GWIN INC
Form 10QSB
June 14, 2005

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

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 2005

[ ] TRANSITION REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to __________

Commission File Number 000-24520

GWIN, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	04-3021770
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

5092 South Jones Boulevard, Las Vegas, Nevada 89118
(Address of principal executive offices)

(702) 967-6000
(Issuer's telephone number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 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 [X] No [ ]

As of April 30, 2005 the Company had 96,241,464 shares of its $.0001 par value common stock issued and outstanding.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

GWIN, INC.

Index to Form 10-QSB

PART 1: FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

GWIN, INC.
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	April 30, 2005
ASSETS	
Current assets:	
Cash	$ 293,899
Accounts receivable	93,490
Deferred financing fees	5,167
Total current assets	392,556
Property & equipment (net)	82,508
Equipment held under capital leases (net)	2,233
Deposits & other assets	843,242
Deferred financing fees	20,667
Total assets	$ 1,341,206
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Current portion of long-term debt	$ 305,678
Accounts payable - related parties	33,207
Notes payable - related parties	174,922
Deferred revenue	578,000
Accounts payable	378,437
Total current liabilities	1,470,244
Long term debt, less unamortized discount of $132,525	742,473
Total liabilities	2,212,717
Stockholders' deficit:	
Preferred stock - $0.0001 par value; 5,000,000 shares authorized; 0 shares issued & outstanding	-
Common stock - $0.0001 par value; 150,000,000 shares authorized; 96,241,464 shares issued & outstanding	9,632
Additional paid in capital	26,176,548
Accumulated deficit	(27,036,024)
Prepaid expenses - related parties	(21,667)
Total stockholders' deficit	$ (871,511)
Total liabilities and stockholders' deficit	$ 1,341,206

The accompanying notes are an integral part of these financial statements.

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GWIN, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended April 30, 2005	Three months ended April 30, 2004	Nine months ended April 30, 2005	Nine months ended April 30, 2004
Net revenue - services	$ 1,139,801	$ 955,219	$ 4,523,238	$ 5,144,54
Revenues - advertising	65,000	58,000	564,704	635,07
Total revenues	1,204,801	1,013,219	5,087,942	5,779,61
Handicapping fees	37,098	36,553	150,400	208,62
Handicapping fees - related party	97,871	65,668	364,365	331,25
Advertising expense	91,393	176,024	1,422,917	1,755,22
Commissions	440,027	253,246	1,734,878	1,668,38
Salaries & wages	285,741	296,169	840,748	925,07
Professional fees	30,928	26,797	90,449	163,84
General & administrative	196,419	211,481	974,047	1,034,78
Depreciation expense	15,038	10,513	45,734	33,37
Total operating expense	1,194,515	1,076,451	5,623,537	6,120,56
Operating income (loss)	10,286	(63,232)	(535,595)	(340,94
Interest (expense), including amortization of debt discount	(51,308)	(58,186)	(280,147)	(221,59
Other non-cash costs of financing	(52,440)	(317,104)	(479,796)	(412,10
Interest (expense) - related parties	(27,139)	(3,114)	(39,407)	(68,34
Net (loss)	$ (120,600)	$ (441,636)	$(1,334,946)	$(1,042,97
Basic and diluted (loss) per share of common stock	$ 0.00	$ (0.01)	$ (0.01)	$ (0.0
Basic and diluted weighted shares of common stock outstanding	95,834,495	70,024,958	90,031,346	63,511,10

The accompanying notes are an integral part of these financial statements.

GWIN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended April 30, 2005	Nine Months Ended April 30, 2004
Cash flows - operating activities:		
Net (loss)	$(1,334,946)	$(1,042,979)
Adjustments to reconcile net (loss) to net cash used in operations:		
Depreciation	45,734	33,371
Services & settlements paid with common stock and warrants	568,806	520,821
Amortization of prepaid expense - related parties	45,000	45,000
Interest expense - issuance of common stock	34,510	-
Interest expense - amortization of debt discount	162,838	126,765
Decrease (increase) in:		
Accounts receivable	(55,996)	(166,979)
Prepaid expenses	23,719	347
Other assets	(521,065)	(315,713)
Deferred Financing Fees	(20,667)	-
Increase (decrease) in:		
Deferred revenue	265,809	(50,744)
Accounts payable	(56,735)	(79,451)
Accounts payable - related parties	(58,219)	126,000
Total adjustments	433,734	239,417
Total cash (used in) operating activities	(901,212)	(803,562)
Cash flows - investing activities:		
Purchase of fixed assets	(18,829)	(56,810)
Total cash (used in) investing activities	(18,829)	(56,810)
Cash flows - financing activities:		
Proceeds from issuance of notes payable - related parties	-	23,143
Proceeds from the issuance of notes payable	569,000	-
Payments on long-term debt & lease obligations	(91,528)	(373,839)
Proceeds from issuance of common stock	297,000	1,091,643
Total cash provided by financing activities	774,472	740,947
Net (decrease in) cash	(145,569)	(119,425)
Cash - beginning of the periods	439,468	420,814
Cash - end of the periods	$ 293,899	$ 301,389

For the nine months ended April 30, 2005 and 2004, the Company paid $0 for taxes and $57,566 for interest and $0 for taxes and $86,396 for interest, respectively.

The accompanying notes are an integral part of these financial statements.

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING & FINANCING ACTIVITIES

The Company issued stock and warrants in payment for professional services and settlement costs. For the nine months ended April 30, 2005 and 2004, the amount of professional services and settlement costs paid in stock were $427,356 and $ 520,821, respectively. During the nine months ended April 30, 2005, the Company incurred deferred financing charges of $31,000 which was paid by a reduction in the cash received from an offering.

The accompanying notes are an integral part of these financial statements.

GWIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - Organization and Operations

GWIN, Inc. (the "Company") is headquartered in Las Vegas, Nevada. The Company primarily develops, produces and markets sports handicapping analysis and information via television, radio and the Internet.

The Company is engaged in a highly seasonal business, with the majority of sales related to football and basketball handicapping with a smaller amount related to baseball handicapping. Due to this seasonality, quarterly results may vary materially between the football, basketball, and baseball seasons, with sales higher in the first and the second quarter of the Company's fiscal year, and lower sales during the remainder of the year. The Company also spends the majority of its advertising and promotional budgets during the first and second quarter with only minimal advertising and promotional expenditures during the remainder of the year.

In addition to revenues from the sales of handicapping analysis, information, and advice, the Company also generates revenues from the sale of advertising on its television, radio, and Internet shows and properties.

NOTE 2 - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary in order to make the interim financial statements not misleading have been included. Results for the interim periods are not necessarily indicative of the results that may be expected for the fiscal year. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-KSB for the year ended July 31, 2004. The results of the three and nine month periods ended April 30, 2005 are not necessarily indicative of the results to be expected for the full year ending July 31, 2005.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its subsidiary, Global Sports EDGE, as well as several inactive subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Earnings (Loss) Per Share - "Basic" earnings (loss) per common share equals net income (loss) divided by weighted average common shares outstanding during the period. "Diluted" earnings (loss) per common share equals net income (loss) divided by the sum of weighted average common shares outstanding during the period plus common stock equivalents if dilutive. For the nine months ended April 30, 2005 and 2004, the number of common stock equivalents excluded from the calculation was 16,256,726 and 8,048,123 respectively.

GWIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 2 - Basis of Presentation (continued)

Stock Options and Similar Equity Instruments - The Company has adopted the disclosure requirements of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," for stock options and similar equity instruments (collectively "Options") issued to employees and directors; however, the Company will continue to apply the intrinsic value based method of accounting for options issued to employees prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" rather than the fair value based method of accounting prescribed by SFAS No. 123. SFAS No. 123 also applies to transactions in which an entity issues its equity instruments to acquire goods and services from non-employees. Those transactions must be accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. No employee options were granted during the three and nine month periods ended April 30, 2005 and 2004.

Revenue Recognition - Handicapping Service Agreements - Revenue from handicapping service agreements is recognized ratably, as services are rendered in proportion to the total services to be provided under the agreements. At April 30, 2005 the Company had received approximately $412,000 for handicapping services not rendered by that date; this amount is classified as a component of current liabilities on the Balance Sheet.

Advertising Agreements - Revenue from advertising agreements is recognized over the term of the agreements based on individual showings of the advertising in proportion to the total showings during the term of the agreement. At April 30, 2005 the Company had received approximately $166,000 for advertising services not rendered by that date.

Operating Costs & Expenses - Handicappers' fees and sales representatives' compensation and related expenses are charged to operations as incurred because the Company believes these costs have no future economic benefit.

Convertible Debentures - The Company has outstanding a total of $1,175,000 in convertible debentures as of April 30, 2005, including a $600,000 debenture entered into during the nine months ended April 30, 2005.

Convertible Preferred Stock - The Company has no convertible preferred stock issued and outstanding at April 30, 2005.

NOTE 3 - Going Concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the Company as a going concern and realization of assets and settlement of liabilities and commitments in the normal course of business.

GWIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 3 - Going Concern (continued)

The Company incurred a net loss of $1,334,946 for the nine months ended April 30, 2005 and has an accumulated deficit of $27,036,024 at April 30, 2005. The operating losses, as well as uncertain sources of financing, create an uncertainty about the Company's ability to continue as a going concern. Management of the Company plans to generate sufficient cash to support operations by raising additional financing by selling shares of our common stock through private offerings to accredited investors. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

NOTE 4 - Commitments and Contingencies

Legal Matters - In the normal course of business, the Company is exposed to a number of asserted and unasserted potential claims. The Company is not currently a party to any legal proceedings either as a defendant or as a plaintiff.

NOTE 5 - Tax Expense

The Company has not accrued income tax expense for the periods ended April 30, 2005 and 2004 at its statutory rates due to unused net operating losses and acquired net operating losses.

NOTE 6 - Shares Issued

During the nine months ended April 30, 2005, 12,950,968 shares of the Company's common stock were issued, compared to 25,747,592 shares for the nine-month period ended April 30, 2004. During the three month period ended April 30, 2005 1,325,652 shares of the Company's common stock were issued compared to 12,272,185 for the three-month period ended April 30, 2004. These shares were sold to accredited investors through a private placement; the valuation of the shares was determined by the proceeds of these private placements.

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

Overview

We provide sports handicapping information and analysis to sports bettors through direct marketing channels such as television, radio, the Internet, and print media. The handicapping information that we currently provide includes commentary, analysis and selections from leading sports handicappers for professional and college football, professional and college basketball, and professional baseball.

One of the attractive aspects of our business is that we generate revenues from multiple sources. The two primary sources are Services Revenues and Advertising Revenues.

Services Revenues are generated by selling the handicapping advice and analysis of our professional handicappers. Services Revenue is generated from respondents to our various media promotions including the telephone numbers advertised on our weekly 30-minute television infomercial program called Wayne Allyn Root's WinningEDGE, which, during the 2004 football season aired nationally on Spike T V. We also produced an hour long radio program called The WinningEDGE that aired on selected radio stations nationwide as well as on our flagship station, XTRA in Southern California.

In addition to The WinningEDGE television and radio programs we also advertise our services on radio in various markets and in selected print media. During the 2004 football season that included the week-end edition of USA Today. We receive phone calls in response to our various offers. These calls are returned by our team of sports account representatives. The account representative offers the caller a variety of handicapping packages for the services of our handicappers. Our handicapping services are also offered and sold on our Web site, www.WinningEDGE.com. The Web site provides free odds, scores, schedules, injury and weather reports, and free picks from our professional handicappers, as well as the opportunity for visitors to purchase a broad selection of picks and services offered through the site.

The second major source of revenue is advertising revenue. Advertising revenues are revenues generated from payments made to the Company from third party advertisers on our various television, radio, print, and Internet properties. They also include revenues generated from the rental of our databases to noncompetitive advertisers.

The Company has built a significant telemarketing/direct mail database. The Company considers these unrecorded intangible assets to be extremely valuable both as a continuing lead source for Services Revenue and as an additional source of Advertising Revenue. This database and the loyal viewing and listening audience that the Company has built for its television, radio, print, and Internet properties has enabled the Company to attract a number of paid advertisers for these various media. The Company believes that it is well positioned to continue to grow both Services and Advertising Revenues. On May 11, 2005 the Company announced that its television show "Wayne Allyn

Root's WinningEDGE" had been accepted to air fall of 2005 on the WGN Super Station, nationally. The show will reach 86 million cable and satellite households and air at 10 am EST/9 am Central for a minimum of 13 weeks beginning September 10th.

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CRITICAL ACCOUNTING POLICIES

In preparing our financial statements, we make estimates, assumptions and judgments that can have a significant effect on our revenues and net income or net loss, as well as on the value of certain assets on our balance sheet. We believe that there are several accounting policies that are important to an understanding of our historical and future performance as these policies affect the reported amounts of revenues, expenses, and significant estimates and judgments applied by management. While there are a number of accounting policies, methods and estimates affecting our financial statements, two areas of particular significance are identified. One of theses areas is the deferral estimate applied to revenues and the other area is the pricing of options and warrants issued by the Company. In addition, please refer to Note 2 to the accompanying consolidated financial statements for further discussion of our accounting policies.

Revenue Recognition - Our service contracts with clients vary substantially in length from a single sporting event to entire seasons. We recognize the revenue from service contracts ratably, as the services are rendered in proportion to the total services to be provided under the contracts. It is important to note that while revenue from service contracts is deferred and recognized as the service is delivered, the bulk of the costs associated with generating that revenue including advertising, commissions, and handicapping fees are expensed in the quarter that the service contract is generated.

Stock Options and Equity Instruments - Historically, we have issued substantial amounts of warrants and options to purchase common stock in connection with financing activities and as payment for services and other items. We record the cost attributable to those issuances on the basis of the Black-Scholes option valuation model. The use of this model requires some highly subjective assumptions including expected stock price volatility.

COMPARISON OF NINE MONTHS ENDED APRIL 30, 2005 TO THE NINE MONTHS ENDED APRIL 30, 2004

REVENUES. Total revenues decreased to $5,087,942 for the nine months ended April 30, 2005 compared to $5,779,617 in the nine months ended April 30, 2004. Revenues from advertising decreased to $564,704 for the nine months ended April 30, 2005 compared to $635,076 for the same period in 2004, a decrease of 11%. This decrease in advertising revenues is a result of the Company's decision to eliminate advertising on our broadcasts by our competitors. Net revenues from sports handicapping services (after charge-backs and deferred revenue adjustments) decreased to $4,523,238 for the nine months ended April 30, 2005 compared to $5,144,541 for the same period in 2004, a decrease of 12%. This decrease is attributable to loss of sales opportunities brought on in late November when the Company was the victim of a security breach with an outside computer hacker gaining access to our proprietary customer and lead database and clandestinely selling it to a number of our competitors. We estimate the extent of the loss in reduced revenues and increased chargebacks is in the $500,000 to $1,000,000 range. We have substantially reduced the risk of a recurrence of this type theft by upgrading the Company's computer servers and software and hiring an IT security consultant for ongoing monitoring of the Company's systems.

OPERATING COSTS AND EXPENSES. Total operating costs and expenses, excluding non-recurring items were $5,623,537 for the nine months ended April 30, 2005 versus $6,120,560 for the same period in 2004, a decrease of 8%. These savings were across the board, with key components as follows: Advertising Expenses, including production costs, decreased to $1,422,917 for the nine months ended April 30, 2005 compared to $1,755,223 for the same period in 2004. These reduced media expenditures are a direct result of the decision to focus on near-term profitability. The majority of our advertising expense is incurred from September to December, during the football season and the early part of the basketball season.

Commission Expense increased to $1,734,878 for the nine months ended January 31, 2005 compared to $1,668,386 for the same period in 2004, an increase of 4% based upon changes in the handicapping agreements and commission overrides. Salaries and Wages decreased to $840,748 for the nine months ended April 30, 2005 decreased to $925,072 for the same period in 2004, a change of 9%. This savings was accomplished by operating with a slightly reduced staff and replacing selected staff with lower paid employees. Professional Fees also decreased to $90,449 for the nine months ended April 30, 2005 compared to $163,844 for the same period in 2004, a 44 % reduction. The Company does not have any ongoing litigation and expenses are in line with stabilized costs involving a publicly traded company.

Finally, General and Administrative Expenses decreased to $974,047 for the nine months ended April 30, 2005 compared to $1,034,784 for the same period in 2004, a decrease of 6%. This reduction is primarily due to lower telephone charges and credit card fees. These two major expenses vary directly with sales activity and are consistent with revenues.

OPERATING RESULTS. For the nine months ended April 30, 2005, the Company's operating loss increased to $535,595 compared to $340,943 for the same period in 2004. As described above, this increased loss was due to a slow first quarter resulting from a theft of the Company's data base causing sales to be negatively impacted. Since the breech was shut down, the Company has had great success in matching and increasing sales activity for the months of January, February, March and April.

COMPARISON OF THREE MONTHS ENDED April 30, 2005 TO THREE MONTHS ENDED April 30, 2004

REVENUES. Total revenues increased 19%, to $1,204,801 for the three months ended April 30, 2005 from $1,013,219 for the same period in 2004. This is due to a 19% increase in Net Revenues from sports handicapping services (after charge-backs and deferred revenue adjustment) to $1,139,801 for the three months ended April 30, 2005 compared to $955,219 for the same period in 2004. Advertising revenues increased to $65,000 for the three months ended April 30, 2005 compared to $58,000 for the same period in 2004, an increase of 12%

OPERATING COSTS AND EXPENSES. Total operating costs and expenses, excluding non-recurring items were $1,194,515 for the three months ended April

30, 2005 compared to $1,076,451 for the same period in 2004, an increase of 11%. Advertising expenses decreased to $91,393 for the three months ended April 30, 2005 compared to $176,024 for the same period in 2004 a 48% decrease. Commission Expense increased to $440,027 for the three months ended April 30, 2005 compared to $253,246 for the same period in 2004, an increase of 74%. This increase in Commission Expense is primarily due to commissions

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paid for sales that will be recognized as Revenue in future quarters but that are currently recorded as Deferred Revenue on the Balance Sheet. Salaries and Wages decreased to $285,741 for the three months ended April 30, 2005 compared to $296,169 for the same period in 2004, a decrease of 4%. Professional Fees increased to $30,928 for the three months ended April 30, 2005 compared to $26,797 for the same period in 2004, an increase of 15%. General and Administrative Expenses decreased to $196,419 for the three months ended April 30, 2005 compared to $211,481 for the same period in 2004, a decrease of 7%.

OPERATING RESULTS. The Company recorded an operating profit of $10,286 for the three months ended April 30, 2005 versus an operating loss of $63,232 for the same period last year.

Our business is highly seasonal. Because football and basketball are the most popular sports for wagering, the demand for the handicapping analysis for these sports is substantially higher than for any other sporting events. As a result, approximately 75% of our sales occur in the first and second quarters of the fiscal year. Because of these factors, our quarterly operating results are difficult to predict and are likely to vary in the future. We have traditionally experienced lower net sales in the third and fourth quarters of the fiscal year, and higher net sales in the first and second quarters of the fiscal year. We expect this seasonality to continue for the foreseeable future. If we are ultimately successful in pursuing our strategy to expand our handicapping services to cover other sports that are popular internationally, such as soccer and cricket, we may reduce the seasonality of our business. However, there can be no assurance that future seasonal fluctuations will not adversely affect the business or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Our working capital deficit as of April 30, 2005, was $1,077,688 as compared to a deficit of $1,028,546 as of July 31, 2004. Of the April 30, 2005 amount, approximately $578,000 represents revenues from sales which will not be recognized until after April 30, 2005. During the nine months ended April 30, 2005, we raised approximately $297,000 from accredited investors.

In order to reduce our working capital deficit and to finance our continuing operations, management is in the process of or intends in the future to take the following actions. We expect to be able to generate sufficient cash to support our operations during the twelve month period following the date of the financial statements by raising additional financing by the sale of shares of our Common Stock in a private offering to accredited investors through the offshore investment banker who has raised capital for us in the past, and we may attempt to use other investment bankers to sell our Common Stock.

SUMMARY OF CASH FLOWS FOR THE NINE MONTHS ENDED APRIL 30, 2005

GWIN's cash decreased $7,490 during the nine months ended April 30, 2005, to approximately $293,899 on April 30, 2005. The decrease was a result of the operating loss of $1,334,946 which was offset by the approximately $866,000 in proceeds from the issuance of equity and debt in order to fund operations.

OPERATING ACTIVITIES

Net cash used in operating activities increased from $803,562 in the nine months ended April 30, 2004 to $880,544 in the nine months ended April 30, 2005. The primary reason for the increase was the increase in the net loss from $1,042,979 in the nine months ended April 30, 2004 to $1,334,946 in the nine months ended April 30, 2005.

INVESTING ACTIVITIES

Net cash used in investing activities decreased to $18,829 during the nine months ended April 30, 2005 from $56,810 during the nine months ended April 30, 2004, due to reduced purchases of fixed assets.

FINANCING ACTIVITIES

Net cash provided by financing activities increased to $743,472 during the nine months ended April 30, 2005 from $740,947 during the nine months ended April 30, 2004.

FORWARD LOOKING STATEMENTS

This report contains "forward-looking statements." These forward-looking statements are based on our management's beliefs as well as assumptions and information currently available to us. When used in this report, the words "believe," "expect," "anticipate," "estimate" and similar expressions are intended to identify forward-looking statements. These statements are subject to risks, uncertainties and assumptions, including, without limitation, our present financial condition, the risks and uncertainties concerning the availability of additional capital as and when required, the risks and uncertainties concerning general economic conditions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution you not to place undue reliance on any forward-looking statements, all of which speak only as of the date of this report. You should refer to and carefully review the information in future documents we file with the Securities and Exchange Commission.

ITEM 3. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934, as amended the ("Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, who is our principal executive officer, and our Chief Financial Officer, who is our principal financial officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

During February and March 2004, we sold an aggregate of 1,116,667 shares of common stock at a price of $.06 per share to 2 persons living outside of the United States, in reliance on the exemption provided by Regulation S promulgated under the Securities Act of 1933, as amended. The shares were sold to investors introduced by a Netherlands investment banking firm which we paid a fee of 12% of the principal amount of the shares sold.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Inapplicable.

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

None.

ITEM 5. OTHER INFORMATION.

None.

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

(a) Exhibits.

Exhibit No.	Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - filed herewith electronically
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - filed herewith electronically
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 - filed herewith electronically
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 - filed herewith electronically

(b) Reports on Form 8-K. None.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GWIN, INC.
(Registrant)

Dated: June 14, 2005 By: /s/ Jeffrey Johnson
Jeffrey Johnson
Chief Financial Officer

Dated: June 14, 2005 By: /s/ Wayne Allyn Root
Wayne Allyn Root
Chairman and Chief Executive Officer