TWL CORP
Form 10KSB
November 13, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2006

Commission File No. 0-8924

TWL Corporation
(Name of small business issuer in its charter)

Utah	73-0981865
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4101 International Parkway Carrollton, Texas	75007
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number (972) 309-4000

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act:
Common Stock, No Par Value

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [_]

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

State issuer's revenues for its most recent fiscal year, $25,790,468

The aggregate market value of the voting and non-voting common equity

held by non-affiliates, computed by reference to the average bid and asked price of such common equity as of October 6, 2006 was $862,660.

As of October 9, 2006, the issuer had 43,415,513 outstanding shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

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

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

ORGANIZATIONAL HISTORY

We were incorporated on April 14, 1975 in Oklahoma under the name U.S. Mineral & Royalty Corp. as an oil and gas exploration, development and operating company. In 1989, we changed our name to Habersham Energy Company. Historically, the company was engaged in the business of

acquiring and producing oil and gas properties, but did not have any business activity from 1995 to 2002. Subsequent to our reorganization in 2002, we changed our corporate domicile to Utah, amended our capital structure and changed our name to Trinity Companies Inc. In March 2003, our name was changed to Trinity Learning Corporation. On September 29, 2006, we changed our name to TWL Corporation.

On June 16, 2003, we completed a recapitalization of our common stock by (i) effecting a reverse split of our outstanding common stock on the basis of one share for each 250 shares owned, with each resulting fractional share being rounded up to the nearest whole share, and (ii) subsequently effecting a forward split by dividend to all stockholders of record, pro rata, on the basis of 250 shares for each one share owned. The record date for the reverse and forward splits was June 4, 2003. As a result of the recapitalization, the number of shares outstanding 13,419,774 remained unchanged. Between July and October 2003, an additional 19,090 shares of common stock were issued to shareholders, and shares owned by members of management were cancelled pursuant to this recapitalization.

On August 6, 2003, our board of directors approved a change in our fiscal year-end from September 30 to June 30 to align it with those of the companies we had already acquired or were at that time in the process of acquiring.

Throughout this report, we refer to TWL Corporation, together with its subsidiaries, as "we," "us," "our company," "Trinity Learning," or the "Company."

RECENT DEVELOPMENTS

PRIVATE FINANCING TRANSACTION IN MARCH OF 2006

On March 31, 2006, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain accredited investor (the "Investor") for the issuance of an aggregate of $4,500,000 in face amount of 15% Senior Secured Convertible Debentures (the Debentures") maturing March 31, 2010, and four year warrants (the "Warrants") to purchase an aggregate of 7,200,000 shares of common stock of the Company, exercisable into shares of the Company's common stock at $0.21 per share. The Debentures accrue interest at a rate of 15% per annum.

The Debentures are convertible into shares of the Company's common stock at a price equal to $0.25 per share. The Company is obligated to pay $187,500 as the monthly redemption amount of the Debentures on the first of every month, beginning on March 31, 2008, which payment can be made in cash or in common stock of the Company. The Company's obligation to repay Debentures is secured by all of its assets, and the assets of its wholly owned subsidiary, TWL Knowledge Group (the "Subsidiary"). In addition, the Company's Subsidiary entered into a Subsidiary Guarantee with the investors on March 31, 2006 pursuant to which the Subsidiary agreed to guarantee the Company's repayment of the Debentures to the investors.

The conversion price of the debentures and the exercise price of the warrants may be adjusted in certain circumstances such as if we pay a stock dividend, subdivide or combine outstanding shares of common stock into a greater or lesser number of shares, or take such other actions as would otherwise result in dilution of the investors' position.

The investors have agreed to restrict their ability to convert their debentures or exercise their warrants and receive shares of our common stock such that the number of shares of common stock held by them in the aggregate and their affiliates after such conversion of the Debentures does not exceed 4.99% or exercise of the Warrants does not exceed 9.99% of the then issued and outstanding shares of common stock.

Pursuant to the requirements of the Registration Rights Agreement, dated March 31, 2006, we are required to register, are registering and are offering the shares of common stock issuable upon conversion of the Debentures and the Warrants in this Registration Statement.

As of the date of this Annual Report, we do not know when we will receive, if at all, the additional $4.0 million in financing from the Investor under the Agreement.

PRIVATE FINANCING TRANSACTION IN AUGUST OF 2006

On August 31, 2006 (the "Closing Date"), we entered into agreements with Laurus Master Fund, Ltd., a Cayman Islands corporation ("Laurus"), pursuant to which sold and issued to Laurus the Following securities:

- A secured three-year term note (the "Secured Note") with a principal amount of $2,500,000 (the "Secured Note Amount"), which matures on August 31, 2009 (the "Maturity Date");

- A secured three-year revolving note with a principal amount of $5,000,000 (the "Revolving Note"; the Revolving Note and the Secured Note shall be collectively referred to as the "Notes"); and

- 1,500,000 shares (the "Shares") of preferred stock (the "Preferred Stock"), of the Company, which is redeemable by the Company at a price of $0.10 per share (the "Set Price") at any time until August 31, 2011, and may be converted by Laurus at any time into common stock, no par value per share (the "Common Stock"), of the Company at the Set Price.

Of the Secured Note, net proceeds of $2,173,000 were received by us on the Closing Date, and were deposited in a restricted account with Col Taylor Bank as security for the total loan amount and for use by us to make acquisitions as approved by Laurus.

The Notes are secured by a blanket lien on all of the Company's assets, the assets of the Company's subsidiaries and the cash held in the restricted account at Cole Taylor Bank.

The principal amount of the Secured Note carries an interest rate of prime plus three percent (the "Secured Note Rate"), subject to adjustment, and we must make monthly amortizing payments of $42,500, commencing January 1, 2007 and with said monthly amortizing payments increasing to $62,500 commencing on January 1, 2008, toward the outstanding non-restricted principal amount. Furthermore, the Secured Note Rate shall not at any time be less than nine percent (9.0%). The Company may prepay the Secured Note at any time as set forth in the Secured Note.

The principal amount of the Revolving Note carries an interest rate of prime plus two percent (the "Revolving Note Rate"), subject to adjustment, and we must make said monthly interest payments, payable in arrears, commencing September 1, 2006. Furthermore, the Revolving Note Rate shall not at any time be less than nine percent (9.0%). The Company may prepay the May 2006 Revolving Note at any time without penalty.

In consideration of the foregoing, Laurus has agreed to a "lock-up provision" period of no less than twelve (12) months from the Closing Date.

The Shares of Preferred Stock are convertible into shares of our common stock at a price of $0.10 per share, subject to anti-dilution adjustments. Laurus has contractually agreed to restrict its ability to convert the Shares of Preferred Stock and receive shares of the Company's Common Stock such that the number of shares of the Company common stock held by it after such exercise does not exceed 4.99% of the Company's then issued and outstanding shares of common stock.

We also have granted Laurus a right of first refusal with respect to any debt or equity financings, with such restriction being in effect for no longer then 2 years after the Closing Date.

We are also obligated to file a registration statement registering the resale of shares of the Common Stock issuable upon the conversion of the Shares. We are not registering for resale in this Registration Statement any Common Stock issuable upon the conversion of the Shares. If the registration statement is not filed within 60 days of Closing Date, or declared effective within 180 days of Closing Date, or if the registration is suspended other than as permitted, in the registration rights agreement between the Company and Laurus, the Company is obligated to pay Laurus certain fees and the obligations may be deemed to be in default.

AMENDMENT TO MARCH 2006 FINANCING

On July 27, 2006, we entered into a Letter Agreement (the "Letter Agreement #1") with Palisades Master Fund LP ("Palisades") pursuant to which Palisades agreed to waive an Event of Default for the Company's failure to timely file a registration statement with the SEC in connection with the March 2006 financing with Palisades (the "March 2006 Financing"), and further agreed to subordinate its security interest to the Company's loan in the amount of $7,000,000 to Laurus (the "Subordination"). Furthermore, Palisades agreed to modify certain provisions of the Registration Rights Agreement and Securities Purchase Agreement, dated March 31, 2006. As consideration for the waiver, the Company agreed to issue Palisades 1,000,000 shares of Preferred Stock having a 7% coupon which is convertible into Common Stock at $0.10 per share (the "Palisades Preferred Stock") and lower the conversion price for the debentures dated March 31, 2006 issued to Palisades to $0.10. The Palisades Preferred Stock shall pay the 7% coupon semi-annually. Furthermore, at our sole option, we have the right to redeem the Palisades Preferred Stock at $0.10 per share at any time on or before the 5th anniversary of the Palisades Closing Date (as defined below).

We also agreed to file a registration statement registering the resale of the shares issuable upon the conversion of the Palisades Preferred Stock no later than 210 days after the Palisades Closing Date (as defined below). We further agreed to issue an additional 82,800,000 warrants to Palisades (the "Additional Warrants") as consideration for the waiver, such that Palisades would have the right to substitute the Additional Warrants for Preferred Stock of the Company under similar terms and conditions as any Preferred Stock that would be issued to Laurus, predicated upon the Company agreeing to a financing agreement with Laurus on or before August 31, 2006.

On July 31, 2006 (the "Palisades Closing Date"), the Company entered into a subsequent Letter Agreement with Palisades (the "Letter Agreement #2") whereby Palisades and the Company agreed to modify the Letter Agreement #1, such that Palisades would subordinate its security interest in all of the assets of the Company and its subsidiaries to Laurus. As consideration for the Waiver, the Subordination and Palisades' agreement to surrender the 7,200,000 warrants issued in connection with the March 2006 Financing and in lieu of the Company issuing the additional 82,800,000 warrants as agreed to pursuant Letter Agreement #1, the Company agreed to issue to Palisades an additional 1,800,000 shares of Preferred Stock with the terms as set forth above.

APPOINTMENT OF DENNIS J. CAGAN AND PATRICK R. QUINN

On July 24, 2006 the Company's Board of Directors approved the appointment of Dennis Cagan to serve as the permanent President and Chief Executive Officer of the Company, and for such appointment to be effective upon the closing of the Laurus Master Fund, Ltd. financing transaction (the "Financing Transaction") which closed on August 31, 2006. Mr. Cagan was previously serving as interim President and CEO of the Company. In addition, the Company entered into a fulltime employment agreement (the "Agreement") with Mr. Cagan, dated as September 1, 2006. For more information on the terms of the Agreement, see section "Executive Compensation."

On September 1, 2006 the Board of Directors appointed Patrick Quinn, the Company's Chief Financial Officer, to also serve as the Chief Operating Officer of the Company, and for such appointment to be effective upon the closing of the Financing Transaction.

APPOINTMENT OF DAVID B. BATSTONE

On September 13, 2006, the Company's Board of Directors approved the appointment of David B. Batstone as a director of the Company. For more information on David B. Batstone, see section "Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act."

SPECIAL SHAREHOLDER MEETING HELD ON SEPTEMBER 26, 2006

On September 26, 2006, the Company held a Special Shareholders meeting, for the Company's shareholders of record as of August 11, 2006 (the "Record Date"), as was previously disclosed by the Company in its Proxy Statement filed on Schedule 14(a) with the SEC on August 18, 2006. During the meeting, the affirmative vote of the Company's shareholders holding the majority of the Company's outstanding shares as of the Record Date approved the following proposals:

1. Amending the Company's Articles of Incorporation to change the name of the Company from Trinity Learning Corporation to TWL Corporation; and

2. Amending the Company's Articles of Incorporation to increase the authorized number of common stock from 100,000,000 shares to 750,000,000 shares.

CHANGES TO THE ARTICLES OF INCORPORATION OF THE COMPANY

On September 29, 2006, the Company filed Articles of Amendment ("Articles") with the Secretary of State of the State of Utah, effective as of equal date, to effect a name change of the Company from Trinity Learning Corporation to TWL Corporation and to increase the authorized common stock of the Company from 100,000,000 shares to 750,000,000 shares.

In addition the Company filed a Certificate of Amendment with the Secretary of State of the State of Delaware, effective as of September 12, 2006, to effect a name change of its subsidiary Trinity Workplace Learning Corporation to TWL Knowledge Group.

GENERAL

We are a publicly held global learning company, with geographic locations in the United States, Australia and Europe, that specializes in providing technology-enabled learning and certification solutions for corporations, organizations and individuals in multiple global industries. Historically, we have focused our marketing on medium to large businesses and organizations that wish to provide workplace training and certification to their employees in a cost effective and efficient manner.
In addition to internal growth through business development and expansion of sales and marketing in existing operations, we have pursued a strategy of acquiring and integrating other operating companies with established customer bases in strategic markets and industry segments. Today, target acquisition candidates typically are expected to meet one or more of these criteria:

- core operations in the United States
- prime customer relationships in North America
- international sales channels through agents, partners, or sales offices
- content that can be leveraged by the Company's state-of-the-art production and communication facility in Carrollton, Texas

TWL KNOWLEDGE GROUP, INC.

In April, 2005, we completed the acquisition of the key operating assets of the Primedia Workplace Learning division ("PWPL") of PRIMEDIA, Inc., including PWPL' s content libraries, trademarks, brands, intellectual property, databases and physical assets. Also included was a 200,000 square foot state-of-the-art workplace learning content production and delivery facility which we lease in Carrollton, Texas, which is used to deliver integrated learning solutions to professionals in the homeland security, healthcare, industrial, fire and emergency, government, law enforcement and private security markets. We operate the acquired assets as a wholly-owned subsidiary under the name TWL Knowledge Group, Inc. ("TWLK").

The content library is used by over 7,000 clients to train, educate and certify employees in the areas of state and federal regulatory compliance, ongoing job certification, continuing education, risk mitigation and in-service education. In addition to its traditional delivery capabilities such as VHS, DVD, CD-ROM, Internet and print, the PWPL acquisition makes the Company a provider of satellite-delivered learning content. The satellite network consists of seven channels that are spread over three key areas: healthcare, government and industrial. These satellite channels have long-established and well-respected brand names in their respective

industries.

The division, subsequently renamed the TWL Knowledge Group, Inc. serves as our primary content creation, marketing and delivery platform. With a comprehensive video production and distribution platform, including satellite uplinks and downlinks, plus live and archived Internet broadcasting capabilities, we have the ability to reach customers and learners around the world from one central facility. Currently not one customer comprises more than 4% of our total revenues, and we have more than 2,000 active customers.

TWLK has three key areas of focus:

- HEALTHCARE GROUP. The Healthcare Group ("HCG") focuses primarily on serving hospitals and long-term care facilities within the healthcare sector. HCG currently services more than 1,800 hospitals and long-term care institutions and reaches more than 1,800,000 healthcare professionals. HCG provides its training primarily through our proprietary satellite delivered networks, with more than 83% of its revenues subscription based with contracts ranging from one to three years. HCG offers accreditation for 17 categories of licensed healthcare professionals, and has issued over 2,600,000 continuing education certificates. HCG has partnership alliances with the Joint Commission Resources and the VHA.

- GOVERNMENT SERVICES GROUP. The Government Services Group ("GSG") focuses primarily on serving the emergency responder markets. GSG currently services more than 2,700 agencies and trains more than 300,000 emergency responders in the fields of law enforcement, fire, emergency medical services, and professional homeland security. Approximately 90% of its revenue is subscription based with contract lengths of generally one year in duration. GSG currently offers more than 2,000 courses through a variety of delivery channels to its thousands of federal, state and local customers.

- INDUSTRIAL SERVICES GROUP. The Industrial Services Group ("ISG") offers comprehensive training to the industrial sector and services some of the largest companies in the United States, including Global 1000 and Fortune 500 clients. Training in the industrial segment is increasingly driven by customer mandates for improved skills as well as for regulatory compliance. Approximately 10-15% of its revenue is subscription based with contracts ranging from one to three years. The remaining sales are single-event transactions. ISG provides its library of more than 2,000 training courses to its target market primarily through VHS tapes and CD formats. ISG's commitment to online offerings has positioned the group to transition from product sales to a subscription model. ISG supplements all these channels with associated print material.

KEY BENEFITS OF THE COMBINED OPERATIONS

As a result of the PWPL acquisition, the combination of the Company and TWLK provides a number of key benefits:

- Approximately 210 full-time workplace learning professionals, including content development, instructional design, training services, marketing, video production, satellite communications,

Internet and IT and administration. We have an expanded accounting and finance group that should enhance our financial controls, cash management, SEC reporting, and Sarbanes-Oxley compliance.

- A content library of more than 21,000 training courses for the healthcare, industrial and security government markets. Delivery capabilities through a variety of channels, including satellite, broadband, DVDs, CD-ROM, VHS, print and instructor-led courses. We currently broadcast content via encrypted satellite to more than 4,000 installed satellite dishes at customer sites. This diverse and powerful delivery system should permit us to cost effectively reach virtually any customer in the world in a variety of secure channels.

- A state-of-the-art 200,000 square foot office and production leased facility (approximately 20 minutes from Dallas-Fort Worth), built and equipped at a cost estimated at over $30 million in 1996, including production studios, satellite uplinks and downlinks. We now have an extensive information technology infrastructure, including The Academy, which is a proprietary database for tracking learners, courses and certifications. We believe that because an individual's training and certification information resides within The Academy and is not owned by the employer, additional revenue could be generated as employees change jobs and require re-certification. The building also houses a replication and fulfillment center for in-house, on-demand creation of VHS tapes, CDs and DVDs, which enables us to leverage content development across all customer-driven delivery media.

- A full-time customer service center that monitors and services the TWLK client base, including providing professional services and customized solutions. The support group also makes outbound customer calls to generate sales leads as well as take incoming customer calls.

THE GLOBAL LEARNING MARKET

According to EduVentures, Inc., the global education and training market is estimated at approximately $2 trillion annually, with the United States currently accounting for over 35% of the global market for education and training services. Within the corporate training market, e-learning, fueled by increased penetration of computers and workplace access to the Internet, is playing an increased role in providing employees with training and workplace learning. DC estimates that the worldwide e-learning services market will exceed $23 billion by 2006 and Cortona Consulting estimates that the global e-learning services market will reach $50 billion by 2010.

According to the Population Resource Center, world population exceeded 6 billion individuals in 2001 with a growth rate of 1.3% annually. Based upon this growth rate, there will be approximately 1 billion new entrants to the global workforce each decade until at least the middle of this century. Furthermore, significant changes in the make-up of the world's population are anticipated in the near future. It is estimated that in Europe, North America and certain other industrialized nations, anticipated future labor shortages are expected to be caused by an aging workforce and will need to be met through immigration, which would drive demand for language and other job training. Other labor shortages are expected to be met by full-time and part-time re-entry by "retirees" into the workforce, a trend that is already gaining momentum in the United States. These re-entry workers often must be trained or retrained for new job skills, particularly in computer-

related skills. In addition to workplace learning, an aging population points toward an expanded market for lifelong learning as longevity increases and people are healthy and active longer into their 70s and 80s.

Other demographic factors in the make-up of the world's work force are expected to have a significant impact on the world learning market. In the United States, according to Ameristat, between 1998 and 2008, over 40 million people are estimated to enter the US labor force, joining over 110 million workers already in the workforce. Furthermore, over 25% of new workers are expected to be either Hispanic or Asian, thus increasing diversity in the workplace. A more diverse workforce presents challenges to employers with regard to language and communication skills, compliance with laws and regulations regarding employment practices and training in basic workplace skills.

As the global workplace continues to change rapidly, the economic value of a college degree or professional certification continues to increase. In the United States, the wage premium for a college degree holder as compared to a high school diploma has nearly doubled since the late 1970s a statistic that is even more pronounced for women workers. Around the world, the value of a college degree, particularly from an accredited U.S. higher education institution, remains one of the most valuable workplace assets. Through distance and online education, there is a world market for college degree programs and professional certifications. Wage differentials based upon education can also be found in the workplace below the degree level. For example, in Latin America, a worker with six years of education typically earns 50% more than a worker with no formal education, and the wage premium increases to 120% based upon 12 years of education.

Increased globalization is also expected to have a significant impact on the world learning market. As technology continues to facilitate global communication and business, corporations will continue to seek out new foreign markets for highly educated, lower cost workers. For developed nations to compete with the outsourcing of labor to developing nations, they must invest in educating and training their workforces. Many companies already know the benefits of ongoing education and training for their employees. The American Society for Training and Development ("ASTD") performed a three-year study of employee education with 575 US-based publicly-traded firms from various industries. ASTD found that companies who invested $680 per employee more than the average company increased their total stockholder return by six percent for the following year. A survey performed by Chief Learning Officer Magazine and Fairfield Research Inc., a market research company, looked into the size of the enterprise-learning market in the US. Companies with over $500 million in annual sales spent an average of $3.7 million on learning and training and are estimated to have collectively spent $11.9 billion on education in 2003.

Globalization also presents challenges to large-scale, multinational employers in global industries that must address their human capital requirements in a cost-effective manner due to dispersed workforces, continual introduction of new technologies (including the introduction of technology to job classifications staffed by entry-level or lower-skilled workers), global competition, language and cultural barriers and other demographic factors. Large employers also employ a wide range of personnel with various educational attainment levels and differing needs for ongoing training, workplace learning and professional development. In addition, compliance with local, national and international regulations and standards is increasingly critical for employers of all sizes.

Just as globalization is expanding the world's workforce to new labor

markets and employers increasingly recognize the return on investment from a better educated workforce, technology is revolutionizing access to learning, education and training around the world through computer-based learning, high-speed network access, distance learning, e-learning and online accredited education. Access to computers and the Internet continues to increase dramatically, with the highest rates of growth over the coming decade expected to be in less developed nations. Worldwide, the Internet population is estimated at nearly 1 billion by The Computer Industry Almanac and is expected to grow at a rate of approximately 200 million new users per year.

The advent of computer and Internet technology has also presented new approaches for teaching and training employees. Over the past two decades, educational research has shown that individuals learn in different ways and that no one method of teaching or training is optimal across all types of content or desired educational outcomes. Educational research has shown that a blended learning approach is generally more successful for the retention of new learning. Within the overall global learning market, there are a variety of instructional methods that can be utilized to train workers. These methods include:

- Classroom instruction at a school, the employer's facility or at an off-site facility

- Computer-based training and simulation
  Distance education, utilizing printed materials or digital materials

- Online or e-learning, either instructor-mediated or self-paced

- Hands-on training with machines or devices, either in the workplace or at a remote facility

STRATEGY

Our goal is to become a leader in the global learning industry and to create one of the first global brands that integrate products and services for workplace learning, education and personal growth markets. Key aspects of our strategy are:

- CROSS SELLING OF EXISTING CONTENT. We believe that there is significant customer overlap among its HCG, GSC and ISG industry verticals, With over 21,000 titles, we believe that there are significant cross- and up-selling opportunities in the combined Company and are refocusing our sales force to realize these synergies.

- INCREASE PENETRATION IN KEY MARKETS. We intend to market aggressively to expand our presence in key markets where significant opportunities lie. For example, HCG currently serves only 30% of the acute care market and less than 2% of the long-term care market. GSG currently provides training to less than 6% of the law enforcement market and only about 7% of the fire and emergency markets. In addition, the homeland security market is relatively new and provides substantial opportunity for growth.

- EXPAND INTO KEY INDUSTRY SEGMENTS. We are evaluating other industry segments where we believe that our technology and infrastructure will allow us to expand. Key among these is language learning.

- CONTINUE FOCUS ON COST SAVINGS. We have implemented an extensive cost savings initiative, which we expect to realize upon in the next several quarters. This cost-savings initiative includes:

    - Headcount reduction in non-core areas;

    - Re-allocation of internal production staff to eliminate or reduce freelancers; and

    - Elimination of duplicate overhead, such as office space and back office employees

- INCREASED CAPACITY UTILIZATION. TWLK's production facility has additional unutilized capacity. We are in the process of increasing capacity utilization by one or more of the following: subleasing unused office space, finding additional third-party clients for video production facilities and identifying clients to share our satellite service capacity.

- INTEGRATION. TWLK now represents substantially all of our assets and operations. We continue to operate our other subsidiaries in the United States and in international markets, with the intent of integrating operations, sales and marketing into TWLK. In cases where integration is not feasible or cost effective, we anticipate that we will either (a) continue to operate certain subsidiaries as we have done in the past, (b) seek partnerships and alliances and other strategic relationships, or (c) divest or reduce our ownership in selective non-core assets and operations.

- INCREASE INVESTOR AWARENESS. We intend to apply for a NASDAQ Small-Cap or AMEX listing as soon as it meets the listing requirements.

SUBSIDIARIES

We currently have three wholly owned operating subsidiaries: TWL Knowledge Group, Inc., River Murray Training, and VILPAS. Subsequent to the end of our fiscal year ended June 30, 2006 we divested our ownership in IRCA (Proprietary) Limited, previously a 51% subsidiary, and 51% interest in the operations of Riverbend.

TWL KNOWLEDGE GROUP

As of April 1, 2005, we entered into and closed an asset purchase agreement (the "Asset Purchase Agreement") with PRIMEDIA Inc. and two PRIMEDIA affiliates (collectively, "PRIMEDIA"), whereby PRIMEDIA sold to the Company certain assets related to its PWPL division. The assets comprised those relating to PWPL's HCG, GSC, ISG, Shared Services Group, and all other assets of PWPL, including all of the assets of PRIMEDIA Digital Video Holdings LLC, excluding only those assets primarily related to the operations of PWPL's Financial Services Group and/or PWPL's Interactive Medical Network business (such acquired assets referred to collectively hereinafter as the "Business"). These assets are comprised of content libraries, trademarks, brands, intellectual property, databases, and physical assets. Included in the sale are certain video production and distribution capabilities used to deliver integrated learning solutions to professionals in the homeland security, healthcare, industrial, fire & emergency, government, law enforcement and private security markets currently served by PWPL.

In consideration for the Business, we assumed certain liabilities of PRIMEDIA relating to the Business, in part consisting of (i) a lease for the building in Carrollton, Texas where our current headquarters are located, through February 2014 for total scheduled lease payments of $20,051,302, and (ii) deferred revenue in the amount of $4,700,000 that we assumed at purchase (the "Assumed Liabilities"), in an aggregate amount estimated at the time of closing to be between $26 and $28 million.

The purchase price for the Business was subject to a working capital adjustment whereby the purchase price for the assets would have either been reduced or increased on a dollar-for-dollar basis to the extent that certain elements of the working capital deficit of the Business as of April 1, 2005 were determined within 90 days of such date to be either, respectively, less than or greater than $4,000,000. As of June 30, 2006, no such working capital adjustments have been made.

In connection with the transactions contemplated by the Purchase Agreement, SBI USA LCC, a California limited liability company ("SBI"), agreed to guarantee the performance by the Company of certain leases comprising part of the Assumed Liabilities. In consideration for such guarantee (the "Guarantee"), we entered into an agreement with SBI dated April 1, 2005 (the "SBI Agreement") pursuant to which we agreed, among other things, to issue to SBI an aggregate of 4,000,000 shares of the Company's common stock (which stock will carry piggyback registration rights) (the "SBI Shares"), to reimburse SBI for any expenses incurred by it in connection with the granting of the Guarantee, to grant SBI the right to appoint an observer to the Company's Board of Directors, plus expenses, and to indemnify SBI for any liabilities that might accrue to it pursuant to the Guarantee.

Since closing of the Asset Purchase Agreement, we estimate that we have been able to better utilize our resources and reduce expenses of the Business from a combined basis by approximately $3.5 million on an annualized basis through the following initiatives:

- Because Primedia refreshed and updated the content library prior to the sale of PWPL, we believe that minimal investment, if any, in content is needed over the next 12 months. Historically, Primedia has spent approximately $1.1 million per quarter on content development;

- As a result of our acquisition of PWPL from Primedia, corporate overhead expenses of allocated from Primedia to PWPL should be substantially eliminated;

- We have converted 29 temporary and/or contract employees to permanent status and eliminated several current job functions for an annual savings of approximately $1.3 million;

- Because of the office space and administrative support that we acquired as a result of its acquisition of the Business, we have implemented annualized cost savings of approximately $300,000 through the elimination of duplicate overhead, such as office space and certain financial staff in California;

- Other anticipated savings include:

  - Annual savings of approximately $125,000 from reduced maintenance costs related to the purchase of a new computer system. No significant capital expenditures are planned during the coming 12 months;

- 90,000 reduction of licensing fees paid for learning management system;
- Bonus and legal fee accruals by PWPL, that are no longer payable, of $212,000 and $100,000.

TOUCHVISION

TouchVision specializes in web-based software products that are designed to be deployed on external and internal websites, a network of self-service stations, or stand-alone terminals. This hardware independence means the software can be accessed with a wide variety of end-user devices: web browser stations, wireless tablets and personal digital assistants (PDA's), kiosks, or computers. The addition of TouchVision provides other Trinity Learning companies with the potential to incorporate new software and hardware technology and delivery platforms into their core learning products. Currently, this division is dormant and will likely be liquidated.

RIVER MURRAY TRAINING

River Murray Training ("RMT"), our Australian subsidiary, provide consultancy services for customers to establish a sustainable in-house training system, resource development services to develop customized learning support materials; and training services to provide a wide selection of fully accredited training.

The basis of the RMT training model is partnering with companies to develop training programs, which provides two key benefits for its customers: first, training is made relevant to the workplace; second, active involvement of customer personnel in training program development creates opportunities that foster the creation of a learning environment. This in turn provides a medium through which the customer can achieve continuous improvement.

RMT's primary sources of revenue are from the design and delivery of consulting and training services in the Australian agribusiness industry.

VILPAS

VILPAS is a learning services company headquartered in Oslo, Norway. For the past five years, it has been engaged in developing e-learning and other educational initiatives for corporations and organizations in Norway, Scandinavia and Europe. FunkWeb, a subsidiary of VILPAS, is a leading provider of workplace training and retraining for disabled persons. In conjunction with national and local employment programs, FunkWeb has a successful track record in providing disabled persons with skills, certifications and job placement services primarily related to information technologies, web-based systems, and computing. The minority partner in FunkWeb is the Norwegian Federation of Functionally Disabled People, a non-government organization (NGO) representing many of Norway's associations and programs for the disabled.

FunkWeb provides classroom-based, instructor-led instruction and also computer-based self-paced study to functionally-disabled individuals seeking to develop new workplace skills and certifications. Many countries in Europe and around the world have announced public initiatives to increase participation rates in the labor force among disabled people.

In aggregate, as of March 31, 2006, the Company derived the following respective percentage of revenues by geographic region: United States

96.5%, Australia - 1.7% and Europe 1.8%.

COMPETITIVE BUSINESS CONDITIONS

The competitive market for corporate training and workplace learning is fragmented by geography, curricula, and targeted segments of the workforce. Although there are many companies that provide training, we believe that we derive our competitive advantage because of our ability to provide a suite of learning solutions on a worldwide basis at multiple levels of the workforce ranging from industrial workers to executive management.

Generally, most of our competition comes from:

- Smaller, specialized local training companies;
- Providers of online and e-learning products targeted at corporate soft skills and technical training;
- Not-for-profit trade schools, vocational schools and universities; and
- Learning services divisions of large, multinational computer, software and management consulting firms.

We anticipate that market resistance may come from the internal trainers in the organizations to whom our various operating subsidiaries sell training and certification. Traditional trainers may see outsourcing as a threat to their job security. We seek to overcome this by focusing our business development strategy on senior management in operations, finance and human resources. We will also reshape the value proposition for internal training functions from tactical to strategic. We believe we can enhance the role of internal training and human capital development departments by providing a proven, integrated set of learning tools. In this way, we can provide measurable results and increase both the actual effectiveness and the perceived value of internal training departments.

Each of our operating subsidiaries faces local and regional competition for customer contracts and for government and non-government funding of education and training projects. In geographic areas where they hope to expand, they may face competition from established providers of their respective products and services.

We believe that our operating subsidiaries derive their competitive advantage from one or more of the following:

- Proprietary content, software or technology;
- Strategic relationships and alliances, including exclusive development and marketing relationships; and
- Management's industry and customer relationships.

INTELLECTUAL PROPERTY

Our success and ability to compete are dependent, to a significant degree, on our ability to develop and maintain the proprietary aspects of our technology and operate without infringing the proprietary rights of others. We regard certain aspects of our products and documentation as proprietary and rely on a combination of trademark, trade secret and copyright laws and licenses and contractual restrictions to protect our proprietary rights.

These legal protections afford only limited protection. We seek to protect the source code for our software, documentation and other written materials under trade secret and copyright laws. We license software pursuant to license agreements that restrict use of the software by customers. Finally, we seek to limit disclosure of our intellectual property by requiring employees, consultants and customers with access to our proprietary information to execute confidentiality agreements and by restricting access to source codes. We believe, however, that in the market for online-learning and other technology-enabled education, training and certification services that require online business communications and collaboration, factors such as the technological and creative skills of our personnel and our ability to develop new products and enhancements to existing products are more important than the various legal protections of our technology to establishing and maintaining a technology leadership position.

Our products and services, in some cases, are derived from proprietary content developed by our operating subsidiaries. In other cases, we or our subsidiaries are licensed to market third-party content or software, or in some cases to modify or customize third party content to meet the needs of our clients. In certain cases, where we have made investments to develop or co-develop certain products or services with third-parties, we and our operating subsidiaries may be entitled to certain rights of ownership and copyright of intellectual property to the extent they are delivered to customers in the format developed by us.

Our products are generally licensed to end-users on a "right-to-use" basis pursuant to a license that restricts the use of the products for the customer's internal business purposes. We also rely on "click wrap" licenses, which include a notice informing the end-user that, by downloading the product, the end-user agrees to be bound by the license agreement displayed on the customer's computer screen. Despite efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that is regarded as proprietary. Policing unauthorized use of products is difficult and, while we are unable to determine the extent to which piracy of our software exists, it can be expected to be a persistent problem. In addition, the laws of many countries do not protect intellectual proprietary rights to as great an extent as do the laws of the United States. Many of our subsidiaries operate in countries other than the United States. We are in the process of reviewing all intellectual property ownership and protection among all of our recently-acquired operating subsidiaries.

EMPLOYEES

As of September 30, 2006, we had approximately 210 full time employees located in California, Texas, Mississippi, South Carolina, Tennessee, Virginia, Australia, and Norway.

RISK FACTORS

You should carefully consider the following risks before making an investment in our company. In addition, you should keep in mind that the risks described below are not the only risks that we face. The risks described below are the risks that we currently believe are material to our business. However, additional risks not presently known to us, or risks that we currently believe are not material, may also impair our business operations. You should also refer to the other information set forth in this Annual Report on Form 10-KSB, including the discussions set forth in

"Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of Business," as well as our financial statements and the related notes.

ADDITIONAL CAPITAL IS NECESSARY TO SUSTAIN AND GROW OUR BUSINESS.

For the foreseeable future, unless and until we attain profitable operations, we will likely experience a net operating loss or minimal net income. Thus, we will likely be dependent for the foreseeable future on capital raised in equity and/or debt financing, and there can be no assurance that we will be able to obtain such financing on favorable terms, if at all.

WE HAVE INCURRED SIGNIFICANT LOSSES TO DATE AND EXPECT TO CONTINUE TO INCUR LOSSES.

During the fiscal years ended June 30, 2006 and 2005 we incurred net losses of approximately $21,779,617 and $15,614,043, respectively. As of June 30, 2006 we had an accumulated deficit of approximately $60,045,635. We expect to continue to incur losses for at least the next 6 months. Continuing losses will have an adverse impact on our cash flow and may impair our ability to raise additional capital required to continue and expand our operations.

OUR AUDITORS HAVE ISSUED AN OPINION OF A SUBSTANTIAL DOUBT AS TO THE GOING CONCERN OF THE COMPANY WHICH MAY MAKE IT MORE DIFFICULT FOR US TO RAISE CAPITAL.

Our auditors have included a substantial going concern in their opinion on our financial statements because of concerns about our ability to continue as a going concern. These concerns arise from the fact that we have not generated sufficient cash flows to meet our obligations and sustain our operations. If we are unable to continue as a going concern, you could lose your entire investment in us. Based on our current cash balance and in light of the recent financing agreement entered into with Laurus in August 2006, we will not be able to sustain operations beyond the next 6 months without additional funding. Furthermore, other than the Laurus financing, we currently have no arrangements in place or contemplated to secure such additional funding.

IF WE ARE UNABLE TO OBTAIN ADDITIONAL FUNDING, WE MAY HAVE TO REDUCE OUR BUSINESS OPERATIONS.

Although we have entered into securities purchase agreements providing financing in an aggregate amount of $12.0 million, we will likely be required to raise additional financing. We anticipate, based on currently proposed plans and assumptions relating to our business, that we will require approximately $4 million to satisfy our operations and capital requirements for the next 12 months. Therefore, if our marketing campaign is not successful in promoting sales of our products, we will be required to seek additional financing. We will also require additional financing to expand into other markets and further develop our products and services. With the exception of the financing in an aggregate amount of $12.0 million described in "Recent Developments" section of Prospectus Summary, we have no current arrangements with respect to any additional financing. Consequently, there can be no assurance that any additional financing will be available when needed, on commercially reasonable terms or at all. The inability to obtain

additional capital may reduce our ability to continue to conduct business operations. Any additional equity financing may involve substantial dilution to our then existing shareholders.

OUR BUSINESS STRATEGY IS BASED ON SUSTAINING AND GROWING OUR EXISTING COMPANIES.

Our growth strategy includes integrating our recent acquisition and building a world-wide learning technology company. Acquisitions involve various inherent risks, such as:

- The potential loss of key personnel of an acquired business;

- The ability to integrate acquired businesses and to achieve identified financial and operating synergies anticipated to result from an acquisition; and

- Unanticipated changes in business and economic conditions affecting an acquired business.

We expect to experience significant growth and expect such growth to continue into the future. This growth is expected to place a significant strain on our management, financial, operating and technical resources. Failure to manage this growth effectively could have a material adverse effect on the company's financial condition or results of operations.

Expansion will place significant demands on our marketing, sales, administrative, operational, financial and management information systems, controls and procedures. Accordingly, our performance and profitability will depend on the ability of our officers and key employees to (i) manage our business and our subsidiaries as a cohesive enterprise, (ii) manage expansion through the timely implementation and maintenance of appropriate administrative, operational, financial and management information systems, controls and procedures, (iii) add internal capacity, facilities and third-party sourcing arrangements as and when needed, (iv) maintain service quality controls, and (v) attract, train, retain, motivate and manage effectively our employees. There can be no assurance that we will integrate and manage successfully new systems, controls and procedures for our business, or that our systems, controls, procedures, facilities and personnel, even if successfully

integrated, will be adequate to support our projected future operations. Any failure to implement and maintain such systems, controls and procedures, add internal capacity, facilities and third-party sourcing arrangements or attract, train, retain, motivate and manage effectively our employees could have a material adverse effect on our business, financial condition and results of operations.

OUR BUSINESS MIGHT NEVER BECOME PROFITABLE.

We have never been profitable. As of June 30, 2006 we have a substantial accumulated deficit in the amount of $60,045,635, and we expect our cumulative net losses and cumulative negative cash flow to continue until we can increase our revenues and/or reduce our costs. Long-term demand for our service will depend upon, among other things, whether we obtain and produce high quality programming consistent with consumers' tastes; the willingness of consumers to pay for our products and services; the cost and availability of our leased satellites; our marketing and pricing strategy; and the marketing and pricing strategy of our competitors. If

we are unable ultimately to generate sufficient revenues to become profitable and have positive cash flow, we could default on our commitments and may have to discontinue operations or seek a purchaser for our business or assets.

FAILURE OF OUR LEASED SATELLITES WOULD SIGNIFICANTLY DAMAGE OUR BUSINESS.

We lease one satellite for use in our TWLK business and currently derive approximately 30% of our revenues from satellite customers. Satellites are subject to a number of risks including: degradation and durability of solar panels, quality of construction; random failure of satellite components, which could result in significant damage to or loss of a satellite; amount of fuel satellites consume; and damage or destruction by electrostatic storms or collisions with other objects in space, which occur only in rare cases. In the ordinary course of operation, satellites experience failures of component parts and operational and performance anomalies. These failures and anomalies are expected to continue in the ordinary course, and it is impossible to predict if any of these future events will have a material adverse effect on our operations. The loss of our satellite transmission capabilities would have a significant impact on our business. To date we have not experienced any of the above referenced problems.

OUR NATIONAL BROADCAST STUDIO, TERRESTRIAL REPEATER NETWORK, SATELLITE UPLINK FACILITY OR OTHER GROUND FACILITIES COULD BE DAMAGED BY NATURAL CATASTROPHES OR TERRORIST ACTIVITIES.

Our national broadcast studios are located in our leased corporate offices in Carrollton, Texas. An earthquake, tornado, flood, terrorist attack or other catastrophic event could damage our national broadcast studio, terrestrial repeater network or satellite uplink facility, interrupt our service and harm our business. We do not have replacement or redundant facilities that can be used to assume the functions of our terrestrial repeater network, national broadcast studio or satellite uplink facility in the event of a catastrophic event. Any damage to the satellite that transmits to our terrestrial repeater network would likely result in degradation of our service for some subscribers and could result in complete loss of service in certain areas. Damage to our national broadcast studio would restrict our programming production and require us to obtain programming from third parties to continue our service. Damage to our satellite uplink facility could result in a complete loss of service until we could identify a suitable replacement facility and transfer our operations to that site. To date we have not experienced any of the above referenced problems.

WE ARE CONTROLLED BY CURRENT OFFICERS, DIRECTORS AND PRINCIPAL STOCKHOLDERS.

Our directors, executive officers and principal stockholders and their affiliates beneficially own approximately 17.41% of the outstanding shares of our common stock. So long as our directors, executive officers and principal stockholders and their affiliates control a majority of our fully diluted equity, they will continue to have the ability to elect our directors and determine the outcome of votes by our stockholders on corporate matters, including mergers, sales of all or substantially all of our assets, charter amendments and other matters requiring stockholder approval. This controlling interest may have a negative impact on the market price of our common stock by discouraging third-party investors.

OUR GROWTH STRATEGY IS DEPENDENT ON A VARIETY OF REQUIREMENTS, ANY ONE OF WHICH MAY NOT BE MET.

Our growth strategy and future profitability will be dependent on our ability to recruit additional management, operational and sales professionals and to enter into contracts with additional customers in global markets. There can be no assurance that our business development, sales, or marketing efforts will result in additional customer contracts, or that such contracts will result in profitable operations. Further, our growth strategy includes plans to achieve market penetration in additional industry segments. In order to remain competitive, we must (a) continually improve and expand our workplace learning and other curricula, (b) continually improve and expand technology and management-information systems, and (c) retain and/or recruit qualified personnel including instructional designers, computer software programmers, learning consultants, sales engineers, and other operational, administrative and sales professionals. There can be no assurance that we will be able to meet these requirements.

OUR BUSINESS WILL SUFFER IF TECHNOLOGY-ENABLED LEARNING PRODUCTS AND SERVICES ARE NOT WIDELY ADOPTED.

Our technology-enabled solutions represent a new and emerging approach for the workplace learning and education, and training market. Our success will depend substantially upon the widespread adoption of e-learning products for education and training. The early stage of development of this market makes it difficult to predict customer demand accurately. A delay in, or failure of, this market to develop, whether due to technological, competitive or other reasons, would severely limit the growth of our business and adversely affect our financial performance.

WE FACE SIGNIFICANT COMPETITION FROM OTHER COMPANIES AND CHANGING TECHNOLOGIES.

The education marketplace is fragmented yet highly competitive and rapidly evolving, and is expected to continue to undergo significant and rapid technological change. Other companies may develop products and services and technologies superior to our services, which may result in our services becoming less competitive. Many of our competitors have substantially greater financial, manufacturing, marketing and technical resources, as well as having a larger market presence than we do and represent significant long-term competition. In the event that such a competitor is able to significantly improve the education marketplace we may not be able to compete successfully in such markets. We believe that competition will continue to increase, resulting in the market pressure to develop and undertake similar or superior technological advances. Such pressure could adversely affect our pricing, gross margins and our ability to compete if we are not able to undergo similar significant and rapid technological changes commensurate with such competition. Our future growth depends on successful hiring and retention, particularly with respect to sales, marketing and development personnel, and we may be unable to hire and retain the experienced professionals we need to succeed. However, there can be no assurance that our assessment of the market place is correct, or that our products and services will be accepted now or in the future.

Failure on our part to attract and retain sufficient skilled personnel, particularly sales and marketing personnel and product development personnel, may limit the rate at which we can grow, may adversely affect our quality or availability of our products and may result in less effective management of our business, any of which may

harm our business and financial performance. Qualified personnel are in great demand throughout the learning and software development industry. Moreover, newly hired employees generally take several months to attain full productivity, and not all new hires satisfy performance expectations.

THE LENGTH OF THE SALES CYCLE FOR SERVICES MAY MAKE OUR OPERATING RESULTS UNPREDICTABLE AND VOLATILE.

The period between initial contact with a potential customer and the purchase of our products by that customer typically ranges from six to eighteen months. Factors that contribute to the long sales cycle include (a) the need to educate potential customers about the benefits of our services; (b) competitive evaluations and bidding processes managed by customers; (c) customers' internal budgeting and corporate approval processes; and (d) the fact that large corporations often take longer to make purchasing decisions due to the size of their organizations.

OUR BUSINESS MAY SUFFER IF WE ARE NOT SUCCESSFUL IN DEVELOPING, MAINTAINING AND DEFENDING PROPRIETARY ASPECTS OF TECHNOLOGY USED IN OUR PRODUCTS AND SERVICES.

Our success and ability to compete are dependent, to a significant degree, on our ability to develop and maintain the proprietary aspects of our technology and operate without infringing the proprietary rights of others. Litigation may be necessary in the future to enforce our intellectual property rights, to protect trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Any such litigation, even if we prevailed, could be costly and divert resources and could have a material adverse effect on our business, operating results and financial condition. We can give no assurance that our means of protecting our proprietary rights will be adequate, or that our competitors will not independently develop similar technology. Any failure by us to protect our intellectual property could have a material adverse effect on our business, operating results and financial condition.

There can be no assurance that other parties will not claim that our current or future products infringe their rights in the intellectual property. We expect that developers of enterprise applications will increasingly be subject to infringement claims as the number of products and competitors in our industry segment grows and as the functionality of products in different segments of the software industry increasingly overlaps. Any such claims, with or without merit, could be time consuming to defend, result in costly litigation, divert management's attention and resources, cause product shipment delays or require us to enter into marginally acceptable terms. A successful infringement claim against us and our failure or inability to license the infringed rights or develop license technology with comparable functionality, could have a material adverse effect on our business, financial condition and operating results.

We integrate third-party software into some of our products. This third-party software may not continue to be available on commercially reasonable terms. We believe, however, there are alternative sources for such technology. If we are unable to maintain licenses to the third-party software included in our products, distribution of our products could be delayed until equivalent software could be

developed or licensed and integrated into our products. This delay could materially adversely affect our business, operating results and financial condition.

LAWS AND REGULATIONS CAN AFFECT OUR OPERATIONS AND MAY LIMIT OUR ABILITY TO OPERATE IN CERTAIN JURISDICTIONS.

Providers of educational programs to the public must comply with many laws and regulations of federal, state and international governments. We believe that we and our operating subsidiaries are in substantial compliance with all laws and regulations applicable to our learning business in the various jurisdictions in which we and our subsidiaries operate. However, laws and regulations in the various jurisdictions in which our subsidiaries operate that target educational providers could affect our operations in the future and could limit the ability of our subsidiaries to obtain authorization to operate in certain jurisdictions. If we or various of our subsidiaries had to comply with, or was found in violation of, a jurisdiction's current or future licensing or regulatory requirements, we could be subject to civil or criminal sanctions, including monetary penalties; we could also be barred from providing educational services in that jurisdiction. In addition, laws and regulatory decisions in many areas other than education could also adversely affect our operations. Complying with current or future legal requirements could have a material adverse effect on our operating results and stock price.

CHANGES IN EXCHANGE RATES CAN UNPREDICTABLY AND ADVERSELY AFFECT OUR CONSOLIDATED OPERATING RESULTS.

Our consolidated financial statements are prepared in U.S. dollars, while the operations of our foreign subsidiaries are conducted in their respective local currencies. Consequently, changes in exchange rates can unpredictably and adversely affect our consolidated operating results, and could result in exchange losses. We do not hedge against the risks associated with fluctuations in exchange rates. Although we may use hedging techniques in the future, we may not be able to eliminate or reduce the effects of currency fluctuations. Thus, exchange rate fluctuations could have a material adverse impact on our operating results and stock price.

OUR BUSINESS IS ALSO SUBJECT TO OTHER RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS.

Our financial results may be adversely affected by other international risks, such as:

- Difficulties in translating our courses into foreign languages;
- International political and economic conditions;
- Changes in government regulation in various countries;
- Trade barriers;
- Difficulty in staffing foreign offices, and in training and retaining foreign instructors;
- Adverse tax consequences; and
- Costs associated with expansion into new territories.

RISKS RELATED TO OUR BUSINESS IN AUSTRALIA AND EUROPE

We derive 1% of our revenues from our operations in Australia, and 1% of our revenues from our operations in Europe. Accordingly, our results of

operations and prospects are subject, to some extent, to the economic, political and legal developments in Australia and Europe.

While Australia's and Europe's economies have experienced growth in the past several years, growth has been uneven, both geographically and among various sectors of the economy. The Australian and European Union government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy of Australia and Europe, but may also have a negative effect on us. Furthermore, trends, developments and enforcement of conflicts between the United States and the European Union as monitored by the World Trade Organization may have significant ramifications on our operations in countries who are members of the European Union. For example, our operating results and financial condition may be adversely affected by the government's potential control over capital and technological investments or changes in tax regulations. In the future, the Australian and European government may play a significant role in regulating education marketplace development by imposing various policies. It could also exercise significant control over Australia's and Europe's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

FLUCTUATION OF THE AUSTRALIAN DOLLAR OR THE EURO MAY INDIRECTLY AFFECT OUR FINANCIAL CONDITION BY AFFECTING THE VOLUME OF CROSS-BORDER MONEY FLOW.

The value of the Australian Dollar and the Euro fluctuates and is subject to changes in political and economic conditions in Australia and Europe. The conversion of the Australian Dollar or the Euro into foreign currencies, including United States dollars, is further subject to rates as set by the Australian National bank or its European Union equivalent, the foreign exchange market rates and current exchange rates of a basket of currencies on the world financial markets. As of October 3, 2006, the exchange rate between the Australian Dollar and the United States dollar was 1.34 Australian Dollars to every one United States dollar, and the exchange rate between the Euro and the United States dollar was 0.78 Euros to every one United States dollar. Accordingly, fluctuation of the Australian Dollar or the Euro may indirectly affect our financial condition by affecting the volume of cross-border money flow.

WE MAY HAVE DIFFICULTY ESTABLISHING ADEQUATE MANAGEMENT, LEGAL AND FINANCIAL CONTROLS IN AUSTRALIA AND EUROPE.

Australia and certain countries in the European Union where the Company operates historically have adopted the Western style management and financial reporting concepts and practices, as well as in modern banking, computer and other control systems. However, if these conditions or practices change, we may have difficulty in hiring, training and retaining a sufficient number of qualified employees to work in Australia, Norway, and/or Europe. As a result of this risk, we may experience difficulty in establishing management, legal and financial controls, collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet newly adopted standards. To date we have not experienced any of the above referenced problems.

WE ARE AUTHORIZED TO ISSUE "BLANK CHECK" PREFERRED STOCK WHICH, IF ISSUED WITHOUT STOCKHOLDERS APPROVAL, MAY ADVERSELY AFFECT THE RIGHTS OF HOLDERS OF OUR COMMON STOCK.

Our certificate of incorporation authorizes the issuance of up to 10,000,000 shares of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by our Board of Directors, of which we have currently designated and issued 4,300,000 shares. Accordingly, our Board of Directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which would adversely affect the voting power or other rights of our stockholders. In the event of issuance, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control, which could have the effect of discouraging bids for the Company and thereby prevent stockholders from receiving the maximum value for their shares. We have no present intention to issue any shares of its preferred stock in order to discourage or delay a change of control. However, there can be no assurance that preferred stock will not be issued at some time in the future.

THE AVAILABILITY OF A LARGE NUMBER OF AUTHORIZED BUT UNISSUED SHARES OF COMMON STOCK MAY, UPON THEIR ISSUANCE, LEAD TO DILUTION OF EXISTING STOCKHOLDERS.

We are authorized to issue 750,000,000 shares of common stock, of which as of October 9, 2006, 43,415,513 shares were issued and outstanding. In connection with the financing arrangement that we entered into in March and August of 2006, we also have outstanding senior secured convertible debentures that may be converted into up to 45,000,000 shares of common stock at a fixed conversion price of $0.10, outstanding Series A convertible preferred stock that may be converted into up to 43,000,000 shares of common stock and warrants to purchase up to 28,354,157 shares of common stock. Assuming conversion and exercise of these instruments, we will be left with more than 585,000,000 authorized shares of common stock that remain unissued. These shares may be issued by our Board of Directors without further stockholder approval. The issuance of large numbers of shares, possibly at below market prices, is likely to result in substantial dilution to the interests of other stockholders. In addition, issuances of large numbers of shares may adversely affect the market price of our common stock.

RISKS RELATING TO OUR CURRENT FINANCING AGREEMENTS:

THERE ARE A LARGE NUMBER OF SHARES UNDERLYING OUR CONVERTIBLE DEBENTURES DUE MARCH 31, 2010, WARRANTS THAT MAY BE AVAILABLE FOR FUTURE SALE AND OUTSTANDING SERIES A CONVERTIBLE PREFERRED STOCK AND THE SALE OF THESE SHARES MAY DEPRESS THE MARKET PRICE OF OUR COMMON STOCK.

As of October 9, 2006, we had 43,415,513 shares of common stock issued and outstanding. In connection with the financing arrangements that we entered into in March and August of 2006, we also have outstanding senior secured convertible notes or that may be converted into up to 45,000,000 shares of common stock at a fixed conversion price of $0.10, outstanding warrants to purchase 28,354,157 shares of common stock, and outstanding Series A convertible preferred stock that may be converted into up to 43,000,000 shares of common stock. Upon effectiveness of the registration statement of which this prospectus forms a part, all including up to 45,000,000 shares issuable upon conversion of the notes and upon exercise of our warrants, may be sold without restriction. The sale of these shares may adversely affect the market price of our common stock.

IF WE ARE REQUIRED FOR ANY REASON TO REPAY OUR OUTSTANDING SECURED CONVERTIBLE DEBENTURES, WE WOULD BE REQUIRED TO DEPLETE OUR WORKING

CAPITAL, IF AVAILABLE, OR RAISE ADDITIONAL FUNDS. OUR FAILURE TO REPAY THE SECURED CONVERTIBLE DEBENTURES, IF REQUIRED, COULD RESULT IN LEGAL ACTION AGAINST US, WHICH COULD REQUIRE THE SALE OF SUBSTANTIAL ASSETS.

On March 31, 2006, we entered into a Securities Purchase Agreement for the sale of an aggregate of $4,500,000 in principal amount of secured convertible debentures. The secured convertible notes are due and payable, with 15% interest, four years from the date of issuance, unless sooner converted into shares of our common stock. In addition, any event of default such as our failure to repay the principal or interest when due, our failure to issue shares of common stock upon conversion by the holder, or our failure to timely file a registration statement or have such registration statement declared effective, could require the early repayment of the secured convertible debentures, including a default interest rate of 18% on the outstanding principal balance of the debentures if the default is not cured with the specified grace period. At the present moment, we do not anticipate that the full amount of the secured convertible notes will be converted into shares of our common stock, in accordance with the terms of the secured convertible debentures, as the fixed conversion price of the convertible debentures is $0.25 and exceeds our current market price as quoted on the OTC Bulletin Board. However, if we are required to repay the secured convertible debentures, we would be required to use our limited working capital and raise additional funds. If we were unable to repay the debentures when required, the debenture holders could commence legal action against us and foreclose on all of our assets to recover the amounts due. Any such action would require us to curtail or cease operations.

BEGINNING MARCH 31, 2008, WE MUST REPAY 1/24TH OF THE FACE AMOUNT OF OUR DEBENTURES ON A MONTHLY BASIS, AND HAVING THE ABILITY TO MAKE THIS PAYMENT IN CASH OR IN STOCK BASED UPON A 20% DISCOUNT FROM THE MARKET PRICE AT THE TIME OF REPAYMENT, THE REPAYMENT IN SHARES OF THE PRINCIPAL AND INTEREST ON THE DEBENTURES MAY RESULT IN SUBSTANTIAL DILUTION TO THE INTERESTS OF OUR OTHER HOLDERS OF COMMON STOCK AND THE SALE OF THESE SHARES MAY DEPRESS THE MARKET PRICE OF OUR COMMON STOCK AND CAUSE DILUTION TO OUR EXISTING STOCKHOLDERS.

As of October 9, 2006, we had 43,415,513 shares of common stock issued and outstanding. In connection with the financing arrangement that we entered into with Palisades in March 2006 and pursuant to the Letter Agreement #1, we also have outstanding secured convertible debentures that may be converted into an estimated 45,000,000 shares of common stock at the fixed conversion price of $0.10 per share. In addition, beginning March 31, 2008, we must repay 1/24th of the face amount of our debentures on a monthly basis, and we may have the ability to make this payment in cash or in stock based upon a 20% discount from the market price at the time of repayment, the repayment in shares of the principal and interest on the debentures may result in substantial dilution to the interests of our other holders of common stock and the sale of these shares may depress the market price of our common stock and cause dilution to our existing stockholders. However, our ability to repay the debentures and any interest on the debentures is limited to the existence of an effective Registration Statement pursuant to which Palisades would be permitted to utilize this Registration Statement to resell all of the shares issuable pursuant to the financing documents entered into with Palisades.

The variable repayment price feature of our convertible debentures could require us to issue a substantially greater number of shares, which will cause dilution to our existing stockholders. If we elect to repay the debentures and interest in shares, the number of shares we will be required to issue upon repayment of the debentures will increase if the market price

of our stock decreases.

Using the closing bid price of $0.09 of our common stock on October 3, 2006, assuming full repayment of the principal and interest of the $4,500,000 in principal amount of convertible debentures in shares of our common stock, and based upon a 20% discount from the market price at the time of repayment of our debentures and 10% discount from the market price at the time of the interest payment, we would be required to issue 62,500,000 shares of common stock for the repayment of debentures,

8,680,556 share for the repayment of interest, for an aggregate total of 71,180,556 or 163.95% of the 43,415,513 shares of common stock issued and outstanding on October 9, 2006,. However, due to the floating repayment rates, we do not know the exact number of shares that we could issue upon repayment of the principal and interest on the debentures.

The following is an example of the amount of shares of our common stock issuable upon repayment of 1/24th of the $4,500,000 principal amount of convertible debentures or $187,500 on a monthly basis, plus accrued interest at 15% per annum over four years, based on market prices assumed to be 25%, 50% and 75% below the closing bid price on October 3, 2006 of $0.09:

Repayment of Debentures

% BELOW MARKET	PRICE PER SHARE	WITH 20% DISCOUNT	NUMBER OF SHARES	PERCENTAGE*
25%	$0.0675	$0.054	83,333,333	191.94%
50%	$0.045	$0.036	125,000,000	287.92%
75%	$0.0225	$0.018	250,000,000	575.83%

* Based upon 43,415,513 shares of common stock outstanding as of October 9, 2006. The convertible debentures contain provisions that limit the stockownership of the holder of those debentures to 4.99%. Nevertheless, the percentages set forth in the table reflect the percentage of shares that may be issued to the holder in the aggregate.

As illustrated, the number of shares of common stock issuable in connection with the conversion of the repayment of the debentures will increase if the market price of our stock declines, which will cause dilution to our existing stockholders.

THE LARGE NUMBER OF SHARES ISSUABLE UPON CONVERSION OF THE REAPAYMENT OF THE CONVERTIBLE DEBENTURES MAY RESULT IN A CHANGE OF CONTROL.

As there is no limit on the number of shares that may be issued upon conversion of the repayment amounts of the convertible debentures, these issuances may result in the holder of the debentures controlling us. It may be able to exert substantial influence over all matters submitted to a vote of the shareholders, including the election and removal of directors,

amendments to our articles of incorporation and by-laws, and the approval of a merger, consolidation or sale of all or substantially all of our assets. In addition, this concentration of ownership could inhibit the management of our business and affairs and have the effect of delaying, deferring or preventing a change in control or impeding a merger, consolidation, takeover or other business combination which our shareholder, may view favorably.

THE LOWER THE STOCK PRICE, THE GREATER THE NUMBER OF SHARES COULD BE ISSUED PURSUANT TO THE CONVERSION OF THE REPAYMENT AMOUNTS UNDER THE CONVERTIBLE DEBENTURES.

The number of shares that could be issued upon conversion of the repayment amounts scheduled under the convertible debentures is determined by the market price of our common stock prevailing at the time of each conversion. The lower the market price, the greater the number of shares issuable under the agreement. Upon issuance of the shares, to the extent that holder of those shares will and may attempt to sell the shares into the market, these sales may further reduce the market price of our common stock. This in turn will increase the number of shares issuable under the agreement. This may lead to an escalation of lower market prices and ever greater numbers of shares to be issued. A larger number of shares issuable at a discount to a continuously declining stock price will expose our stockholders to greater dilution and a reduction of the value of their investment.

THE ISSUANCE OF OUR STOCK UPON CONVERSION OF THE CONVERTIBLE DEBENTURES COULD ENCOURAGE SHORT SALES BY THIRD PARTIES, WHICH COULD CONTRIBUTE TO THE FUTURE DECLINE OF OUR STOCK PRICE.

The convertible debentures have the potential to cause significant downward pressure on the price of our common stock. This is particularly the case if the shares issued upon conversion and placed into the market exceed the market's ability to absorb the increased number of shares of stock. Such an event could place further downward pressure on the price of our common stock. The opportunity exists for short sellers and others to contribute to the future decline of our stock price. If there are significant short sales of our stock, the price decline that would result from this activity will cause the share price to decline more so, which, in turn, may cause long holders of the stock to sell their shares thereby contributing to sales of stock in the market. If there is an imbalance on the sell side of the market for the stock, our stock price will decline.

WE ARE OBLIGATED TO PAY LIQUIDATED DAMAGES AS A RESULT OF OUR FAILURE TO HAVE THIS REGISTRATION STATEMENT DECLARED EFFECTIVE PRIOR TO JULY 31, 2006, AND THE PAYMENT OF LIQUIDATED DAMAGES WILL EITHER RESULT IN DEPLETING OUR WORKING CAPITAL OR ISSUANCE OF SHARES OF COMMON STOCK WHICH WOULD CAUSE DILUTION TO OUR EXISTING SHAREHOLDERS.

Pursuant to the terms of our registration rights agreement entered into in connection with our securities purchase agreement dated March 31, 2005, if we do not have a registration statement registering the shares underlying the senior secured convertible debentures and warrants declared effective on or before July 31, 2006, we are obligated to pay liquidated damages in the amount of 1.5% per month of the face amount of the issued and outstanding senior secured convertible debentures outstanding, which equals $67,500, until the registration statement is declared effective, subject to an overall limit of up to 15 months of partial liquidated damages. Palisades subsequently waived all liquidated damages and defaults related to our failure to have the registration statement declared effective by that date pursuant to the Letter Agreement entered into with Palisades

dated July 27, 2006, provided that the registration statement is declared effective by September 27, 2006 (subject to a possible 30 day extension if the Securities and Exchange Commission issues comments on the registration statement). These liquidated damages must be paid in cash. If we have to pay the liquidated damages, we would be required to use our limited working capital and potentially raise additional funds.

RISKS RELATED TO OUR COMMON STOCK:

THERE IS A LIMITED MARKET FOR OUR COMMON STOCK WHICH MAY MAKE IT MORE DIFFICULT FOR YOU TO DISPOSE OF YOUR STOCK.

Our common stock has been quoted on the OTC Bulletin Board under the symbol "TWLP.OB" since October 13, 2006, prior to that point it was quoted on the OTC Bulletin Board under the symbol "TTYL.OB". There is a limited trading market for our common stock. For example, approximately more than one-third of the trading days during November of 2005 saw no trading in our stock at all. During that same period, the largest number of shares traded in one day was 435,000. Accordingly, there can be no assurance as to the liquidity of any markets that may develop for our common stock, the ability of holders of our common stock to sell our common stock, or the prices at which holders may be able to sell our common stock.

OUR HISTORIC STOCK PRICE HAS BEEN VOLATILE AND THE FUTURE MARKET PRICE FOR OUR COMMON STOCK MAY CONTINUE TO BE VOLATILE. FURTHER, THE LIMITED MARKET FOR OUR SHARES WILL MAKE OUR PRICE MORE VOLATILE. THIS MAY MAKE IT DIFFICULT FOR YOU TO SELL OUR COMMON STOCK FOR A POSITIVE RETURN ON YOUR INVESTMENT.

The public market for our common stock has historically been very volatile. Since the day out stock began being quoted on the Over-The-Counter Bulletin Board on November 21, 2001 and through June 30, 2006, the market price for our common stock has ranged from $2.10 to $0.10. Any future market price for our shares may continue to be very volatile. This price volatility may make it more difficult for you to sell shares when you want at prices you find attractive. We do not know of any one particular factor that has caused volatility in our stock price. However, the stock market in general has experienced extreme price and volume fluctuations that often are unrelated or disproportionate to the

operating performance of companies. Broad market factors and the investing public's negative perception of our business may reduce our stock price, regardless of our operating performance. Market fluctuations and volatility, as well as general economic, market and political conditions, could reduce our market price. As a result, this may make it difficult or impossible for you to sell our common stock for a positive return on your investment.

OUR COMMON STOCK IS SUBJECT TO THE "PENNY STOCK" RULES OF THE SEC AND THE TRADING MARKET IN OUR SECURITIES IS LIMITED, WHICH MAKES TRANSACTIONS IN OUR STOCK CUMBERSOME AND MAY REDUCE THE VALUE OF AN INVESTMENT IN OUR STOCK.

Our common stock is currently listed for trading on the OTC Bulletin Board which is generally considered to be a less efficient market than markets such as NASDAQ or other national exchanges, and which may cause difficulty in conducting trades and difficulty in obtaining future financing. Further, our securities are subject to the "penny stock rules" adopted pursuant to Section 15 (g) of the Securities Exchange Act

of 1934, as amended, or Exchange Act. The penny stock rules apply to non-NASDAQ companies whose common stock trades at less than $5.00 per share or which have tangible net worth of less than $5,000,000 ($2,000,000 if the company has been operating for three or more years). Such rules require, among other things, that brokers who trade "penny stock" to persons other than "established customers" complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Penny stocks sold in violation of the applicable rules may entitle the buyer of the stock to rescind the sale and receive a full refund from the broker.

Many brokers have decided not to trade "penny stock" because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in such securities is limited. In the event that we remain subject to the "penny stock rules" for any significant period, there may develop an adverse impact on the market, if any, for our securities. Because our securities are subject to the "penny stock rules," investors will find it more difficult to dispose of our securities. Further, for companies whose securities are traded in the OTC Bulletin Board, it is more difficult: (i) to obtain accurate quotations, (ii) to obtain coverage for significant news events because major wire services, such as the Dow Jones News Service, generally do not publish press releases about such companies, and (iii) to obtain needed capital.

WE HAVE NOT PAID CASH DIVIDENDS IN THE PAST AND DO NOT EXPECT TO PAY CASH DIVIDENDS IN THE FUTURE. ANY RETURN ON INVESTMENT MAY BE LIMITED TO THE VALUE OF OUR STOCK.

We have never paid cash dividends on our stock and do not anticipate paying cash dividends on our stock in the foreseeable future. The payment of cash dividends on our stock will depend on our earnings, financial condition and other business and economic factors affecting us at such time as the board of directors may consider relevant. If we do not pay cash dividends, our stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

USE OF PROCEEDS

This prospectus relates to shares of our common stock that may be offered and sold from time to time by the selling stockholders. We will not receive any proceeds from the sale of shares of common stock in this offering. We will, however, receive proceeds from the exercise, if any, from warrants to purchase 37,217,684 and options to purchase 10,628,000 shares of common stock, respectively.

ITEM 2. DESCRIPTION OF PROPERTY

Our major facilities are located in Carrollton, Texas. Premises are located on 14.79 acres of property and consist of a two story structure and parking for approximately 650 vehicles. The building is approximately seven years old and consists of 205,750 rentable square feet which we lease from an unaffiliated third party on a ten year lease with nine years remaining. The facility is used for production, warehouse and office space. The lease payment is approximately $176,000 per month. The premises are suitable for their intended uses.

ITEM 3. LEGAL PROCEEDINGS

The Company has agreed in connection with its purchase of the Primedia Workplace Learning assets to assume the defense of certain litigation, entitled ARGUS 1 SYSTEMS CORPORATION V. PRIMEDIA WORKPLACE LEARNING L.P., ET AL., No. 04-CV-138918, District Court of Fort Bend County, Texas (the "Argus Claim"), regarding claims made by Argus 1 Systems Corporation ("Plaintiff") resulting from that certain Memorandum of Understanding, dated May 22, 2003, ("MOU") by and between Plaintiff and PRIMEDIA Workplace Learning LP, a Delaware limited partnership ("PWPL"). Plaintiff has alleged various contracts and tort claims and seeks among other things license fees, attorney fees and actual and punitive damages related to the sale of proprietary content to the Department of Homeland Security. The Primedia Workplace purchase agreement provides that the Company shall generally be responsible for paying that portion of any Recovery (as defined therein) relating to license fees, royalty fees, or other damages arising from any sales other conduct after the purchase of the Workplace assets and be responsible for the payment of all on-going license or royalty fees relating to periods thereafter. In addition, some of the cost and recoveries may be split on a 50/50 basis. The Company has not yet been named as a party to the litigation, has not engaged legal counsel for the matter, and has conducted no discovery. The Company is unable to estimate the likelihood of an unfavorable outcome or the amount or range of any potential loss its potential liability or legal exposure for the litigation.

In addition, the Company is a defendant in a number of lawsuits brought by its trade creditors. However, the Company believes that subsequent to its successful funding, such litigations will not have a material adverse effect on the Company. Also, the Company has the amounts in dispute accrued for in accounts payable with an additional accrual of approximately $200,000 for potential legal fees recorded in accrued expenses (see Note 6).

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

On September 26, 2006, the Company held a Special Shareholders meeting, for the Company's shareholders of record as of August 11, 2006 (the "Record Date"), as was previously disclosed by the Company in its Proxy Statement filed on Schedule 14(a) with the SEC on August 18, 2006. During the meeting, the affirmative vote of the Company's shareholders holding the majority of the Company's outstanding shares as of the Record Date approved the following proposals:

1. Amending the Company's Articles of Incorporation to change the name of the Company from Trinity Learning Corporation to TWL Corporation; and

2. Amending the Company's Articles of Incorporation to increase the authorized number of common stock from 100,000,000 shares to 750,000,000 shares.

The following was the number of votes cast for, against or withheld, as wells as the number of abstentions and broker non-votes as to each of the matters below:

On the resolution to amend the Company's Articles of Incorporation to change the name of the Company from Trinity Learning Corporation to TWL Corporation,

For:	28,492,334	votes
Against:	106,152	votes
Abstain:	0	votes

Broker Non-Votes:	0	votes

On the resolution to amend the Company's Articles of Incorporation, as amended, to increase the authorized number of common stock from 100,000,000 shares to 750,000,000 shares:

For:	26,700,061	votes
Against:	1,918,424	votes
Abstain:	0	votes
Broker Non-Votes:	0	votes

PART II

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

Market Information

Our common stock has been quoted on the National Association of Securities Dealers OTC Electronic Bulletin Board since December 23, 2003 under the symbol "TTYL." Prior to this date, Trinity Learning's common stock was traded on the Pink Sheets, a privately owned company headquartered in New York. Neither we nor any of our affiliated purchasers, as that term is defined in Rule 10b-18 under the Securities Exchange Act of 1934, repurchased any of our common stock during the period April 1 through June 30, 2005.

The following table sets forth the high and low bid quotations, as provided by the OTC Bulletin Board, for our common stock as reported by NASDAQ. These prices are based on inter-dealer bid prices, without markup, markdown, commissions or adjustments and may not represent actual transactions.

Fiscal Year ending June 30, 2006:	High	Low
April 1, 2006 to June 30, 2006	$ 0.20	$ 0.10
January 1, 2006 to March 31, 2006	$ 0.30	$ 0.14
October 1, 2005 to December 31, 2005	$ 0.31	$ 0.21
July 1, 2005 to September 30, 2005	$ 0.31	$ 0.20

Fiscal Year Ended June 30, 2005:	High	Low
April 1, 2005 to June 30, 2005	$ 0.45	$ 0.22
January 1, 2005 to March 31, 2005	$ 1.05	$ 0.13
October 1, 2004 to December 31, 2004	$ 1.50	$ 0.70
July 1, 2004 to September 30, 2004	$ 1.65	$ 0.85

Fiscal Year Ended June 30, 2004:	High	Low
April 1, 2004 to June 30, 2004	$ 1.50	$ 0.80
January 1, 2004 to March 31, 2004	$ 2.50	$ 1.50
October 1, 2003 to December 31, 2003	$ 1.59	$ 0.03
July 1, 2003 to September 30, 2003	$ N/A	$ N/A

The shares quoted are subject to the provisions of Section 15(g) and Rule 15g-9 of the Securities Exchange Act of 1934, as amended (the Exchange Act"), commonly referred to as the "penny stock" rule. Section 15(g) sets forth certain requirements for transactions in penny stocks and Rule 15(g)9(d)(1) incorporates the definition of penny stock as that used in Rule 3a51-1 of the Exchange Act.

The Commission generally defines penny stock to be any equity security that has a market price less than $5.00 per share, subject to certain exceptions. Rule 3a51-1 provides that any equity security is considered to be a penny stock unless that security is: registered and traded on a national securities exchange meeting specified criteria set by the Commission; authorized for quotation on The NASDAQ Stock Market; issued by a registered investment company; excluded from the definition on the basis of price (at least $5.00 per share) or the registrant's net tangible assets; or exempted from the definition by the Commission. Trading in the shares is subject to additional sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors, generally persons with assets in excess of $1,000,000 or annual income exceeding $200,000, or $300,000 together with their spouse.

For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of such securities and must have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the first transaction, of a risk disclosure document relating to the penny stock market. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, and current quotations for the securities. Finally, the monthly statements must be sent disclosing recent price information for the penny stocks held in the account and information on the limited market in penny stocks. Consequently, these rules may restrict the ability of broker dealers to trade and/or maintain a market in the company's common stock and may affect the ability of shareholders to sell their shares.

HOLDERS

As of November 1, 2005, we had approximately 601 shareholders of record.

DIVIDENDS

We have not declared any dividends to date. We have no present intention of paying any cash dividends on our common stock in the foreseeable future, as we intend to use earnings, if any, to generate growth. The payment by us of dividends, if any, in the future, rests within the discretion of our Board of Directors and will depend, among other things, upon our earnings, our capital requirements and our financial condition, as well as other relevant factors. There are no material restrictions in our certificate of incorporation or bylaws that restrict us from declaring dividends.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.

The following table shows information with respect to each equity compensation plan under which the Company's common stock is authorized for issuance as June 30, 2006.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under plans (excluding securities reflected in column (a)
Equity compensation plans approved by security holders	14,467,000	$0.38	5,533,000
Equity compensation plans not approved by security holders	None	None	None
Total	14,467,000	$0.38	5,533,000

RECENT SALES OF UNREGISTERED SECURITIES

During the period February 2004 to November 2004, certain warrant holders from our 2002 Bridge Financing exercised warrants at $0.05 per share for 1,238,542 shares of our common stock.

On July 29, 2004, we issued a secured convertible promissory note in the principal amount of $500,000 to Oceanus Value Fund, L.P. ("Oceanus"). In connection with the issuance of the note, we also issued to Oceanus a five-year warrant to purchase up to 125,000 shares of our common stock at a price of $1.00 per share.

On August 31, 2004, we entered into a series of agreements with Laurus Master Fund, Ltd. ("Laurus") whereby we issued to Laurus (i) a secured convertible term note ("Note") in the principal amount of $5.5 million and (ii) a five-year warrant ("Warrant") to purchase up to 1,600,000 shares of our common stock at a price of $0.81 per share. The principal amount of the Note and accrued interest thereon was convertible into shares of our common stock at a price of $0.72 per share, subject to anti-dilution adjustments.

On February 4, 2005, we issued an aggregate of 127,419 restricted shares of our common stock to Laurus, upon conversion of $44,117.64 of principal amount and accrued interest of $13,221.19 of the Note. The Note, as amended, provided for a conversion rate of $0.45 for the first $250,000 of principal converted.

On January 31, 2005, we issued 50,000 restricted shares of our common stock to three affiliates of MCC Financial Services. The shares were issued in consideration as partial payment for investor relations services at a deemed price of $0.44 per share.

On March 2, 2006, we issued to Jack Rutherford a note in the

principal amount of $100,000 which is convertible into 625,000 shares of common stock of the Company at $0.16 per share. In addition we issued 625,000 warrants exercisable at $0.20 per share and 250,000 warrants exercisable at $0.15 per share to Mr. Rutherford in consideration for the loan made.

On March 3, 2006, William T. Merrill purchased 156,250 shares of Common Stock of the Company at $0.16 per share or $25,000. In addition we issued 156,250 warrants exercisable at $0.20 per share to Mr. Merrill in consideration of the purchase.

On March 3, 2006, David Spada purchased 156,250 shares of Common Stock of the Company at $0.16 per share or $25,000. In addition we issued 156,250 warrants exercisable at $0.20 per share to Mr. Spada in consideration of the purchase.

On March 31, 2006, we issued to certain accredited investors an aggregate of $4,500,000 in face amount of 15% Senior Secured Convertible Debentures convertible at $0.25 per share and four year warrants to purchase an aggregate of 7,200,000 shares of common stock of the Company exercisable at $0.21 per share.

In July of 2006, we issued to certain accredited investors 1,800,000 shares of preferred stock convertible at $0.10 per share in exchange for the 7,200,000 warrants previously issued to these accredited investors exercisable at $0.21 per share. In addition, on August 31, 2006, we issued to this accredited investor 1,000,000 shares of preferred stock convertible at $0.10 per share in consideration of the investor agreeing to subordinate its senior secured interest to Laurus Master Fund, Ltd., in all of the assets of the Company and further agreed to modify their conversion price from $0.25 to $0.10.

In August of 2006, the Company issued to Darrin M. Ocasio 1,800,000 shares of common Stock pursuant to the agreement entered into in March 2006, as a performance bonus stock award.

On August 31, 2006, we issued to Laurus Master Fund, Ltd., 1,500,000 shares of preferred stock convertible at $0.10 per share in consideration of the sale of a secured three-year term note with a principal amount of $2,500,000 and a secured three-year revolving note with a principal amount of $5,000,000 to Laurus Master Fund, Ltd.

All of the above offerings and sales were deemed to be exempt under rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended. No advertising or general solicitation was employed in offering the securities. The offerings and sales were made to a limited number of persons, all of whom were accredited investors, business associates of TWL Corporation or executive officers of TWL Corporation and transfer was restricted by TWL Corporation in accordance with the requirements of the Securities Act of 1933. In addition to representations by the above-referenced persons, we have made independent determinations that all of the above-referenced persons were accredited or sophisticated investors, and that they were capable of analyzing the merits and risks of their investment, and that they understood the speculative nature of their investment. Furthermore, all of the above-referenced persons were provided with access to our Securities and Exchange Commission filings.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Some of the statements contained in this Form 10-KSB that are not historical facts are "forward-looking statements" which can be identified

by the use of terminology such as "estimates," "projects," "plans," "believes," "expects," "anticipates," "intends," or the negative or other variations, or by discussions of strategy that involve risks and uncertainties. We urge you to be cautious of the forward-looking statements, that such statements, which are contained in this Form 10-KSB, reflect our current beliefs with respect to future events and involve known and unknown risks, uncertainties and other factors affecting our operations, market growth, services, products and licenses. No assurances can be given regarding the achievement of future results, as actual results may differ materially as a result of the risks we face, and actual events may differ from the assumptions underlying the statements that have been made regarding anticipated events. Factors that may cause actual results, our performance or achievements, or industry results, to differ materially from those contemplated by such forward-looking statements include without limitation:

1. Our ability to attract and retain management, and to integrate and maintain technical information and management information systems;

2. Our ability to generate customer demand for our products;

3. The intensity of competition; and

4. General economic conditions.

SEASONALITY

The Company's operations are seasonal in nature. Operating results have historically been stronger in the second half of the year with generally strongest results generated in the fourth quarter of the year. This seasonality causes, and will likely continue to cause, a variation in the Company's quarterly operating results. Such variations have an effect on the timing of the Company's cash flows and the reported quarterly results.

All written and oral forward-looking statements made in connection with this Form 10-KSB that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Given the uncertainties that surround such statements, you are cautioned not to place undue reliance on such forward-looking statements.

OVERVIEW

In the first quarter of fiscal year 2005, we announced that we had modified our strategy to focus our management and financial resources on new acquisition targets and operations in North America, with a secondary focus on Western Europe. During the remainder of fiscal 2005 management focused its efforts on identifying and analyzing various merger and acquisition candidates in the United States. These efforts culminated with the announcement on April 1, 2005 of an asset purchase agreement whereby we acquired substantially all of the assets of Primedia Workplace Learning from Primedia, Inc.

Our financial statements are prepared using accounting principles generally accepted in the United States of America generally applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Currently, we do not have significant cash, nor do we have an established source of revenues sufficient to cover our operating costs and to allow us to continue as a going concern. Except as noted below we do not currently possess a financial institution source of financing and we cannot be certain that our existing sources of cash will be adequate to meet our

liquidity requirements.

On August 31, 2006, we entered into agreements with Laurus Master Fund, Ltd., a Cayman Islands corporation ("Laurus"), pursuant to which we sold debt and issued our preferred stock to Laurus in a private offering pursuant to exemption from registration under Section 4(2) of the Securities Act of 1933, as amended. The securities being sold and issued to Laurus include the following:

1. A secured three-year term note (the "Secured Note") with a principal amount of $2,500,000 (the "Secured Note Amount"), which matures on August 31, 2009 (the "Maturity Date");

2. A secured three-year revolving note with a principal amount of $5,000,000 (the "Revolving Note"; the Revolving Note and the Secured Note shall be collectively referred to as the "Notes");

3. 1,500,000 shares (the "Shares") of preferred stock (the "Preferred Stock"), which is redeemable by us at a price of $0.10 per share (the "Set Price") at any time until August 31, 2011, and may be converted by Laurus at any time into our common stock, no par value per share (the "Common Stock"), at the Set Price.

To meet our present and future liquidity requirements, we will continue to seek additional funding through private placements, conversion of outstanding loans and payables into common stock, development of the business of our newly-acquired subsidiaries, collections on accounts receivable, and through additional acquisitions that have sufficient cash flow to fund subsidiary operations. There can be no assurance that we will be successful in obtaining more debt and/or equity financing in the future or that our results of operations will materially improve in either the short- or the long-term. If we fail to obtain such financing and improve our results of operations, we will be unable to meet our obligations as they become due. That would raise substantial doubt about our ability to continue as a going concern.

RESULTS OF OPERATIONS

FISCAL YEAR ENDED JUNE 30, 2006 AS COMPARED TO THE FISCAL YEAR ENDED JUNE 30, 2005

Our sales revenues for the fiscal year ended June 30, 2006 were $25,840,468 as compared to $11,176,974 for fiscal year ended June 30, 2005. This significant increase in revenues is due primarily to twelve months of operations for TWL Knowledge Group, Inc. $24,930,881 compared to three months of operational results for fiscal year 2005 $8,168,297.

Costs of sales, which consist of labor and hardware costs, and other incidental expenses, were $7,036,893 for the fiscal year 2006 as compared to $2,910,244 for the fiscal year 2005, resulting in gross profit of $18,803,575 for the fiscal year 2006 as compared to $8,266,730 for the fiscal year 2005. These increases in both costs and gross profit were due to and associated with increased revenues from the full year operations of TWL Knowledge Group, Inc.

Operating expenses for fiscal year 2006 were $35,047,395 as compared to $16,802,125 for fiscal year 2005. Salaries and benefits increased $10,706,790 from $7,497,629 for fiscal year 2005 to $18,204,419 for fiscal year 2006. Professional fees increased $1,719,795 from $1,495,874 for fiscal year 2005 to $3,215,669 for fiscal year 2006. Selling, general and

administrative expense was $9,859,702 for fiscal 2006 as compared to $4,837,038 for fiscal year 2005. Depreciation and amortization increased $983,941 from $2,783,664 for fiscal year 2005 to $3,767,605 for fiscal year 2006. The increases are due largely to full year operations of TWL Knowledge Group, Inc

Other expense of $5,535,797 for the year ended June 30, 2006 was $1,599,766 less than the year ended June 30, 2005. Increased net interest expense $3,591,976, loss due to conversion of debt $1,614,064 and financing costs of $1,393,852 offset by the change in fair value of derivative valuation of $739,588 and gain on forfeiture of warrants due to financing of $280,328 accounted for most of the other expenses during fiscal year 2006. During the fiscal year 2005, other expenses were primarily made up of net interest expense $2,445,410, equity losses and impairment of investment in associated companies $4,192,460, debt conversion expenses $231,579 and impairment of intangible assets $234,280.

We reported net loss available for common stockholders of $21,779,617 or $0.54 per share for the fiscal year 2006 as compared with $15,615,043 or $0.49 per share for the fiscal year 2005.

The following unaudited pro forma financial information presents the combined results of operations of the Company and twelve months of operations of TouchVision, RMT, and VILPAS and three months of operations of TWL Knowledge Group, Inc. The Company's investments in Riverbend and IRCA are accounted for an equity basis. Accordingly, Riverbend's and IRCA's business operating results are not included in the Company's combined unaudited pro forma financial information for the twelve month periods ended June 30, 2005 and 2004. In October 2005, The Company and IRCA completed a Settlement Agreement whereby we mutually rescinded the original acquisition agreement, resulting in no ownership positions for IRCA in our company and vice versa (see "Subsequent Events IRCA Settlement Agreement").

We operate as a single business segment and have one product offering which is training and education; however, our consolidated subsidiaries are organized geographically into reporting segments consisting of the United States Division, the European Division, the Australia Division and the South Africa Division. Our United States division comprises our corporate operations and subsidiaries domiciled in the United States of America. The European division comprises subsidiaries domiciled in Europe; the Australia Division comprises subsidiaries domiciled in Australia. The South Africa division comprises non-consolidated subsidiaries domiciled in South Africa accounted for using the equity method of accounting and includes a two person office owned by them in Australia.

As of and for the fiscal year ended June 30, 2006:

	Revenue	Operating Loss	Depreciation & Amortization	Investment Losses in Associated Companies
United States	$ 25,013,792	$(15,326,838)	$ 3,754,468	$ -
Europe	380,426	(854,962)	1,789	-
Australia	446,250	(62,020)	11,348	-

Total	$25,840,468	$(16,243,820)	$ 3,767,605	$ -

As of and for the fiscal year ended June 30, 2005:

	Revenue	Operating Loss	Depreciation & Amortization	Investment Losses in Associated Companies
United States	$ 9,171,584	$ (8,139,211)	$ 2,766,795	$ -
Europe	1,497,556	(204,031)	1,714	-
Australia	507,834	(102,415)	15,155	-
South Africa	-	(89,736)	-	-
Total	$ 11,176,974	$ (8,535,393)	$ 2,783,664	$ -

The following describes underlying trends in the businesses of each of our three subsidiaries that operate as a single business segment and have one product offering which is training and education.

VILPAS. During 2005, the Norwegian government refined its mandates with regard to functionally disabled workers, with funding modified to target not only training of the handicapped but also at subsidizing direct employment of handicapped and challenged individuals. FunkWeb, a majority owned subsidiary of VILPAS, revised some of its programs and market strategies to be able to participate in government programs aimed directly at increasing employment among functionally disabled workers. Subsequent to June 30, 2005 the Norwegian government modified its approach to handicapped workers back, toward increased funding for these initiatives. There is little or no seasonality to the business of VILPAS. The majority of operating costs are fixed costs, with some variable costs incurred related to cost of instructors, which costs may vary depending upon enrollment. Management has commenced identifying potential business partners and potential merger and acquisition targets in Norway and Scandinavia with the goal of strengthening and expanding the longer-term business operations of VILPAS and Funkweb. Such partnerships or acquisitions could dilute the Company's ownership positions from current levels.

RMT. During fiscal year 2005 there has been a continued general reduction in Australian government subsidies for corporate training. As a result, RMT and other Registered Training Organizations must rely on competitive advantages to retain clients and to attract new customers. Accordingly, during 2005 a significant portion of RMT financial and management resources were allocated for the purpose of developing new products and services to expand its reach beyond the Australian viticulture industry. The efforts have resulted in the development of FMRMT's eLearning site (