

HEALTH & NUTRITION SYSTEMS INTERNATIONAL INC
Form 10QSB
May 15, 2003

UNITED STATES
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 March 31, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission File No. 0-29245

HEALTH & NUTRITION SYSTEMS INTERNATIONAL, INC.

(Exact name of small business issuer as specified in its charter)

Florida

(State or other jurisdiction of incorporation or organization)

65-0452156

(I.R.S. Employer Identification Number)

3750 Investment Lane, Suite 5, West Palm Beach, Florida 33407

(Address of principal executive offices)

(561) 863-8446

(Issuer's telephone number)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 3,632,813 shares of Common Stock as of May 14, 2003.

Transitional Small Business Disclosure Format: Yes No

HEALTH AND NUTRITION SYSTEMS INTERNATIONAL, INC.

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HEALTH & NUTRITION SYSTEMS INTERNATIONAL, INC.
CONDENSED BALANCE SHEET
MARCH 31, 2003
(UNAUDITED)

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ASSETS

Current assets:

| | | |
|--------------------------|----|---------|
| Cash | \$ | 101,670 |
| Accounts receivable, net | | 219,348 |
| Inventory | | 206,447 |

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| | |
|---|-------------|
| Total current assets | 527,465 |
| Property and equipment, net | 32,564 |
| Other assets, net | 29,811 |
| Total assets | \$ 589,840 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | |
| Current liabilities: | |
| Accounts payable | \$ 833,997 |
| Accrued expenses | 60,485 |
| Notes payable, current portion | 326,948 |
| Total current liabilities | 1,221,430 |
| Notes payable, less current portion | 50,575 |
| Total liabilities | 1,272,005 |
| Stockholders' deficit: | |
| Common stock, \$ 0.001 par value, authorized 30,000,000 shares; 3,632,813 shares issued and outstanding | 3,630 |
| Additional paid-in capital | 834,812 |
| Accumulated deficit | (1,520,607) |
| Total stockholders' deficit | (682,165) |
| Total liabilities and stockholders' deficit | \$ 589,840 |

See accompanying notes to condensed financial statements.

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HEALTH & NUTRITION SYSTEMS INTERNATIONAL, INC.
 CONDENSED STATEMENTS OF OPERATIONS
 FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002
 (UNAUDITED)

| | 2003 | 2002 |
|---------------|--------------|------------|
| Revenue | \$ 1,065,548 | \$ 839,095 |
| Cost of sales | 451,418 | 312,390 |

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| | | |
|---|-----------|-----------|
| Gross profit | 614,130 | 526,705 |
| | ----- | ----- |
| Operating expense: | | |
| General and administrative expense | 341,194 | 335,235 |
| Advertising and promotion | 162,411 | 141,803 |
| Depreciation and amortization | 7,443 | 7,616 |
| | ----- | ----- |
| Total operating expense | 511,048 | 484,654 |
| | ----- | ----- |
| Income from operations | 103,082 | 42,051 |
| | ----- | ----- |
| Other income (expense): | | |
| Interest expense | (10,829) | (1,604) |
| | ----- | ----- |
| Income before income taxes | 92,253 | 40,447 |
| | ----- | ----- |
| Benefit (provision) for income taxes | -- | -- |
| | ----- | ----- |
| Net income | \$ 92,253 | \$ 40,447 |
| | ===== | ===== |
| Net income per share - basic | \$ 0.03 | \$ 0.01 |
| | ===== | ===== |
| Net income per share - diluted | \$ 0.03 | \$ 0.01 |
| | ===== | ===== |
| Weighted average number of shares - basic | 3,629,813 | 3,629,813 |
| | ===== | ===== |
| Weighted average number of shares - diluted | 3,629,813 | 3,629,813 |
| | ===== | ===== |

See accompanying notes to condensed financial statements.

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HEALTH & NUTRITION SYSTEMS INTERNATIONAL, INC.
 CONDENSED STATEMENTS OF CASH FLOWS
 FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002
 (UNAUDITED)

| | 2003 | 2002 |
|---|------------|----------|
| | ----- | ----- |
| Net cash provided by operating activities | \$ 189,106 | \$ 3,595 |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Repayments on notes payable | (101,500) | (19,333) |
| Repayments on capital leases | (714) | (6,870) |
| | ----- | ----- |
| Net cash used in financing activities | (102,214) | (26,203) |
| | ----- | ----- |

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| | | |
|---------------------------------|------------|-----------|
| Net increase (decrease) in cash | 86,892 | (22,608) |
| Cash, beginning of period | 14,778 | 81,932 |
| | ----- | ----- |
| Cash, end of period | \$ 101,670 | \$ 59,324 |
| | ===== | ===== |

SUPPLEMENTAL CASH FLOW INFORMATION:

| | | |
|---|-------|------------|
| Conversion of accounts payable to notes payable | \$ -- | \$ 700,000 |
| | ===== | ===== |

See accompanying notes to condensed financial statements.

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NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements of Health & Nutrition Systems International, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and Regulation S-B. Accordingly, they do not include all of the information and footnotes required for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for the interim periods presented have been included.

These results have been determined on the basis of generally accepted accounting principles and practices applied consistently with those used in the preparation of the Company's Annual Financial Statements for the year ended December 31, 2002. Operating results for the three months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

It is recommended that the accompanying condensed financial statements be read in conjunction with the financial statements and notes for the year ended December 31, 2002, found in the Company's Form 10-KSB.

NOTE 2 - LEGAL MATTERS

The Company from time to time is a party of various legal proceedings. In the opinion of management, none of the proceedings are expected to have a material impact on its financial position of results of operations.

NOTE 3 - MANAGEMENT'S PLANS AND ISSUES AFFECTING LIQUIDITY

The Company's condensed financial statements have been prepared assuming that the Company will continue as a going concern. During the three months ended March 31, 2003, the Company has successfully controlled costs and attained profitability, including net income of \$92,253 and cash flow from operations of

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\$189,106. However, at March 31, 2003, the Company has a working capital deficit of \$693,966 and adverse liquidity ratios.

Management intends to continue controlling costs and monitoring financial capabilities. Management believes these factors will contribute toward achieving sustained profitability.

There remains substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

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NOTE 4 - STOCK OPTIONS

The non-qualified stock option plan adopted by the Company in May 1998 authorized the Company to grant 1,250,000 of its common shares.

The Company has elected to account for the stock options under the Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no compensation expense has been recognized on the employee stock options. The Company accounts for stock options granted to consultants under Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based Compensation."

During the three months ended March 31, 2003, no new options were granted to officers, directors and employees of the Company.

Had the compensation expense for the stock option plan been determined based on the fair value of the options at the grant date consistent with the methodology prescribed under Statement of Financial Standards No. 123, "Accounting for Stock-Based Compensation," at March 31, the Company's net income and earnings per share would have been reduced to the proforma amounts indicated below:

| | March 31, 2003 |
|--------------------|----------------|
| | ----- |
| Net income | |
| As reported | \$ 92,253 |
| | ===== |
| Pro forma | \$ 90,968 |
| | ===== |
| Earnings per share | |
| As reported | \$ 0.03 |
| | ===== |
| Proforma | \$ 0.03 |
| | ===== |

The fair value of each option is estimated on the date of grant using the fair market value option-pricing model with the following assumptions:

| | |
|-------------------------|-------------|
| Risk-free interest rate | 4.5% - 6.5% |
| Expected life (years) | Various |
| Expected volatility | 1.23 |
| Expected dividends | None |

NOTE 5 - RECLASSIFICATION AND CORRECTION OF AN ERROR

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Certain reclassifications have been made to the 2002 financial statements to conform to the 2003 financial statement presentation. These reclassifications have the effect of reducing revenue and reducing expense. Slotting fees expense and new store discounts, charged back by customers were previously recorded as marketing expense. In order to correct the accounting principle, the Company has reclassified these costs as a reduction of gross sales. These reclassifications have no effect on reported net income.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

This Quarterly Report on Form 10-QSB contains forward-looking statements. Any statements that are not statements of historical fact should be regarded as forward-looking statements. For example, the words "intends," "believes," "anticipates," "plans," and "expects" are intended to identify forward-looking statements. There are a number of important factors that could cause our actual results to differ materially from those indicated by such forward-looking statements. These factors include without limitation those factors contained in our Form 10-KSB filed with the Securities and Exchange Commission. We do not undertake any obligation to update any such factors or to publicly announce the result of any revision to any of the forward looking statements contained herein to reflect future events or developments.

The following discussion of our results of operations and financial condition should be read together with our unaudited Financial Statements contained in Part I, Item 1 and the related Notes in this Form 10-QSB, and our audited Financial Statements and the related Notes contained in our Form 10-KSB filed with the Securities and Exchange Commission.

CRITICAL ACCOUNTING POLICIES

Financial Reporting Release No. 60, which was recently released by the U.S. Securities and Exchange Commission, encourages all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Our financial statements include a summary of the significant accounting policies and methods used in the preparation of our financial statements.

Management believes the following critical accounting policies affect the significant judgments and estimates used in the preparation of the financial statements.

REVENUE RECOGNITION

Revenues are recognized at the time of shipment of the respective merchandise. Revenues in the accompanying financial statements for the three months ended March 31, 2003 and 2002 are presented net of returns and allowances, sales discounts, new store opening discounts and coop advertising and promotions in the amounts of \$551,237 and \$381,448 respectively, an increase of \$169,789. The increase for the three months ended March 31, 2003 was primarily due to advertising, promotions, and marketing efforts by the Company. Freight expenses are included in cost of sales.

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USE OF ESTIMATES

Management's discussion and analysis of financial condition and results of

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operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these estimates, including those related to valuation allowance for the deferred tax asset, estimated useful life of fixed assets and the carrying value of long-lived assets, intangible assets and allowances for sales returns, doubtful accounts, and obsolete and slow moving inventory and reserve for customer liabilities. Management bases these estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

OVERVIEW

We continued to implement the Company's strategic plan to diversify our product line by developing and promoting new products. This strategy is aimed at minimizing the impact of a shift in consumer preferences with regard to any one of our products, a change in retailer attitude with respect to any of our products, or any other cause of reduced sales either for a particular product or in a particular geographical area.

NET SALES

Gross revenues for the three months ended March 31, 2003 were \$1,616,785 an increase of \$396,241 or a 32%, as compared to gross revenue for the three months ended March 31, 2002 of \$1,220,544. Net revenues for the three months ended March 31, 2003 were \$1,065,548, an increase of \$226,453 or 27%, as compared to net sales of \$839,095 for the three months ended March 31, 2002. The increase was primarily due to the increased sales of Carb Cutter, Eat Less and Phase2 in the amount of \$766,222. For the three months ended March 31, 2003, the revenues with respect to our largest customers were as follows: (i) Wal-Mart accounted for \$428,706 or 27% of sales; (ii) GNC accounted for \$255,814 or 16% of sales; (iii) Walgreens accounted for \$194,184 or 12% of sales; and (iv) CVS accounted for \$212,425 or 13% of sales. No other account represented more than 5% of sales during the quarter.

COST OF SALES

Cost of sales for the three months ended March 31, 2003 was \$451,418 or 42% of net sales as compared to \$312,390 or 37% of net sales for the three months ended March 31, 2002. The cost of sales as a percentage of gross revenues were 28% and 26% respectively. The dollar amount is higher due to the increased sales and the percentage increase is due to the new products having a higher cost of goods and the higher amount of reductions to gross revenues, namely co-operative advertising costs and slotting fees paid.

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GROSS PROFIT

Gross profit for the three months ended March 31, 2003 was \$614,130 an increase of \$87,425 or 17% compared to gross profit of \$526,705 for the three months ended March 31, 2002. As a percent of net sales, gross profit was 58% for the three months ended March 31, 2003, compared to 63% for the three months ended March 31, 2002. The increase in gross profit was primarily due to the sales increases in the Carb Cutter, Eat Less and Phase2 in the aggregate amount of

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\$766,222. The decrease in percentage is due to the higher cost of sales percentage and the higher amount of reductions to gross revenue.

OPERATING EXPENSES

Operating expenses were \$511,048 for the three months ended March 31, 2003, representing an increase of \$26,394, compared to \$484,654 for the three months ended March 31, 2002. As a percent of net sales, operating expenses were 48% for the three months ended March 31, 2003, compared to 58% for the three months ended March 31, 2002. Advertising and promotion expenses for the three months ended March 31, 2003, were \$162,411 representing an increase of \$20,608, compared to \$141,803 for the three months ended March 31, 2002. The general and administrative expenses were \$341,194 for the three months ended March 31, 2003 compared to \$335,235 for the three months ended March 31, 2002 or an increase of \$5,959, this amount was made up of various expense items. The Company is successfully controlling costs in order to attain profitability.

NET PROFIT FROM OPERATIONS

Net profit from operations was \$103,082 for the three months ended March 31, 2003, compared to a net profit from operations of \$42,051 for the three months ended March 31, 2002. Net profit was \$92,253 or \$0.03 per share for the three months ended March 31, 2002, as compared to a net profit of \$40,447 or \$0.01 per share for the three months ended March 31, 2002.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2003, the Company had a working capital deficit of \$693,965 compared to a \$504,245 working capital deficit at March 31, 2002.

Net cash provided by operating activities for the three months ended March 31, 2003 was \$189,106 compared to \$3,595 provide by operating activities for the three months ended March 31, 2002. The resulting increase in cash is primarily due to a net profit realized from the increase in sales during the three months ended March 31, 2003, due to higher sales and lower general and administrative costs.

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Cash used in investing activities was \$ 0 for the three months ended March 31, 2003 compared to \$ 0 used in investing activities for the three months ending March 31, 2002.

Net cash used in financing activities for the three months ended March 31, 2003 was \$102,214 compared to net cash used by financing activities of \$26,203 for the three months ended March 31, 2002, as sufficient cash flow is being provided by operations.

On April 11, 2002, the Company entered into an agreement with Garden State Nutritionals (GSN), sole manufacturer, to repay \$700,000 owed to GSN as of the date of the agreement. The repayment schedule requires equal quarterly payments, without interest, over the next eight quarters, starting June 1, 2002. In connection with this agreement, the Company granted to GSN a blanket second priority lien on the Company's assets under a Security Agreement, which may only be, foreclosed upon the event the Company fails to make (3) consecutive quarterly principle payments in accordance with the terms of the promissory note. The occurrence of any of the following events shall constitute a default under this promissory note: (i) the failure of Company to pay when due any payment of principal and such failure continues for fifteen (15) days after Lender notifies the Company in writing; (ii) the Company files for or is granted certain relief pursuant to or within the meaning of the United States Bankruptcy

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Code or any other federal or state law relating to insolvency or relief of debtors (a "Bankruptcy Law") and (iii) Christopher Tisi ceases to be the President and Chief Executive Officer of the Company (unless a replacement reasonably acceptable to Lender is obtained within thirty days)

Also, on April 11, 2002, we entered into an exclusive manufacturing agreement with GSN pursuant to which GSN has provided us with a \$450,000 line of credit, on current invoices, with 60-day terms. GSN informally allowed the Company to purchase up to \$1,000,000 on the line of credit. At March 31, 2003 the balance owed to GSN under this line of credit is \$746,130.

COMMITMENTS AND CONTINGENCIES

Regulatory Matters - Our discontinued products Fat Cutter Plus(TM), ThinTab(R) and our formally owned Carbolizer(TM) product, contain ephedra, also known as "Ma Huang," an herb that contains naturally occurring ephedrine. These products represented approximately 19% of our gross revenue for the twelve months ended December 31, 2002. Ephedra containing products have been the subjects of adverse publicity in the United States and other countries relating to alleged harmful effects. The company has discontinued all sales of products containing ephedra.

PRODUCT LIABILITY

The Company, like other marketers of products that are intended to be ingested, faces the inherent risk of exposure to product liability claims in the event that the use of our products results in injury. The Company maintains product liability insurance coverage of \$6,000,000. It may become increasingly difficult to obtain and maintain product liability insurance coverage for products containing ephedra at premiums that the Company can afford.

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Although no material product liability claims have been asserted against us, if they are in the future, our product liability insurance coverage could prove to be inadequate and these claims could result in material losses.

MANAGEMENT'S PLANS AND ISSUES AFFECTING LIQUIDITY

The Company's condensed financial statements have been prepared assuming that the Company will continue as a going concern. During the three months ended March 31, 2003, the Company has successfully controlled costs and attained profitability, including net income of \$92,253 and cash flow from operations of \$189,106. However, at March 31, 2003, the Company has a working capital deficit of \$693,966 and adverse liquidity ratios.

Management intends to continue controlling costs and monitoring financial capabilities. Management believes these factors will contribute toward achieving sustained profitability.

There remains substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

ITEM 3. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Within the 90 days prior to the filing date of this report, the Company carried

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out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. This evaluation was done under the supervision and with the participation of the Company's Chairman, President and its Controller. Based upon that evaluation, they concluded that the Company's disclosure controls and procedures are effective in gathering, analyzing and disclosing information needed to satisfy the Company's disclosure obligations under the Exchange Act.

Change in internal controls -----

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls since the most recent evaluation of such controls.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

J.C. Herbert Bryant, III and KMS-Thin Tab 100, Inc.

In 2000, the Company sued a former officer and director of the Company and KMS Thin-Tab 100, Inc., a corporation controlled by the former director, for trademark infringement, unfair competition and cyberpiracy. The former director and KMS counterclaimed alleging a breach of distribution agreement with the Company. On September 19, 2002, the Company announced the settlement of all litigation between HNS and J.C. Herbert Bryant and KMS-Thin Tab 100, Inc.

The settlement agreement generally requires Bryant and KMS to transfer the registration and ownership of the domain names Thintab.com, Thintab.cc and Carbcutter.cc to HNS and to take other action to eliminate confusion over the ownership of the Thin Tab@ name. Additionally, it provides for each of the adverse parties to generally release the others.

As part of the settlement, HNS entered into a distribution agreement with Bryant, beginning on September 26, 2002 and ending on September 25, 2007, permitting Bryant to purchase certain of its products from HNS and to exclusively distribute those products in Florida from Orlando south. HNS also has agreed not to sell its products directly to certain KMS customers. HNS book a legal settlement expense of \$58,836 associated with this settlement.

The Company from time to time is a party of various legal proceedings. In the opinion of management, none of the proceedings are expected to have a material impact on its financial position or results of operations.

ITEM 2. CHANGES IN SECURITIES.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

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None

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

(a) Index and Exhibits

Exhibit 99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 99.2 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 during the fiscal quarter ended March 31, 2003.

None

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 15, 2003

Health & Nutrition Systems International, Inc.
(The "Registrant")

By: /s/ Christopher Tisi

Chris Tisi
Interim Chairman of the Board,
Chief Executive Officer and President
(Principal executive officer)

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CERTIFICATIONS

I, Chris Tisi, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Health & Nutrition Systems International, 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

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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.

May 15, 2003

/s/ Christopher Tisi

Chris Tisi
Interim Chairman of the Board and
Chief Executive Officer

CERTIFICATIONS

I, Al Dugan, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Health & Nutrition Systems International, 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

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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.

May 15, 2003

/s/ Al Dugan

Al Dugan
Controller (Principal Accounting Officer)

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Exhibit Index

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| Exhibit Number ----- | Description ----- |
|----------------------------|---|
| 99.1 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.2 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |