WHITNEY INFORMATION NETWORK INC
Form 10-Q/A
April 07, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

Amendment No. 2

Quarterly Report Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

For the Quarter Ended September 30, 2005

Whitney Information Network, Inc

(Exact name of registrant as specified in its charter)

Colorado	**0-27403**	**84-1475486**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1612 E. Cape Coral Parkway, Suite A, Cape Coral, Florida 33904
(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code **(239) 542-0643**

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

NONE

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

NONE

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

COMMON STOCK

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 ý No o

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

The Issuer had 10,559,660 common shares of common stock outstanding as of January 6, 2006.

PART I

Item 1. Financial Statements

Whitney Information Network, Inc.

Consolidated Financial Statements

As of September 30, 2005 and December 31, 2004

And for the Three and Nine Months Ended September 30, 2005 and 2004

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WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands)

	September 30, 2005 (Unaudited)	December 31, 2004
Assets		
Current assets		
Cash and cash equivalents	$ 20,898	$ 6,745
Restricted cash	7,285	103
Accounts receivable trade, net	899	448
Accounts receivable, other	2,818	1,168
Prepaid advertising and other	3,842	1,977
Inventory	1,112	1,390
Deferred tax asset	1,792	
Deferred seminar expenses	9,726	8,825
Total current assets	48,372	20,656
Other assets		
Property and equipment, net of accumulated depreciation of $3,248 (2005) and $2,532 (2004)	22,933	24,781
Intangible assets, net of accumulated amortization of $1,497 (2005) and $900 (2004)	5,751	6,353
Goodwill	2,000	1,500
Investment in related parties	2,808	3,548
Deferred tax asset Long Term	4,887	
Deferred offering expenses	141	
Other assets	133	117
Total other assets	38,653	36,299
Total assets	$ 87,025	$ 56,955
Liabilities and Stockholders Deficit		
Current liabilities		
Accounts payable	$ 5,544	$ 7,413
Accrued seminar expenses	1,467	2,174
Deferred revenue	80,463	62,689
Accrued expenses	4,192	3,999
Current portion of long-term debt	321	504
Total current liabilities	91,987	76,779
Long-term debt, less current portion	10,553	11,808
Total liabilities	102,540	88,587
Minority Interest	1,632	1,977
Commitments		
Stockholders deficit		
Common stock, no par value, 25,000 shares authorized, 8,705 and 8,618 shares issued and outstanding	3,435	3,269
Paid-in capital	449	449

Foreign currency translation adjustment		(263)		(182)
Accumulated deficit		(20,768)		(37,145)
Total stockholders deficit		(17,147)		(33,609)
Total liabilities and stockholders deficit	$	87,025	$	56,955

See notes to financial statements.

WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(in thousands, except earnings per share information)

	For the Three Months Ended September 30, 2005 (Unaudited)	For the Three Months Ended September 30, 2004 (Unaudited)	For the Nine Months Ended September 30, 2005 (Unaudited)	For the Nine Months Ended September 30, 2004 (Unaudited)
Sales	$ 46,820	$ 32,154	$ 133,510	$ 109,270
Expenses				
Direct course expenses	27,248	16,032	71,317	40,734
Advertising and sales expenses	13,549	19,664	38,364	61,907
General and administrative expenses	4,610	8,651	15,841	23,747
Total expenses	45,407	44,347	125,522	126,388
Income (loss) from operations	1,413	(12,193)	7,988	(17,118)
Other income (expense)				
Equity (loss) earnings from foreign investment	17	(26)	10	118
Gain on sale of asset	253		777	305
Minority interest	55		345	
Interest and other income	620	314	817	1,099
Interest expense	32	(58)	(239)	(424)
Total other income (expense)	977	230	1,710	1,098
Income (loss) before income taxes	2,390	(11,963)	9,698	(16,020)
Income tax benefit	6,679		6,679	
Net income (loss)	9,069	(11,963)	16,377	(16,020)
Other comprehensive income (loss)				
Effect of exchange rates	130	(57)	(81)	(161)
Comprehensive income (loss)	9,199	(12,020)	16,296	(16,181)
Basic income (loss) per share	$ 1.04	$ (1.39)	$ 1.88	$ (1.87)
Basic weighted average shares outstanding	8,705	8,605	8,695	8,580
Diluted earnings per share	.97	(1.39)	1.81	(1.87)
Diluted weighted average shares outstanding	9,321	8,605	9,052	8,580

See notes to financial statements.

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WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(in thousands)

	For the Nine Months Ended September 30, 2005 (Unaudited)	2004 (Unaudited)
Cash flows from operating activities		
Net income (loss)	$ 16,377	$ (16,020)
Adjustments to reconcile net loss to net cash provided by operating activities		
Equity (earnings) loss in foreign corporation	(10)	(118)
Minority interest	(345)	
Depreciation and amortization	1,407	698
Deferred tax asset	(6,679)	
Gain on sale of asset	(777)	(305)
Changes in assets and liabilities		
Restricted cash	(7,182)	
Accounts receivable trade	(451)	(39)
Accounts receivable, other	(1,640)	(599)
Prepaid advertising and other	(1,865)	1,350
Inventory	278	(732)
Deferred seminar expenses	(901)	(2,860)
Other assets	(16)	20
Accounts payable	(1,869)	2,394
Accrued seminar expense	(707)	923
Deferred revenue	17,774	16,990
Accrued expenses	193	1,202
	(2,790)	18,924
Net cash provided by operating activities	13,587	2,904
Cash flows from investing activities		
Proceeds from sale of asset	3,127	827
Contingent payment made on SpeakTek, Inc. purchase agreement	(333)	
Purchase of property and equipment	(460)	(8,338)
Due from related parties	(109)	83
Net cash from (used in) investing activities	2,225	(7,428)
Cash flows from financing activities		
Principal payments on note payable officer/stockholder		(4,713)
Proceeds from mortgages		3,421
Payments of deferred stock offering expenses	(141)	
Payments of principal on long-term debt, net	(1,438)	(178)
Proceeds from exercise of stock options	1	27
Net cash used in financing activities	(1,578)	(1,443)
Foreign currency translation	(81)	(161)
Net increase (decrease) in cash and cash equivalents	14,153	(6,128)
Cash and cash equivalents, beginning of period	6,745	15,021

Cash and cash equivalents, end of period	$	20,898	$	8,892

See notes to financial statements.

Supplemental cash flow information:

Cash paid for interest was $239,000 and $425,504 for the nine months ended September 30, 2005 and 2004, respectively.

Supplemental disclosure of non-cash activity:

In 2005, we transferred $849,000 of land from investment in related parties to property, plant and equipment.

During 2005, we issued 85,470 shares of common stock, valued at $166,667 in exchange for assets we recorded as goodwill and paid during the second quarter of 2005 plus cash of $333,333 for the final payment as part of the SpeakTek (Star Trader brand), Inc. purchase agreement.

See notes to financial statements.

Notes to Consolidated Financial Statements

Note 1 Significant Accounting Policies

The accompanying consolidated financial statements have been prepared by the Company, without audit, and reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods. The consolidated statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial reporting and Securities and Exchange Commission regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (of a normal and recurring nature) which are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The results of operations for the three and nine months ended September 30, 2005 are not necessarily indicative of the results to be expected for the entire fiscal year.

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

The Company s contracts for courses require that courses must be attended within one year of registration. The Company s policy has been to recognize revenue at the earlier of the attendance of the course or one year from the date of registration. During the second quarter of 2005, the Company s United Kingdom subsidiary modified its contracts to be consistent with that of its parent and recognized approximately $1.3 million of revenue from course registrations that had been outstanding for greater than one year.

During the second quarter of 2005, the entity that handles the Company s merchant credit card processing increased the reserve for returns on credit card transactions from less than 1% of monthly credit card transactions to 5% of monthly credit card transactions. This change resulted in a significant increase to restricted cash.

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123 (SFAS 123), *Accounting for Stock-Based Compensation* encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees* and provides the required pro forma disclosures prescribed by SFAS 123 and SFAS 148.

The Company has adopted the disclosure-only provisions of SFAS 123. In accordance with those provisions, the Company applies APB 25 and related interpretations in accounting for its stock option plans and, accordingly, does not recognize compensation cost if the exercise price is not less than market at date of grant. No compensation expense was recognized during the three and nine months ended September 30, 2005 or 2004. If the Company had elected to recognize compensation cost based on the fair value of the options granted at grant dates as prescribed by SFAS 123, net income and earnings per share would have been reduced to the pro-forma amounts indicated in the table below for the three months and nine months ending September 30, (in 000 s except per share amounts):

	Three Months Ended September 30, 2005	2004	Nine Months Ended September 30, 2005	2004
Net income (loss) - as reported	9,069	(12,020)	16,377	(16,181)
Stock-based compensation expense included in reported net income				
Deduct stock-based compensation expenses determined under fair value based method		(543)	(65)	(967)
Net Income (loss)- proforma	9,069	(12,563)	16,231	(17,148)
Basic Earnings(loss)per Share-as reported	1.04	(1.37)	1.88	(1.87)
Diluted Earnings(loss)per Share as reported	.97	(1.37)	1.81	(1.87)
Basic Earnings (loss) per Share-pro forma	1.04	(1.46)	1.87	(2.00)
Diluted Earnings (loss) per Share-pro forma	.97	(1.46)	1.79	(2.00)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used:

	For the Periods Ended September 30, 2005	2004
Approximate risk free rate	4.22%	420%
Average expected life	10 years	10 years
Dividend yield	0%	0%
Volatility	82.23%	43.20%
Estimated fair value of total options granted	$ 65	$ 967

Note 2 Earnings per Share

Basic earnings per share are calculated using the weighted average number of common shares outstanding. Diluted earnings per share is computed on the basis of the average number of shares outstanding plus the effect of outstanding stock options and warrants using the treasury method which totaled 357,000 and 616,000 outstanding as of September 30, 2005 for the three and nine months ended September 30, 2005, respectively. There are a total of 1,795,000 options outstanding as of September 30, 2005. Additionally 420,000 and 577,000 options were excluded from the diluted earnings per share for the three and nine months ended September 30, 2005 respectively, as their inclusion would have been anti-dilutive. There were also 200,000 warrants excluded for the three and nine months ended September 30, 2005 as their inclusion would have been anti-dilutive.

Note 3 Related Party Transactions

We have rented a training facility located in Cape Coral, Florida, since 2002 from the Chairman of the Board and pay rent on annual leases. Rentals under the related party leases were $51,696 and $29,679 and $154,482 and $106,831 for the three months and nine months ended September 30, 2005 and 2004, respectively. We lease 2,200 square feet of training facilities at 1611 E. Cape Coral Parkway, 9,000 square feet of space at 1625 E. Cape Coral Parkway which is used for shipping, and 5,000 square feet at 1630 SE 47th Terrace which we use as a Training Center and for storage, all in Cape Coral Florida, from Cape Promenade Trust which is for the benefit of Russell A. Whitney, our Chairman and Chief Executive Officer and his wife Ingrid. The leases are for three years and began on March 1, 2003, March 1, 2003 and June 1, 2004, respectively. The monthly rentals are $1,943, $7,950, and $7,238 respectively. Management believes that the terms of the leases are no less favorable than those which we could obtain from an independent third party.

MRS Equity Corp. is a 100 percent subsidiary of Equity Corp. Holdings, Inc., which manages the processing of payments through customer s accounts to the mortgage holder, was acquired by the Company in 2003. Prior to July 2003, the Executive Vice President of Marketing for Whitney Information Network, Inc. owned and controlled MRS Equity Corp.

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.

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 4- Stockholders Equity and Transactions

Stock Based Compensation Plans

The Company s stock option plans provide for the granting of stock options to key employees. Under the terms and conditions of the plans, any time between the grant date and two years of service, the employee may purchase up to 25% of the option shares. After three years of continuous service, the employee may purchase all remaining option shares. All options expire ten years from the date of the grant.

The following table presents the activity for options outstanding:

	Options Related To A Plan		Weighted Average Exercise Price
Outstanding December 31, 2002	1407	$	1.93
Granted	201	$	3.80
Forfeited/canceled	(180)	$	(2.19)
Exercised	(6)	$	(2.60)
Outstanding December 31, 2003	1,422	$	2.17
Granted	435	$	4.47
Forfeited/canceled	(15)	$	(1.98)
Exercised	(15)	$	(1.86)

Outstanding December 31, 2004	1,827	$	2.71
Granted	30	$	2.55
Forfeited/canceled	(62)	$	(4.28)
Exercised			
Outstanding September 30, 2005	1,795	$	2.65

The following table presents the composition of options outstanding and exercisable:

Range of Exercise Prices		Number of Options Outstanding	Number of Options Exercisable	Price*	Life*
$	1.75	40	40	$ 1.75	4.58
$	1.81	305	305	$ 1.81	6.75
$	1.88	248	248	$ 1.88	3.71
$	2.00	595	595	$ 2.00	3.84
$	2.55	30	30	$ 2.55	9.67
$	3.10	15	15	$ 3.10	6.92
$	3.70	142	142	$ 3.70	7.43
$	3.90	45	45	$ 3.90	8.08
$	4.10	10	10	$ 4.10	7.50
$	4.50	365	365	$ 4.50	8.33
$ 1.75 to	$ 4.50	1,795	1,795		5.73

*Price and Life reflect the weighted average exercise price and weighted average remaining contractual life, respectively.

During the first quarter of 2005, we issued 85,470 shares of common stock, valued at $166,667 in exchange for assets we recorded as goodwill and paid during the second quarter of 2005 plus cash of $333,333 for the final payment as part of the Speak Tek (Star Trader brand) purchase agreement.

In the second quarter of 2005, stocks options for 30,000 shares were granted to members of the board of directors.

In the third quarter of 2005, stock options for 500 shares were exercised.

NOTE 5 Deferred Tax Assets

We had net operating losses of approximately $35,000,000 at the beginning of the year ending December 31, 2005 to offset future taxable income. Generally Accepted Accounting Principles (GAAP) require the future utilization to be recorded as a deferred tax asset if management believes if it is more likely than not that the Company will generate future taxable income.

In assessing the recoverability of deferred tax assets, management considers whether it is more likely that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible. During the third quarter of fiscal 2005, management concluded that it is more likely than not that we will realize the benefits of some of our net operating loss carryforwards creating future tax deductible amounts for the current year and future periods beyond 2005. A current and long-term deferred tax asset of $1,792,000 and $4,887,000, respectively were recorded on the balance sheet.

Management has continued to assess the realizability of its net operating loss carryforwards for future periods beyond fiscal 2005. During the quarter ended September 30, 2005 management concluded that it is more likely than not that additional net operating loss carryforwards will result in realizable deferred tax assets. Therefore, management determined that it is appropriate to record a total of $6,679,000 in deferred tax assets on the balance sheet in the third quarter of 2005 for periods beyond 2005.

The deferred tax assets recorded in fiscal 2005 represent management s estimate of all deferred tax benefits to be utilized in the current fiscal year and future periods beyond fiscal 2005. The following table reflects the reconciliation of the company s income tax expense:

	Three Months Ended September 30, 2005		Nine Months Ended September 30, 2005	
	2005	2004	2005	2004
Pre tax income (loss)	$ 2,390	$ (11,963)	$ 9,686	$ (16020)
Tax expenses (benefits) computed at statutory rate of 34%	(767)	4,087	(3,252)	5,502
Change in valuation allowance	7,446	4,087	9,931	5,502
Net tax benefit	$ 6,679	$ 0	$ 6,679	$ 0

NOTE 6. Subsequent Events

On August 1, 2005, the Company contributed net assets to a newly-formed wholly-owned subsidiary named EduTrades, Inc. In exchange for the net assets contributed, the Company received 5,200,000 shares of EduTrades, Inc. $0.001 par value Common Stock. On September 16, 2005, the Company announced plans to sell an additional 2,600,000 shares of EduTrades, Inc. stock at a price which is expected to be between $6 and $8 per share. After this sale, the Company is expected to have approximately a 66.7% ownership in EduTrades, Inc. and will be consolidating its results with the Company and it s other wholly-owned and majority owned subsidiaries.

On November 2, 2005, the Company, through a trust, sold the SBC building in Orlando, of which it holds a 50% interest. The selling price was $20,300,000, $9,350,000 in cash at closing, which was used to retire the mortgage, and a promissory note in the amount of $10,950,000, which is secured by the land and the building.

In December 2005 we closed a private placement of 3,300,000 units of our securities, each unit consisting of one share of common stock and one-half common stock purchase warrant to purchase an additional one-half share at $6.00 per share. The units were sold at $4.50 per unit. The securities are being registered for sale pursuant to this prospectus. Russell A. Whitney, our Chief Executive Officer, sold 1,650,000 of the units and we sold the remaining 1,650,000 units. The private placement generated gross proceeds to us of $7,425,000.

The Company is required to register the common stock and the common stock underlying the warrants upon completion of the offering, which was December 12, 2005.

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 10Q, incorporated herein by reference, for a description of certain risk factors. The Company assumes no responsibility to update forward-looking information contained herein.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

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.

Results of Operations

On August 1, 2005, the Company contributed net assets to a newly-formed wholly-owned subsidiary named EduTrades, Inc. In exchange for the net assets contributed, the Company received 5,200,000 shares of EduTrades, Inc. $0.001 par value Common Stock. On September 16, 2005, the Company announced plans to sell an additional 2,600,000 shares of EduTrades, Inc. stock at a price which is expected to be between $6 and $8 per share. After this sale, the Company is expected to have approximately a 66.7% ownership in EduTrades, Inc. and will be consolidating its results with the Company and it s other wholly-owned and majority owned subsidiaries.

Three Months Ended September 30, 2005 compared to September 30, 2004

Revenue Comparisons (in thousands)

	For the three months ended September 30,		
	2005	2004	% change
Basic Training	$ 7,376	$ 8,243	(11)
Advanced Training	28,219	20,722	36
Outreach programs	12,733	4,533	181
Products	2,059	1,701	21
Other	2,344	2,681	13

Total receipts	$	52,731	$	37,880	39
Net change in deferred revenue		(5,911)		(5,726)	
Sales	$	46,820	$	32,154	46

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Net Income

Net income for the three months ended September 30, 2005 was $9,069,000 as compared to a loss of $11,963,000 for the three months ending September 30, 2004, an increase of $21,032,000. Net income per share was $1.04, as compared to $(1.40) for a similar period last year. This increase is directly attributable to an increase in the delivery of advanced training courses, realization of more efficient advertising, and general and administrative costs, and a $6.6 million deferred tax benefit. The change in net income is a trend that is expected to continue, as the backlog of course trainings purchased and undelivered is reduced, the amount of course deliveries will continue to grow, and no significant change in the ratio of expense is anticipated. Deferred revenue, which is the net backlog of training courses purchased and not yet delivered, increased by $17,774,000 during these nine months of 2005, compared to an increase of $16,990,000 for the same comparable period in 2004. In the third quarter of 2005, we have reversed the valuation allowance of our deferred tax assets. This created a tax benefit in the period of $6,679,000.

(In thousands except per share earnings (loss).)

	For the three months ended September 30,			
	2005		2004	
Comprehensive income (loss)	$	9,199	$	(12,020)
Basic income (loss) per share	$	1.06	$	(1.40)
Basic outstanding shares		8,705		8,605
Diluted income (loss) per share	$	.99	$	(1.40)
Diluted outstanding shares		9,321		8,605

At the end of last year, we implemented new marketing strategies aimed at expanding our student base for all our brands. This resulted in increased focus on those geographic markets that have historically proven to be the most responsive to our message while utilizing the most cost-efficient media channels within those markets. Coupled with new pricing strategies, this effort has resulted in increased attendance at our 3-Day Basic Training courses and has increased interest in and demand for our advanced training.

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 generated. These costs include instructor fees, facility costs, and travel expenses. The second component relates to the costs associated with the initial free preview training. This introductory course is offered to provide information to the student about our basic 3-Day training and products and services. There is no revenue associated with this course. The revenue that is generated relates to the future courses that the students enroll in. 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 that is deferred until the related revenue is realized is the related commissions paid.

Direct course expenses increased for the third quarter of 2005 to $27,248,000, an increase of $11,216,000 or 70% over the prior comparable period in 2004 of $16,032,000. This increase in expenses is consistent with the increase in the amount of all types of courses that were held during the periods in question. Direct course expenses, as a percentage of revenue rose to 58% for the third quarter of 2005, as for the comparable period in 2004., it was 50%. We expect the ratio of expenses to revenue to fall as the number of students attending advanced training courses increases.

Advertising and Sales Expense

Advertising and selling expenses, of which advertising represented approximately 83% of these expenses for the three months ended September 30, 2005, was $13,549,000, a decrease of $6,115,000 or 31%, compared to the same period in 2004. Many improvements have been made over the past few months to improve the quality of media buys and better media scheduling. These improvements have been instrumental in continuing to attract increasing numbers of new enrollees into our programs. This trend in continued expansion of our markets is expected to continue throughout the year as many of the projects that are planned are introduced through the rest of the year. Advertising and sales expense as a percent of revenue decreased from 61% to 29% and that trend is expected to continue.

General and Administrative Expenses

General and administrative expenses consist primarily of payroll, benefits, and related expenses, insurance, office and facility expense, and depreciation and amortization expense.

General and administrative expenses were $4,610,000 a decrease of $4,041,000, or 47% over the comparable period in 2004 of $8,651,000. Payroll and payroll benefits account for approximately 65% of total general and administrative expenses. On October 21, 2004 we announced a corporate reorganization and streamlined the workforce through a reduction of our global workforce. Those economies of scale and general efficiencies have been realized, as demonstrated by the ratios of general and administrative expenses to revenues. In the third quarter of 2004, they were 26% of revenues. In 2005 they fell to 10% of revenue. As revenues continue to increase, these expenses will also increase, although at a lesser rate of growth.

Nine months Ended September 30, 2005 Compared to September 30, 2004

Total revenue for the nine months ended September 30, 2005 was $133,510,000, an increase of $24,240,000, or 22% compared to the same period in 2004 of $109,270,000. Of these amounts, $85,861,000 and $57,426,000 respectively were earned from the delivery of Advanced Training courses for the nine months ended September 30, 2005 and September 30, 2004. And of these amounts $21,329,000 and $29,380,000 respectively were earned from the delivery of 3-Day Basic Training courses for the nine months ended September 30, 2005 and September 30, 2004. The fees charged for the 3-Day Basic Training were lowered in 2005 to induce more students to the Training and then on to the advanced courses. The balance of the revenue was earned from the sale of products, conferences and other related income. This increase in course revenues was directly attributable to an increase in the number of attendees at our training courses.

Revenue Comparisons (in thousands)

	For the nine months ended September 30		
	2005	**2004**	**% change**
Receipts			
Basic Training	$ 21,329	$ 29,380	(27)
Advanced Training	85,861	57,426	50
Outreach programs	30,056	17,869	68
Products	8,408	6,673	39
Other	5,630	14,912	(62)
Total receipts	$ 151,284	$ 126,260	21
Net change in deferred revenue	(17,774)	(16,990)	
Sales	133,510	109,270	23

The following table will illustrate the number of events and the number of attendees for the comparative periods:

	Nine months Ended September 30, 2005	**Nine months Ended September 30, 2004**
Number of Events		
Free Preview Training	3,328	3,462
3 Day Basic Training	711	609
Advanced Training	496	399
Number of Attendees		
Free Preview Training	202,137	205,512
3 Day Basic Training	56,926	34,059
Advanced Training	10,849	8,466

The increase in overall revenue over the comparable period in 2004 is a trend that is expected to continue throughout the year. The increase in the number of events and in the number of attendees is expected to continue as our brands continue to be strong.

Direct Course Expenses

Direct course expenses relate to our basic and advanced training and consist of instructor fees, facility costs, travel team coordinators and staff, and travel expenses. The only expenses that are deferred until the related revenue is realized are the related commissions paid.

Direct course expenses increased for the nine months ended September 30, 2005 to $71,317,000, an increase of $30,583,000 or 75% over the prior comparable period in 2004 of $40,734,000. This increase in expenses is consistent with the increase in the amount of basic and advanced training courses that were held during the periods in question. Approximately 36% of these expenses are attributable to the delivery of 3-Day basic training courses, with the balance, 64%, being attributed to the delivery of advanced training courses.

Advertising and Sales Expense

Advertising and sales expenses consist of two components. The first component is advertising. Approximately 80% of all advertising is through TV, with the balance consisting of direct mail, newspaper and radio. Advertising expenses consist of approximately 62% of advertising and sales expense. The second component is sales expense and is the cost associated with the initial free preview trainings and the acquisition costs of acquiring new students. These costs consist of presenter s sales commissions, assistants and coordinators expenses and travel expenses.

Advertising and sales expense for the nine months ended September 30, 2005, was $38,364,000, a decrease of $23,543,000, or 38%, compared to the same period in 2004 of $61,907,000. This decrease is disproportionate with the increase in the number of new events being held this period. Many improvements have been made to the quality of media buys and better media scheduling. Our marketing model indicated the acquisition cost per student for our brands was expected to improve, and it has in 2005. We anticipate that the increase in the number of new students purchasing training courses is expected to continue throughout the year as additional marketing resources are added and as the efficiency of the marketing programs is improved.

General and Administrative Expenses

General and administrative expenses consist primarily of payroll, benefits, and related expenses, insurance, office and facility expenses, and depreciation and amortization expense.

General and administrative expenses decreased to $15,841,000 a decrease of $7,906,000, or 33% over the comparable period in 2004 of $23,747,000. Management continues to exercise prudent control over the Company s expenses. However, some economies of scale and general efficiencies have been realized, as demonstrated by the ratios of general and administrative expenses to revenues. The first nine months of 2004, they were 21.7% of revenues. In 2005 they improved to 11.9% of revenue. As revenues continue to increase, these expenses will also increase, although at a lesser rate of growth.

Net Income

Earnings for the first nine months of 2005 increased over $32,000,000 when compared to the same period in 2004. In 2004, we had a net loss of $ 16 million and in currently, we have net income of $16 million. We have increased revenues, controlled costs and have provided a new model for delivery that should continue to produce positive results. In the third quarter of 2005, we have reversed the valuation allowance of our deferred tax assets. This created a net tax benefit in the period of $6,679,000.

Liquidity and Capital Resources

The Company s capital requirements consist primarily of working capital, capital expenditures and acquisitions. Historically, we have funded our working capital and capital expenditures using cash and cash equivalents on hand. Cash increased by $14,153,000 to $20,898,000 compared to a decrease of $6,128,000 in the previous comparable period in 2004. This increase is directly attributable to the increase in revenues and its control of the Company s expenditures.

The Company s cash provided by operating activities was $13,587,000 and $2,582,000 for the nine months ended September 30, 2005 and 2004, respectively. As the Company continues to deliver its training courses, cash flows should continue to increase.

The Company s cash provided by (used in) investing activities was $2,225,000 and $(7,428,000) for the nine months ended September 30, 2005 and 2004, respectively. Cash used to purchase property and equipment was $8,338,000 for the nine months ended September 30, 2004 as compared to $460,000 for the same period in 2005. In addition, in 2005, cash was provided from the sale of assets $3,127,000 and in 2004 the sale of land provided $827,000. The Company will continue to invest in property and equipment in future periods for facility expansion, computer and software upgrades, and geographic expansion. The Company intends to build up its cash reserves to fund its operations and, to the extent it has excess cash available, the Company may also invest in other real estate projects. The Company will continue to pursue other acquisition opportunities. For these reasons, cash used in investing activities is anticipated to increase as a percentage of cash flows in future periods.

The Company s cash used in financing activities was $1,578,000 and $1,443,000 for the nine months ended September 30, 2005 and 2004, respectively. Debt was reduced $1,438,000 for the nine months ended September 30, 2005 and $4,891,000 for the same period in 2004. As the Company continues to generate cash flow from operations, it may consider some additional reduction of long-term debt as a financing option. However, cash used in investing activities is anticipated to decrease as a percentage of cash flows in future periods.

At September 30, 2005 we had unused letters of credit to secure merchant accounts and certain state bonding requirements aggregating $1,500,000, which are supported by certificates of deposit. These letters of credit expire in October 2005 and January 2006 and the certificates of deposit carry an interest rate of 2.9% and 3.68%, respectively. Merchant account reserves (funds on deposit with credit card processors) was $7,285,000 on September 30, 2005 as compared with $103,000 on September 30, 2004.

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 then sufficient to fund our operations and growth plans for the next 12 months.

On November 2, 2005, the Company, through a trust, sold the SBC building in Orlando, of which we hold a 50% interest. The selling price was $20,300,000 of which, $9,350,000 in cash at closing, which was used to retire the mortgage, and a promissory note in the amount of $10,950,000, secured by the land and the building.

In December 2005 we closed a private placement of 3,300,000 units of our securities, each unit consisting of one share of common stock and one-half common stock purchase warrant to purchase an additional one-half share at $6.00 per share. The units were sold at $4.50 per unit. The securities are being registered for sale pursuant to this prospectus. Russell A. Whitney, our Chief Executive Officer, sold 1,650,000 of the units and we sold the remaining 1,650,000 units. The private placement generated gross proceeds to us of $7,425,000.

The Company is required to register the common stock and the common stock underlying the warrants upon completion of the offering, which was December 12, 2005.

The following reflects our commitments for debt and other commitments. (in thousands) as of September 30, 2005

		Debt		Operating Lease Commitments		Total
2005 (September through December)	$	105	$	245	$	350
2006		523		391		914
2007		539		301		840
2008		7,836		123		7,959
2009		332		127		459
Thereafter		1,540		108		1,648
Total	$	10,875	$	1,295	$	12,170

Impact of Inflation

Inflationary factors such as increases in the cost of labor directly affect the Company s operations. Most of the Company s leases provide for cost-of-living adjustments and require the Company to pay taxes, insurance and maintenance expenses, all of which are subject to inflation. Additionally the Company s future lease costs for new facilities may include potentially escalating costs of real estate and construction. There is no assurance that the Company will be able to pass on increased costs to its customers.

Depreciation expense is based on the historical cost to the Company of its fixed assets, and is therefore potentially less than it would be if it were based on current replacement cost. While property and equipment acquired in prior years will ultimately have to be replaced at higher prices, it is expected that replacement will be a gradual process over many years.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk generally represents the risk that losses may occur in the values of financial instruments as a result of movements in interest rates, foreign currency exchange rates and commodity prices. We do not have commodity price market risk. We are exposed to market risk from changes in foreign currency exchange rates and interest rates which could impact our results of operations and financial condition. We manage our exposure to these market risks through our regular operating and financing activities.

Foreign Currency Exchange Rate Risk- We may face foreign currency exchange risk because of the growth of our United Kingdom and Canadian subsidiaries and our plans to expand into other European markets. The fluctuations in the foreign exchange rate between the U.S. and foreign currencies will result in fluctuations in our annual and quarterly results. Management does not expect that it will employ the use of foreign currency derivative financial instruments that would allow the reduction in our exposure to exchange rate movements.

Interest Rate Risk From time to time we temporarily invest our excess cash and restricted cash in interest-bearing securities issued by high-quality issuers. Our management monitors risk exposure to monies invested in securities of these financial institutions. Due to the sort time the investments are outstanding and their general liquidity, these instruments are classified as cash equivalents in the consolidated balance sheet and do not represent a material interest rate risk to us. Our primary market risk exposure for changes in interest rates relates to our long-term debt obligations. We manage our exposure to changing interest rates principally through the use of a combination of fixed and floating rate debt. In addition, certain of our debt instruments have interest rate floors and ceilings.

We evaluated the potential effect that near term changes in interest rates would have had on the fair value of its interest rate risk sensitive financial instruments at September 30, 2005. Assuming a 100 basis point increase in the prime interest rate at September 30, 2005 the potential increase in the fair value of our debt obligations would have been approximately $60,000 at September 30, 2005.

ITEM 4. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such is defined in Rules 13a-13(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the period covered by this report. Based on such evaluation, such officers have concluded that, as of September 30, 2005, our disclosures and procedures are effective in alerting them on a timely basis to material information relating to our Company (including our controlled 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 significant changes in our internal controls that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting, except as discussed in the following paragraph.

In connection with the interim review of the Company s financial statements, the Company s auditors communicated to the Company s management and the Audit Committee of the Board of Directors material weaknesses involving the Company s internal financial controls. The material weaknesses noted by the auditors relate primarily to having sufficient human resources within our accounting and financial reporting function and the preparation of financial statement disclosures relating thereto. To address these issues, in February 2005 we retained the services of a financial reporting manager on a contract basis to assist us with our external reporting and preparation of financial statements and related disclosures. The financial reporting manager was hired on a permanent basis in September 2005. In June 2005, we established a five person accounting operation in Salt Lake City, Utah to handle certain accounting responsibilities of our financial markets education division, which became a separate, wholly owned subsidiary in July 2005. These responsibilities were previously handled by the accounting staff in in our executive offices in Cape Coral, Florida. The five positions in the Florida office were retained in anticipation of planned future growth, and responsibilities were reassigned to improve efficiency and strengthen controls. Also in the second quarter of 2005 the Florida office added a senior accountant who assumed supervisory responsibility over staff accountants that had previously reported directly to our Senior Controller.

In connection with the audit of the year ended December 31, 2004, there were no Reportable Events within the meaning of Item 304(a)(1)(v) of Regulation S-K. However, the Company s auditors communicated to the Registrant matters it considered to be weaknesses in the Registrant s internal controls relating to the adequacy of staffing of its accounting and finance department.

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 three months ended September 30, 2005 to a vote of security holders, through the solicitation of proxies or otherwise.

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

(a)

Exhibit No.	Description
31.1	Certification of Periodic Report Chief Executive Officer
31.2	Certification of Periodic Report Chief Financial Officer
32.1	Certification of Periodic Report Chief Executive Officer
32.2	Certification of Periodic Report Chief Financial Officer

(b) Reports on Form 8-K

A Report on Form 8-K was filed on September 16, 2005 regarding the Registrant s press release of the intention of a wholly-owned subsidiary, EduTrades, Inc. to file a Form S-1.

A Report was filed on November 7, 2005 regarding the Registrant s intention to issue a press release regarding the Registrant s sale of addition securities.

A Report was filed on December 13, 2005 regarding the Registrant s press release announces a $13.5 million private placement of stocks and warrants.

A Report was filed on January 6, 2006 announcing the appointment of a new Director.

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.

WHITNEY INFORMATION NETWORK, INC.

Dated: April 7, 2006

By: /s/Russell A. Whitney
Russell A. Whitney
President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	**Title**	**Date**
/s/ Russell A. Whitney Russell A. Whitney	Director/Chairman/Chief Executive Officer	April 7, 2006
/s/ Nicholas S. Maturo	President and Chief Operating Officer	April 7, 2006
/s/ Ronald S. Simon Ronald S. Simon	Chief Financial Officer/Secretary/Treasurer/Director	April 7, 2006
/s/ Frederick A. Cardin Frederick A. Cardin	Director	April 7, 2006
/s/ Chester P. Schwartz Chester P. Schwartz	Director	April 7, 2006