31, 2002 is unaudited.

Although the Company believes that the disclosures included herein are adequate to make the information not misleading, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. Accordingly, the accompanying financial statements should be read in conjunction with the Company’s latest annual report on Form 10-KSB for the year ended December 31, 2002.

The results of operations for the three months ended March 31, 2003 presented are not necessarily indicative of the results to be expected for the full 2003 year.

**NOTE 2. MORTGAGE LOANS**

During 1997, the Company invested \$1,000,000 in a loan secured by a mortgage on a related commercial property located in Dallas, Texas. Principal payments were made in April 1998 and June 2000, totaling \$725,000. On March 31, 2002, the principal balance due was \$275,000, with a due date of April 1, 2003, with a yield of 12% per annum and requiring monthly interest payments. On December 18, 2002, the Company received repayment of the outstanding principal balance of \$275,000 plus accrued interest.



**B.H.I.T. INC.**

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS  
AND RESULTS OF OPERATIONS**

**GENERAL**

B.H.I.T. Inc. (the “Company”) was originally organized as a Massachusetts business trust pursuant to a Declaration of Trust filed March 19, 1985 under the name VMS Hotel Investment Trust, for the purpose of investing in mortgage loans. The Company was subsequently reorganized as a Delaware corporation on March 13, 1987. The Company changed its name from Banyan Hotel Investment Fund to B.H.I.T. Inc. in 1998.

**BUSINESS OPERATIONS AND HISTORY**

The Company’s current operations relate primarily to servicing its cash investment portfolio and seeking profitable investments including mortgage loans for its available funds.

The business of the Company is not seasonal and the Company has no foreign or export business. The Company does not segregate revenue or assets by geographical region because such presentation would not be material to an understanding of the Company’s business taken as a whole.

The Company was originally established to invest in mortgage loans principally to entities affiliated with VMS Realty Partners. These loans were collateralized by hotel and resort properties.

As the result of a public offering that concluded January 13, 1986, the Company received gross proceeds of \$98,482,751. During the years 1989 through 1992 the Company experienced severe losses due primarily to a decline in real estate property values and the resulting default on mortgage loans held by the Company. The Company has recorded losses every year since 1989 resulting in the accumulated deficit totaling \$86,392,179 on March 31, 2003.

In September 2000, Arrowhead Holdings Corporation (“Arrowhead”) purchased 5,870,563 shares of the Company stock, or 39.2% of the outstanding shares. Subsequent purchases of the Company’s shares have resulted in Arrowhead owning a total of 6,243,563 shares, or 41.7% of the outstanding shares on March 31, 2003.

## **B.H.I.T. INC.**

### **RESULTS OF OPERATIONS**

Total revenue for the three months ended March 31, 2003 and 2002 was \$5,652 and \$16,181, respectively. The decrease of \$10,529 is due to reduced interest earned resulting from lower interest rates. The lower interest rate resulted primarily from the repayment of a high yield mortgage note, referred to in Note 2.

Total expenses for the three months ended March 31, 2003 and 2002 were \$32,127 and \$19,320, respectively. The increase of \$12,807 is due primarily to increases in various taxes, insurance, and professional service fees, such as outside audit fees and stock transfer agency fees.

The net loss for the three months ended March 31, 2003 was \$26,475 (\$0.002 per share) compared to a net loss of \$3,139 (\$0.000 per share) for the same period in 2002. The increase in net loss resulted from decreased revenues and increased expenses for the three months ended March 31, 2003.

### **LIQUIDITY AND CAPITAL RESOURCES**

Cash and cash equivalents consist of cash and short-term investments. The Company's cash and cash equivalents balance at March 31, 2003 and December 31, 2002 was \$1,695,700 and \$1,712,815, respectively. Cash and cash equivalents decreased in the first three months of 2003 by \$17,115 as the result of the net loss of \$26,475, offset by decreases in receivables of \$365 and prepaid insurance of \$3,000, and an increase in various liabilities totaling \$5,995.

As of March 31, 2003 and December 31, 2002, the Company holds no mortgage notes.

At this time, there are no material commitments for capital expenditures. The Company's cash is sufficient to meet its needs for anticipated operating expenses. The Company deems its liquidity to be adequate.

**B.H.I.T. INC.**

**PART II — OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

The Registrant is not aware of any material legal proceedings to which the Company is a party or to which any of its property is subject.

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

**(a) EXHIBITS**

EXHIBIT 99 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**(b) REPORTS ON FORM 8-K**

NONE

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

B.H.I.T. Inc.

By: /s/ John V. Curci  

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John V. Curci  
Vice-President, Treasurer & Chief  
Financial Officer  
Principal Accounting Officer

Date: May 6, 2003

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James Benenson, Jr., the Chief Executive Officer of B.H.I.T. Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of B.H.I.T. Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant’s other certifying officer 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 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 officer 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 function):

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

Date: May 6, 2003

By: /s/ James Benenson, Jr.  

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James Benenson, Jr.  
Chairman of the Board of Director  
President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, John V. Curci, the Chief Financial Officer of B.H.I.T. Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of B.H.I.T. Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant’s other certifying officer 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 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 officer 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 function):

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

Date: May 6, 2003

By: /s/ John V. Curci

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John V. Curci  
Vice-President, Treasurer & Chief Financial Officer  
Principal Accounting Officer