TRINITY LEARNING CORP
Form 10KSB
November 21, 2005

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, 2005

Commission File No. 0-8924

Trinity Learning Corporation
(Exact name of small business issuer as specified in its charter)

Utah	3-0981865
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

3685 Mt. Diablo Blvd., Suite 161, Lafayette, California 94549
(Address of principal executive offices)

(925) 284-8025
(Issuer's telephone number)

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 sections 13 or 15(d) of the Exchange Act during the past 9 months (or such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

The issuer's revenues for the fiscal year ended June 30, 2005: $11,176,975
The aggregate market value of the 34,858,069 shares of voting stock held by non-affiliates of the Registrant, computed as the average of the closing bid and asked prices as of October 13, 2005 was approximately $9,063,098. As of October 13, 2005, the Registrant had outstanding 38,918,013 shares of common stock, no par value per share.

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

THIS ANNUAL REPORT ON FORM 10-KSB CONTAINS FORWARD-LOOKING STATEMENTS. THESE STATEMENTS RELATE TO FUTURE EVENTS OR OUR FUTURE FINANCIAL PERFORMANCE. IN SOME CASES, YOU CAN IDENTIFY FORWARD-LOOKING STATEMENTS BY TERMINOLOGY SUCH AS MAY, WILL, SHOULD, EXPECT, PLAN, INTEND, ANTICIPATE, BELIEVE, ESTIMATE, PREDICT, POTENTIAL OR CONTINUE, THE NEGATIVE OF SUCH

TERMS OR OTHER COMPARABLE TERMINOLOGY. THESE STATEMENTS ARE ONLY PREDICTIONS. ACTUAL EVENTS OR RESULTS MAY DIFFER MATERIALLY. IN EVALUATING THESE STATEMENTS, YOU SHOULD SPECIFICALLY CONSIDER VARIOUS FACTORS, INCLUDING THE RISKS OUTLINED BELOW. THESE FACTORS MAY CAUSE OUR ACTUAL RESULTS TO DIFFER MATERIALLY FROM ANY FORWARD-LOOKING STATEMENT.

ALTHOUGH WE BELIEVE THAT THE EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, WE CANNOT GUARANTEE FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS. MOREOVER, NEITHER WE NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE FORWARD-LOOKING STATEMENTS. WE ARE UNDER NO DUTY TO UPDATE ANY OF THE FORWARD-LOOKING STATEMENTS AFTER THE DATE OF THIS ANNUAL REPORT TO CONFORM SUCH STATEMENTS TO ACTUAL RESULTS OR TO CHANGES IN OUR EXPECTATIONS.

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

We are a publicly held global learning company 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

TRINITY WORKPLACE LEARNING

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 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 Trinity Workplace Learning ("TWL").

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 one of the largest US providers 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 Trinity Workplace Learning division ("TWL"), 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. TWL 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 two 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 TWL provides a number of key benefits:

- Approximately 235 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 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 Trinity Workplace Learning 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.

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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, GSG 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.

- Acquisitions. We intend to continue our efforts to acquire and integrate other operating companies with established customer bases in strategic markets and industry segments. We intend to acquire operating companies that, when combined with our existing platform, represent a blended learning approach to workplace learning.

- 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 in the next several quarters. This cost-savings initiative includes:

    - Headcount reduction in non-core areas;

    - Conversion of temporary employees to permanent status;

    - 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. TWL'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. TWL 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 TWL. 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 four wholly owned operating subsidiaries: Trinity Workplace Learning, TouchVision, River Murray Training, VILPAS, and 51% interest in the operations of Riverbend. Subsequent to the end of our fiscal year ended June 30, 2005 we divested our ownership in IRCA (Proprietary) Limited, previously a 51% subsidiary.

TRINITY WORKPLACE LEARNING

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 facility. The assets comprised those relating to PWPL's HCG, GSG, 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 (the "Assumed Liabilities") in an aggregate amount estimated at the time of closing to be between $28 and $30 million.

The purchase price for the Business is subject to a working capital adjustment whereby the purchase price for the assets will be either 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 is determined within 90 days of such date to be either, respectively, less than or greater than $4,000,000. Any such working capital adjustment shall be satisfied by a cash payment by the responsible party, all pursuant to the terms of the Asset Purchase Agreement. In connection with the transactions contemplated by the Purchase Agreement, SBI USA LLC, 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, to compensate such observer at the rate of $15,000 per month, 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.

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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.

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.

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.

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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, 2005, we had approximately 256 full time employees located in California, Texas, Australia and Norway.

CORPORATE BACKGROUND

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 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.

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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.

OUR BUSINESS STRATEGY IS BASED ON ACQUIRING AND CONSOLIDATING ADDITIONAL SUITABLE OPERATING COMPANIES AT ATTRACTIVE VALUATIONS.

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

- The ability to assess accurately the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates;

- 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 NEED TO SUCCESSFULLY INTEGRATE RECENTLY ACQUIRED AND POTENTIAL ADDITIONAL OPERATING COMPANIES.

As a result of recent acquisitions and, as part of our general business strategy, 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.

There can be no assurance that we will be able to effectively integrate the acquired companies with our own 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. We have a substantial accumulated deficit, 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 Workplace Learning business. 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.

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

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.

WE ARE EFFECTIVELY CONTROLLED BY OUR OFFICERS AND DIRECTORS.

Our directors and executive officers beneficially own a significant percentage of the company's outstanding shares of common stock. As a result, these people exert substantial influence over our affairs and may have the ability to substantially influence all matters requiring approval by the stockholders, including the election of directors.

WE ARE SUBJECT TO COMPLIANCE WITH SECURITIES LAW, WHICH EXPOSES US TO POTENTIAL LIABILITIES, INCLUDING POTENTIAL RESCISSION RIGHTS.

We have periodically offered and sold our common stock to investors pursuant to certain exemptions from the registration requirements of the Securities Act of 1933, as well as those of various state securities laws. The basis for relying on such exemptions is factual; that is, the applicability of such exemptions depends upon our conduct and that of those persons contacting prospective investors and making the offering. We have not received a legal opinion to the effect that any of our prior offerings were exempt from registration under any federal or state law. Instead, we have relied upon the operative facts as the basis for such exemptions, including information provided by investors themselves.

If any prior offering did not qualify for such exemption, an investor would have the right to rescind its purchase of the securities if it so desired. It is possible that if an investor should seek rescission, such investor would succeed. A similar situation prevails under state law in those states where the securities may be offered without registration in reliance on the partial preemption from the registration or qualification provisions of such state statutes under the National Securities Markets Improvement Act of 1996. If investors were successful in seeking rescission, we would face severe financial demands that could adversely affect our business and operations. Additionally, if we did not in fact qualify for the exemptions upon which it has relied, we may become subject to significant fines and penalties imposed by the SEC and state securities agencies.

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.

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 these companies have substantially greater financial, manufacturing, marketing and technical resources than we do and represent significant long-term competition. To the extent that these companies offer comparable products and services at lower prices or at higher quality and more cost effectively, our business could be adversely affected.

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.

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.

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 is leased 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.

We lease executive office space on the first floor of a four story office building in Lafayette, CA. The space is leased from an unaffiliated third party. The lease is a 2 year term which commenced on May 1, 2005. Monthly rent is approximately $2,200. The office is 900 square feet with 2 partitioned offices and one large multi-use space which includes two desks, conference area, storage and IT equipment. These premises are suitable for their intended use.

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 contract and tort claims and seeks among other things license fees, attorney fees and actual and punitive damages. 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.

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

None.

PART II

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

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

We have never declared or paid dividends on our common stock in the past, and we do not intend to pay such dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and other factors our board of directors deems relevant.

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 2002 STOCK PLAN

An aggregate of 13,500,000 shares of our common stock are currently authorized for issuance pursuant to our 2002 Stock Plan. This plan was approved on December 2, 2002, at a special meeting of our shareholders. The Plan allowed for a maximum aggregate number of shares that may be optioned and sold under the plan of (a) 3,000,000 shares, plus (b) an annual 500,000 increase to be added on the last day of each fiscal year beginning in 2003 unless a lesser amount is determined by the board of directors. The plan became effective with its adoption and remains in effect for ten years unless terminated earlier. On December 30, 2003, the board of directors amended the 2002 Stock Plan to allow for a maximum aggregate number of shares that may be optioned and sold under the plan of (a) 6,000,000 shares, plus (b) an annual 1,000,000 increase to be added on the last day of each fiscal year beginning in 2004 unless a lesser amount is determined by the board of directors. Options granted under the plan vest 25% on the day of the grant and the remaining 75% vests monthly over the next 36 months.

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EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information regarding securities authorized for issuance under the 2002 Stock Plan at June 30, 2005:

Plan Name	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance
Equity compensation plan approved by security holders	11,665,000	$0.36	1,800,000

RECENT SALES OF UNREGISTERED SECURITIES

The following is information as to certain securities we have sold during the fiscal year ended June 30, 2005, that were not registered under the Securities Act of 1933, as amended:

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. The issuance of these securities was made in reliance on Section 4(2) of the Securities Act as a transaction not involving any public offering. No advertising or general solicitation was employed in offering the securities, the offerings and sales were made to a limited number of persons, and we restricted transfer of the securities in accordance with the requirements of the Securities Act.

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"). The note matured on October 27, 2004 and bore interest at the rate of twelve percent (12%). The holder of the note had the option to participate in a subsequent financing made during the term of the note, and in lieu of all or part of any cash payment that would otherwise be made to us in connection with such financing, the holder may elect to contribute $1.00 of debt forgiveness under the note for each $1.00 of such participation. 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. The issuance of these securities was made in reliance on Section 4(2) of the Securities Act as a transaction not involving any public offering. No advertising or general solicitation was employed in offering the securities, the offerings and sales were made to one entity, and we restricted transfer of the securities in accordance with the requirements of the Securities Act. The recipient of the securities represented its intention to acquire the securities for investment only, and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the instruments issued in such transactions.

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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. Under the terms of the Note, the monthly principal payment amount of approximately $22,000.00, plus the monthly interest payment (together, the "Monthly Payment"), was payable in either cash or, if certain criteria are met, including the effectiveness of a current registration statement covering the shares of our common stock into which the Note is convertible, through the issuance of our common stock. Laurus had the option to convert the entire principal amount of the Note, together with interest thereon, into shares of our common stock, provided that such conversion does not result in Laurus beneficially owning more that 4.99% of our outstanding shares of common stock. The issuance of the Note and the Warrant was made in reliance on Section 4(2) of the Securities Act as a transaction not involving any public offering. No advertising or general solicitation was employed in offering the securities, the offerings and sales were made to one entity, and we restricted transfer of the securities in accordance with the requirements of the Securities Act. The recipient of the securities represented its intention to acquire the securities for investment only, and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the instruments issued in such transactions.

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 issuance of these securities was made in reliance on Section 4(2) of the Securities Act of 1933 as a transaction not involving any public offering. 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. The issuance of these securities was made in reliance on Section 4(2) of the Securities Act as a transaction not involving any public offering. No advertising or general solicitation was employed in offering the securities, and the issuance of the securities was made to an existing shareholder of our company.

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

This management's discussion and analysis of financial condition and results of operations and other portions of this report contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by this forward-looking information. This management's discussion and analysis of financial condition and results of operations should be read in conjunction with the financial statements and the related notes included elsewhere in this report.

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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 July 13, 2005, the Company entered into a Credit Agreement (the "Credit Agreement") with Instream Investment Partners, LLC, as administrative agent, and certain lenders (the "Lenders"). Pursuant to the terms of the Credit Agreement, the Lenders loaned to the Company $3,500,000. The Company may borrow up to an additional $1,000,000 under the Credit Agreement until January 13, 2006. The loan matures on January 13, 2007, with interest payable monthly at the rate of 12% per annum. The obligations of the Company under the Credit Agreement are secured by a security interest in substantially all existing and hereafter acquired assets of the Company. TouchVision, Inc. and Trinity Workplace Learning Corporation, subsidiaries of the Company, each have guaranteed the obligations of the Company under the Credit Agreement, and have granted the Lenders a security interest in substantially all of their respective existing and hereafter acquired assets. The Company also granted to the Lenders warrants (the "Warrants") to acquire up to an aggregate of 5.25% of the outstanding common stock of the Company on a fully-diluted basis, and entered into a Registration Rights Agreement with respect to the common stock issuable upon exercise of the Warrants. Copies of the Credit Agreement, the form of Warrant and the Registration Rights Agreement (collectively, the "Agreements") were filed in a Report on Form 8K and are incorporated herein by reference. A portion of the proceeds of the Credit Agreement was used by the Company to repay all amounts outstanding under the Secured Convertible Term Note and Securities Purchase Agreement (the "Laurus Agreements") dated August 31, 2004 with Laurus Master Fund, Ltd. ("Laurus"). In connection therewith, Laurus converted a portion of the note into 1,198,124 shares of common stock at a conversion price of $0.24 per share.

In connection with the execution of the Credit Agreement, the Company issued Warrants to the Lenders, which Warrants are exercisable for a period of five years and permit the holders the right to acquire up to an aggregate of 5.25% of the outstanding common stock of the Company on a fully diluted basis at a price per share equal to $0.266, subject to adjustment as provided in the Warrants. The Company believes that the issuance of the Warrants is exempt from the registration requirements of the Securities Act of 1933 pursuant to Section 4(2) thereof. A copy of the form of Warrant is filed as Exhibit 99.2 hereto and is incorporated herein by reference. As noted above, on July 13, 2005, in connection with the payoff of amounts outstanding under the Laurus Agreements, Laurus converted

a portion of the note into 1,198,124 shares of common stock at a conversion price of $0.24 per share. The Company believes that the issuance of common stock upon conversion of the note is exempt from the registration requirements of the Securities Act of 1933 pursuant to Section 4(2) thereof.

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.

Currently the Company is trying to obtain additional equity financing of approximately $2 million. The proceeds will be used for general working capital purposes and should provide sufficient cash to sustain operations into early 2006. There can be no assurance that the Company will be successful in completing this transaction.

RESULTS OF OPERATIONS

FISCAL YEAR ENDED JUNE 30, 2005 AS COMPARED TO THE FISCAL YEAR ENDED JUNE 30, 2004

Our sales revenues for fiscal year 2005 were $11,176,975 as compared to $2,590,091 for 12-month period ended June 30, 2004. This significant increase in revenues is due to the acquisition of assets of Primedia Workplace Learning on April 1, 2005. The results for fiscal year 2005 include three months of operations associated with the Primedia assets, and 12 months of operations of TouchVision, RMT, and Vilpas. The fiscal year 2004 included ten months of revenue from TouchVision ($1,113,463) and RMT ($639,678), and four months of revenue from VILPAS ($669,160). Additionally, revenues of CBL ($167,790), which was sold by us effective December 22, 2003, were included through such date.

Costs of sales, which consist of labor and hardware costs, and other incidental expenses, were $2,910,244 for the fiscal year 2005 as compared to $475,076 for the fiscal year 2004, resulting in gross profit of $8,266,731 for the fiscal year 2005 as compared to $2,115,015 for the fiscal year 2004. These increases in both costs and gross profit were due to and associated with increased revenues resulting from the acquisition completed by us in April 2005.

Operating expenses for fiscal year 2005 were $16,802,125 as compared to $7,190,975 for fiscal year 2004. This increase was due primarily to a significant increase in salaries and benefits, which increased $3,861,131 from $3,636,498 for the fiscal year fiscal year 2004 to $7,497,629 for the fiscal year 2005. The increase is largely due to the acquisition of the assets of Primedia Workplace Learning.

Other significant increases in operating expense resulted from increases in selling, general and administrative expense, professional fees, and depreciation and amortization expense. Selling, general and administrative expense was $4,837,038 for fiscal 2005 as compared to $1,886,514 for fiscal year 2004. Depreciation and amortization expense increased to $2,783,664 in fiscal 2005 as compared to $279,360 for fiscal year 2004, due primarily to the acquisition of assets from Primedia.

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Other Expense of $7,135,563 for the year ended June 30, 2005 was $756,920 greater than the year ended June 30, 2004. Net interest expense ($2,445,410) and losses from equity investments ($1,299,195) accounted for most of the Other Operating Expenses during fiscal year 2005. During the fiscal year 2004, Other Operating Expenses were substantially due to non-recurring losses in associated companies accounted for on an equity basis of $2,714,985, and debt conversion expense of $3,449,332. Losses in associated companies arise from Riverbend, ($536,936) and IRCA ($2,178,049). The loss in IRCA includes a $884,963 charge for impairment. Debt conversion expense comprises non-cash expense associated with the conversion of the 2004 Bridge Loan at $0.60 per share when the fair market value of shares trading publicly was $1.05 to $1.25 per share. The IRCA impairment expense of $884,963 is equal to the write down to $0 of our initial investment in IRCA, net of current year operating losses and amortization of identifiable intangible assets. We wrote down our investment in IRCA to $0 as a result of current year operating performance and anticipated operating losses in IRCA for the foreseeable future. These losses are, in part, a result of the weakening of the US dollar in relation to the South African Rand and the resulting down turn in mining operations in South Africa, IRCA's primary customer base. During the year ended June 30, 2005, we absorbed losses of $500,000 due to the $500,000 we deposited as collateral in support of IRCA's operating line of credit. The weakening U.S dollar also negatively impacted the translated results for each of the foreign subsidiaries.

We reported net loss available for common stockholders of $15,615,042 or $0.49 per share for the fiscal year 2005 as compared with $11,462,063, or $0.50 per share for the fiscal year 2004.

At June 30, 2005 the following unaudited pro forma financial information presents the combined results of operations of the Company and twelve months of operations of Trinity Workplace Learning for the year then ended. The Company's investments in Riverbend and IRCA are accounted for on 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, 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	$ -

As of and for the fiscal year ended June 30, 2004:

	Revenue	Operating Loss	Depreciation & Amortization	Investment Losses in Associated Companies
United States	$ 1,113,463	$(4,680,565)	$ 221,883	$ -
Europe	669,160	(19,866)	19,616	-
Australia	807,468	(375,529)	37,861	-
South Africa	-	-	-	(2,714,985)
Total	$ 2,590,091	$(5,075,960)	$ 279,360	$(2,714,985)

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 Scandanavia 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.

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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 (