

WHITNEY INFORMATION NETWORK INC

Form 10-K/A

November 24, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

**Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

For the Fiscal Year Ended December 31, 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 E. Cape Coral Parkway, Cape Coral, Florida 33904

(Address of principal executive offices) (Zip Code)

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

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)

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

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by a check mark whether the Registrant is an accelerated filer. Yes No

The aggregate market value of the voting and nonvoting common equity held by nonaffiliates of the Registrant, computed by reference to the closing sale price of such common equity as quoted on the Over the Counter Electronic Bulletin Board of \$5.05 per share as of February 27, 2004 was \$9,407,871.

The Registrant had 8,555,199 common shares of common stock outstanding as of February 29, 2004.

The Registrant's revenues for the fiscal year ended December 31, 2003, were \$94,958,170.

Documents incorporated by reference: None

PART I

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.

ITEM 1. BUSINESS

Current Operations

Since 1992, we have provided post-secondary educational and training courses for students throughout the United States. In recent years we have expanded our operations to include course offerings to students in Canada and the United Kingdom. Our courses provide instruction in:

real estate investing;

business strategies;

stock market investment techniques;

entering international business markets;

cash management;

asset protection; and

other financially-oriented subjects.

We also develop and sell educational resource materials which we prepare to support our course offerings and for sale to the general public.

Initially, we focused primarily on basic and advanced real estate training programs which we offered throughout the United States. Our U.S.-based real estate training programs represented approximately 53% of our revenue in 2003, where in 2002 it represented 80% of our revenue. Since 2001 we have gradually expanded our course offerings and geographical markets. We currently offer approximately 175 educational courses and training programs per month covering more than 25 financially-oriented subjects which we provide either for free or on a fee basis to over 30,000 attendees per month. For the year ended December 31, 2003, approximately 86% of our revenue was generated from domestic sales and 14% was generated from sales made in Canada and the United Kingdom. For the year ended December 31, 2003, approximately 60% of our revenue was generated by students enrolled in a previous program of ours. Our tuition ranges from approximately \$1,600 to \$32,000 per course of study. Our training is offered in the U.S. and internationally:

in meeting facilities and conference centers;

at regional training centers located in hotels or other temporarily rented facilities selected by us; and

at our 7,000 square foot international training facility and conference center in Costa Rica.

Our students are initially recruited by attending a free informational training session related to a specific educational subject which is hosted by one of our trainers and is held at a local hotel or other rented auditorium facility. The subject, date and location of the training session is advertised in local newspapers, on our Web site, in television advertisements and through direct mailings and telemarketing. We hold these sessions in major metropolitan areas throughout the United States, Canada and the United

Kingdom. Following the free informational training session, the student may purchase reference materials on the subject discussed or may elect to receive further fee-based training in the many financial subjects we offer either in the student's hometown or in regional training centers which we rent temporarily in hotels. We engage over 85 trainers, instructors and mentors in connection with our various educational course offerings.

Following the first fee-based training session, students interested in learning more on the course topics may also subscribe to our periodic publications, purchase books or software programs or attend advanced training courses. In addition to our over 25 resource publications, we offer three-day advanced training programs throughout the United States, in Canada and the United Kingdom. We also provide post-training programs conducted by our over 30 mentors, who travel to students' hometowns for hands-on business training.

Some of our sales are generated by one of our subsidiaries that provides telemarketing services. Our telemarketing business is responsible for approximately 12% of total revenues. We telemarket our products and services to four types of people: Those who registered to attend one of our free preview trainings, but did not attend; those who attended one of our training events, who purchased another of our trainings, and who have completed the trainings within the last six months; those who attended one of our free preview trainings and who chose not to purchase any trainings or products; and those people who contact us through the Internet and express an interest in being contacted. Our telemarketing division sells the same products and trainings as our live events, and also sells personal coaching, which is not offered at our live trainings.

Currently, approximately 60% of our revenue is derived from our various real estate training courses, which include leveraged residential and commercial real estate acquisition, real estate financing techniques, the use of purchase/lease options, property management and real estate foreclosure techniques. The balance of our revenue is divided between courses offering other business strategies, such as stock market strategies, options trading, asset protection, acquisition of commercial real estate properties, creative financing techniques, international finance and topical business subjects along with the sale of reference materials.

In June 2002 we acquired the Teach Me To Trade division of Maverick Trading LLC for \$688,000 in cash, 750,000 in debt, and 189,655 shares valued at \$550,000 of our common stock. Teach Me To Trade offers courses similar to ours, but focuses on stock market investment strategies. We subsequently integrated the Teach Me To Trade courses into our own training sessions.

In July 2003 we acquired Equity Corp. Holdings, Inc. and Whitney Leadership Group, Inc. which previously were owned by two of our executive officers. Whitney Leadership holds all of the copyright and intellectual property rights associated with our educational materials and licenses these rights to us for payments which have averaged \$239,000 annually over the last three years. We entered into the acquisition agreement in order to eliminate these payments and to gain control of intellectual property rights that form the core of our business. Equity Corp. has developed a program that allows homeowners to make mortgage payments every two weeks rather than monthly thereby more quickly reducing principal and accordingly reducing interest payments. Equity Corp. also manages the processing of the payments through the customer's account to the mortgage holder. We use this program as a part of our basic real estate training courses and believed it was important to acquire the program to insure the continuity of its use.

In May 2003 we agreed to provide management services for Success Development, Inc., a Florida-based company engaged in the post-secondary real estate training business. Under our agreement, we acquired SDI's database of over 200,000 students, agreed to administer SDI's Web site and assist it in marketing its training courses, which operated under the Cash Flow Generator brand. Under this agreement the Company received 30% of profits. In November 2003, we exercised our option to purchase the assets of SDI for 180,000 shares of our common stock, valued at \$900,000. We subsequently integrated the Cash Flow Generator brand into our own systems, and its operations are included in the Whitney Information Network, Inc. accounts.

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In October 2003 we acquired all of the outstanding stock of SpeakTec, Inc. for \$1,550,000. SpeakTec, Inc. is the holding company for Quantum Vision, Inc., which is the operating company. Of this amount, \$550,000 was paid in cash and \$1,000,000 was paid through the issuance of 200,000 shares of restricted common stock. Fifty-thousand shares of the common stock will be retained by the Company for a period of six months. SpeakTec is engaged in the post-secondary financial training business similar to

Teach Me To Trade, and operates its courses under the brand name of Star Trader. We subsequently integrated the Star Trader brand into our own systems and its operations are included in the Whitney Information Network, Inc. accounts.

We support our educational training by providing our students with a series of outlines, magazines, books, cassette tapes, CDs, Web-based interactive discussions and learning tools and software programs. Currently, we offer over 25 educational publications and software packages, which are distributed to students registered in our educational programs and sold directly to the public.

Our Strategy

We believe we have the opportunity to significantly expand our leadership position in the financial education industry. In order to do so, we have implemented a strategy that includes:

Increasing the number and type of our course offerings. We intend to continue to increase the number and type of our educational course offerings in order to attract more students. New courses will further diversify our financial educational products and will include subjects which we believe are gaining in interest and popularity among students, such as courses on acquisition of mobile and manufactured homes and real estate portfolio management.

Expanding our markets outside the United States. Consistent with our earlier expansions to Canada and the United Kingdom, we intend to add new markets in order to attract students we do not currently reach. Initially, we expect to focus our expansion efforts on English speaking European countries, beginning with Ireland and Scotland. However, we expect to offer courses in non-English speaking countries in the near future, beginning with Spain.

Marketing our reference materials and online courses. We intend to emphasize the direct marketing of educational products and reference materials which we currently use primarily to support our training programs. These products will be marketed on a stand alone basis through direct mail campaigns and promotions on our Web sites. We also intend to develop selected courses electronically, primarily online, as well as through traditional student-attended programs and classes. Our electronic courses will be used to supplement our existing courses and will be marketed using television infomercials developed and produced by us. Responses generated from our direct mail and infomercial campaigns will also be used to market our existing training programs and courses to those who responded.

Diversifying our media advertising. We intend to increase our print and television advertising and test new forms of marketing, including direct mail campaigns, e-mail campaigns and attending real estate and financial product shows, seminars and conventions. We also intend to develop and produce infomercials to specifically market our reference materials and our electronic courses.

Developing or acquiring accredited or licensed proprietary schools. We are licensed in Texas as a proprietary school and intend to develop this portion of our financial education business. We may seek to expand our proprietary school operations by developing new schools that offer post-secondary education technical courses or by acquiring existing schools from third parties. We have no understandings or agreements to develop or acquire such schools at the present time.

Educational Training

Following a free informational training session, we offer our students a variety of educational courses, which we also refer to as programs, as well as educational materials. These programs provide the opportunity to train either in the student's home town or at local or regional camps. Our trainers take students step-by-step through a curriculum that stresses a broad range of financial educational training, money management and asset protection. Our financial educational training is taught to students in the United States, Canada and the United Kingdom through traditional course study and hands-on training, and includes the following subjects. We do not have any specific educational requirements for our trainers, but we do require that they have experience with respect to the subjects they teach and that they have completed training programs which we provide that prepares them to teach their particular subjects.

Basic Training

Following the free educational training session, our students may elect to learn more about the subject by attending a basic course in the student's home town.

Real Estate. Our Building Wealth Workshop training is a local training program offering a curriculum that focuses on the general business of real estate and teaches the fundamentals of negotiating real estate purchases with sellers, rehabilitating distressed properties, leasing rental units to tenants and using a database to generate multiple sources of cash flow. Students are taught the mechanics of completing a real estate transaction in their community, from writing a contract to closing the transaction, with emphasis upon creative financing strategies.

Our Cash Flow Generator training is also a local training program offering a curriculum in real estate but with a different emphasis. It concentrates on the buy, fix up and sell concept. It emphasizes turning real estate quickly rather than holding long-term.

Each of these brands appeals to different students depending upon business acumen and risk tolerances.

Business. Our three-day business local training workshops currently are in development and are being designed to teach students how to organize and build a business, how to broker or buy discount notes and mortgages, how to fund a retirement plan at maximum levels, how to purchase property at discount prices through auctions or online trading and how to arrange E-commerce accounts for clients and customers.

Financial. Our Teach Me To Trade Training Academy is a local training program offering a curriculum that focuses on stock market trading strategies and uses proprietary software and specific teaching techniques designed by us. Students are taught to understand the stock markets, investment strategies, risks and how to maximize returns in bull and bear markets.

Our Star Trader training is similar to the Teach Me To Trade training, but with different emphasis. Star Trader emphasizes stock trading and the use of options and option trading in its program. Similar to our two real estate training brands, Star Trader appeals to students who have a higher risk tolerance than the Teach Me To Trade students.

Advanced Real Estate Training

Upon completion of a local basic training program, students may seek more advanced training at our specialized regional training centers, which are generally three days in length and are held in locations

around the country. Many of these programs offer local tours so that students can observe negotiating techniques and view properties in the area. Students are led through real estate acquisition and financing transactions from beginning to end and are provided with a number of real estate acquisition strategies.

Intensified Real Estate Training. Our Intensified Real Estate Training course is offered at a training center in Cape Coral, Florida. This course expands upon the students' knowledge of real estate gained from our basic course. During Intensified Real Estate Training, students learn how to locate and analyze various property types and how to effectively analyze property income and expense. Students telephone actual sellers and then tour properties offered for sale throughout the Cape Coral and Fort Myers, Florida areas. Students then conduct real estate investment negotiations and may complete transactions under the supervision of their instructor. Guest speakers including investors, property managers, developers, grant officers, loan officers, realtors and mortgage brokers explain how students can locate financing for a variety of transactions, from multi-unit apartment complexes to unimproved land.

Wholesale Buying. Our Wholesale Buying training course instructs students on the fundamentals of identifying, locating, negotiating, financing and disposing of wholesale properties. Students are also taught how to develop an investor database and how to manage out-of-state properties. While enrolled in this program, students develop a five-year investment plan with the help of our instructors. This program is focused upon taking students from the level of novice investor to a proficiency in managing a real estate investment portfolio.

Foreclosure. Our Foreclosure Training course teaches the intricacies of the real estate foreclosure process, how and why foreclosures occur, the role of secured lenders in foreclosure actions and discusses laws that affect lenders and borrowers. Students visit a local county courthouse to search foreclosure records and review title and tax information. Students visit with owners of properties that are in foreclosure and learn how to negotiate transactions for properties in foreclosure. Our instructors also teach students how to read foreclosure notices and how to refinance their acquisitions to generate cash at the closing. Students also learn how to inspect, estimate the value of and rehabilitate houses.

Purchase Options. Our Purchase Option training course is designed to teach students how to control an equitable interest in property without actually owning the property and how to create lease options on properties. Students learn how to structure lease options and purchase options and how to generate cash from purchase real estate transactions. Included with the course is a field trip and detailed information on how to select appropriate properties for option or purchase. Other sessions include negotiating with prospective sellers and prospecting for tenants, buyers and lessees.

Property Management Cash Flow. Our Property Management & Cash Flow training course teaches students how to manage their rental properties, including how to analyze monthly cash flows. Students also learn how to earn income by managing the properties of others and how to find and retain tenants. The course curriculum includes numerous approaches to resolving tenant-landlord problems such as delinquent rents, raising rents and evicting tenants. Our instructors discuss governmental regulations and the tax implications associated with real estate. Students learn about the profit potential for acquiring student housing and rooming houses as well as learning how to find and rehabilitate

distressed properties. The program also teaches basic marketing techniques to increase profits.

Investing in Mobile Homes. Our Manufactured/Mobile Homes & RV Parks training course teaches students how to buy, sell and rent mobile homes and parks, an often overlooked segment of the real estate market. While mobile homes cost far less than frame constructed homes, they can yield a significant rate of return on investment. Other subjects include developing and operating a mobile home park, expanding rental pads and lots to hold more units, obtaining standard and unconventional financings, estimating fix-up, improvement and moving costs, obtaining seller financing terms and identifying attractive properties at foreclosures and repossessions.

Commercial Real Estate Investing. Our Commercial Real Estate Investing training course highlights the fundamentals of analyzing, buying, managing and disposing of commercial properties. Students also learn how to establish relationships with lenders and government financing agencies. This course, like many of our courses, teaches students how to rehabilitate properties and how to locate and pre-qualify tenants. Our trainers also teach students about various leasing arrangements and describe various legal forms used in commercial property management. Students finish their training with a four-hour analysis tour of commercial properties.

Keys to Creative Real Estate Financing. Our Keys to Creative Real Estate Financing course teaches students how to create and refinance mortgages, how to exchange properties without tax consequences and how to structure financings in light of prior credit problems. Discussions also include determining home equity, engaging in real estate negotiations and the use of hard-money lenders.

Business Success Training

Our Business Success programs offer a series of training courses associated with starting a business, growing a business and protecting assets.

Asset Protection and Tax Relief. Our Asset Protection and Tax Relief training course describes various legal entities used to hold property such as partnerships, corporations, and land and international trusts and the use of these entities to protect assets. Students also learn how to minimize income tax and estate tax liabilities and to develop their own personal investment plans.

Discount Notes and Mortgages. Our Discount Notes and Mortgages training course teaches students how to broker and buy commercial paper at a discount. Students learn how to locate funding sources for discounted notes and mortgages. Trainers also teach students how to discount other sources of debt such as business leases, business notes, inheritances, lotteries, life insurance policies and structured settlements.

Financial Training Programs

Our Financial Training programs are designed to help students learn about stock market and international equity investing.

Master Trader. Our Master Trader Advanced Training course is a three-day program offering intensified training designed to provide traders and investors with the knowledge needed to prosper in various market environments. This program offers the students a selection of long and short-term strategies and uses state of the art proprietary software.

Course work includes technical analysis, fundamental analysis and our Master Training techniques.

Trading P.I.T. Our Trading P.I.T. (pros-in-training) course describes the trading approaches of top money managers. The course teaches students how to create an income stream using more conservative trading techniques and other strategies designed to limit risk while increasing the probability of success. Strategies covered include a number of trading approaches such as bidirectional trading, hedged directional trading, nondirectional trading, floor-trading strategies and capital preservation. Our 5-Point STAR Trader Formula allows users to quickly scan the market, generate forecasts and select strategies.

Single Stock Futures. Our Single Stock Futures course addresses changes in rules regarding single stock futures. We discuss new tools associated with spread trading and leveraged trading. Students are taught the legal framework of single stock futures, set-ups and strategies and where single stock futures fit into their diversified portfolios.

Advanced P.I.T. Training Camp. Our Advanced P.I.T. Training course offers our students the opportunity to experience the market from the inside directly from the floor of an organized exchange during a market visit followed by a simulated floor trading session after the market closes. Instruction is provided by our options trainers. Subjects include advanced spread trading strategies, CPR (current portfolio repair) and creating a personal mutual fund.

International Finance and Investment Training Course. We have recently developed a new advanced training program in international finance and investment which is offered in our Costa Rica Conference Center. This program offers a curriculum that includes wealth building and investment opportunities overseas. The training also addresses the benefits of establishing a business internationally, investing in foreign markets, raising venture and working capital internationally and asset protection.

Mentoring Programs

We offer advanced training programs conducted by our over 30 mentors, who travel to the students' home towns for hands-on business training.

Real Estate. Our Real Estate mentoring program applies the curriculum of the basic real estate camps to the student's city of choice. Under this program, one of our mentors travels to the student's city for four days to guide the student through an investment transaction. Students review the real estate acquisition techniques involved and learn the real estate characteristics of the local market. Students can put to practice the skills they have gained while working directly with an experienced mentor.

Financial. For mentored financial training, our students travel to a brokerage firm and spend three and one-half days coached by an experienced stock market trader.

Additional Products

We market directly to customers a wide range of educational and reference products that supplement our training programs, such as our Building Wealth Real Estate Home Study Course; Real Estate Success System Software; Business Success System Software; Discount Notes and Mortgages Home Study Course; self-help courses and manuals that provide students with information about their credit along with first-time homebuyers' manuals. We are planning to develop on-line courses covering a number of our educational training subjects and expect to market these courses in the first half of 2004.

Sales and Marketing

We create interest in and demand for our educational programs, products and services through a mix of television advertising, print advertising, direct mail, attendance at trade shows and Internet marketing. We employ a sales force of over 150 individuals trained to handle the needs of new students, to promote new products and services to existing and former students and to respond to customer inquiries via phone, e-mail or the Internet.

Our marketing programs include:

Television advertising, which is our primary means for promoting our educational courses. We generally concentrate our television advertising in the cities where our courses are scheduled to be held. Television advertising is often used in coordination with direct mail marketing in order to maximize sales efforts and create greater name recognition within the target population. In the future we intend to develop television infomercials to sell our new electronic course offerings.

Limited news print advertising, which we also purchase in markets where our training courses are scheduled to be held.

Direct mail and e-mail marketing, which we use in promoting our educational training courses and marketing new educational products, programs and services to our current and former students and to prospects whose names have been provided to us by third party vendors.

Internet marketing, which is primarily focused on our Web site at <http://www.russwhitney.com>. The site contains information about our products, programs and services, many of which may be purchased online.

Cross promotional advertising campaigns, which we employ from time to time in conjunction with other financial education service providers.

Competition

The financial education training business is highly-fragmented and intensely competitive. In a broad sense, we compete with national and international post-secondary education companies, such as Apollo Group, Devry Educational, Sylvan and New Horizon, that offer technical and industrial training and career training. We do not, however, compete with these or other companies that offer undergraduate or advanced degrees or continuing education programs. More specifically, we compete with a number of smaller companies, such as Wyse Trade and Robbins Research International, that offer training on specific business subjects including real estate and stock market investing. Generally, competitive factors within the proprietary educational market include the range and depth of course offerings, the quality of teachers and trainers, the quality of reference materials provided in connection with course studies and the cost of the educational process. We believe that the range and depth of our course offerings and our brand name offer competitive advantages over many of our direct competitors. We train our own teachers and trainers and we prepare most of our own course materials which we believe offer us competitive advantages over companies that do not train their own teachers or develop their own educational materials. As a result of constantly attending the training sessions of our competitors, we believe that the quality of our teachers, trainers and reference materials are consistent or superior to those of our competitors. Our charges for our educational courses are also consistent with those of our competitors. Many of our competitors have financial and marketing resources and name recognition superior to ours.

Intellectual Property

We regard our educational materials and products, trademarks, servicemarks and trade symbols as proprietary and we rely primarily on statutory and common law protections, such as copyrights and trademarks, to protect our interests in these materials. While some of our products and trade names are commonly used terms and do not afford us significant copyright or trademark protection, we also use employee and third-party non-competition and non-disclosure agreements and other contractual methods of protecting proprietary rights to safeguard our intellectual property.

Employees

At December 31, 2003, we had approximately 360 employees, plus over 85 independent contractors who act as trainers, instructors and mentors. Our employees are not represented by a labor union, and we believe our relations with our employees are satisfactory.

Government Regulation

We rely on advertising to attract new students and most states regulate post-secondary education advertising practices. Since our inception we are aware of four occasions in which states have investigated our advertising practices. These states were Florida, Michigan, Pennsylvania and Tennessee.

In 1996, Florida terminated its investigation into our advertising practices without charges or penalties. In 1998, we agreed to a Michigan Assurance of Discontinuance that required us to be licensed to sell business opportunities. We paid an investigation fee of \$250, did not admit wrongdoing and have been conducting business in Michigan since 1998 without incident. In 1998, we agreed to a Pennsylvania Assurance of Voluntary Compliance pursuant to which we agreed to comply with all applicable requirements of the Consumer Protection Law. We did not admit wrongdoing and have been conducting business in Pennsylvania since 1998 without incident. We paid Pennsylvania \$4,000 to cover investigative costs. In 1997, we agreed to a Tennessee Agreed Final Order pursuant to which we agreed not to violate the Tennessee Consumer Protection Act in connection with our advertisements. We did not admit wrongdoing and have been conducting business in Tennessee since 1997 without incident. We paid Tennessee \$9,500, of which \$7,500 was to cover investigative costs.

Risk Factors

Investors should consider the following risks prior to investing in our securities.

If We Do Not Successfully Introduce New Programs, Products and Services, Our Growth Rate and Revenue Will be Reduced.

Our growth strategy is dependent on our ability to sell existing training programs, products and services to new students, to open new markets and to develop and introduce new educational programs, products and services. If we are unable to expand our markets and products, our growth rate and revenue will be reduced. Market conditions and the level of customer interest may be different for our current products than for new products, and there can be no assurance that we will be able to compete favorably with, and obtain market acceptance for, any such new programs, products or services.

Volatility in the Securities Markets May Reduce Interest in Our Stock Market Courses.

The level of public interest in investing, particularly in the securities and option markets as well as electronic trading, significantly influences the demand for our stock market programs and related financial education products and services. The securities markets have experienced weakness and substantial volatility over the last few years. A further decline in securities prices or other negative developments in the securities markets could cause a reduced demand for these programs, products and services.

Failure to Comply with State Laws Regulating the Marketing and Sale of Proprietary Educational Courses Could Harm Our Reputation and the Demand for Our Course Offerings.

Many states regulate the marketing and sale of proprietary educational courses, including the content of advertisements to attract students. Failure to comply with these regulations could result in legal action instituted by the states, including cease and desist and injunction actions. In the event we are subject to such legal action, our reputation would be harmed and the demand for our course offerings could be significantly reduced.

If Our Planned Expansion Into Foreign Markets is Unsuccessful, Our Profits Will be Reduced.

Our business strategy calls for us to expand into foreign markets, including English-speaking countries in Europe, as well as Spain. We have limited experience providing education and training outside North America and no such experience in non-English speaking markets. Accordingly, there is a higher degree of risk associated with our expansion into foreign markets than that which is associated with our ongoing expansion in the United States. Should our expansion prove unsuccessful, our profitability could be reduced.

Continued Significant Compensation Payments to Our Chief Executive Officer Could Impair Our Working Capital Thereby Reducing Our Operations

In 2003 we paid Russell A. Whitney, our Chief Executive Officer, a salary and bonus of \$400,000 and \$275,000, respectively. In May 2003, we entered into a three year employment agreement with Mr. Whitney which provides for a salary of \$400,000 per year, together with bonuses to be granted by the independent compensation committee of our Board of Directors, and customary employee benefits, including health insurance. Bonuses granted by the Board of Directors to Mr. Whitney are expected to be between 50% and 150% of his salary, depending on our level of profitability. Nevertheless, substantial payments in the future to Mr. Whitney could impair our working capital, thereby reducing our operations.

The Current Market Price of Our Common Stock Significantly Exceeds Our Book Value Per Share and Increases the Risk That Our Market Value Per Share May Decline in the Future.

The current market price per share of our common stock greatly exceeds our book value per share, which was a deficit of \$(.49) at December 31, 2003. The lower book value per share increases the risk that our market value per share may decline in the future.

Our Chief Executive Officer Controls a Majority of Our Outstanding Capital Stock, Which Means That He Has the Ability to Approve Any Matter Requiring Shareholder Approval.

Russell A. Whitney, Our Chief Executive Officer and Chairman, controls approximately 77% of our outstanding capital stock. As such, Mr. Whitney can approve any matter requiring the vote of our stockholders, including the election of directors. Mr. Whitney could, without other stockholders, vote to approve a transaction that is not necessarily in the best interests of other stockholders or reject a transaction that may be in the best interests of other stockholders. For example, Mr. Whitney's stock ownership may prevent a third party from acquiring a controlling position in our common stock. In many instances, a third party desiring to purchase a controlling position is willing to pay a premium to the market price. Mr. Whitney's stock ownership would likely prevent such an event from occurring.

Our Board of Directors, Without Stockholder Approval, May Issue Preferred Stock Which Could Reduce the Voting Power of Our Other Stockholders

Our Board of Directors, without stockholder approval, may issue up to 10,000,000 shares of preferred stock. The Board of Directors can fix the rights, preferences and privileges of the shares of each series and any qualifications, limitations or restrictions, which could adversely affect the voting power or other rights of the holders of common stock. Further, issuance of preferred stock could have the effect of making it more difficult for a third-party to acquire, or of discouraging a third-party from attempting to acquire, a majority of our outstanding voting stock.

The Loss of Any of Our Key Personnel, Especially Mr. Whitney, Would Disrupt Our Operations and Hurt Our Profitability.

Our future success depends to a significant extent on the continued services of our senior management, especially, Russell A. Whitney, our Chairman of the Board of Directors and Chief Executive Officer. We do not maintain key-man life insurance on the life of Mr. Whitney. The loss of the services of Mr. Whitney would likely have a significant detrimental effect on our business as he is our founder and is involved in every aspect of our business.

Our Stockholders May Suffer Dilution As a Result of Our Outstanding Common Stock Options.

As of December 31, 2003, there were 1,422,250 common stock options outstanding at exercise prices ranging from \$1.70 to 4.10 per share. The issuance of option shares below market price can cause dilution in the value of our common stock as compared to the then market price of the

common stock paid by purchasers in the offering.

ITEM 2. PROPERTIES

Our executive offices are located in a 30,000 square foot office building we own at 1612 E. Cape Coral Parkway, Cape Coral, Florida 33904. We also own a 7,000 square foot conference and training center in Costa Rica, which we designed and built in 2002.

We lease 2,200 square feet of training facilities at 1611 E. Cape Coral Parkway, Cape Coral, Florida 33904 from Russell A. Whitney, our Chairman and Chief Executive Officer, under a month-to-month lease, at \$1,943 per month. The terms of the lease are no less favorable than those which we could obtain from an independent third party.

We lease 6,840 square feet of office space at 12244 South Business Park Drive, Suite 230, in Draper, Utah. The lease expires in October 2006 and is payable at the rate of \$6,128 per month.

Our Canadian subsidiary leases 1,200 square feet of office space at 3780-14th Avenue, Unit 20, Ontario, Canada. The lease expires in May 2005 and is payable at rates increasing from \$1,081 to \$1,654 per month over the term of the lease.

We locate what we refer to as regional training centers in hotels in a number of cities across our market areas. We rent, generally for three to five days, meeting rooms in these hotels for use in training our students.

ITEM 3. LEGAL PROCEEDINGS

None

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has traded on the Electronic Bulletin Board operated by the National Association of Securities Dealers, Inc. under the trading symbol RUSS since August 1998. The high and low closing prices of our common stock for the last two years, by calendar quarter, are set forth below. These quotations reflect inter-dealer prices, without retail mark-up, markdown or commissions and may not represent actual transactions.

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	High Closing Price		Low Closing Price	
Year Ended December 31, 2003				
Fourth Quarter	\$	5.2	\$	4.10
Third Quarter	\$	5.2	\$	4.00
Second Quarter	\$	5.3	\$	3.55
First Quarter	\$	4.5	\$	3.55

	High Closing Price		Low Closing Price	
Year Ended December 31, 2002				
Fourth Quarter	\$	4.20	\$	2.20
Third Quarter	\$	3.35	\$	2.20
Second Quarter	\$	3.25	\$	1.45
First Quarter	\$	3.60	\$	1.15

As of February 29, 2004, we had approximately 350 record and beneficial stockholders, and the closing price of our common stock on that date was \$5.05 per share.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our consolidated selected financial data as of and for the five year period ended December 31, 2003. The data for the five years has been derived from our consolidated financial statements, which have been audited by Ehrhardt, Keefe, Steiner and Hottman, PC for 2000, 2001, 2002 and 2003 and Larry Legel CPA, for 1999, independent certified public auditors. The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and the notes thereto.

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Operating revenue	\$ 94,958,170	\$ 62,145,237	\$ 42,157,740	\$ 32,859,857	\$ 26,775,589
Net income (loss)	\$ (1,557,659)	\$ 6,229,740	\$ 2,534,247	\$ (8,703,127)	\$ (1,962,266)
Net income (loss) per share	\$ (.19)	\$.78	\$.33	\$ (1.16)	\$ (.26)
Total assets	\$ 54,033,756	\$ 26,167,287	\$ 16,626,475	\$ 13,654,597	\$ 6,284,403
Long-term obligations	\$ 9,421,331	\$ 1,606,410	\$ 575,000	\$ 1,200,000	\$
Stockholders (deficit) equity	\$ (4,157,117)	\$ (3,102,555)	\$ (10,382,725)	\$ (12,936,972)	\$ 4,233,845
Cash flow from operations	\$ 7,938,416	\$ 9,731,185	\$ 5,276,500	\$ 3,545,361	\$ 1,250,950

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Critical Accounting Policies

We are engaged primarily in the business of providing financial education through training courses, which we also refer to as programs as well as educational materials. We record the revenue from training programs as deferred revenue when the proceeds are received in full and until the training program takes place. The revenue is recognized (earned) when the student attends the training program or at the expiration of our obligation to provide training, whichever comes first. Students pay for the courses in advance, the fees are generally non-refundable, and the students are allowed one year to complete their program. A student of an advanced training course may request and receive a refund before the start of the second day of training. A student may also receive a refund within three days of their purchase by exercising a right of rescission. In such cases, the corresponding amount of deferred revenue is relieved with no impact on the consolidated statement of operations.

Speaker fee commission payments earned for generating the revenue are deferred until such time as the revenue is earned. Advertising costs, training room rentals, and direct selling expenses are expensed as incurred. Advertising paid in advance is recorded as prepaid until such time as the advertisement is published.

Historically, the amount of advertising and direct selling expenses that we incur is directly related to the amount of revenue we earn in the form of course revenue. The revenue from the training courses can be deferred as much as one year after the advertising and selling expenses to

acquire that revenue are spent. From a financial reporting standpoint, this business model, coupled with this revenue recognition and expense deferral policy will create increased losses, or reduced net income, in periods in which sales are growing at a fast rate.

From a balance sheet perspective, the liability, which we designate as deferred revenue, will increase when the amount of program sales exceed the amount of programs attended and the amount of program expirations. A significant increase in the number of students completing our training courses over the amount of new program sales will cause our deferred revenue to decrease and therefore increase our taxable income. Stated differently, deferred revenue will increase in times of business growth and decrease in times of business contraction. Furthermore, since we receive cash in advance of providing the training, we must retain sufficient cash to pay both income taxes on future profits and final training costs.

Results Of Operations

Year Ended December 31, 2003 Compared to December 31, 2002

Revenue

Total revenue for the year ended December 31, 2003 was \$95,000,000, an increase of \$33,000,000 or 53% compared to the same period in 2002. The increase in sales was caused by several factors. First, there was significant growth all segments of the business. Co-marketing efforts with business joint ventures had an increase in sales over 2002 of \$7,000,000. The Cash Flow Generator brand was new in 2003 and showed strong results for the first year (\$9,500,000) The Star Trader brand began training programs in November 2003 and did not show significant revenue in 2003. The Teach Me To Trade brand showed a large increase in sales over 2002 (18,000,000 gross, 15,200,000 earned), UK based sales increased over 2002 (8,100,000 gross, 5,700,000 earned) as well as the Canadian based sales (\$2,500,000). Much of this increase in sales was treated as deferred revenue at December 31, 2003 (\$14,000,000) as the course deliveries were unable to grow as fast as sales. In addition to growth in the training segments, our telemarketing sales increased by 41% from \$8,600,000 in 2002 to \$12,100,000 in 2003. The financial education training programs were approximately 25% of gross revenues for 2003. They were not significant in prior periods. The UK and Canadian based sales for 2003 were approximately 15% of gross revenues, and they were not significant in prior periods.

Secondly, our customers' contract periods were shortened to one year. Consequently, our responsibility to deliver additional training expired in one year. Prior to July 2002, the contract period lasted eighteen months. This resulted in an increase in revenue realized from contract expirations compared to 2002 (\$5,500,000). And lastly, we were able to significantly increase the number of students completing our training courses over the prior year (\$ 6,300,000).

The proceeding discussion provides a breakdown of what operations and products have accounted for our increase in revenues for the year ended December 31, 2003 over the comparable period for 2002. The overriding theme is that the increase in revenues has been caused by the increase in our sales volume, courses held, and course attendees. The company has not had a price increase in its courses for over two years. Consequently, all of the increase in revenues is attributable to volume increases. The following table shows the number of courses held and the number of attendees in 2002 and 2003:

	# of Events	# of Students
Free Preview Trainings- 2002	258	133,844
Free Preview Trainings- 2003	476	201,555
Fulfillment Trainings- 2002	318	11,597
Fulfillment Trainings- 2003	310	14,974

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Advanced Trainings- 2002	850	5,314
Advanced Trainings- 2003	1,346	9,960

Based upon the business plan of the company, we are planning for the same trends to continue forward. The financial education training segment will continue to grow domestically with the introduction of the second brand (Star Trader) into normal operations, and with the expansion of the number of events with the Teach Me To Trade brand. And the segment will grow internationally, as both of the brands are expanding into Canada in 2004, and Teach Me To Trade is expanding into the UK in 2004. The real estate training segments will continue to grow in 2004 domestically, as the Cash Flow Generator brand expands its course offerings, and as the joint ventures with other affiliates expand their course offerings in 2004. The real estate course offerings are also being expanded in the UK, and we intend to increase the real estate course offerings in other countries in Europe.

There are uncertainties which, if they were to occur, could hinder our expansion plans. First, with a national election in the U.S. occurring in 2004, the available media time in the summer and fall of 2004 could diminish our ability to advertise and attract new students. Second, with the planned international

expansion, those results could be diminished if political or world events occurred which affected our ability to travel and train internationally.

Our telemarketing business is responsible for approximately 12% of total revenues. We telemarket our products and services to four types of people: Those who registered to attend one of our free preview trainings, but did not attend; those who attended one of our training events, who purchased another of our trainings, and who have completed the trainings within the last six months; those who attended one of our free preview trainings and who chose not to purchase any trainings or products; and those people who contact us through the Internet and express an interest in being contacted. Our telemarketing division sells the same products and trainings as our live events, and also sells personal coaching, which is not offered at our live trainings. The revenue recognition policy of the items sold is the same as the revenue recognition policy of the items sold at our other events. Revenue is not recognized until the trainings or coaching are delivered, or until the contract period expires.

Our company has business relationships with other people and businesses in the same or similar lines of business. Our efforts with these joint venture partners result in the sales of our company's products and trainings. The difference is that our joint venture partners do the marketing for and manage the production of those events. Representatives of our company are offered an opportunity to appear at those events and present to the audience the various products and trainings offered by our company. The profits generated from sales that occur at those events are then split in different ratios between our company and the particular joint venture partner.

Direct Course Expenses

Direct course expenses, which consist of instructors' fees, facilities costs and field representatives' salaries and travel expenses, increased proportionately in comparison with the increase in sales for the year ended December 31, 2003 to \$46,800,000, an increase of \$18,400,000 or 65% compared to \$28,400,000 in the same period of 2002. Direct course expenses as a percent of revenue were 49% for 2003 versus 46% for 2002. Direct course expenses are primarily driven by the number of courses that are held. The overall increase in courses held during 2003 of 2,132 compared to 1,426 in 2002 drives these expenses. The only expenses that are deferred and matched to the amount of revenue that is deferred is the speaker commissions that are paid for the sales that are generated. So included in the consolidated statement of operations for direct course expenses is the expense related to the commissions that are paid on deferred revenue that is earned. The increase in the amount of deferred revenue earned is illustrated in the increase in the number of advanced course attendees from 5,314 in 2002 to 9,960 in 2003. Speaker fee commissions are approximately 12% of the revenue amount generated. We do not expect this ratio to significantly change, although some areas will see increased expense and some will see reductions. Economies of scale are anticipated in the direct course expenses as alternative delivery methods are being developed and implemented. Also, we believe that significant reductions in the cost of instructor fees and facility costs can be obtained in 2004 and beyond. These improvements will however, be offset by an increase in the cost of delivering a higher ratio of courses to students. The amount of course revenue generated from contract expirations is a significant issue in our eyes and we intend to increase the percentage of revenue realized from course attendance over the revenue realized from contract expirations.

General and administrative expenses increased to \$22,300,000, an increase of \$8,400,000 or 60% compared to \$13,900,000 for the same period in 2002. This increase was due primarily to increased personnel hired to handle the increase in our volume of business. Payroll and payroll benefits account for approximately 80% of general and administrative expenses. This makes general and administrative expenses controllable as the volume of the company grows or contracts. General and administrative expenses as a percent of sales have increased by 2-4% over the past three years, and we believe that this trend will continue, although at a moderate rate. Significant increases in the following administrative areas are planned:

recruiting more professional managers with prior experience operating high growth companies of this size
improving and upgrading the content of our course offerings, and our student services department
improving and upgrading the company's technology platforms
increasing corporate training for our trainers, managers, and employees.
adding more administrative offices as the company expands into new countries.

Advertising, Selling and General and Administrative Expenses

Advertising and sales expense, of which advertising represents approximately 22% of the expenses for the year ended December 31, 2003, were \$27,500,000, an increase of \$13,000,000 or 98% compared to \$13,600,000 in the same period in 2002. The addition of more brands, the continued expansion of the brands internationally, and the expansion in the number of selling teams for each brand were reflected in this increase. Advertising and sales expense is primarily driven by the number of free previews held as this is where the initial investment is made. Under the current methods of accounting used, all of the advertising expenses and most sales expenses are attributable to the free preview trainings and are not deferred until the related deferred revenue is earned. The growth of the advertising and sales expense over the comparable period of 2002 is primarily due to the increase in free preview trainings held from 258 to 476 in 2002 and 2003, respectively. We expect that this trend will continue and that advertising and selling expenses will continue to increase as the company increases its course offerings.

Net Income

Net loss for the year ended December 31, 2003 was \$1,600,000 as compared with net income of \$6,200,000 for the year ended December 31, 2002, a decrease of 100% or \$.19 per share as compared to \$.78 per share for the prior period. The decrease is directly attributable to increased expenses in all categories in 2003 over the prior period, and to the fact that new sales of advanced training courses continue to outpace the rate at which courses are offered and delivered to students. This is reflected in the

fact that deferred revenue increased by \$14,000,000 in 2003, as compared to an increase of only \$600,000 in 2002. As discussed in the revenue and expense recognition policies, this trend will continue. So long as the company sales show high growth rates it must also expand its course offerings to keep pace with that growth. This is a critical performance indicator for us. So long as course delivery can keep pace with sales, then the company can report net income more closely related to cash provided from operations. In the event that sales of courses continue to outpace the delivery of those courses, then the company may continue to show losses, or lower net profits.

Liquidity and Capital Resources at December 31, 2003

At December 31, 2003, we had cash of \$15,000,000 as compared with \$12,100,000 at December 31, 2002. This increase of \$2,900,000 was attributable primarily to cash provided by operations.

Cash provided by operating activities was \$7,900,000 versus \$9,700,000 for the period ended December 31, 2002. This decrease in the amount of cash generated as a percentage of sales was caused by an increase in working capital needed to fund the expansion of brands (\$750,000), and the amount of pre-paid advertising needed for each brand (\$1,100,000). We expect to continue using cash from operating activities to expand operations, as cash provided from operations should continue to average 8-12% of revenue.

Our cash used in investing activities was \$2,900,000 and \$4,900,000 for the years ended December 31, 2003, and 2002, respectively. The decrease in cash used in investing for the year ended December 31, 2003 was due to a decrease in our overall investing activities and due to a change in the way we have been structuring acquisitions. Our acquisitions of the Cash Flow Generator brand and the Star Trader brand in 2003 were accomplished with a large percentage of the acquisition price being paid in company stock. \$550,000 was paid in cash for the acquisition of the Star Trader brand of which \$450,000 was allocated to identifiable intangible assets. In 2003, we also paid \$2,000,000 for a 50% equity interest in SCB Building, LLC which is constructing an office building in Orlando, FL. In 2002, we acquired for cash the Teach Me To Trade brand, purchased an airplane, and made progress payments on our facility in Costa Rica. We plan to continue future acquisitions in the same manner as we did in 2003. Therefore, we feel that the company has adequate cash available for investing activities.

At December 31, 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.

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.

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

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	Capital Expenditures	Debt	Operating Lease Commitments	Total
2004		1,531,397	140,093	1,671,490
2005		1,061,842	102,896	1,164,738
2006		1,109,217	73,359	1,182,576
2007		825,821		825,821
2008		5,009,880		5,009,880
Thereafter		1,414,571		1,414,571
Total		10,952,728	316,348	11,269,076

We develop and introduce most of our courses internally and therefore our expansion into new overseas markets requires few strategic relationships or contracts. Normally we visit the market and contact realtors, attorneys and media people, to determine local procedures and customs. We then develop the manuals and course materials internally. We lease temporary office space in each market until we can find permanent facilities and hire and train personnel to staff our offices. Our contractual commitments are extremely minimal but our investment in personnel is significant and our largest expense. We estimate that the cost of developing a new foreign market, including air travel, personnel and incidental costs, will amount to \$300,000 to \$400,000. This amount includes development of manuals and training materials, development of marketing materials, analysis of markets and laws for the target country to be funded over an approximately 10 month period.

A review of the working capital components will show that the primary factor causing a negative balance is the presence of deferred revenue in the liability component. All of this revenue has been collected and will be realized revenue when the training occurs. The reason that we can continue to expand our business, is that our cash flows from operations continue to be strong and are projected to be able to fund the continued growth of the company. The operating cash flows of the business do not correlate with the net income of the business because of the above described revenue recognition policy. Finally, the cost to deliver a typical \$2500 advanced course (which is in deferred revenue) is about \$600. Thus the future cost to deliver the deferred revenue is about 24% of the revenue amount.

Although we have not made any commitments for software or technology investments in 2004, we anticipate that we will invest significant resources in that area. We cannot say at this time how much liquidity will be needed, as there are a variety of financing alternatives.

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

Year Ended December 31, 2002 Compared to December 31, 2001

Revenue

Total revenue for the year ended December 31, 2002 was \$62,145,000, an increase of \$19,945,000 or 47% compared to the same period in 2001 of \$42,200,000. Revenue earned from deferred revenue was \$32,900,000 for the year ended December 31, 2002 compared to \$23,600,000 for the comparable period in 2001. Of these amounts, \$20,332,000 and \$12,557,000, respectively was recognized due to the expiration of a student's contract period. Attendance at advanced training courses accounted for approximately \$7,000,000 in additional revenue combined with approximately \$4,000,000 additional revenue through co-marketing efforts with business joint ventures. A large portion of this revenue was recognized because our customers' contract periods had expired and we had previously made changes in our internal policies concerning contract terms with our customers. Specifically, in the past, we had permitted customers to extend their contract period which caused an extension of the time revenue was deferred. Our contract terms no longer permit students to extend contracts, therefore, we effectively recognized revenue previously deferred under the old policy. We expect to grow our business both domestically and internationally. Our business plan looks to expand domestically, with the addition of additional brands through acquisitions and the expansion in the number of courses offered. Our plans internationally, are to expand one additional brand (Teach Me To Trade) into the UK and into Canada. We are also calling for expansion of the real estate brand (Building Wealth) into non-English speaking countries, beginning with Spain. International expansion requires developing manuals that comply with local and national laws and translation of our existing manuals to conform with local and national law. We have done this in Canada, England, Ireland, Scotland and Wales. We have found a formula and developed a checklist for expansion into a new country, and each expansion becomes easier. The amount of the capital required varies between countries due to the complexities of local laws and the amount of translation, and requisite employees needed to staff the operations. We plan to fund all of the above expansion out of operating cash flow. Our history has shown us that the expansion of another brand requires working capital of approximately \$300,000. That money is recovered in a three to six month time period. It requires approximately \$600,000 in capital to expand into another country, and with the same payback period. We expect our revenue growth to continue its increasing trend. The success of any new brands or markets will have a

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significant impact on our financial performance and results. The UK and Canadian based sales for 2002 were approximately 10% of gross revenue, foreign operations were not significant in prior periods.

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 expenses that are deferred until related revenue is realized is the related commissions paid.

Direct course expenses increased for the year ended December 31, 2002 to \$28,400,000, an increase of \$8,600,000 or 44% over the prior comparable period in 2001 of \$19,700,000. This increase is consistent with the increase in the amount of all types of courses that were held during the year ended December 31, 2002 of 1,426 courses compared to 1,263 in the comparable prior period.

Advertising, Selling and General and Administrative Expenses

Advertising and sales expense, of which advertising represents approximately 60% of the expenses for the year ended December 31, 2002, were \$13,900,000, an increase of \$2,300,000 or 21% compared to \$11,600,000 in the prior period. This increase in advertising and sales expense is consistent with the increase in direct course expenses relative to the increase in the amount of events held during the year ended December 31, 2002.

General and administrative expenses increased to \$13,904,000, an increase of \$5,300,000 or 62% compared to \$8,600,000 for the same period in 2001. This increase was due primarily to increased personnel hired to handle the increase in our volume of business. Included in general and administrative expenses were \$109,000 related to our airplane and \$26,000 related to our facility in Costa Rica.

Net Income

Net income for the year ended December 31, 2002 was \$6,200,000 as compared with net income of \$2,500,000 for the year ended December 31, 2001, an increase of 148% or \$.78 per share as compared to \$.33 per share for the prior period. The increase is directly attributable to increased sales in 2002 over the prior period, increased recognition of deferred revenues, increased production from marketing programs resulting in a larger gross profit and a disproportionate increase in advertising expenses. Currently, more than 12,000 new students attend one or more of our programs each month, and a large percentage of our gross annual revenue can be attributed to repeat business, a factor that indicates students find our training to be effective.

Liquidity and Capital Resources at December 31, 2002

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At December 31, 2002, we had cash of \$12,100,000 as compared with \$6,900,000 at December 31, 2001. This increase of \$5,200,000 was attributable primarily to cash provided by operations due to our net income reported for the respective periods.

Our cash provided by operating activities was \$9.7 million versus \$5.3 million for the period ended December 31, 2001. In the year ended December 31, 2002, cash flows from advanced training programs were positively impacted by increased collection efforts.

Our cash used in investing activities was \$4,900,000 and \$829,000 for the years ended December 31, 2002, and 2001, respectively. The increase in cash used in investing for the year ended December 31, 2002 was due to our acquisition of Teach Me To Trade (\$688,000), the purchase of an airplane (\$2,100,000), the purchase of land (\$1,200,000), and progress payments on our facility in Costa Rica (\$900,000). The Teach Me To Trade acquisition added programs which provide instruction in stock market investment techniques. Our airplane purchase allows us to transport our trainers to scheduled training sessions around the U.S. when commercial air travel is unavailable due to weather conditions or a lack of flight schedule flexibility. We also allow our executives to use the airplane when we believe our executives will be able to save time compared to commercial flight schedules. We subsequently financed \$1,200,000 of the purchase price of the airplane. This note is payable in monthly principal and interest payments at the LIBOR rate plus 3.42% (4.87% at December 31, 2002) and is due in December 2018. This note is secured by the airplane and is personally guaranteed by our Chairman up to \$170,000.

At December 31, 2002 we had unused amounts under two letters of credit aggregating \$1,500,000 collateralized by our certificates of deposit. These letters of credit expire in January 2004 and October 2005 and carry an interest rate of 2.98% and 3.68%, respectively.

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.

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

	Capital Expenditures	Debt	Operating Lease Commitments	Total
2003		162,105	115,292	277,397
2004		498,573	89,952	588,525
2005		52,341	88,547	140,888
2006		56,405	73,359	129,764
2007		60,784		60,784
Thereafter		938,307		938,307
Total		1,768,515	367,150	2,135,665

We develop and introduce most of our courses internally and therefore our expansion into new overseas markets requires few strategic relationships or contracts. Normally we visit the market and contact realtors, attorneys and media people, to determine local procedures and customs. We then develop the manuals and course materials internally. We lease temporary office space in each market until we can find permanent facilities and hire and train personnel to staff our offices. Our contractual commitments are extremely minimal but our investment in personnel is significant and our largest expense. We estimate that the cost of developing a new foreign market, including air travel, personnel

and incidental costs, will amount to \$300,000 to \$400,000. This amount includes development of manuals and training materials, development of marketing materials, analysis of markets and laws for the target country to be funded over an approximately 10 month period.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE 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.

The Company 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 December 31, 2003. Assuming a 100 basis point increase in the prime interest rate at December 31, 2003 the potential increase in the fair value of the Company's debt obligations would have been approximately \$13,000 at December 31, 2003.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS REPORT

Board of Directors and Stockholders

Whitney Information Network, Inc. and Subsidiaries

Cape Coral, Florida

We have audited the accompanying consolidated balance sheets of Whitney Information Network, Inc. and Subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for each of the three years in the period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Whitney Information Network, Inc. and Subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

Ehrhardt Keefe Steiner & Hottman PC

February 20, 2004

Denver, Colorado

WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	December 31,			
	2003		2002	
Assets				
Current assets				
Cash and cash equivalents	\$	15,021,485	\$	12,080,553
Accounts receivable, net		1,314,562		507,919
Accounts receivable, affiliates		2,482,436		
Due from affiliates				4,089
Prepaid advertising and other		2,329,726		696,441
Inventory		712,703		363,555
Deferred seminar expenses		6,833,784		2,907,414
Total current assets		28,694,696		16,559,971
Non-current assets				
Property and equipment, net		16,585,497		8,400,731
Intangible assets, net		6,998,841		994,700
Goodwill		1,000,000		
Investment in foreign corporation		734,757		184,757
Other assets		19,965		27,128
Total non-current assets		25,339,060		9,607,316
Total assets	\$	54,033,756	\$	26,167,287
Liabilities and Stockholders Deficit				
Current liabilities				
Accounts payable	\$	3,218,370	\$	1,762,614
Accrued seminar expenses		1,645,601		63,622
Deferred revenue		38,593,130		24,549,429
Accrued expenses		1,781,044		1,125,662
Current portion of long-term debt		168,897		43,590
Current portion of note payable- officer/stockholder		1,362,500		118,515
Total current liabilities		46,769,542		27,663,432
Long-term debt, less current portion		6,071,331		1,606,410
Note payable- officer/stockholder, less current portion		3,350,000		
Total liabilities		56,190,873		29,269,842
Commitments and contingencies				
Minority interest		2,000,000		
Stockholders deficit				
Preferred stock, no par value, 10,000,000 shares authorized, no shares issued and outstanding				

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Common stock, no par value, 25,000,000 shares authorized, issued and outstanding shares 8,547,749 (2003) and 8,096,624 (2002)		2,990,755		939,832
Paid-in capital		448,600		448,600
Foreign currency translation adjustment		(347,826)		
Accumulated deficit		(7,248,646)		(4,490,987)
Total stockholders deficit		(4,157,117)		(3,102,555)
Total liabilities and stockholders deficit	\$	54,033,756	\$	26,167,287

See notes to consolidated financial statements.

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WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

	For the Years Ended					
	December 31,					
	2003		2002		2001	
Sales	\$	94,958,170	\$	62,145,237	\$	42,157,740
Expenses						
Direct course expenses		46,803,705		28,384,333		19,741,418
Advertising and sales expense		27,507,604		13,936,860		11,563,640
General and administrative expense		22,355,374		13,863,598		8,571,319
Total expenses		96,666,683		56,184,791		39,876,377
(Loss) income from operations		(1,708,513)		5,960,446		2,281,363
Other income (expense)						
Interest and other income		236,949		339,842		356,989
Interest expense		(86,095)		(70,548)		(104,105)
		150,854		269,294		252,884
Net (loss) income	\$	(1,557,659)	\$	6,229,740	\$	2,534,247
Basic weighted average common shares outstanding		8,187,658		7,952,180		7,587,474
Basic (loss) income per common share	\$	(0.19)	\$	0.78	\$	0.33
Diluted weighted average common shares outstanding		8,187,658		8,840,922		7,587,474
Diluted (loss) income per common share	\$	(0.19)	\$.70	\$	0.33

See notes to consolidated financial statements.

WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

Consolidated Statement of Changes in Stockholders Deficit

For the Years Ended December 31, 2003, 2002 and 2001

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Foreign Currency Translation Adjustment	Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders Deficit
Balance - December 31, 2000	7,528,022	\$ 67,102	\$ 900	\$		\$ (13,004,974)	\$ (12,936,972)
Issuance of stock for software	163,334	245,000					245,000
Issuance of stock, cash and note payable to majority stockholder for interest in Precision Software Services, Inc.	170,000					(250,000)	(250,000)
Issuance of stock for services	16,667	25,000					25,000
Net income					2,534,247	2,534,247	2,534,247
Balance - December 31, 2001	7,878,023	337,102	900		\$ 2,534,247	(10,720,727)	(10,382,725)
Issuance of stock for assets purchased	189,655	550,000					550,000
Issuance of stock for stock options exercised	26,375	48,230					48,230
Issuance of stock for services	2,571	4,500					4,500
Compensation expense related to the issuance of stock options			447,700				447,700
Net income					6,229,740	6,229,740	6,229,740
Balance - December 31, 2002	8,096,624	939,832	448,600		\$ 6,229,740	(4,490,987)	(3,102,555)
Issuance of stock for the stock purchased of MRS Equity Corp.	62,500	125,000					125,000
Issuance of stock for assets purchased of Success Development, Inc.	180,000	900,000					900,000
	200,000	1,000,000					1,000,000

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Issuance of stock for the stock purchased of SpeakTec, Inc.									
Issuance of stock for assets purchased		2,500		10,000					10,000
Issuance of stock for stock options exercised		6,125		15,923					15,923
Issuance of cash and note payable to majority stockholder for interest in Whitney Leadership Group, Inc.									
								(1,200,000)	(1,200,000)
Foreign currency translation adjustment									
				(347,826)		(347,826)			(347,826)
Net loss									
						(1,557,659)		(1,557,659)	(1,557,659)
Balance December 31, 2003		\$ 8,547,749	\$ 2,990,755	\$ 448,600	\$ (347,826)	\$ (1,905,485)	\$ (7,248,646)	\$ (4,157,117)	

See notes to consolidated financial statements.

WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	For the Years Ended					
	December 31,					
	2003		2002		2001	
Cash flows from operating activities						
Net (loss) income	\$	(1,557,659)	\$	6,229,740	\$	2,534,247
Adjustments to reconcile net income (loss) to net cash provided by operating activities						
Allowance for doubtful accounts						(91,885)
Equity earnings in foreign corporation				(102,257)		
Compensation expense relating to stock options				447,700		
Depreciation and amortization		949,796		598,320		292,522
(Gain) loss on disposal of assets		180		(3,150)		72,485
Stock issued for services				4,500		25,000
Changes in assets and liabilities						
Accounts receivable		(806,643)		14,596		1,362,824
Accounts receivable, affiliates		(2,482,436)				
Prepaid advertising and other		(1,633,285)		260,583		(331,996)
Income taxes receivable and prepayments				497,499		1,396,500
Inventory		(349,148)		(227,011)		132,119
Deferred seminar expenses		(3,926,370)		731,142		(994,152)
Other assets		7,163		5,790		42,811
Accounts payable		1,455,756		610,277		(790,467)
Accrued seminar expenses		1,581,979		(371,738)		86,019
Deferred revenue		14,043,701		612,080		1,296,907
Accrued expenses		655,382		423,114		243,566
		9,496,075		3,501,445		2,742,253
Net cash provided by operating activities		7,938,416		9,731,185		5,276,500
Cash flows from investing activities						
Purchase of property and equipment		(383,959)		(4,611,982)		(657,529)
Purchase of intangible assets		(469,924)		(450,172)		
Purchase of equity interest in building		(2,000,000)				
Loans to affiliates, net		4,089		155,502		(89,101)
Investment in foreign corporation and land		100,000				(82,500)
Net cash used in investing activities		(2,749,794)		(4,906,652)		(829,130)
Cash flows from financing activities						
Proceeds from note payable, officer		62,500		1,200,000		
Payments of principal on long-term debt		(619,233)		(815,539)		(750,000)
Principal payments on note payable - officer/stockholder		(1,059,054)		(65,946)		
Proceeds from exercise of stock options		15,923		48,230		
Distribution to officer/stockholder		(300,000)				(125,000)
Net cash provided by (used in) financing activities		(1,899,864)		366,745		(875,000)

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Net increase in cash and cash equivalents		3,288,758		5,191,278	3,572,370
Foreign currency translation		(347,826)			
Cash and cash equivalents - beginning of year		12,080,553		6,889,275	3,316,905
Cash and cash equivalents - end of year	\$	15,021,485	\$	12,080,553	\$ 6,889,275

See notes to consolidated financial statements.

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Supplemental disclosure of cash flow information

Cash paid for income taxes was \$0, \$0 and \$0 for 2003, 2002 and 2001, respectively.

Cash paid for interest was \$86,095, \$70,548 and \$104,105 for 2003, 2002 and 2001, respectively.

Supplemental disclosure of non-cash activity:

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 made improvements to the building of \$2,500,000 through the use of proceeds of long-term debt.

During 2003, the Company acquired an intangible asset through the issuance of 2,500 shares of the Company's common stock valued at \$10,000.

During 2003, the Company acquired the common stock of Whitney Leadership Group, Inc. from the Company's Chairman and his wife. The purchase price of \$1,200,000 was recorded as a distribution as the entity was under common control. The purchase price was paid through 300,000 cash at closing and the issuance of a \$900,000 promissory note.

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

During 2003, the Company acquired the assets of Success Development Inc. through an option to purchase by issuing 180,000 shares of common stock valued at \$900,000 resulting in identifiable intangible assets.

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During 2003, the Company acquired the common stock of SpeakTec, Inc. Of the purchase price amount, \$1,000,000 was paid through the issuance of 200,000 shares of the Company's common stock. The purchase price of SpeakTec, Inc has been recorded as goodwill.

During 2002, the Company issued 189,655 shares of common stock valued at \$550,000 for intangible assets and \$750,000 in debt for software in connection with the asset purchase from Teach Me To Trade, LLC.

During 2001, the Company acquired software rights of \$370,000 through the issuance of common stock of \$245,000 and debt of \$125,000.

During 2001, the Company acquired software rights owned by an officer/shareholder through the issuance of stock at zero value and debt of \$125,000. These transactions were recorded as distributions in the accompanying financial statements.

See notes to consolidated financial statements.

WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies

Organization and History

Whitney Information Network, Inc. and Subsidiaries (the Company) is engaged primarily in the business of providing financial education and training services through seminars, workshops and publications. The Company's educational and training services are concentrated in the area of financial management and real estate investment. The Company markets its services and products primarily through periodic publications, telemarketing, television and radio.

Whitney Information Network, Inc., formerly known as Win Systems International, Inc., incorporated in Colorado on February 23, 1996 under the name of Gimmel Enterprises, Inc.

Whitney Education Group, Inc., formerly known as Win Systems, Inc., incorporated in Florida on November 12, 1992. An exchange of shares was completed between the shareholders of Win Systems, Inc. and Gimmel Enterprises, Inc. on August 18, 1998. Subsequently, the name of Gimmel Enterprises, Inc. was changed to Win Systems International, Inc. on August 25, 1998, and that name was changed to Whitney Information Network, Inc. on February 11, 1999. The name of Win Systems, Inc. was changed to Whitney Education Group, Inc. on September 10, 1999.

Win Systems, Inc. has been operating in the educational seminars industry since 1992 and expanded its operation in the industry subsequent to the aforesaid exchange of shares and name change to Whitney Education Group, Inc.

During 1998, Win Systems International, Inc. expanded its educational seminars business into Canada through the opening of a wholly owned subsidiary, 1311448 Ontario, Inc. The Canadian operations continued to expand and at the end of 1999 the operations were transferred to Whitney Canada, Inc. through an amalgamation of two wholly owned subsidiaries.

Whitney Canada, Inc. incorporated in Canada on October 5, 1998 and is the surviving corporation of an amalgamation with 3667057 Canada, Inc. 3667057 Canada, Inc. was incorporated in Ontario, Canada on August 21, 1998 under the name of 1311448 Ontario, Inc. The name was changed to 3667057 Canada, Inc. on October 5, 1999 as a preliminary requirement of federalization of the corporation, which had been an Ontario corporation, in order to qualify for the amalgamation with Whitney Canada, Inc., which was completed January 6, 2000. There are no significant differences on comprehensive income and foreign exchange prior to the year ended December 31, 2003.

Whitney Internet Services, Inc. incorporated in Wyoming on June 8, 1999, is located in Cape Coral, Florida and provides web programming and maintenance services to the Company. The Company's other operating subsidiaries use the site to offer their products and services for sale and the site also includes general information on the Company, its products and services.

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Wealth Intelligence Network, Inc. incorporated in Florida on May 26, 1996 under the name of Real Estate Link, Inc. The name was changed to Wealth Intelligence Network, Inc. on September 20, 1998. Win Systems International, Inc. acquired the shares of Wealth Intelligence Network, Inc. on November 18, 1998. Wealth Intelligence Network, Inc. is an operating subsidiary marketing financial training seminars, which represents an expansion from the real estate investment training seminar business.

Whitney Mortgage.com, Inc. incorporated in Florida on September 30, 1999 has no significant operations and is intended to operate as a full service Internet mortgage broker affiliated with a national Internet mortgage provider. Brokering mortgages represents an expansion from educational seminars into a different industry.

Russ Whitney's Wealth Education Centers, Inc. incorporated in Wyoming on June 8, 1999 as a wholly owned subsidiary of Whitney Information Network, Inc. and the subsidiary is itself the parent corporation of two wholly owned subsidiaries formed to operate permanent learning centers in Jackson, Mississippi and Atlanta, Georgia. Russ Whitney's Wealth Education Center of Jackson, MS, Inc. incorporated in Wyoming on June 8, 1999 and a school was opened in December, 1999. Russ Whitney's Wealth Education Center of Atlanta, GA, Inc. incorporated in Wyoming on July 22, 1999 and a school was opened in June 2000. The Wealth Education Centers were closed during 2001.

Whitney Consulting Services, Inc. incorporated in Wyoming on July 28, 1998 under the name of Financial Consulting Services, Inc. and the name was changed to Whitney Consulting Group, Inc. on April 28, 1999 when that corporation was acquired by Win Systems International, Inc. which then changed its name to Whitney Consulting Services, Inc. on March 21, 2000. Whitney Consulting Services, Inc. is located in Salt Lake City, Utah and is an operating subsidiary telemarketing real estate investments and financial training seminars and an individual one-on-one mentor program.

Precision Software Services, Inc. was acquired during 2001. Precision Software Services, Inc. was incorporated August 1993 and is a Florida corporation that holds a license to distribute and sell certain real estate and business software sold by several subsidiaries of the Company. Precision Software Services, Inc. and was formerly owned 51% by the Chairman of the Board and majority stockholder of the Company.

Whitney U.K. Limited is a United Kingdom corporation formed and incorporated in October 2001 to engage in educational and training seminars throughout the United Kingdom. This subsidiary had no significant operations in 2001 and accounted for less than 4% of revenues for 2002.

N123RF, Inc. is a Delaware corporation formed and incorporated in August 2002 to manage and operate the Company's airplane.

Whitney Leadership Group was acquired in July 2003 and holds all of the copyright and intellectual property rights associated with the educational materials and licenses these rights for payments. Whitney acquired this company to gain control of intellectual property rights that form the core of the business. We subsequently integrated the Whitney Leadership Group materials into our training sessions and their operations are included in Whitney Information Network, Inc. accounts.

MRS Equity Corp. was acquired in July 2003 and manages the processing of the payments of homeowners, paying every two weeks instead of monthly, through the customer's account to the mortgage holder. We subsequently integrated the MRS Equity Corp. courses into our training sessions and their operations are included in Whitney Information Network, Inc. accounts.

SpeakTec, Inc. was acquired in October 2003 for its intellectual property which provides for financial training courses. We subsequently integrated the SpeakTec, Inc. courses into our training sessions and their operations are included in a Whitney Information Network, Inc. subsidiary.

Success Development, Inc. was acquired in November 2003 and is a Florida based company engaged in the post secondary real estate training business, acquired for their customer database and marketing and training courses. We subsequently integrated the Success Development, Inc. courses into our training sessions and their operations are included in Whitney Information Network, Inc. accounts.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Whitney Information Network, Inc. and the following wholly owned subsidiary corporations: Whitney Education Group, Inc.; Whitney Internet Services, Inc.; Russ Whitney's Wealth Education Centers, Inc. and its wholly owned subsidiary corporations, Russ Whitney's Wealth Education Center of Jackson, MS, Inc. and Russ Whitney's Wealth Education Center of Atlanta, GA, Inc.; Whitney Consulting Services, Inc.; Whitney Canada, Inc.; Whitney Mortgage.com, Inc.; Wealth Intelligence Network, Inc.; Precision Software Services, Inc.; Whitney U.K. Limited; and N123RF, Inc. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions it invests with.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk consist principally of cash and short-term cash investments and accounts receivable. The Company places its temporary cash investments with what management believes are high-credit,

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quality financial institutions. As of the balance sheet date, and periodically throughout the year, the Company has maintained balances in various operating accounts in excess of federally insured limits. The Company periodically performs credit analysis and monitors the financial condition of its customers in order to minimize credit risk.

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Accounts Receivable

Accounts receivable consists of trade receivables from the sale of educational products and services for which a contract has been entered into, payments have not been received, and the related revenue has been deferred. An adjustment is recorded to write off any amounts deemed to be unrealizable and uncollectable. An adjustment is also recorded for the offsetting deferred revenue resulting in no net effect on the Company's income statement. As such, no allowance for doubtful accounts or deferred revenue was recorded as of December 31, 2003 and 2002.

Inventory

Inventory consists primarily of books, videos and training materials and is stated at the lower of cost or market, determined using the first-in, first-out method (FIFO).

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, short-term investments, receivables, deferred seminar expense, accounts payable, accrued expenses, deferred educational revenues, and notes payable approximated fair value as of December 31, 2003 because of the relatively short maturity of these instruments.

Revenue Recognition, Deferred Revenue and Deferred Expenses

The Company recognizes revenue for the sale of products and software, upon delivery. Revenue from educational seminars is recognized upon the earlier of (1) when the non-refundable deposit is received for the seminars and the seminar has taken place; or (2) upon the contractual expiration of the Company's obligation to provide a seminar only if the seminar was paid for. Deferred revenue is recorded when the seminar proceeds are received prior to the related seminar taking place. Expenses for commission payments made to Company speakers for revenues generated are deferred until the related revenue is recognized.

The Company recognizes commission revenue related to sales made by Whitney Information Network and Subsidiaries for other parties. Only the commission part of these transactions are recognized. The commissions are recorded as revenue when the amount is earned.

Advertising Expense and Prepaid Advertising

The Company expenses advertising costs as incurred. Advertising costs were approximately \$21,143,430, \$8,907,257, and \$7,829,406 for the years ended December 31, 2003, 2002 and 2001, respectively. Advertising paid for in advance is recorded as prepaid until such time as the

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advertisement is published. Advertising costs recorded as prepaid as of December 31, 2003 and 2002 were \$1,335,098 and \$480,053 respectively.

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Deferred Offering Costs

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 December 31, 2003, the Company has expensed \$330,245, previously recorded as deferred offering costs, as the registration has been postponed until 2004.

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided utilizing the straight-line method over the estimated useful lives for owned assets. The estimated useful life of the buildings is 40 years. The furniture and fixtures estimated useful life is seven years, the airplane, equipment and leasehold improvements is five years, and the software is three years.

Intangible Assets

Intangible assets include customer lists, trademarks, goodwill, intellectual property, and loan costs and are recorded at cost. Customer lists and trademarks are being amortized over their estimated useful lives of three and fifteen years, respectively. Loan costs are amortized over the term of the loan. Goodwill is tested for impairment on an annual basis. At December 31, 2003, management performed impairment testing in accordance with Statement of Financial Accounting Standard No. 142 and 144 (SFAS 142 and 144) for all intangible assets and determined that impairment was not considered necessary.

Investment in Foreign Corporation

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 December 31, 2003, the Company has recorded a \$1,227,293 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.

Investment in Building

The Company acquired a 50% equity interest in a SCB Building, LLC (LLC) constructing an office building in Orlando, Florida. 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. The Company is a guarantor of the debt of the LLC.

Long-Lived Assets

The Company reviews its long-lived assets under SFAS 144 for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company recognizes deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The Company's temporary differences result primarily from the recognition of deferred expenses for tax purposes.

Translation of Foreign Currency

The Company accounts for foreign currency translation in accordance with Financial Accounting Standard No. 52. As such, the financial position and results of operations of the Company's foreign subsidiaries are measured using local currency as the functional currency. Revenues and expenses of the subsidiaries have been translated into U.S. dollars at average exchange rates prevailing during the period. Assets and liabilities have been translated at the rates of exchange as of December 31, 2003 and 2002, respectively.

Basic Loss Per Share

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The Company applies the provisions of Statement of Financial Accounting Standard No. 128, Earnings Per Share (FAS 128). All dilutive potential common shares in 2003 and 2001 had an antidilutive effect on diluted per share amounts and therefore were excluded in determining net loss per share.

Stock Options

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation. Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost for the Company's option plan been determined based on the fair value at the grant date for awards consistent with the provisions of SFAS No. 123, the Company's net income (loss) and basic income (loss) per common share would have been changed to the pro forma amounts indicated below:

	For the Years Ended December 31,		
	2003	2002	2001
Net income (loss) - as reported	\$ (1,557,659)	\$ 6,229,740	\$ 2,534,247
Net income (loss) - pro forma	\$ (1,955,848)	\$ 5,272,458	\$ 2,517,922
Basic income (loss) per common share - as reported	\$ (0.19)	\$ 0.78	\$ 0.33
Basic income (loss) per common share - pro forma	\$ (0.24)	\$.65	\$.32

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 Years Ended December 31,		
	2003	2002	2001
Approximate risk free rate	4.25%	3.83%	5.07%
Average expected life	10 years	10 years	10 years
Dividend yield	0%	0%	0%
Volatility	33.77%	59.97%	73.57%
Estimated fair value of total options granted	\$ 398,189	\$ 957,282	\$ 16,325

Recently Issued Accounting Pronouncements

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)*. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of this statement has not had a material effect on the Company's financial statements.

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 December 2002, the FASB issued SFAS No. 148 *Accounting for Stock-Based Compensation- Transition and Disclosure*. This statement amends SFAS No. 123, *Accounting for Stock-Based Compensation* to provide alternative methods of transition for an entity that voluntarily changes to the fair value method of accounting for stock-based compensation. In addition, SFAS 148 amends the disclosure provision of SFAS 123 to require more prominent disclosure about the effects of an entity's accounting policy decisions with respect to stock-based employee compensation on reported net income. The effective date for this Statement is for fiscal years ended after December 15, 2002. The adoption of this statement has not had a material effect on the Company's financial statements.

In December 2003, the FASB issued Interpretation No. 46R, *Consolidation of Variable Interest Entities, an interpretation of ARB 51* (FIN No. 46R) and replaces FIN No. 46. The primary objectives of FIN 46R 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, (2) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties including equity holder or (3) voting rights of some investors are not proportional to the obligation to absorb future losses and/or receive expected residual returns or all activities of an entity are conducted on behalf of an investor that has disproportionate fewer voting rights. The disclosure requirements of FIN No. 46R became effective for financial statements issued after December 31, 2003. For all other variable interests public, non small businesses filers, shall apply the provisions of this Interpretation to that entity no later than the beginning of the first reporting period ending after March 15, 2004. The adoption of this statement impacted the Company's financial statements in that an investment in a SCB Building, LLC has been consolidated. At December 31, 2003, the Company had recorded \$8,500,000 in property and equipment related to the SCB Building, LLC, \$4,500,000 in noted payable related to the asset, and minority interest of \$2,000,000 related to SCB Building, LLC.

In April 2003, FASB issued SFAS No. 149, *Accounting for Derivative Instruments and Hedging Activities*, which is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. This statement amends and clarifies financial accounting and reporting for derivative instruments including certain instruments embedded in other contracts and for hedging activities under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

In May 2003, FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*, which is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

Reclassifications

Certain amounts in the 2002 consolidated financial statements have been reclassified to conform to the 2003 presentation.

Note 2 - Mergers, Acquisitions and Capital Accounts

On August 18, 1998, Whitney Education Group, Inc. (formerly Win Systems, Inc.) was acquired by Whitney Information Network, Inc. (formerly Win Systems International, Inc. and prior to that Gimmel Enterprises, Inc.) in a reverse merger whereby Whitney Education group, Inc. exchanged 100% of its shares for 90% of Gimmel's shares bringing the total shares of Whitney Information Network, Inc. (issued and outstanding) at August 18, 1998 to 7,500,047. Whitney Education Group, Inc. became a wholly owned subsidiary of Whitney Information Network, Inc. (WIN). The financial statements from January 1, 1997 through December 31, 1999 are based upon the assumption that the companies were combined for the entire period and all stock splits have been reflected in the statements as of the beginning of the period. Also, on August 18, 1998, WIN issued 187,500 Class A stock purchase warrants and 340,000 Class B stock purchase warrants. Both the Class A and Class B warrants were exercisable at \$4.00 per share.

The Company also instituted a stock option plan for key personnel. Under the plan, options are to be granted at the fair market value at the date of the grant and exercisable for a ten-year period after the grant with a three-year vesting schedule. The Company has reserved 2,000,000 shares for the stock option plan of which 1,422,250 option shares have been granted, net of forfeitures and cancellations, at exercise prices from \$1.75 to \$4.10 per share. No options have been exercised.

On February 1, 1999, the Company purchased all of the assets of Wealth Intelligence Network, Inc. for 20,000 shares of stock at \$2.50 per share. In addition, the Company issued (during the period from May to August 1999) 7,975 shares to a financial public relations firm in lieu of cash for services valued at \$14,500.

In April 2000, the Company converted their 340,000 class B warrants issued to employees in August 1998 into stock options. In the conversion, the Company reduced the exercise price from \$4 to \$2 (fair market value at date of conversion). This transaction has since been accounted for using variable accounting in accordance with FIN 44: Accounting for Certain Transactions Involving Stock Compensation an Interpretation of APB Opinion No. 25 (FIN 44). At December 31, 2003, 47,600 of these options have been forfeited. At December 31, 2003 and 2002, \$0 and \$447,700 was recorded as additional compensation expense to employees based on a market value of \$4.20 and \$4.20 per share, respectively. No adjustment was made for the period ending December 31, 2001 because the market price of the stock was less than the \$2 exercise price.

In November 2001, the Company issued 333,334 shares of common stock valued at \$500,000 and \$250,000 in notes payable for all of the outstanding stock of Precision Software Services, Inc. which had a minimal net book value at the time of the acquisition. Precision Software Services, Inc. was 51% owned by the Chairman and majority stockholder of the Company who received 170,000 of the shares and \$125,000 in notes payable. The excess of the purchase price over material, identifiable net assets relating to the minority interest was allocated to software rights. The shares issued to the officer were recorded as a distribution as the Company and Precision Software Services, Inc. are under common control.

In November 2001, the Company paid \$212,500 for a 20% interest in a Panama corporation named Rancho Monterrey, S.A., which was formed in April 2001 to own, operate, improve and sell certain real estate in Costa Rica. As part of the investment in Rancho Monterrey, S.A., the Company received a 12-acre parcel of land valued at \$130,000, resulting in a net investment of \$82,500.

In April 2002, the Company converted its 187,500 Class A warrants issued to outside investors and parties in August 1998 into stock options. In the conversion, the Company reduced the exercise price from \$4 to \$2. This transaction does not require treatment under FIN 44.

In August 2002, 189,655 shares valued at \$550,000 of the Company's common stock were issued in exchange for assets of a former joint venture partner, Teach Me To Trade, LLC. The purchase price was \$1,988,000, net of a \$12,000 discount, and was paid for with \$688,000 in cash, \$550,000 in stock, and \$750,000 in debt. During the first and second quarters of 2002, the Company had advanced \$200,000 to Teach Me To Trade, which was credited towards the purchase price. The purchase price was allocated \$1,000,000 to software, \$688,000 to customer lists and \$300,000 to trademarks.

In May 2003, the Company paid \$450,000 under a six-month management agreement with Success Development, Inc. (SDI). Under the agreement, the Company acquired SDI's customer database and operated its Cash Flow Generator brand. Under this agreement, the Company received 30% of SDI's profits. During this time period, the Company also made advances to SDI for working capital purposes. As of December 31, 2003, the Company has recorded a \$631,210 receivable from the owners of SDI as accounts receivable, affiliates. The Company believes that this balance is collateralized by bank account maintained by SDI. In November 2003, the Company exercised its option to purchase Success Development, Inc. for 180,000 shares of common stock, valued at \$900,000. This resulted in a \$550,000 trademark, \$250,000 customer list and \$100,000 non-compete.

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.

In October 2003, the Company acquired the stock of SpeakTec, Inc. for \$1,550,000, which resulted in \$1,000,000 in goodwill, \$450,000 in customer lists and other intangibles and \$100,000 in current assets. SpeakTec, Inc. is the holding company for Quantum Vision, Inc., which is the operating company. Of this amount \$550,000 is payable in cash, and \$1,000,000 is payable through 200,000 shares of newly issued, restricted common stock of the Company. Fifty-thousand shares of the common stock will be retained by the Company for a period of six months.

The following table summarizes the 2003 final purchase price allocation of SpeakTec, Inc. Equity Corp Holdings, Inc., Whitney Leadership Group, Inc., and Success Development, Inc.:

	SpeakTec, Inc.	Equity Corp Holdings, Inc.	Whitney Leadership Group, Inc.	Success Development, Inc.	Total
Other Assets	100,000				100,000
Intangible Assets Customer Lists	450,000			250,000	700,000
Intangible Assets intellectual property		4,875,000			4,875,000
Intangible Assets Trademarks				550,000	550,000
Intangible Assets Non-Compete				100,000	100,000
Goodwill	1,000,000				1,000,000
Total Assets	1,550,000	4,875,000		900,000	7,325,000
Liabilities and Stockholders Equity					
Distributions			1,200,000		1,200,000
Fair value of net assets acquired	1,550,000	4,875,000	1,200,000	900,000	8,525,000
Borrowings and common stock	(1,000,000)	(4,937,500)		(900,000)	(6,837,500)
Cash purchase price, net of cash acquired	550,000	62,500			612,500

Note 3 - Related Party Transactions

Accounts receivable, affiliates are as follows:

	2003	December 31,	2002
Accounts receivable, foreign investment (Note 1)	\$	1,227,293	\$
Accounts receivable, SDI (Note 2)		631,210	
Accounts receivable, commission overpayment		623,933	
Total accounts receivable, affiliates	\$	2,482,436	\$

The following balances due from (to) related parties are as follows:

	2003	December 31,	2002
Due from RAW, Inc.			4,089
	\$	\$	4,089

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

	December 31,					
	2003		2002		2001	
MRS Equity Corp. (prior to the acquisition in 2003)	\$	63,204	\$	145,190	\$	53,105
Precision Software Services, Inc. (prior to the acquisition in 2001)						42,024
Whitney Leadership Group, Inc. (prior to the acquisition in 2003)				14,204		
	\$	63,204	\$	159,394	\$	95,129

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

	December 31,					
	2003		2002		2001	
MRS Equity Corp. (prior to the acquisition in 2003)	\$	47,405	\$	678,325	\$	720,504
Precision Software Services, Inc. (prior to the acquisition in 2001)						371,644
Whitney Leadership Group, Inc. (prior to the acquisition in 2003)		88,358		210,849		279,313
Corporation Company of Nevada, Inc.						458,877
	\$	135,763	\$	889,174	\$	1,830,338

The Company has rented a training facility 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 \$84,738, \$78,844 and \$86,944 during 2003, 2002 and 2001, respectively. The Company leases approximately 2,200 square feet and the lease terminates in January 2004. The Company currently pays rent on a month-to-month basis.

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 (Note 2). Prior to July 2003, the Vice President of Marketing of Whitney Information Network, Inc. owned and controlled MRS Equity Corp.

Whitney Leadership Group is a company that holds all the copyright and intellectual property rights associated with the educational materials and licenses the rights to the Company for payment, and was acquired by the Company in July 2003 (Note 2). Prior to July 2003 the Chairman of the Board of Whitney Information Network, Inc. was the President and Chief Operating Officer of Whitney Leadership Group, Inc.

Precision Software Services, Inc. is a company that develops and licenses software primarily for the real estate and small business industries and was acquired by the Company in 2001 (Note 2). Prior to November 2001, the Chairman of the Board of Directors of Whitney Information Network, Inc. owned a majority interest in Precision Software Services.

Until January 2003, Corporation Company of Nevada, Inc. provided to us trainers for some of our asset protection courses along with formation services for which the Company was billed for. Formation services involved Corporation Company forming legal entities such as corporations and limited liability companies for use by our students. The students used these entities to operate their business in a corporation, partnership, or trust form. Mr. Whitney and Mr. Simon were directors of that company until the fourth quarter of 2001.

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 - Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2003	2002
Building	\$ 11,593,460	\$ 3,093,460
Airplane	2,114,474	2,114,474
Software	1,495,000	1,495,000
Land	1,399,071	1,395,571
Equipment	683,091	774,608
Furniture and fixtures	548,065	369,934
Leasehold improvements	327,623	211,741
	18,160,784	9,454,788
Less accumulated depreciation	(1,575,287)	(1,054,057)
	\$ 16,585,497	\$ 8,400,731

Depreciation expense for the periods ended December 31:

2003	\$	691,506
2002	\$	587,209
2001	\$	292,522

Intangible assets consist of the following:

	December 31,	
	2003	2002
Intellectual property	\$ 4,875,000	\$ 688,000
Customer list	1,218,055	300,000
Trademarks	850,000	17,811
Other intangibles	317,680	1,005,811
	7,260,735	(11,111)
Less accumulated amortization	(261,894)	(11,111)
	\$ 6,998,841	\$ 994,700

Amortization expense for the periods ended December 31:

2003	\$	250,810
2002	\$	11,111
2001	\$	

Future amortization expense of intangibles is as follows:

Year Ending December 31,	Total
2004	633,374
2005	682,827
2006	519,501
2007	446,694
2008	446,694
Thereafter	4,269,751
	\$ 6,998,841

Note 5 - Long-Term Debt and Note Payable - Related Party

Long-term debt consists of:

	December 31,	
	2003	2002
Note payable to a finance company. Monthly principal and interest of \$9,204 through December 2018. Interest at the LIBOR rate plus 3.42% (4.54% total as of December 31, 2003). Collateralized by an airplane. The note is personally guaranteed (to \$170,000) by the majority stockholder.	\$ 1,148,176	\$ 1,200,000
Note payable to an individual for purchase of equity interest in Rancho Monterey. Principal and interest payments of \$12,266 beginning in July 2003 at an interest rate of 5%. The note matures in June 2008 and is collateralized by the Company's stock.	592,052	
Note payable to a bank. Interest only payments beginning in July 2003 due monthly until June 2005. Principal and interest payments due beginning July 2005 and amortized over 20 years. Interest at a fixed rate of 7.5%. The note matures June 2008 with all the unpaid principal and interest due.	4,500,000	
Note payable to seller of building, paid in 2003.		450,000
	6,240,228	1,650,000
Less current portion	(168,897)	(43,590)
	\$ 6,071,331	\$ 1,606,410

Notes payable- related party consists of:

	December 31,	
	2003	2002
Note payable to an officer/stockholder relating to the purchase of MRS Equity Corp. Semi-annual payments of principal and interest of \$275,000 beginning July 2004 through January 2009 at an interest rate of 7%.	\$ 3,750,000	\$
Note payable to an officer/stockholder relating to the purchase of Whitney Leadership Group. Semi-annual payments of principal and interest of \$150,000 beginning January 2004 through January 2006 at an interest rate of 7%.	900,000	
Note payable to an officer/stockholder. Principal payment due in July 2003 and remaining principal and interest payment due in July 2004 with interest at 7%.	62,500	
Notes payable to officers/stockholders of the Company paid in 2003.		118,515
	4,712,500	118,515
Less current portion	(1,362,500)	(118,515)
	\$ 3,350,000	\$

Maturities of long-term obligations are as follows:

Year Ending December 31,	Related Party Notes	Other Notes	Total
2004	1,362,500	168,897	1,531,397
2005	850,000	211,842	1,061,842
2006	850,000	259,217	1,109,217
2007	550,000	275,821	825,821
2008	550,000	4,459,880	5,009,880
Thereafter	550,000	864,571	1,414,571
	\$ 4,712,500	\$ 6,240,228	\$ 10,952,728

Interest expense on the related party notes was approximately \$14,100 and \$6,000 for the year ending December 31, 2003 and 2002, respectively.

Note 6 - Commitments and Contingencies

Operating Leases

The Company leases the following properties: (1) its headquarters building in Cape Coral, Florida (Note 3); (2) its telemarketing facility in Draper, Utah; and (3) its Whitney Canada location in Ontario. These leases expire from May 2005 to October 2006.

Rent expense for all operating leases was:

Year Ending December 31,

2003	\$	383,592
2002	\$	237,025
2001	\$	227,807

Future minimum lease payments under these leases are approximately as follows:

Year Ending December 31,

2004		140,093
2005		102,896
2006		73,359
	\$	316,348

Litigation

The Company is not involved in any material unasserted claims and action 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.

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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.

Credit Facilities

The Company has obtained two letters of credit, totaling \$1,500,000, and has available unused amounts totaling \$1,500,000, which are supported by certificates of deposit. These letters of credit expire in January 2005 and October 2005 and carry an interest rate of 2.98% and 3.68%, respectively.

Note 7 - Stockholders Equity and TransactionsStock 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, 2000	1,093,650	\$ 1.94
Granted	10,000	\$ 1.70
Forfeited/canceled	(181,850)	\$ (1.94)
Outstanding - December 31, 2001	921,800	\$ 1.94
Granted	651,750	\$ 1.81
Forfeited/canceled	(141,000)	\$ (1.98)
Exercised	(26,375)	\$ (2.13)
Outstanding - December 31, 2002	1,406,175	\$ 1.93
Granted	202,500	\$ 3.80
Forfeited/canceled	(180,300)	\$ (2.19)
Exercised	(6,125)	\$ 2.60
Outstanding - December 31, 2003	1,422,250	\$ 2.17

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

Range of Exercise Prices		Number of Options	Number of Option Exercisable	Price*	Life*
\$	1.75	45,000	45,000	\$ 1.75	6.34
\$	1.81	311,450	77,863	\$ 1.81	8.25
\$	1.88	249,900	250,100	\$ 1.88	5.66
\$	2.00	613,400	472,775	\$ 2.00	6.56
\$	3.10	15,000	3,750	\$ 3.10	8.68
\$	3.70	152,500	38,125	\$ 3.70	9.16
\$	3.90	25,000	6,250	\$ 3.90	9.66
\$	4.10	10,000	2,500	\$ 4.10	9.28
\$ 1.75 to \$4.10		1,422,250	896,363		7.14

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

Note 8 - Income (Loss) Per Share

The following table sets forth the computation for basic and diluted earnings per share:

	2003	For the Years Ended December 31, 2002	2001
Numerator for diluted income (loss) per common share	\$ (1,557,659)	\$ 6,229,740	\$ 2,534,247
Denominator for basic earnings per share - weighted average shares	8,187,658	7,952,180	7,587,474
Effect of dilutive securities - options and warrants		888,742	
Denominator for diluted earnings per share - adjusted weighted average shares	8,187,658	8,840,922	7,587,474
Diluted income (loss) per common share	\$ (0.19)	\$.70	\$ 0.33

Where the inclusion of potential common shares is anti-dilutive, such shares are excluded from the computation.

Note 9 - Business Segment Information

The Company and its subsidiaries operate primarily in only one business segment. The Company's revenues are generated through the sale of real estate seminars, programs and products. The Company and each of its subsidiaries either directly participate in the real estate market or provide services to one of the subsidiaries. The Company does maintain operations in foreign countries outside the United States.

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The following provides both revenues and long-lived asset values by location for the period and years ending December 31, 2003 and 2002. Foreign operations prior to 2002 are not significant.

Location	Revenues				Long-Lived Assets			
	2003		2002		2003		2002	
United States	\$	81,633,450	\$	57,091,029	\$	24,488,829	\$	9,549,181
Canada		5,242,379		2,648,171		31,147		44,159
United Kingdom		8,082,341		2,406,037		84,030		49,746
Costa Rica						817,513		817,513
	\$	94,958,170	\$	62,145,237	\$	25,421,519	\$	10,460,599

The following provides revenues received from external customers by the Company's reportable segments for the years ended December 31, 2003, 2002 and 2001.

Segment	For the Years Ended December 31,		
	2003	2002	2001
Real Estate Products/Services	\$ 58,325,333	\$ 53,339,275	\$ 38,024,356
Real Estate Mentoring/Coaching	17,113,692	6,486,180	3,315,936
Commission/Other	3,700,542	1,739,436	805,049
Teach Me To Trade	15,818,603	574,484	
Internet Sales		5,862	12,399
Total revenues	\$ 94,958,170	\$ 62,145,237	\$ 42,157,740

Note 10 - Income Taxes

At December 31, 2003, the Company had net operating losses (NOL) carryforwards for tax purposes of approximately \$10,225,000 respectively, which expire in the years 2004 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 sheets include the following:

	December 31,	
	2003	2002
Deferred tax asset from NOL carryforward	\$ 3,814,000	\$ 1,301,000
Deferred tax asset (liability) from deferred expense/revenue	(2,758,000)	(1,142,000)
Total deferred tax assets	1,056,000	159,000
Valuation allowance for deferred tax assets	(1,056,000)	(159,000)
Net deferred tax asset	\$	\$

Note 11 Employee Benefit Plan

The Company has a 401(k) employee savings plan for eligible employees, which provides for a Company matching contribution determined each year at the discretion of the Company. No Company contributions were charged to operations for the years ended December 31, 2003, 2002, and 2001, respectively.

Note 12 - Summarized Quarterly Results (Unaudited)

The following table presents unaudited operating results for each quarter within the two most recent years. The Company believes that all necessary adjustments consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the following quarterly results when read in conjunction with the financial statements. Results of operations for any particular quarter are not necessarily indicative of results of operations for a full fiscal year.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
December 31, 2002				
Revenues	\$ 15,453,018	\$ 17,535,080	\$ 13,875,257	\$ 15,281,882
Operating expenses	12,173,963	13,494,194	13,078,696	17,437,938
Income (loss) from operations	3,279,055	4,040,886	796,561	(2,156,056)
Net income (loss)	3,371,041	2,763,941	672,169	(577,411)
Basic income (loss) per share (1)	.43	.35	.08	(.08)
Diluted earnings (loss) per share (1)	.43	.31	.08	(.08)
December 31, 2003				
Revenues	\$ 13,303,839	\$ 17,420,985	\$ 23,567,782	\$ 40,665,564
Operating expenses	15,951,926	21,861,788	27,173,284	31,679,685
(Loss) income from operations	(2,648,087)	(4,440,803)	(3,605,502)	8,985,879
Net (loss) income	(1,411,379)	(3,549,264)	(1,570,829)	4,973,813
Basic (loss) earnings per share (1)	(.17)	(.44)	(.19)	.61
Diluted (loss) earnings per share (1)	(.17)	(.44)	(.19)	.56

(1) Earnings per share are computed independently for each quarter and the full year based upon respective average shares outstanding. Therefore, the sum of the quarterly net earnings per share amounts may not equal the annual amounts reported.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. 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 December 31, 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.

In connection with the audit of the year ended December 31, 2003, 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 a weakness in the Registrant's internal controls relating to the adequacy of staffing of its accounting and finance department. The auditors considered the scope of responsibilities and duties of the Chief Financial Officer and the Vice-President of Finance to be somewhat overextended. The auditors communicated that additional resources were needed in the Finance and accounting department to take the workload off these individuals. In addition, the auditors also communicated to the Company that additional expertise was needed in those departments in the area of SEC reporting. This staffing situation contributed to certain accounts not being reconciled on a timely basis and certain business transactions not documented in an appropriate manner. The Registrant is addressing this concern and is in the process of further enhancing its staff.

The primary deficiency in account reconciliations related to the lack of timely reconciliation of cash accounts, fixed asset accounts, accounts payable and inter-company payable accounts. The deficiency in documentation of acquisition transaction related to 1) an advance of \$1,200,000 into the Company's Costa Rican investment without supporting documentation related to repayment terms, 2) advances totaling \$630,000 made to Success Development, Inc. prior to the Company's acquisition of SDI in November 2003, and 3) the recording of a \$530,000 receivable from a consultant resulting from the Company overpaying the consultant for commissions. The CEO and CFO have initiated corrective actions to address these internal control deficiencies, and will continue to evaluate the effectiveness of our disclosure controls and internal controls and procedures on an ongoing basis, taking corrective action as appropriate. The actions implemented include further formalization of policies and procedures and additional monitoring controls. Should additional significant deficiencies in our internal controls be discovered in the future, a failure to remediate them or to implement required new or improved controls could harm our operating results, cause us to fail to meet our reporting obligations or result in misstatements in our financial statements.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning each of our executive officers and directors is set forth below:

Name	Age	Position
Russell A. Whitney	47	Chairman of the Board of Directors, Chief Executive Officer and President
Ronald S. Simon	60	Executive Vice President, Chief Financial Officer, Secretary and Director
Nicholas S. Maturo	55	Chief Operating Officer
Charles E. Miller	53	Vice President Finance
John F. Kane	49	Vice President Marketing
Gonzalo DeRamon	39	Director
Frederick A. Cardin	57	Director
Chester P. Schwartz	58	Director

Directors hold office for a period of one year from their election at the annual meeting of stockholders or until their successors are duly elected and qualified. Officers are elected by, and serve at the discretion of, the Board of Directors. Our Audit and Compensation Committees are composed of Messrs. DeRamon, Schwartz and Dr. Cardin, all of whom are independent directors. Mr. Schwartz is the chairman of our Audit Committee and our Audit Committee financial expert. John B. Gallagher joined our Board of Directors in April 2003 and resigned in July 2003.

Russell A. Whitney, Chairman of the Board of Directors and Chief Executive Officer. Mr. Whitney is our founder and has been Chairman and Chief Executive Officer of our company and its predecessors since 1987. He is also Chief Executive Officer and a director of all of our wholly-owned subsidiaries. Mr. Whitney is also an active real estate investor for his own account and has written and published three books on wealth building topics. Mr. Whitney devotes substantially all of his time to our business.

Ronald S. Simon, Executive Vice President, Chief Financial Officer, Secretary and Director. Mr. Simon is a Certified Public Accountant has been our Chief Financial Officer and a member of our Board of Directors since August 1998. Mr. Simon was a self-employed certified public accountant from 1987 until he joined us as our Chief Financial Officer in June 1998. In June 2002, he was appointed our Executive Vice President. Mr. Simon holds a Bachelor of Science degree in accounting from the University of Illinois.

Nicholas S. Maturo, Chief Operating Officer. Mr. Maturo joined us in September 2002 and became our Chief Operating Officer in January 2003. He was the Chief Operating Officer of Food Trader, Inc. from March 2000 to November 2002. From 1981 to January 2000, he held a number of executive positions with Kraft Foods and was Chief Information Officer when he left Kraft.

Charles E. Miller, Vice President Finance. Mr. Miller joined us in June 2002. From 1996 until May 2002, he was the Chief Financial Officer for First Home Builders, a privately-held Florida-based home building company. Mr. Miller is a Certified Public Accountant and an attorney. He graduated in 1971 from Colgate University with a Bachelor of Arts degree and earned a J.D. degree from Albany Law School in 1974.

John F. Kane, Vice President Marketing. Mr. Kane has been the President of Precision Software Services, Inc., one of our wholly-owned subsidiaries since 1993. Precision develops real estate investment and other basic business software and was purchased by us in November 2001. We appointed Mr. Kane our Vice President of Marketing in January 2003.

Gonzalo DeRamon, Director, joined us as a director in April 2003. Since May 2000, Mr. DeRamon has been Vice President of Development Banking for the Bank of America, responsible for development of affordable housing in the South Florida market. His responsibilities include negotiating land acquisitions, structuring joint ventures and financings, selecting professional consultants as well as project underwriting through closing. From 1996 to May 2000, Mr. DeRamon was Vice President of Finance and Treasurer for Greater Miami Neighborhoods, where he was responsible for the management of 2,800 multi-family units and over 250 single family units, all located in the Greater Miami, Florida metropolitan area. From 1993 to 1996, he was Comptroller for Greater Miami Neighborhoods, responsible for receiving and distributing institutional and bank funds used to revitalize inner city neighborhoods. Mr. DeRamon received a Bachelor of Science degree in industrial engineering from Santa Domingo Institute of Technology in the Dominican Republic and an MBA in investment and corporate finance from Florida International University.

Frederick A. Cardin, Director, joined us as a director in April 2003, and since June 1996, has been managing director of Harvard Growth Strategies, a consulting firm which advises clients on business strategies, financing and marketing. Dr. Cardin publishes articles and lectures on such topics as corporate, investment and international finance, strategic planning, financing, entrepreneurship, management, merger and acquisition planning and health care and environmental economics. From 1974 to 1981, he was first a member and then a partner and a director of the Cambridge Research Institute, a strategic planning consulting firm in Cambridge, Massachusetts. At the Cambridge Research Institute he led strategic analyses of the computer and telecommunications industries. In 1985 he founded and acted as Chairman and Chief Executive Officer of O!Deli Corporation, a publicly-traded food franchisor. O!Deli grew to 50 franchisees before its acquisition by Pacific Equities. From 1970 to 1971 he held a faculty appointment in international finance at the Harvard Business School, where he developed cases and teaching materials on speculation, arbitration and hedging in foreign exchanges. Dr. Cardin earned his MBA with distinction and his Doctorate in Finance from the Harvard Graduate School of Business Administration. He earned a Bachelor's degree in economics Summa Cum Laude from Tufts University, where he fulfilled degree requirements in economics, math and astronomy, minoring in physics. In 1968 he was elected to Phi Beta Kappa.

Chester P. Schwartz, Director, joined us as a director in July 2003. Since 1970 he has been engaged in the private practice of law in Denver, Colorado, specializing in real estate and commercial law. He earned a Bachelor of Science and Juris Doctor degrees from the University of Colorado.

Identification and Description of the Audit Committee

The Company's Board of Directors has established a standing Audit Committee that consists of three directors. The current members of the Audit Committee are Messrs. DeRamon, Cardin and Schwartz. The Board of Directors has determined that each of these directors is independent as defined by the applicable rules of the Securities and Exchange Commission. The Board of Directors has also determined that each of these directors is financially literate and that Mr. Schwartz further qualifies as an audit committee financial expert as such term is defined in the applicable rules of the Securities and Exchange Commission.

The Audit Committee assists the Board in fulfilling its responsibility to provide oversight with respect to our financial statements and reports and other disclosures provided to stockholders, the system of internal controls and the audit process. Its duties include reviewing the adequacy of our internal accounting and financial controls, reviewing the scope and results of the audit plans of our independent and internal auditors, reviewing the objectivity, effectiveness and resources of the internal audit function, and assessing our financial reporting activities and accounting standards and principles. The Audit Committee also selects and engages our independent auditors and approves their fees. In 2003, the Committee met two times. All members of the Audit Committee meet the independence standards of the Securities and Exchange Commission.

The Audit Committee has considered whether the provision of nonaudit services performed by our independent auditors is compatible with maintaining that firm's independence.

Code of Ethics

Our Board of Directors has adopted a Code of Ethics that applies to the Company's Chief Executive Officer, Chief Financial Officer and other senior executive officers. We have posted the Code of Ethics on our Web site at <http://russwhitney.com>. We intend to disclose any amendment to or waiver from the Code of Ethics applicable to any senior officer on a Form 8-K or on our Web site.

ITEM 11. EXECUTIVE COMPENSATION

The following table provides certain summary information concerning compensation paid to our Chief Executive Officer and others for the calendar years indicated below.

SUMMARY COMPENSATION TABLE

Annual Compensation

Long-Term Compensation Awards

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Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Restricted Stock Award(s) (#)	Shares Underlying Options (\$)	All Other Compensation (\$)
Russell A. Whitney, CEO	2003	400,000	275,000				
	2002	350,000	450,000			75,000	
	2001	250,000	100,000				
	2000	250,000	20,455				
Richard Brevoort, President(1)	2003	0	0				
	2002	125,000	50,000			78,500	
	2001	100,000	50,000				
	2000	75,000	14,602			68,000	

Ronald S. Simon, Executive Vice President, CFO	2003	180,000	75,000	50,000
	2002	100,000	50,000	75,000
	2001	55,000	25,000	
	2000	47,500	14,602	68,000
Nicholas Maturo, COO	2003	180,000	20,000	45,000
John Kane, Vice President	2003	120,000	15,000	25,000
Charles Miller, V.P. Finance	2003	120,000	15,000	10,000

(1) Mr. Brevoort passed away in September 2002.

In May, 2003, we entered into a three-year employment agreement with Mr. Whitney which provides for a salary of \$400,000 per year, together with bonuses to be granted by the Compensation Committee of our Board of Directors, and customary employee benefits, including health insurance. Bonuses granted by the Board of Directors to Mr. Whitney are expected to be between 50% and 150% of his salary, depending upon our level of profitability. In May, 2003, we also entered into three-year employment agreements with Messrs. Simon, Maturo, Miller and Kane, providing for initial annual salaries of \$180,000, \$180,000, \$120,000 and \$120,000, respectively.

We intend to institute a cash bonus plan which will be administered by the Compensation Committee of our Board of Directors. Under the bonus plan, employees, including all of our executive officers, except our Chief Executive Officer, may receive cash bonuses of up to 50% of their salaries based upon a number of factors, including the meeting or exceeding of internally prepared budgets and forecasts, along with a number of subjective criteria.

The following table sets forth certain information regarding grants of stock options to Russell A. Whitney, Nicholas Maturo, Richard Brevoort, and Ronald S. Simon, the executive officers who received stock options during the years 2000 through 2003. The fair value of the grants have been estimated utilizing the Black-Scholes option pricing.

Name	Number of Underlying Securities Options/SARs Granted During Last 12 Months	% of Total Options/SARs Granted During Last 12 Months	Exercise or Base Price (\$/Sh) (weighted average)	Expiration Date	Grant Date Present Value
Russell A. Whitney	35,000(1)	17%	\$ 3.70	03/2013	\$ 68,823(3)
Richard Brevoort	0(2)	0%	\$		(3)
Ronald S. Simon	50,000	25%	\$ 3.70	02/2013	\$ 93,318(3)
Nicholas Maturo	45,000	22%	\$ 3.9	04/2013	\$ 88,487(3)

(1) Comprised of options granted to Mr. Whitney's wife and two children all of whom are our employees.

(2) Mr. Brevoort passed away in September 2002.

(3)

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Our present value computations were based upon the following assumptions: 33.7% volatility, ten year life, risk free rate of return of 4.25% and a 0% dividend yield.

The following table sets forth, on an aggregated basis, each exercise of stock options (or tandem SARs) and freestanding SARs during the last completed fiscal year by each of the named executive officers and the fiscal year-end value of unexercised options and SARs.

Name	Shares Acquired on Exercise	Value Realized	# of Securities Underlying Unexercised Options/SARs at December 31, 2003	Value of Unexercised In-The Money Options/SARs at December 31, 2003
Russell A. Whitney	0	0	91,000	\$ 189,140
Richard Brevoort	0	0	268,600	\$ 614,983
Ronald S. Simon	0	0	343,000	\$ 699,475
Nicholas Maturo	0	0	45,000	16,500

We have not adopted any retirement, pension or profit sharing plans for the benefit of our officers or directors although we adopted our 1998 Stock Option Plan for the benefit of our officers, directors, employees and consultants. We also offer our employees a 401(k) plan, although we do not make any contributions to the plans.

Compensation of Directors

Independent directors receive \$10,000 per year for serving as members of the Board of Directors. Expenses incurred by our directors in attending Board meetings are reimbursed, and independent directors each receive 5,000 stock options under our 1998 Stock Option Plan upon joining our Board of Directors.

1998 Stock Option Plan

In 1998 we adopted a stock option plan which provides for the grant of options intended to qualify as incentive stock options or nonqualified stock options within the meaning of Section 422 of the United States Internal Revenue Code of 1986 (the Code). Incentive stock options are issuable only to employees.

The purposes of the Plan are to attract and retain the best available personnel, to provide additional incentives to our employees and to promote the success of our business.

We have reserved 2,187,500 shares of common stock for issuance under the Plan, which is administered by the compensation committee of our board of directors. Under the Plan, the compensation committee determines which individuals will receive options, the time period during which the options may be partially or fully exercised, the number of shares of common stock that may be purchased under each option and the option price. As of December 31, 2003, options to purchase 1,422,250 shares of common stock at exercise prices ranging from \$1.75 per share to \$4.10 per share were outstanding under the Plan, and 765,250 shares remained available for future option grants. Of these options, 828,800 have been issued to executive officers and directors at exercise prices ranging from \$1.81 per share to \$3.70 per share.

The per share exercise price of the common stock subject to options must not be less than the fair market value of the common stock on the date the option is granted. In the case of incentive stock options, the aggregate fair market value, determined as of the date the option is granted, of the common stock that any person may purchase in any calendar year pursuant to the exercise of incentive stock options must not exceed \$100,000. No person who owns, directly or indirectly, at the time of the granting of an incentive stock option, more than 10% of the total

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combined voting power of all classes of our stock is eligible to receive incentive stock options under the Plan unless the option price is at least 110% of the fair market value of the common stock subject to the option on the date of grant. The stock options are subject to anti-dilution provisions in the event of stock splits, stock dividends and the like.

No incentive stock options are transferable by an optionee other than by will or the laws of descent and distribution, and during the lifetime of an optionee, the option is only exercisable by the optionee. The exercise date of an option granted under the Plan must not be later than ten years from the

date of grant. Any options that expire unexercised or that terminate upon an optionee's ceasing to be employed by us will become available once again for issuance. Shares issued upon exercise of an option rank equally with other shares then outstanding. No options have been exercised under the Plan.

Equity Compensation Plan Information

The following table provides information about compensation plans, including individual compensation arrangements, under which our equity securities are authorized for issuance to employees or non-employees, such as directors and consultants, as of December 31, 2003:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding) securities reflected in column (a) (c)
Equity compensation plans approved by security holders			
1998 Stock Option Plan	1,422,250	\$ 2.17	765,250
Equity compensation plans not approved by security holders			
Total	1,422,250	\$ 2.17	

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth the common stock ownership of each person known by us to be the beneficial owner of five percent or more of our common stock, by certain of our officers, by each of our directors individually and by all officers and directors as a group. Each person holds record and beneficial ownership and has sole voting and investment power with respect to the shares of common stock shown. The address of all of these individuals is in our care at 1612 E. Cape Coral Parkway, Cape Coral, Florida 33904.

Name of Owner	Number of Shares	Position	Percent of Class(1)
Russell A. Whitney(2)	6,706,600	Chairman of the Board of Directors and Chief Executive Officer	81.9%
Ronald S. Simon(3)	378,125	Executive Vice President, Chief Financial Officer, Secretary and Director	3.9%

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Nicholas S. Maturo	25,000	Chief Operating Officer	(4)
Charles S. Miller	19,523	Vice President Finance	(4)
John F. Kane	206,333	Vice President Marketing	2.5%
Gonzalo DeRamon	5,000	Director	(4)
Frederick A. Cardin	5,000	Director	(4)
Chester P. Schwartz	5,000	Director	(4)
All officers and directors as a group (eight persons)	7,353,581		85.1%

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- (1) Includes stock options exercisable within 60 days from the date of the prospectus.
 - (2) Comprised of 6,615,600 shares held jointly by Mr. Whitney and his wife and 90,000 stock options held by members of Mr. Whitney's family.
 - (3) Comprised of 35,125 shares and 343,000 stock options.
 - (4) Less than 1%

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In 2003 we leased 2,242 square feet of office space at 4818 Coronado Parkway, Cape Coral, Florida 33904 from Russell A. Whitney, our Chairman and Chief Executive Officer, on a monthly basis without a written lease for \$2,242 per month. We elected to lease the property on a monthly basis without a written lease as we were uncertain of whether we would continue to use this space, considering we recently purchased our own office building in Cape Coral and may move into additional space in that building when current leases to non-affiliates expire. In 2004 we vacated this space. We currently lease 2,200 square feet of training facilities at 1611 E. Cape Coral Parkway, Cape Coral, Florida 33904 from Mr. Whitney for \$1,943 per month on a monthly basis.

We provide payroll services to Whitney Leadership Group, Inc., a company previously owned and managerially and operationally controlled by Mr. Whitney which we acquired in July 2003. In 2002 we made a short-term advance to Whitney Leadership \$232,126 with no interest to fund a Whitney product show, which was repaid in 2002. Whitney Leadership owns the rights to our television real estate infomercials which we use to attract students to our free informational training sessions, a number of our educational books and tapes and one of our course offerings, for which we pay Whitney Leadership \$1.00 for each person who registers for our free informational training sessions.

MRS Equity Corp. provides software products and services to us which we market that allows mortgagees to pay their mortgages every two weeks rather than monthly, thereby reducing mortgage payments over the life of the mortgage and increasing principal reductions. We provide MRS with payroll services. MRS is a wholly-owned subsidiary of Equity Corp. Holdings, Inc., which was previously owned and managerially and operationally controlled by John F. Kane, our Vice President of Marketing and which we acquired in July 2003.

Precision Software Services, Inc. develops and licenses software to us. Mr. Whitney owned a controlling interest in Precision until we acquired all of its outstanding shares in November 2001 for 333,334 shares of our common stock valued at \$1.50 per share.

Corporation Company of Nevada, Inc., formerly known as United States Fiduciary Corp., provides to us trainers for some of our asset protection courses along with formation services for which the Company was billed for. Formation services involved Corporation Company forming legal entities such as corporations and limited liability companies for use by our students. The students used these entities to operate their business in a corporation, partnership, or trust form. Mr. Whitney and Mr. Simon were directors of that company until the fourth quarter of 2001.

The dollar amount of products we purchased from MRS and Precision Software Services is as follows:

	2003	2002	2001
MRS Equity Corp.	\$ 47,405	\$ 678,325	\$ 720,504

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Precision Software Services, Inc.	\$	0	\$	0	\$	371,644
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Fees we paid to Whitney Leadership and Corporation Company are as follows:

	2003	2002	2001
Whitney Leadership Group, Inc.	\$ 88,358	\$ 210,849	\$ 279,313
Corporation Company of Nevada, Inc.	\$ 0	\$ 0	\$ 458,877

Payroll service fees we received from affiliates are as follows:

	2003	2002	2001
MRS Equity Corp.	\$ 63,204	\$ 145,190	\$ 53,105
Precision Software Services, Inc.	\$ 0	\$ 0	\$ 42,024
Whitney Leadership Group, Inc.	\$ 0	\$ 14,204	\$ 0

In September 2001, we purchased for \$212,500 a 20% interest in Rancho Monterey, S.A., a Panama company organized in May 2001 to develop unimproved real estate in Costa Rica. Prior to our investment, Rancho Monterey was owned by four persons, comprised of three nonaffiliated persons and Mr. Whitney, each of whom owned 25% of Rancho Monterey. We paid the same price for our interest in Rancho Monterey as the other four persons paid. In the summer of 2003, we acquired an additional 10% interest in Rancho Monterey, thus increasing our holdings to 30% of Rancho Monterey through the issuance of \$650,000 debt. We also own 6% of Monterey del Este (a Panama Company organized to develop unimproved real estate in Costa Rica) and a 20% interest in Monterey del Mar (a Panama Company organized to develop an ocean-front boutique hotel on the Pacific Coast Rica). Mr. Whitney also indirectly owns 11.4% of Rancho Monterey and 6% of Monterey del Este. Ronald Simon, Chief Financial Officer, indirectly owns 1.4% of Rancho Monterey.

In November 2001 we purchased all of the outstanding common stock of Precision Software Services, Inc. from Mr. Whitney and John F. Kane, who subsequently became one of our executive officers, in exchange for 170,000 shares and 163,324 shares, respectively, of our common stock. Prior to the purchase, Precision developed and licensed educational software for us. Precision continues to develop software for us as a wholly-owned subsidiary.

In July 2003, we acquired from John F. Kane, our Vice President of Marketing, all of the outstanding shares of Equity Corp. Holdings, Inc., which owns MRS Equity Corp., for a 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. We also agreed to assume and pay a promissory note issued to Mr. Whitney 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 Mr. Whitney's stock ownership in Equity Corp., which amounted to 90% of the outstanding stock of Equity Corp., as of June 1, 2002.

In July 2003, we acquired all of the outstanding common stock of Whitney Leadership Group, Inc. from Mr. Whitney and his wife, for a purchase price of \$1,200,000, which was paid \$300,000 at closing and \$300,000 payable in each of the following three years. The outstanding balance is evidenced by a promissory note bearing interest at 7% per annum.

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From 1999 to 2002 we granted 91,000 stock options to Mr. Whitney's wife and two children, all of whom are employees of our company. Mr. Whitney's wife has been an employee since 1992, his daughter has been an employee since 1995 and his son has been an employee since 2000. We also granted 25,600 stock options to the wife of Mr. Brevoort, a former executive officer. Mrs. Brevoort has been an employee since 1992. All were granted stock options under our employee stock option plan.

Historically, our Board of Directors has been composed solely of Messrs. Whitney and Simon who are responsible for setting the compensation of all of our executive officers, including Messrs. Whitney and Simon. These two individuals also approved the above described related party transactions with Whitney Leadership and Equity Corp. Holdings prior to our appointment of our three independent directors. However pursuant to the acquisition agreements, we obtained independent fairness opinions for these acquisitions.

From time to time Mr. Whitney benefits from our students' purchase of residential lots and the construction of homes on lots they acquire in the Cape Coral, Florida area. Lots purchased by students may be sold to them by Mr. Whitney or other lot owners. The purchase price of lots sold by Mr. Whitney is consistent with lot prices sold by others in the Cape Coral area. Mr. Whitney receives a commission of \$5,000 from Gulf Stream Development Group, Inc. for houses built by Gulf Stream for our students. Mr. Whitney owns 25% of the stock of Gulf Stream. Mr. Whitney personally benefits from these transactions and the Company receives no additional compensation. As the Company is not in the business of selling land and constructing homes, Mr. Whitney is not preventing revenue opportunities with his personal activities. We have elected not to enter into the business of selling lots to students or building homes for them, as we do not believe the returns in doing so would match our returns in the post-secondary education business. Our decision not to enter either of these businesses was unanimously ratified by a vote of our independent directors.

In our view, the terms of the transactions described above are no less favorable than could have been obtained from independent third parties. Further, all ongoing and future affiliated transactions will be made or entered into on terms that are no less favorable to us than those that could be obtained from unaffiliated third parties, and all ongoing and future affiliated transactions and any forgiveness of loans will be approved by a majority of the independent and disinterested members of our Board of Directors.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Ehrhardt Keefe Steiner & Hottman, P.C., Denver, Colorado (EKS&H), conducted the audit of our financial statements for the year ended December 31, 2003. It is our understanding that this firm is obligated to maintain audit independence as prescribed by the accounting profession and certain requirements of the Securities and Exchange Commission. As a result, our directors do specifically approve, in advance, nonaudit services provided by EKS&H, and it considers the effect, if any, of such services on audit independence.

EKS&H's fees for the 2003 annual audit, review of interim financial statements, and registration statement filings were approximately \$ 180,000. Fees for all other professional services rendered by EKS&H during the year ended December 31, 2003 totaled approximately \$ 48,000 and were related primarily to tax services and regulatory reviews. No fees were billed for financial information systems design and implementation services. We have concluded that the provision of services by EKS&H is compatible with maintaining its independence.

PART IV

ITEM 15. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Reports on Form 8K
 - (i) On October 17, 2003, the Registrant filed on 8K disclosing its acquisition of SpeakTec, Inc.
 - (ii) On December 2, 2003, the Registrant filed an 8K disclosing its acquisition of Success Development, Inc.
- (b) Exhibits

Exhibit No.	Description
3.1	Articles of Incorporation (1)
3.2	Bylaws (1)
3.3	Amended Articles of Incorporation (1)
3.4	Amended Articles of Incorporation (1)
4.1	Specimen Stock Certificate (1)
10.01	Ontario Canada Office Lease (2)
10.02	Utah Office Lease (2)
10.03	Business Advisory Agreement with Newbridge Securities Corporation (2)
10.04	1998 Stock Option Agreement (2)
10.05	Agreement to Purchase Precision Software Services, Inc. (2)
10.06	Agreement to Purchase MRS Equity Corp. (2)
10.07	Employment Agreement with Mr. Whitney (2)
10.08	Employment Agreement with Mr. Simon (2)
10.09	Employment Agreement with Mr. Maturo (2)
10.10	Employment Agreement with Mr. Miller (2)
10.11	Employment Agreement with Mr. Kane (2)
10.12	Purchase Agreement Teach Me To Trade (2)
10.13	Purchase Agreement Whitney Leadership Group (2)
10.14	Purchase Agreement Success Development, Inc.(3)
10.15	Purchase Agreement - SpeakTec, Inc.(4)
14.1	Code of Ethics (5)
21	The Registrant has ten active subsidiaries as follows: Precision Software Services, Inc.; Intelligence Network, Inc.; Whitney Canada, Inc.; Whitney Consulting Services, Inc.; Whitney Education Group, Inc.; Whitney Internet Services, Inc.; Whitney Mortgage.com, Inc.; Whitney U.K., Limited; Coral Aviation, Inc.; American Home Buyers Alliance, Inc.
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
99.1	Class A Warrant Agreement (1)
99.2	Class B Warrant Agreement (1)
99.3	Non-Qualified Incentive Stock Option Plan (1)

-
- (1) Incorporated by reference to the Registrant's Registration Statement on Form 10SB12G (SEC File No. 000-27403).
 - (2) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-103156).
 - (3) Incorporated by reference to the Registrant's current report on Form 8K dated December 2, 2003
 - (4) Incorporated by reference to the Registrant's current report on Form 8K dated October 17, 2003
 - (5) Incorporated by reference to the Registrant's current report on Form 10K dated March 30, 2004

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: November 24,
2004

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

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	Chairman of the Board of Directors and Chief Executive Officer	November 24, 2004
/s/ RONALD S. SIMON Ronald S. Simon	Executive Vice President, Chief Financial Officer, Acting Principal Accounting Officer and Director	November 24, 2004
/s/ GONZALO DeRAMON Gonzalo DeRamon	Director	November 24, 2004
/s/ FREDERICK A. CARDIN Frederick A. Cardin	Director	November 24, 2004
/s/ CHESTER P. SCHWARTZ Chester P. Schwartz	Director	November 24, 2004