

WHITNEY INFORMATION NETWORK INC  
Form 10-Q/A  
June 02, 2004

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

### Form 10-Q/A

Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934  
For the Quarter Ended September 30, 2003

### Whitney Information Network, Inc.

(Exact name of registrant as specified in its charter)

**Colorado**  
(State or other jurisdiction  
of incorporation)

**0-27403**  
(Commission  
File Number)

**84-1475486**  
(IRS Employer  
Identification No.)

**1612 Cape Coral Parkway, Suite A, Cape Coral, Florida**  
(Address of principal executive offices)

**33904**  
(Zip Code)

Registrant's telephone number, including area code **(941) 542-8999**

(Former name or former address, if changed since last report)

Securities registered under Section 12 (b) of the Exchange Act:

**NONE**

Securities registered under Section 12 (g) of the Exchange Act:

**COMMON STOCK**

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**NO par value per share**

(Title of Class)

Check whether the Issuer (1) has 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 Issuer was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The Issuer had 8,167,749 and 8,096,624 common shares of common stock outstanding as of September 30, 2003 and December 31, 2002.

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**PART I**

**Item 1. Financial Statements**

**Whitney Information Network, Inc.**

**Consolidated Financial Statements  
As of September 30, 2003 and December 31, 2002  
And for the Nine Months Ended September 30, 2003 and 2002**

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## WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

	September 30, 2003		December 31, 2002	
	(Unaudited)			
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$	15,830,249	\$	12,080,553
Accounts receivable, net		709,057		507,919
Due from foreign corporation investment		715,119		
Due from affiliates		26,898		4,089
Prepaid advertising and other		1,494,341		696,441
Inventory		546,780		363,555
Deferred income taxes		4,193,000		
Deferred seminar expenses		5,552,448		2,907,414
Total current assets		29,067,892		16,559,971
Property and equipment, net				
		15,080,630		8,406,370
Intangible assets, net				
		5,964,381		989,061
Investment in foreign corporation				
		984,757		184,757
Notes receivable and other assets				
		424,579		27,128
Total non-current assets		22,454,347		9,607,316
Total assets				
	\$	51,522,239	\$	26,167,287
<b>Liabilities and Stockholders Deficit</b>				
Current liabilities				
Accounts payable	\$	2,504,246	\$	1,762,614
Accrued seminar expenses		1,189,248		63,622
Deferred revenues		44,807,919		24,549,429
Accrued expenses		2,166,490		1,125,662
Current portion of long-term debt		658,299		103,051
Current portion of note payable-officer/stockholder		979,095		59,054
Total current liabilities		52,305,297		27,663,432
Long-term debt, less current portion				
		4,146,955		1,606,410
Note payable officer/stockholder, less current portion				
		3,750,000		
Total liabilities		60,202,252		29,269,842

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Commitments and contingencies				
Minority interest in SCB Building LLC		2,000,000		
Stockholders' deficit				
Preferred stock, no par value, 10,000,000 shares authorized, no shares issued and outstanding				
Common stock, no par value, 25,000,000 shares authorized, issued and outstanding shares 8,167,749 (2003) and 8,096,624 (2002)		1,090,755		939,832
Paid-in capital		448,600		448,600
Accumulated deficit		(12,219,368)		(4,490,987)
Total stockholders' deficit		(10,680,013)		(3,102,555)
Total liabilities and stockholders' deficit	\$	51,522,239	\$	26,167,287

See notes to consolidated financial statements.

## WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

## Consolidated Statements of Operations

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2003		2002		2003		2002	
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Sales	\$	23,567,782	\$	13,875,257	\$	54,292,606	\$	46,863,355
Expenses								
Seminar expenses		12,562,345		6,930,288		30,346,604		19,256,888
Advertising and sales expense		7,822,763		2,877,541		18,846,614		10,396,566
General and administrative expense		6,788,176		3,270,867		15,793,780		9,093,399
Total expenses		27,173,284		13,078,696		64,986,998		38,746,853
Income (loss) from operations		(3,605,502)		796,561		(10,694,392)		8,116,502
Other income (expense)								
Interest and other income		14,225		254,643		32,961		347,090
Interest expense		(18,461)		(9,002)		(59,950)		(46,858)
Income (loss) before income taxes		(3,609,738)		1,042,202		(10,721,381)		8,416,734
Income taxes		2,038,909		370,033		4,193,000		1,609,583
Net (loss) income	\$	(1,570,829)	\$	672,169	\$	(6,528,381)	\$	6,807,151
Basic weighted average common shares outstanding		8,102,874		7,958,955		8,123,523		7,905,438
Basic income (loss) per common share	\$	(.19)	\$	0.08	\$	(.80)	\$	0.86
Diluted weighted average common shares outstanding		8,102,874		8,883,280		8,123,523		8,829,763
Diluted income (loss) per common share	\$	(.19)	\$	.08	\$	(.80)	\$	0.77

See notes to consolidated financial statements.



## WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

	For the Nine Months Ended September 30,			
	2003		2002	
	(Unaudited)		(Unaudited)	
Cash flows from operating activities				
Net income	\$	(6,528,381)	\$	6,807,151
Adjustments to reconcile net income (loss) to net cash provided by operating activities				
Equity earnings in partnership				(102,257)
Depreciation and amortization		948,769		346,251
(Gain) loss of disposal of fixed assets				3,377
Deferred income taxes		(4,193,000)		1,531,399
Stock issued for services				4,500
Changes in assets and liabilities				
Accounts receivable		(916,257)		(295,407)
Prepaid advertising and other		(797,900)		578,515
Income tax receivable and payments				497,499
Inventory		(183,225)		(243,896)
Deferred seminar expenses		(2,645,034)		331,103
Other assets		27,128		5,790
Accounts payable		741,632		144,365
Accrued seminar expense		1,125,626		(156,395)
Deferred revenues		20,258,490		(1,648,775)
Other liabilities		1,040,828		301,663
		15,407,057		1,297,732
Net cash provided by operating activities		8,878,676		8,104,883
Cash flows from investing activities				
Purchases of property and equipment		(273,350)		(4,725,939)
Purchase of equity interest in building		(2,000,000)		
Purchase of intangible assets		(450,000)		
Notes receivable		(424,579)		
Purchase of equity interest in foreign company		(150,000)		
Loans to affiliates, net		(22,809)		(97,693)
Net cash used by investing activities		(3,320,738)		(4,823,632)
Cash flows from financing activities				



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Payments of principal on long-term debt		(554,207)		(499,972)
Principal payments on note payable officer/stockholder		(79,959)		(49,972)
Proceeds from exercise of stock options		25,924		36,914
Distributions to officer/stockholder		(1,200,000)		
Net cash used in financing activities		(1,808,242)		(513,030)
Net increase in cash and cash equivalents		3,749,696		2,768,221
Cash and cash equivalents - beginning of the period		12,080,553		6,889,275
Cash and cash equivalents - end of period	\$	15,830,249	\$	9,657,496

Supplemental cash flow information:				
Cash paid for income taxes was \$0 for the nine months ended September 30, 2003 and 2002, respectively.				
Cash paid for interest was \$59,950 and \$24,000 for the nine months ended September 30, 2003 and 2002, respectively.				
Supplemental disclosure of non-cash activity:				

See notes to consolidated financial statements.

During 2003, the Company acquired a \$650,000 equity interest in its investment in foreign corporation through the issuance of debt.

During 2003, the Company acquired a 50% equity interest in a SCB Building, LLC ( LLC ) constructing an office building. The other 50% member has a \$2,000,000 minority interest in the LLC which was contributed in the form of a \$4,000,000 building subject to a \$2,000,000 mortgage.

During 2003, the LLC increased value of the building by \$1,000,000 through the use of proceeds of long-term debt.

During 2003, the Company acquired the common stock of MRS Equity Corp. which resulted in \$4,875,000. Of this amount \$125,000 was paid through the issuance of the Company's common stock and through the assumption of \$4,750,000 notes payable to the majority stockholder by the Company.

See notes to consolidated financial statements.

WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

Notes to Financial Statements

**Note 1 Significant Accounting Policies**

The accompanying consolidated financial statements are unaudited and reflect all adjustments (consisting only of normal recurring adjustments), which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. The consolidated financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission February 7, 2003, which includes audited consolidated financial statements for the years ended December 31, 2002 and 2001. The results of operations for the nine months ended September 30, 2003, may not be indicative of the results of operations for the year ended December 31, 2003.

Recently Issued Accounting Pronouncements

In November 2002, the FASB published interpretation No. 45, *Guarantors' Accounting and Disclosure requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. The Interpretation expands on the accounting guidance of Statements No. 5, 57, and 107 and incorporates without change the provisions of FASB Interpretation No. 34, which is being superseded. The Interpretation elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002, regardless of the guarantor's fiscal year-end. The disclosure requirements in the Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company has adopted this statement which has resulted in the reporting of the assets and liabilities of an LLC in which the Company owns a 50% interest and are guarantors on the debt.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of ARB 51* (FIN No. 46). The primary objectives of FIN 46 are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights (Variable Interest Entities or VIEs) and to determine when and which business enterprise should consolidate the VIE. This new model for consolidation applies to an entity which either (1) the equity investors (if any) do not have a controlling financial interest or (2) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. The disclosure requirements of FIN No. 46 became effective for financial statements issued after January 31, 2003. For variable interests in a variable interest entity created before February 1, 2003, shall apply the provisions of this Interpretation (other than the transition disclosure provisions in paragraph 26) to that entity no later than the beginning of the first interim or annual reporting period beginning after June 15, 2003. The Company believes that the adoption of this statement has not and will not have a material effect on the Company's financial statements.

Deferred Offering Costs

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During 2003, the Company was in the process of stock registration. Expenses related to this offering had been accounted for as deferred offering costs. If the offering is successful, such costs would have been charged against the gross proceeds received. If at any time it became probable that the offering would not be consummated or after an unreasonable postponement, such costs would be expensed. As of September 30, 2003, the Company has expensed \$330,245, previously recorded as deferred offering costs, as the registration has been postponed until 2004.

### **Note 2 Acquisitions**

In July 2003, the Company purchased two related companies, Equity Corp. Holdings, Inc. and Whitney Leadership Group, Inc. The purchase price of Whitney Leadership, Inc. was \$1,200,000 paid to the Chairman and his wife, payable \$300,000 in cash at closing and a \$900,000 promissory note payable in semiannual installments beginning in February 2004 bearing an interest rate of 7%. The payments and debt issued were recorded as a distribution as the Company and Whitney Leadership Group, Inc. were under common control. The acquisition of Equity Corp. Holdings from the Company Vice President of Marketing resulted in \$4,875,000 of intellectual property. The purchase price of \$250,000, comprised of \$62,500 in cash, 62,500 shares of our common stock valued at \$125,000 at closing, and \$62,500 payable one year from the closing date evidenced by a promissory note bearing interest at 7% per annum. The Company also agreed to assume and pay a promissory note issued to the Company's chairman by Equity Corp. on June 1, 2002 in the amount of \$4,750,000 payable \$1,000,000 in July 2003 and July 2004 and ten installments of \$275,000 payable in January and July beginning in 2005 through 2009. The unpaid balance bears interest at 7% per annum. Equity Corp. incurred this \$4,750,000 obligation when it elected to redeem all of chairman's stock ownership in Equity Corp., which amounted to 90% of the outstanding stock of Equity Corp., as of June 1, 2002.

### **Note 3 Related Party Transactions**

The following balances due from related parties are as follows:

	September 30, 2003		December 31, 2002	
	(unaudited)			
Due from RAW, Inc.	\$	26,898	\$	4,089

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The following balances were the amount of payroll services provided to related parties for the periods ended:

	For Nine Months Ended September 30,			
	2003		2002	
	(unaudited)		(unaudited)	
MRS Equity Corp. (prior to the acquisition)	\$	63,204	\$	109,459
Whitney Leadership Group, Inc. (prior to the acquisition)				14,204
	\$	63,204	\$	123,663

The following balances were the amount of products purchased and payments made for registration fees and commissions from related parties for the periods ended:

	For Nine Months Ended September 30,			
	2003		2002	
	(unaudited)		(unaudited)	
MRS Equity Corp. (prior to the acquisition)	\$	47,405	\$	543,325
Whitney Leadership Group, Inc. (prior to the acquisition)		88,358		186,564
	\$	135,763	\$	729,889

The Company has rented its corporate headquarters located in Cape Coral, Florida, since 1992 from the Chairman of the Board and pays rent on annual leases. Rentals under the related party lease were \$51,493 and \$58,383 for the nine months ended September 30, 2003 and 2002, respectively. The Company leases approximately 8,700 square feet and the lease terminated in October 2002. The Company currently pays rent on a month-to-month basis.

RAW, Inc. is a company owned by the Chairman of the Board of Whitney Information Network, Inc., which buys, sells and invests in real property.

Those items above that are reasonably expected to be collected within one year are shown as current and those that are not expected to be collected during the next year are shown as non-current.

**Note 4 Commitments and Contingencies**

Litigation

The Company is not involved in any material asserted or unasserted claims and actions arising out of the normal course of its business that in the opinion of the Company, based upon knowledge of facts and advice of counsel, will result in a material adverse effect on the Company's financial position.

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Other

The Company carries liability insurance coverage, which it considers sufficient to meet regulatory and consumer requirements and to protect the Company's employees, assets and operations.

The Company, in the ordinary course of conducting its business, is subject to various state and federal requirements. In the opinion of management, the Company is in compliance with these requirements.

**Note 5 Notes Receivable**

In May 2003, the Company entered into a management contract with Success Development, Inc. ( SDI ), which gave the Company control from May 2003 until November 2003. Under this agreement, the Company gained access to SDI's customer database, and received 30% of the profits. The Company paid \$450,000 at the time of the agreement for this arrangement. This amount has been recorded as an intangible asset in the consolidated balance sheets and is being amortized over a six months life. In addition, the Company advanced SDI \$335,379 for working capital purposes, which has been recorded as notes receivable in the consolidated balance sheets and classified as current. The note will be realized by crediting future payments to SDI for future revenues. As part of this agreement, the Company has the option to purchase SDI in November 2003 after the contract expires for \$1,000,000 in stock (Note 9).

**Note 6 Investments**

In June 2003, the Company paid \$2,000,000 for an investment in the Southern Community Bank Building in Orlando Florida. The payment resulted in a 50% equity interest in SCB Building, LLC ( SCB ) which is in the process of constructing a new office building which will provide SCB with rental income. The Company has voting control of SCB and SCB has been consolidated into its consolidated balance sheet at September 30, 2003. SCB has no rental operations at September 30, 2003, only the initial capital contributions and the additional construction draws for the building. The remaining 50% member has been reflected as minority interest. In July 2003, SCB entered into an agreement with a financial institution for a \$8,000,000 construction loan of which \$3,000,000 is outstanding at September 30, 2003. The Company is a guarantor of this debt.

The Company acquired a 20% ownership interest in Rancho Monterey, S.A., a Panama corporation, in 2001. This corporation was formed with the purpose of acquiring, developing, and selling land on the Pacific coast of Costa Rica. The Company is an investor in phase one of this project which includes approximately 830 acres and is projected to produce approximately \$3,000,000 in revenues. Prior to January 2004, this venture has incurred solely capitalized development costs and had not had any sales activity. The Company accounts for its investment using the equity method of accounting and records its proportionate share of the corporation's profit or loss. The Company's share of the corporation's profits for the year ended December 31, 2002 was \$102,257. In 2003, the Company acquired an additional 10% equity interest in the investment for \$650,000 through the issuance of debt. As part of this transaction, the Company also received a 6% interest in Monterey del Este, a Panama Corporation organized to develop unimproved real estate in Costa Rica; and a 20% interest in Monterey del Mar, a Panama Corporation organized to develop an ocean front hotel on the Pacific coast of Costa Rica. The Company's Chief Executive Officer individually indirectly owns 11% of Rancho Monterey, S.A. and 6% of Monterey del Este. The Company's Chief Financial Officer individually indirectly owns 1% of Rancho Monterey, S.A.

The Company has, at times, advanced funds to this entity for working capital purposes to secure and protect its investment. As of September 30, 2003, the Company has recorded a \$715,119 receivable relating to this venture in accounts receivable, affiliates. The Company's agreement with the management of this venture is that the Company will be reimbursed for these funds from future land sales.

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**Note 7 Income Taxes**

As of September 30, 2003 and December 31, 2002, the Company has net operating loss (NOL) carryforwards for tax purposes of approximately \$17,250,000 and \$3,100,000, respectively, which expire in the years 2003 through 2023.

Deferred tax liabilities and assets are determined based on the difference between the financial statement assets and liabilities and tax basis assets and liabilities using the tax rates in effect for the year in which the differences occur. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that based on available evidence, are not expected to be realized.

The accompanying balance sheet includes the following:

	September 30, 2003		December 31, 2002	
	(unaudited)			
Deferred tax asset from NOL carryforward	\$	6,437,000	\$	1,301,000
Deferred tax liability from deferred expenses		(2,244,000)		(1,142,000)
Total deferred tax asset		4,193,000		159,000
Valuation allowance for deferred tax asset				(159,000)
Net deferred tax asset	\$	4,193,000	\$	

**Note 8 Deferred Revenue**

As of September 30, 2003, the Company has \$44,807,919 recorded as a liability on its consolidated balance sheet for deferred revenue. Deferred revenue are contracts entered into prior to September 30, 2003 and the cash for those contracts has been received by the Company from students for courses they have yet to attend. The student's contract stipulates that they have twelve months to attend their purchased courses. The following represents the contract maturity of the contracts currently deferred. These amounts are the minimum amount of revenue that will be recognized on the Company's consolidated income statement in future periods. The amounts do not include amounts for future revenues that will be generated and recognized, and the following revenues could be recognized faster if they are earned.

Month Ending,	Amount
October 2003	3,398,361
November 2003	4,520,276
December 2003	3,473,621

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January 2004		1,542,114	
February 2004		1,916,991	
March 2004		3,053,751	
April 2004		2,785,143	
May 2004		3,858,947	
June 2004		4,776,997	
July 2004		4,461,902	
August 2004		5,245,201	
September 2004		5,774,615	
	\$	44,807,919	

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**Note 9 Subsequent Event**

In October 2003, the Company entered into an agreement with SpeakTek, Inc. to acquire its stock for \$1,400,000 at closing. SpeakTek, Inc. is the holding company for Quantum Vision, Inc. which is the operating company. Of this amount \$400,000 is payable in cash, and \$1,000,000 is payable in newly-issued, restricted common stock of the Company. However, \$250,000 of the common stock will be retained by the Company for a period of six months.

In October 2003, the Board of Directors of the Company approved that the Company exercise its option to purchase SDI, per the May agreement ending in November. (Note 5)

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations for the periods indicated should be read in conjunction with our financial statements, the notes related thereto and the other financial data included elsewhere in this prospectus. The following discussion should be read in conjunction with the Consolidated Financial Statements and notes thereto.

None of the Company's business is subject to seasonal fluctuations.

### *Revenue*

Total revenue for the nine months ended September 30, 2003 was \$54,292,606, an increase of \$7,429,251 or 15.9% compared to the same period in 2002 of \$46,863,355. Recognized revenue from deferred revenue was \$17,097,205 for the nine months ended September 30, 2003 compared to \$13,875,257 for the comparable period in 2002. Of these amounts, \$4,937,812 and approximately \$6,000,000, respectively was recognized due to the expiration of the student's contract period. This results in a \$4,284,136 increase in recognized earned revenue from attendance. This increase is due to the increase in the courses attended by students in the period compared to the previous period. During the first nine months of 2003, there were 7,368 attendees of advanced courses compared to 5,160 attendees of advanced courses for the same period in 2002. The levels of registrations and attendance in all other courses offered by us remained relatively constant. Despite the increase in revenue due to student attendance, overall revenue increases were reduced by a decrease in product sales over the comparable nine month period in 2002. We believe that the first three quarters of 2003 is a trend and expect revenue to remain at the levels of growth that have been experienced in this current period. This belief is illustrated in the approximately \$20,258,490 increase in deferred revenue in 2003 from December 31, 2002 that will ultimately become revenue that was not present in the previous period. This is further illustrated by the fact that \$11,392,258 of our deferred revenue at September 30, 2003 will be realized into revenues as earned either through attendance or expiration by December 31, 2003. We expect to continue to grow our operations and student base in the future both domestically and internationally. We expect to grow domestically through the development of our Teach Me To Trade segment using our same real estate business model. We expect to grow internationally by continuing to establish our Whitney UK subsidiary and looking for opportunities to enter new international markets. We will incur significant course and advertising expenses to establish these new markets, but expect to generate the student base to support these costs and allow these markets to be profitable in the long-term.

### *Direct Course Expenses*

There are two components of costs included in direct course expenses. The first component is variable and is consistent with the costs associated with revenue received. These costs include instructor fees, facility costs, and travel expenses. The second component relates to the costs associated with the initial free course that is provided. The introductory course is offered to provide information to the student about our products and services. There is no revenue associated with the initial course. The revenue that is generated relates to future courses that are purchased and attended at a later date. The costs relating to these initial courses then have a significant impact on the relationship between revenue and costs. In periods in which there is a significant amount of new initial courses, as compared to advanced courses, the percentage relationship between direct course expenses and revenue increases. In periods in which there are more advanced courses, as compared to initial courses, the percentage relationship between direct course expenses and revenue decreases. The only expense deferred until the related revenue is realized is the related commissions paid.

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Direct course expenses increased for the third quarter of 2003 to \$30,346,604, an increase of \$11,089,716 or 57.6% over the prior comparable period in 2002 of \$19,256,888. Of these amounts, the portion attributable to introductory course expenses was \$12,758,548 and \$8,098,838 for the nine months ending September 30, 2003 and September 30, 2002 respectively. The portion attributable to the delivery of fulfillment and advanced training courses was \$17,587,756 at September 30, 2003 and \$11,167,050 at September 30, 2002. This increase is consistent with the increase in the amount of all types of courses that were held during the nine months ended September 30, 2003 of 1,561 (352 initial courses, 237 fulfillment trainings, 972 advanced courses) compared to 1,070 (192 initial courses, 239 fulfillment trainings, 639 advanced courses) in the comparable prior period

*Advertising, Selling and General and Administrative Expenses and Sales Expenses*

Advertising and sales expenses, of which advertising represented approximately 52.1 % of these expenses for the nine months ended September 30, 2003, was \$18,846,614, an increase of \$8,450,048, or 81.3 % compared to the same period in 2002 of \$10,396,566. The increase in advertising and sales expenses is due to an increase in media purchases due to the expansion in the number of events being help by the Teach Me To Trade division, and by the increased events in the United Kingdom. Also sales expenses increased due to recognizing those expenses that gave rise to the deferred revenues from prior periods.

General and administrative expenses consist primarily of payroll related expenses, insurance, office and facility expenses, and depreciation expense. General and administrative expenses increased to \$15,793,780, an increase of \$6,700,381, or 73.7% over the comparable period in 2002 of \$9,093,399. This increase is due in part to our hiring 60 new employees, net of terminations, to handle the increase in our volume. The increase is also due to the increase in payroll due to the increase in operations of our Whitney UK subsidiary (\$2,000,000) and the new SDI/TMTT products not present in the previous period (\$2,000,000) Additionally, management bonuses increased in 2003, approximating \$650,000.

*Net Income (Loss)*

Net loss for the nine months ended September 30, 2003 was \$6,528,381 as compared with a net income of \$6,807,151 for the nine months ending September 30, 2002, a decrease of \$13,335,562 or 196 % or a per share net decrease of \$1.66 per share as compared to net income of \$.86 per share for the prior period. The decrease is directly attributable to the increase in deferred revenues in 2003 over the prior period, the decrease in the amount of revenue recognized due to expirations, increased general and administrative expenses and proportionate increase in advertising expenses.

Liquidity and Capital Resources

Our capital requirements consist primarily of working capital, capital expenditures and acquisitions. Historically, we have funded its working capital and capital expenditures using cash and cash equivalents on hand. Cash increased by \$3,749,696 to \$15,830,249 at September 30, 2003, compared to an increase of \$2,768,221 in the previous comparable period in 2002. The increase in the increase in cash is primarily attributed to cash provided by operations through the increase in deferred revenue (\$22,000,000) which was partly offset by the increase in net loss (\$15,000,000), deferred expenses (\$3,000,000), and deferred taxes (\$3,600,000).

Our cash provided by operating activities was \$8.9 million and \$8.10 million for the nine months ended September 30, 2003 and 2002, respectively. The increase in cash provided by operating activities is directly attributable to the decrease in net income prior to the increase in deferred revenues, deferred expenses, and deferred taxes.

Our cash used in investing activities was \$3,320,738 and \$4,823,932 for the nine months ended September 30, 2003 and 2002, respectively. The Company's investing activities for the nine months ended September 30, 2003 and 2002 were primarily attributable to the purchase of an equity interest in a building in 2003 for \$2,000,000, and the purchase of property and equipment and intangibles of \$723,350 in 2003 compared to

\$4,725,939 in 2002.

At September 30, 2003 we had unused amounts under letters of credit to secure merchant accounts and certain state bonding requirements aggregating \$1,500,000. These letters of credit expire in January 2005 and October 2005 and carry an interest rate of 2.98% and 3.68%, respectively.

Historically, the Company has been able to fund all of its operations from existing working capital. The Company intends to continue to use working capital for operating purposes. From time to time, we evaluate potential acquisitions of business products or technologies that complement our business. To the extent that resources are insufficient to fund future activities, we may need to raise additional funds. However, there can be no assurance that additional funding, if needed, will be available. If adequate funds are not available on acceptable terms, we may be unable to expand our business, develop or enhance our products and services, take advantage of future opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, operating results and financial condition.

We believe our cash resources are more than sufficient to fund our operation and growth plans for the next 12 months.

The following reflects our commitments for capital expenditures, debt and other commitments.

	Capital Expenditures	Debt (1)	Operating Lease Commitments	Total
2003	\$	1,627,941	\$ 82,995	\$ 1,710,936
2004		1,081,590	89,952	1,171,542
2005		672,200	88,547	760,747
2006		681,687	73,359	755,046
2007		3,432,624		3,432,624
Thereafter		2,038,307		2,038,307
Total	\$	9,534,349	334,853	\$ 9,869,202

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(1) Includes the \$3,000,000 of debt associated with the SCB Building LLC as current. The \$3,000,000 is the current draw on an \$8,000,000 construction loan. The Company is a guarantor of this debt.

#### Item 4. Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, such officers have concluded that, as of September 30, 2003, our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to our Company (including our consolidated subsidiaries) required to be included in our reports filed or submitted under the Exchange Act.

During the period covered by this report, there have not been any changes in our internal controls that have materially affected or are reasonably likely to materially affect, our internal controls over financial reporting.

#### FORWARD-LOOKING STATEMENTS

Certain information included in this report contains forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995 (Reform Act). Such statements are based on current expectations and involve a number of known and unknown risks and uncertainties that could cause the actual results and performance of the Company to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statements. In connection with the safe



harbor provisions of the reform act, the Company has identified important factors that could cause actual results to differ materially from such expectations, including operating uncertainty, acquisition uncertainty, uncertainties relating to economic and political conditions and uncertainties regarding the impact of regulations, changes in government policy and competition. Reference is made to all of the Company's SEC filings, including the Company's Report on Form 10SB, incorporated herein by reference, for a description of certain risk factors. The Company assumes no responsibility to update forward-looking information contained herein.

**PART II**

**ITEM 1. LEGAL PROCEEDINGS**

The Company is not a party defendant in any material pending or threatened litigation and to its knowledge, no action, suit or proceedings has been threatened against its officers and its directors.

**ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS**

The rights of the holders of the Company's securities have not been modified nor have the rights evidenced by the securities been limited or qualified by the issuance or modification of any other class of securities.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

There are no senior securities issued by the Company.

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

No matter was submitted during the nine months ended September 30, 2003 to a vote of security holders, through the solicitation of proxies or otherwise.

**ITEM 5. OTHER INFORMATION**

None.

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

No reports on Form 8-K were filed during the last quarter of the period covered by this report.

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(a)	<b>Exhibit No.</b>	<b>Description</b>
	31.1	Certification of the Chief Executive Officer of Whitney Information Network, Inc. Pursuant to Rule 13a-15(e)/15d-15(e).
	31.2	Certification of the Chief Financial Officer of Whitney Information Network, Inc. Pursuant to Rule 13a-15(e)/15d-15(e).
	32.1	Certification of the Chief Executive Officer of Whitney Information Network, Inc. Pursuant to 18 U.S.C. Section 1350.
	32.2	Certification of the Chief Financial Officer of Whitney Information Network, Inc. Pursuant to 18 U.S.C. Section 1350.

(b) Reports on Form 8-K

No reports were filed on Form 8-K during the quarter ended September 30, 2003.

**SIGNATURES**

Pursuant to the requirements of the Securities Act, as amended, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Cape Coral, state of Florida, on November 14, 2003.

WHITNEY INFORMATION NETWORK, INC.

Dated: June 2, 2004

By: /s/Russell A. Whitney  
Russell Whitney  
Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Russell A. Whitney, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments ( including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, as amended, this registration statement has been signed below by the following persons on November 14, 2003.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/Russell A. Whitney Russell A. Whitney	Chairman of the Board of Directors, Chief Executive Officer and President	June 2, 2004
/s/Ronald S. Simon Ronald S. Simon	Executive Vice President, Chief Financial Officer (Principal Accounting Officer) and Director	June 2, 2004