TRINITY LEARNING CORP
Form 10QSB
November 22, 2005

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 September 30, 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.)

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

(925) 284-8025
(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 [X] No [ ]

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

As of November 1, 2005, 38,918,013 shares of the issuer's Common Stock, no par value per share, were outstanding.

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 THREE MONTHS ENDED SEPTEMBER 30, 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 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

Trinity Learning Corporation and Subsidiaries
Consolidated Balance Sheets

	September 30, 2005 (Unaudited)	June 30, 2005 (Audited)
Assets		
Current Assets		
Cash and Cash Equivalents, unrestricted	$ 2,957,302	$ 752,261
Accounts Receivable	3,248,268	3,540,415
Inventory	1,350,067	1,632,750
Prepaid Expense and Other Current Assets	1,361,403	1,160,272
Total Current Assets	8,917,040	7,085,698
Property & Equipment, net	5,516,925	5,876,999
Program Inventory, net	4,713,023	5,133,334
Restricted Cash	17,756	5,091,670
Other Assets, net	-	197,888
Total Assets	$19,164,744	$23,385,589

See accompanying notes to the consolidated financial statements.

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Trinity Learning Corporation and Subsidiaries
Consolidated Balance Sheets

	September 30, 2005 (Unaudited)	June 30, 2005 (Audited)
Liabilities, Minority Interest, Contingently Redeemable Equity and Stockholders' Equity		
Liabilities		
Accounts Payable	$ 4,336,919	$ 3,134,406
Accrued Expenses	3,039,565	1,625,901
Interest Payable	23,379	23,379
Deferred Revenue	4,034,404	4,042,842
Capital Lease - Current	1,129,269	1,115,666
Notes Payable - Current	140,465	140,465
Notes Payable - Related Parties	320,000	837,173
Total Current Liabilities	13,024,001	10,919,832
Obligations under Capital Leases	13,047,838	13,242,920
Other Long - Term Liabilities	17,416	7,554
Notes Payable - Long Term	4,963,991	2,109,636
Notes Payable - Long Term, Related Parties	206,448	205,914
Long Term Liabilities	18,235,693	15,566,024
Equity Investment	500,000	500,000
Total Liabilities	31,759,694	26,985,856
Minority Interest	309,210	287,061
Contingently Redeemable Equity	2,510,000	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, 40,018,013 and 37,719,889 Shares Issued and Outstanding, Respectively	30,986,986	32,000,792
Accumulated Deficit	(46,340,470)	(38,266,018)
Deferred Financial Advisor Fees	(48,960)	(142,920)
Other Comprehensive Income	(11,716)	10,818
Total Stockholders' (Deficit) Equity	(15,414,160)	(6,397,328)
Total Liabilities, Minority Interest,		

Contingently Redeemable Equity and Stockholders' (Deficit) Equity	$19,164,744	$23,385,589

See accompanying notes to the consolidated financial statements.

Trinity Learning Corporation and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income

	For Three Months Ended on September 30 2005	2004
Revenue		
Sales Revenue	$ 5,348,757	$ 902,854
Cost of Sales	(1,230,214)	(180,905)
Gross Profit	4,118,543	721,949
Expenses		
Salaries & Benefits	3,724,926	889,302
Professional Fees	366,214	296,587
Selling, General & Administrative	4,715,376	489,162
Depreciation & Amortization	894,512	47,962
Total Expense	9,701,028	1,723,013
Loss from Operations	(5,582,485)	(1,001,064)
Other Expense		
Debt Conversion	1,986,311	-
Interest, net	494,580	229,703
Debt Issuance	-	7,194
Equity in Losses of Associated Companies	-	648,501
Foreign Currency Loss	275	-
Total Other Expense	2,481,166	885,398
Minority Interest	10,801	24,876
Loss Before Taxes	(8,074,452)	(1,861,586)
Taxes	-	-
Net Loss	$(8,074,452)	$(1,861,586)
Net Loss Per Common Share Basic and Diluted	$ (0.21)	$ (0.06)
Weighted Average Shares Outstanding	38,918,013	30,377,643

A summary of the components of other comprehensive gain (loss) for the three months ended September, 2005 and 2004 is as follows:

	Three Months ended on September 30, 2005 (Unaudited)	2004
Net Loss	$(8,074,452)	$(1,861,586)
Foreign Currency Translation Gain (Loss)	(22,534)	27,589
Comprehensive Loss	$(8,096,986)	$(1,833,997)

See accompanying notes to the consolidated financial statements.

Trinity Learning Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	For Three Months Ended on September 30 2005 (Unaudited)	2004 (Unaudited)
Cash flows from operating activities:		
Net loss	$(8,074,452)	$(1,861,586)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	894,512	47,962
Foreign currency translation gain / loss	275	-
Non-cash debt issuance	3,800	7,194
Non cash interest	146,560	205,753
Equity losses of associated companies	-	648,501
Employee stock based compensation	200,000	-
Debt conversion expenses	1,986,311	104,997
Non cash financial advisory fees	93,960	-
Program Inventory	(541,000)	-
Changes in current assets and liabilities:		
Accounts receivable	292,147	(148,105)
Interest receivable	-	-
Prepaid expenses and other current assets	(201,131)	(4,623)
Accounts payable and accrued expenses	2,744,810	(47,497)
Accounts payable-related parties	-	8,333
Inventory	282,683	-
Deferred revenue	(8,438)	239,866
Interest payable	-	(9,394)
Minority interest	22,149	(24,876)
Net cash used by operating activities	(2,157,814)	(833,475)
Cash flows from investing activities:		
Payment for business acquisitions	-	(4,815)

Restricted cash	5,073,914	(4,491,000)
Net cash generated by investing activities	5,073,914	(4,495,815)
Cash flows from financing activities:		
Repayment under capital leases	(181,479)	-
Repayments under borrowings	(5,039,442)	(550,000)
Borrowing under long-term liabilities	4,509,862	-
Payments for related party	-	6,120,000
Fees paid to issue debt	-	(259,000)
Net cash provided by financing activities	(711,059)	5,311,000
Effect of foreign exchange on cash	(22,534)	(27,589)
Net (decrease)increase in cash	2,205,041	(45,879)
Cash at beginning of period	752,261	892,739
Cash at end of period	$ 2,957,302	$ 846,860

See accompanying notes to the consolidated financial statements.

Trinity Learning Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	For Three Months Ended on September 30	
	2005 (Unaudited)	2004 (Unaudited)
Supplemental information:		
Interest paid	$ 342,280	$ 19,795
Income taxes	$ -	$ -
Conversion of notes to common stock	$ 787,550	$ -
Warrants issued with convertible notes	$ -	$ 2,863,363
Beneficial conversion value of note payable	$ -	$ 2,070,784

See accompanying notes to the consolidated financial statements.

Trinity Learning Corporation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2005

GENERAL

Trinity Learning has elected to omit substantially all footnotes to the consolidated financial statements for the three months ended September, 2005 since there have been no material changes (other than indicated in other footnotes) to the information previously reported by the Company in their Annual Report filed on Form 10-KSB for the fiscal year ended June 30, 2005.

UNAUDITED INFORMATION

The information furnished herein was taken from the books and records of the Company without audit. However, in the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all adjustments that are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented.

NOTE 1. ACCOUNTING POLICIES

Overview

Trinity Learning is creating a global learning company by acquiring operating subsidiaries that specialize in educational and training content, delivery, and services for particular industries or that target a particular segment of the workforce. Trinity Learning believes that there are product and service synergies between and among our various subsidiaries that position us to create a global learning company that can provide integrated learning services to corporations, organizations, educational institutions, and individual learners, using a variety of delivery technologies, platforms and methods to meet the growing need for global learning solutions. Trinity Learning believes that it will be one of the first companies to be able to serve major multinational employers at multiple levels of their organizations and assist these customers to meet the challenges of a major turnover in the world's workforce over the coming decade. Factors such as demographics, technology, and globalization will require enterprises, organizations and governments around the world to invest in human capital to remain competitive.

We operate through our primary operating subsidiary, Trinity Workplace Learning, located in our 200,000 square foot digital multimedia production center in Carrollton, Texas, in the greater Dallas metropolitan area. At this Global Learning Center we create, distribute and archive rich media for workplace learning and certification for approximately 7,000 corporate, institutional and government customers in healthcare, industrial services, and public safety including homeland security, first responders, and federal agencies. We distribute content to our customers through a variety of learning media including satellite, broadband, e-learning, CD-ROM, and DVDs. Our proprietary brands include The Law Enforcement Training Network, HomelandOne, the Fire and Emergency Training Network, and others. In our healthcare industry vertical we participate in 17 distinct accreditations for medical-related continuing professional education and certification. While our strategic focus is to grow our assets and operations in North America, we continue to also explore acquisition and alliance candidates in Western Europe and we continue to maintain ownership positions in small operating subsidiaries in Australia, Norway and California and we have an ongoing investment in a learning company in South Africa.

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Item 310 of Regulation S-B. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements include the accounts of Trinity and its consolidated subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

These unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements and related notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended June 30, 2005. The results of operations for the three months ended September 30, 2005, are not necessarily indicative of the operating results for the full year and future operating results may not be comparable to historical operating results due to our April 1, 2005 acquisition of Primedia Workplace Learning.

In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all normal recurring adjustments that are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented.

Use of Estimates

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America necessarily requires it to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and costs during the reporting periods. Actual results could differ from those estimates. On an ongoing basis, the Company reviews its estimates based on information that is currently available. Changes in facts and circumstances may cause the Company to revise its estimates. Significant estimates include revenue recognition policy, valuation and allocation of the purchase consideration of the assets and liabilities and assets acquired in business combinations and equity investments in associated companies, our determination of fair value of common stock issued in business combinations and equity investments in associated companies, and the annual valuation and review for impairment of assets acquired and of long-lived assets.

NOTE 2 GOING CONCERN

To meet our present and future liquidity requirements, we are continuing to seek additional funding through private placements, conversion of outstanding loans and payables into common stock, development of the business of our newly-acquired businesses, 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. Based upon our cash balance at November 1, 2005 we will not be able to sustain operations for more than two months without additional sources of financing. 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.

NOTE 3 - NOTES PAYABLE

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. 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.

To meet our present and future liquidity requirements, we are continuing 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. Based upon our cash balance at November 1, 2005 we will not be able to sustain operations for more than two months without additional sources of financing. 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.

On September 30, 2005, we issued an aggregate of 1,100,000 restricted shares of our common stock to Inspire AS upon conversion of a $500,000 note. The note, as amended, provided for a conversion rate of $0.4545 per share. 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 was issued pursuant to out acquisition of Vilpas.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our fiscal year ends on June 30. This management's discussion and analysis of financial condition and results of operations and other portions of this Quarterly Report on Form 10-QSB contain forward looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by this forward looking information. Factors that could cause or contribute to such differences include, but are not limited to, those discussed or referred to in the Annual Report on Form 10-KSB for the fiscal year ended June 30, 2005 under the heading Information Regarding Forward-Looking Statements and elsewhere. Investors should review this quarterly report on Form 10-QSB in combination with our Annual Report on Form 10-KSB in order to have a more complete understanding of the principal risks associated with an investment in our common stock. This management's discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included elsewhere in this document.

Overview

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, material assets or an established source of revenues sufficient to cover our operating costs and to allow us to continue as a going concern. 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. Based upon our cash balance at November 1, 2005, we will not be able to sustain operations for more than two months without additional sources of funding. 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.

Effective April 1, 2005, Trinity Learning Corporation (the "Company") 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 PRIMEDIA's Workplace Learning division ("PWPL"). The assets comprised those relating to PWPL's Healthcare Group, Government

Services Group, Industrial Services Group, 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. The consolidated financial statements reflect the consolidation of this entity into our company.

Results of Operations

First Quarter Ended September 30, 2005 as Compared to the First Quarter Ended September 30, 2004

Our revenues for first quarter 2005 were $5,348,757, as compared to $902,854 for the first quarter 2004. This increase in revenues is due primarily to the acquisition of Primedia Workplace Learning. The three month period in 2004 comprises three months' revenue of RMT, TouchVision and VILPAS while the 2005 includes revenues of RMT, TouchVision and VILPAS and Trinity Workplace Learning.

Costs of sales, which consist of labor, hardware costs, cost of goods sold and other incidental expenses, was $1,230,214 for the first quarter 2005 as compared to $180,905 for the first quarter 2004, resulting in gross profit of $4,118,543 for the first quarter 2005, as compared to $721,949 for the first quarter 2004. This increase in costs and in gross profit was due to the acquisition of Primedia Workplace Learning. Operating expenses for first quarter 2005 were $9,701,028 as compared to $1,723,013 for the first quarter 2004. This increase was due primarily to acquisition of Primedia Workplace Learning along with increases in selling, general and administrative costs as well as amortization expense.

Other Expense of $2,481,166 was $1,595,768 greater than that for the first quarter 2004. This increase is primarily due to the loss on conversion of notes payable of $1,986,311.

We reported net loss available for common stockholders of $8,074,452 or $0.20 per share for the first quarter 2005, compared with a net loss of $1,861,586 or $0.06 per share for first quarter 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)

Liquidity and Capital Resources

Our expenses are currently greater than our revenues. We have a history of losses, and our accumulated deficit as of September 30, 2005 was

$46,304,470 as compared to $38,266,018 as of June 30, 2005.

At September 30, 2005, we had an unrestricted cash balance of $2,957,302 compared to $752,261 at June 30, 2005. Net cash used by operating activities during the three months ended September 30, 2005 was $1,616,814 attributable primarily to our increase of accounts receivable. Net cash generated by investing activities was $4,532,914 for the three months ended September 30, 2005 representing the net of other financing activity and borrowings under short-term notes.

Accounts receivable decreased from $3,540,415 at June 30, 2004 to $3,248,268 at September 30, 2005. This decrease is due primarily to the timing of billings to our customers.

Accounts payable increased from $3,134,406 at June 30, 2005 to $4,336,919 at September 30, 2005. Accrued expenses increased from $1,625,901 at June 30, 2005 to $3,039,565 at September 30, 2005. The changes in accounts payable and accrued expenses are attributable to the negative cash flow.

As a professional services organization we are not capital intensive. Capital expenditures historically have been for computer-aided instruction, accounting and project management information systems and general-purpose computer equipment to accommodate our growth.

We continued to seek equity and debt financing in fiscal 2005 to support our growth and to finance recent and proposed acquisitions:

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. 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.

To meet our present and future liquidity requirements, we are continuing 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. Based upon our cash balance at November 1, 2005 we will not be able to sustain operations for more than two months without additional sources of financing. 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.

ITEM 3. CONTROLS AND PROCEDURES

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

Our Chief Executive Officer and Chief Financial Officer, after conducting an evaluation, together with other members of management, of the effectiveness of the design and operation of our disclosure controls and procedures at the end of the period covered by this report, have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to that evaluation, and there were no significant deficiencies or material weaknesses in such controls requiring corrective actions.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

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

On July 15, 2005, we issued an aggregate of 1,198,124 unrestricted shares of our common stock to Laurus Master Fund, Ltd., upon conversion of $287,549.69 of debt owed under a secured convertible promissory note issued on August 31, 2004. 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. These securities were issued to an accredited investor as defined under the securities laws and converted at $0.24 per share.

On September 30, 2005, we issued an aggregate of 1,100,000 restricted shares of our common stock to Inspire AS upon conversion of a $500,000 note. The note, as amended, provided for a conversion rate of $0.4545 per share. 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 was issued pursuant to out acquisition of Vilpas.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are filed herewith:

31.1	Certification of the Company's Chief Executive Officer.
31.2	Certification of the Company's President and Chief Financial Officer.
32.1	Certification of the Company's Chief Executive Officer.
32.2	Certification of the Company's President and Chief Financial Officer.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRINITY LEARNING CORPORATION

November 15, 2005 By: /S/ DOUGLAS D. COLE

Douglas D. Cole
Chief Executive Officer

November 15, 2005 By: /S/ Patrick R. Quinn

Patrick R. Quinn
Chief Financial Officer