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TRINITY LEARNING CORP
Form 10QSB
February 14, 2006

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

FORM 10-QSB

Quarterly Report under Section 13 or 15 (d) of
the Securities Exchange Act of 1934

For the Quarterly Period Ended December 31, 2005

Commission File No. 0-8924

TRINITY LEARNING CORPORATION
(Exact name of small business issuer as specified in its charter)

UTAH
(State or other jurisdiction of
incorporation or organization)

73-0981865
(IRS Employer Identification No.)

4101 International Parkway, Carrollton, Texas 75007
(Address of principal executive offices)

(972) 309-4000
(Issuer's telephone number)

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 12 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 No

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

As of February 8, 2006, 40,678,013 shares of the issuer's Common Stock, no par value per share, were outstanding.

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TRINITY LEARNING CORPORATION AND SUBSIDIARIES

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

THIS FORM 10-QSB FOR THE SIX MONTHS ENDED DECEMBER 31, 2005, CONTAINS FORWARD-LOOKING STATEMENTS, INCLUDING STATEMENTS ABOUT THE CONTINUED STRENGTH OF OUR BUSINESS AND OPPORTUNITIES FOR FUTURE GROWTH. 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. WE BELIEVE THAT OUR EXPECTATIONS ARE REASONABLE AND ARE BASED ON REASONABLE ASSUMPTIONS. HOWEVER, SUCH FORWARD-LOOKING STATEMENTS BY

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THEIR NATURE INVOLVE RISKS AND UNCERTAINTIES.

WE CAUTION THAT A VARIETY OF FACTORS, INCLUDING BUT NOT LIMITED TO THE FOLLOWING, COULD CAUSE OUR BUSINESS AND FINANCIAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED IN FORWARD-LOOKING STATEMENTS: DETERIORATION IN CURRENT ECONOMIC CONDITIONS; OUR ABILITY TO PURSUE BUSINESS STRATEGIES; PRICING PRESSURES; CHANGES IN THE REGULATORY ENVIRONMENT; OUR ABILITY TO ATTRACT AND RETAIN QUALIFIED PROFESSIONALS; INDUSTRY COMPETITION; CHANGES IN INTERNATIONAL TRADE; MONETARY AND FISCAL POLICIES; OUR ABILITY TO INTEGRATE FUTURE ACQUISITIONS SUCCESSFULLY; AND OTHER FACTORS DISCUSSED MORE FULLY IN MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND RISK FACTORS BELOW, AS WELL AS IN OTHER REPORTS SUBSEQUENTLY FILED FROM TIME TO TIME WITH THE SECURITIES AND EXCHANGE COMMISSION. WE ASSUME NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENTS.

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PART I.FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Consolidated Balance Sheets December 31, 2005 (Unaudited) and June 30, 2005 (Audited).

Consolidated Statements of Operations and Comprehensive Loss Three and Six Months Ended December 31, 2005 and 2004. (Unaudited)

Consolidated Statements of Cash Flows Six Months Ended December 31, 2005 and 2004 (Unaudited)

Item 2.Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3.Controls and Procedures

PART II.OTHER INFORMATION

Item 1.Legal Proceedings

Item 2.Unregistered Sales of Equity Securities and Use of Proceeds

Item 3.Defaults upon Senior Securities

Item 4.Submission of Matters to a Vote of Security Holders

Item 5. Other Information

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PART I

FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

Trinity Learning Corporation and Subsidiaries
Consolidated Balance Sheets

| December 31, 2005 | June 30, 2005 |
|----------------------|------------------|
|----------------------|------------------|

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| | (Unaudited) | (Audited) |
|--|---------------|---------------|
| | ----- | ----- |
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 1,447,247 | \$ 752,261 |
| Accounts Receivable | 5,687,730 | 3,540,415 |
| Inventory | 1,511,073 | 1,632,750 |
| Prepaid Expense and Other Current Assets | 1,810,751 | 1,160,272 |
| | ----- | ----- |
| Total Current Assets | 10,456,801 | 7,085,698 |
| Equity Investment in and Advances to Associated Companies | - | - |
| Property & Equipment, net | 5,530,103 | 5,876,999 |
| Goodwill | - | - |
| Intangible Assets, net | - | - |
| Program Inventory, net | 4,157,993 | 5,133,334 |
| Restricted Cash | 17,756 | 5,091,670 |
| Other Assets, net | 210,982 | 197,888 |
| | ----- | ----- |
| Total Assets | \$ 20,373,635 | \$ 23,385,589 |
| | ===== | ===== |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Accounts Payable\$5,500,518\$3,134,406 | | |
| Accounts Payable - Related Parties | | |
| Accrued Expenses3,126,2521,625,901 | | |
| Interest Payable | - | 23,379 |
| Deferred Revenue | 5,319,178 | 4,042,842 |
| Capital Lease-Current | 1,156,724 | 1,115,666 |
| Notes Payable - Current | 155,742 | 663,446 |
| Notes Payable - Related Parties | 346,676 | 1,023,087 |
| | ----- | ----- |
| Total Current Liabilities | 15,605,090 | 11,628,727 |
| | ----- | ----- |
| Obligations under Capital Leases | 12,654,108 | 13,242,920 |
| Notes Payable4,868,0141,586,655 | | |
| Notes Payable - Related Parties | - | 20,000 |
| Equity Investment in Associated Company | 500,000 | 500,000 |
| Other Long-Term Liabilities | 13,592 | 7,554 |
| | ----- | ----- |
| Long Term Liabilities | 18,035,714 | 15,357,129 |
| | ----- | ----- |
| Total Liabilities | 33,640,804 | 26,985,856 |
| | ----- | ----- |
| Minority Interest | 309,210 | 287,061 |
| | ----- | ----- |
| Contingently Redeemable Equity | 2,210,000 | 2,510,000 |
| | ----- | ----- |
| Stockholders' (Deficit) Equity | | |
| Preferred Stock, 10,000,000 Shares Authorized at No Par Value, No Shares Issued and Outstanding | - | - |
| Common Stock, 100,000,000 Shares Authorized at No Par Value, 37,719,889 and 31,040,143 shares Issued and Outstanding in December, 2005 and June 2004, Respectively | 32,497,128 | 32,000,792 |
| Accumulated Deficit | (48,321,856) | (38,266,018) |
| Deferred Financial Advisor Fees | - | (142,920) |
| Other Comprehensive Gain (Loss) | 38,349 | 10,818 |
| | ----- | ----- |

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| | | |
|--|---------------|---------------|
| Total Stockholders' Equity | (15,786,379) | (6,397,328) |
| | ----- | ----- |
| Total Liabilities and Stockholders' Equity | \$ 20,373.635 | \$ 23,385,589 |
| | ===== | ===== |