TWL CORP
Form 10QSB
February 14, 2007

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

FORM 10-QSB

(Mark one)

|X| QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: December 31, 2006

|_| TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _________ to ___________

Commission file number 000-08924

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

Utah	73-0981865
(State or other jurisdiction of incorporation or organization)	(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 [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 January 23, 2007, 43,415,513 shares of the issuer's Common Stock and 4,300,000 shares of the issuer's Preferred Stock , no par value per share, were outstanding.

TWL CORPORATION AND SUBSIDIARIES

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

THIS FORM 10-QSB FOR THE SIX MONTHS ENDED DECEMBER 31, 2006, 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

TWL Corporation

(formerly Trinity Learning Corporation)

Consolidated Balance Sheet

	December 31 2006 (Unaudited)
Assets	
Current Assets	
Cash and Cash Equivalents	$ 1,605,895
Accounts Receivable, net	3,352,817
Inventory, net	890,308
Prepaid Expenses and other Current Assets	179,898
Total Current Assets	6,028,918
Property and Equipment, net	4,735,832

Program Inventory, net	395,672
Other Assets	71,590
Total Assets	$ 11,232,012

Liabilities and Stockholders' Equity (Deficit)

Current Liabilities	
Accounts Payable	$ 4,345,085
Accrued Expenses	8,332,982
Interest Payable	654,727
Deferred Revenue	3,980,516
Capital Lease Current	1,243,430
Line of Credit	1,600,000
Notes Payable Current	511,038
Notes Payable Related Parties	525,649
Total Current Liabilities	21,193,427
Long Term Liabilities	
Obligations under Capital Leases	11,410,678
Convertible Notes Payable	4,500,000
Note Payable	2,500,000
Other Long-term Liabilities	62,750
Total Long-term Liabilities	18,473,428
Total Liabilities	39,666,855
Contingently Redeemable Equity	800,000
Stockholders' Equity (Deficit)	
Preferred Stock, 10,000,000 Shares Authorized at No Par Value, 4,300,000 Shares Issued and Outstanding	3,460,000
Common Stock, 750,000,000 Shares Authorized at No Par Value, 43,415,513 Shares Issued and Outstanding	36,964,132
Accumulated Deficit	(69,592,820)
Deferred Financial Advisor Fees	(62,400)
Other Comprehensive Gain (Loss)	(3,755)
Total Stockholders' Equity (Deficit)	(29,234,843)
Total Liabilities and Stockholders' Equity (Deficit)	$ 11,232,012

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

TWL Corporation
(formerly Trinity Learning Corporation)
Consolidated Statements of Operations and Comprehensive Loss
Unaudited

	For the Three Months ended	For the Six Months Ended

	December 31,		December 31,	
	2006	2005	2006	2005
Revenue				
Subscription revenue	$ 2,730,287	$ 4,513,716	$ 5,681,753	$ 7,327,485
One-time sales	2,253,205	2,849,534	5,241,896	4,487,889
Production revenue	716,730	484,210	1,050,694	713,707
Other revenue	642,338	828,288	1,146,907	1,495,424
Total Revenues, net	6,342,560	8,675,748	13,121,250	14,024,505
Cost of sales	(1,849,184)	(2,184,869)	(2,974,367)	(2,735,342)
Gross Profit	4,493,376	6,490,879	10,146,883	11,289,163
Expense				
Salaries and Benefits	4,399,465	3,826,685	8,670,343	9,337,498
Professional Fees	859,751	719,259	1,138,727	1,085,473
Selling, General & Administrative	2,120,661	2,780,675	3,405,780	7,143,011
Depreciation & Amortization	971,313	171,075	2,136,841	312,481
Total Expenses	8,351,190	7,497,694	15,351,691	17,878,463
Loss from Operations	(3,857,814)	(1,006,815)	(5,204,808)	(6,589,300)
Other Income (Expense)				
Interest, net	(563,027)	(2,087,174)	(1,362,972)	(2,581,754)
Financing Costs	-	-	(3,460,000)	-
Loss on Debt Conversion	-	672,247	-	(1,314,064)
Gain on forfeiture of warrants	-	-	254,011	-
Gain on change in derivative valuation	-	-	119,925	-
Other income (expense)	49,774	1,091	106,659	816
Total Other Income and (Expense)	(513,253)	(1,413,836)	(4,342,377)	(3,895,002)
Minority Interest	-	-	-	10,801
Loss from Continuing Operations Before Taxes	(4,371,067)	(2,420,651)	(9,547,185)	(10,495,103)
Income Taxes	-	-	-	-
Net Loss	$(4,371,067)	$(2,420,651)	$(9,547,185)	$(10,495,103)
Net (Income) Loss per Common Share Basic and Dilutive				
Net Earnings (Loss) Per Share	$(0.10)	$(0.06)	$(0.22)	$(0.26)
Weighted Average Shares Outstanding	43,415,513	40,018,013	43,415,513	40,018,013

	For the Three Months ended December 31,		For the Six Months Ended December 31,	
	2006	2005	2006	2005

Comprehensive Income (Loss)				
Net Loss	(4,371,067)	(2,420,651)	(9,547,185)	(10,495,103)
Foreign Currency Translation Gain (Loss)	(5,609)	-	(7,885)	(22,534)
Comprehensive Loss	(4,376,676)	(2,420,651)	(9,555,070)	(10,517,637)

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

TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation and Subsidiaries)
Consolidated Statements of Changes in Stockholders' Equity (Deficit)
and Comprehensive Income (Loss)
For the Period July 1, 2005 through December 1, 2006

	Shares of Preferred Stock	Preferred Stock	Shares of Common Stock	Common Stock
Balance at July 1, 2005	-	-	37,719,889	32,000,792
Shares Issued for Partial Conversion of Note Payable at $0.24 per Share	-	-	1,198,124	287,550
Shares Issued for Conversion of Note at $0.45 per Share	-	-	1,100,000	500,000
Employee Stock Based Compensation	-	-	-	828,308
Amortization of Deferred Financial Advisory Fees	-	-	-	-
Shares Issued for Services at $0.25 per Share	-	-	100,000	25,374
Shares Issued for Services at Market rate of $0.24 per share	-	-	560,000	134,400
Shares Issued for Cash at $0.16 per share	-	-	937,500	150,000
Valuation of warrants from equity financing	-	-	-	-
Foreign Currency Translation	-	-	-	348,673
Divestiture of Associated Companies	-	-	-	2,210,000
Net Loss for the Year Ended June 30, 2006	-	-	-	-
Balance at June 30, 2006	-	-	41,615,513	36,485,096
Shares Issued for Services				

at $0.07 per share	-	-	1,800,000	126,000
Employee Stock Based Compensation	-	-	-	353,036
Amortization of Deferred Financial Advisory fees	-	-	-	-
Shares Issued for Services at $0.07 per Share	2,800,000	1,960,000	-	-
Shares Issued for Services at $0.10 per Share	1,500,000	1,500,000	-	-
Foreign Currency Translation	-	-	-	-
Net Loss for the Six Months Ending December 31, 2006	-	-	-	-
Balance at December 31, 2006 (unaudited)	4,300,000	3,460,000	43,415,513	36,964,132

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

TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation and Subsidiaries)
Consolidated Statements of Changes in Stockholders' Equity (Deficit)
and Comprehensive Income (Loss)
For the Period July 1, 2005 through December 1, 2006

	Accumulated Deficit	Comprehensive Gain (Loss)	Advisory Fees	Total
Balance at July 1, 2005	(38,266,018)	10,818	(142,920)	(6,397,328)
Shares Issued for Partial Conversion of Note Payable at $0.24 per Share	-	-	-	287,550
Shares Issued for Conversion of Note at $0.45 per Share	-	-	-	500,000
Employee Stock Based Compensation	-	-	-	828,308
Amortization of Deferred Financial Advisory Fees	-	-	142,920	142,920
Shares Issued for Services at $0.25 per Share	-	-	-	25,374
Shares Issued for Services at Market rate of $0.24 per share	-	-	(91,200)	43,200
Shares Issued for Cash at $0.16 per share	-	-	-	150,000
Valuation of warrants from equity financing	-	-	-	348,673

Foreign Currency Translation	-	(6,688)	-	(6,688)
Divestiture of Associated Companies	-	-	-	2,210,000
Net Loss for the Year Ended June 30, 2006	(21,779,617)	-	-	(21,779,617)
Balance at June 30, 2006	(60,045,635)	4,130	(91,200)	(23,647,609)
Shares Issued for Services at $0.07 per share	-	-	-	126,000
Employee Stock Based Compensation	-	-	-	353,036
Amortization of Deferred Financial Advisory Fees	-	-	28,800	28,800
Shares Issued for Services at $0.07 per Share	-	-	-	1,960,000
Shares Issued for Services at $0.10 per Share	-	-	-	1,500,000
Foreign Currency Translation	-	(7,885)	-	(7,885)
Net Loss for the Six Months Ending December 31, 2006	(9,547,185)	-	-	(9,547,185)
Balance at December 31, 2006 (unaudited)	(69,592,820)	(3,755)	(62,400)	(29,234,843)

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

TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation)
Consolidated Statements of Cash Flows
(Unaudited)

	For the Six Months Ended December	
	2006	2005
Cash flows from operating activities:		
Net loss	$(9,547,185)	$(10,495,103)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on disposal of assets		
Depreciation and amortization	2,136,841	1,076,189
Bad debt expense	-	361,700
Non-cash interest expense	-	1,642,864
Stock issued for services	126,000	-
Employee stock based compensation	353,036	200,000
Non-cash financial advisory fees	28,800	142,920
Preferred stock issued for financing costs	3,460,000	-

Gain on forfeiture of warrants	(254,011)	-
Gain on change in derivative valuation	(119,925)	-
Debt conversion expenses	-	1,314,064
Gain on settlement of accounts payable	(106,659)	-
Changes in current assets and liabilities, net of businesses acquired and sold:		
Accounts receivable	(672,262)	(2,147,315)
Prepaid expenses and other current assets	(160,040)	(650,479)
Decrease in deposits	109,163	-
Accounts payable and accrued expenses	1,852,391	3,866,462
Accounts payable related party	(218,881)	-
Inventory	29,750	121,676
Deferred revenue	471,535	1,276,336
Increase in security deposits	62,750	-
Interest payable	485,977	(23,379)
Minority interest	-	22,149
Net cash provided (used) by operating activities	(1,962,720)	(3,291,916)
Cash flow from investing activities:		
Restricted cash	-	5,073,914
Capital expenditures	(21,666)	-
Net cash provided (used) by investing activities:	(21,666)	5,073,914
Cash flow from financing activities		
Payment for capital leases	(588,813)	(547,754)
Proceeds from lines of credit	6,800,000	-
Payments on lines of credit	(5,200,000)	-
Borrowings under notes	2,500,000	-
Repayments under notes	(94,360)	(5,039,442)
Borrowings under long-term liabilities	-	4,500,000
Net cash provided (used) by investing activities	3,416,827	(1,087,196)
Effect of foreign exchange on cash	(7,885)	184
Net cash provided by (used in) continuing operations	1,432,441	694,802
Net cash provided by (used in) discontinued operations	-	-
Net increase (decrease) in cash	1,424,556	694,986
Cash at beginning of period	181,339	752,261
Cash at end of period	$ 1,605,895	$ 1,447,247
Supplemental information:		
Interest paid	403,910	159,000
Income taxes	-	-
Conversion of notes to common stock	-	787,550
Preferred stock issued for financing costs	3,460,000	-
Common stock issued for services	126,000	-

The accompanying notes are an integral part of these financial statements

TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation)
Notes to Consolidated Financial Statements
December 31, 2006
(unaudited)

GENERAL

TWL Corporation has elected to omit substantially all footnotes to the consolidated financial statements for the six months ended December 31, 2006 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 with the Securities and Exchange Commission on Form 10-KSB for the fiscal year ended June 30, 2006.

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

TWL Corporation (the "Company") 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. The Company 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. The Company 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, TWL Knowledge Group, Inc., formerly Trinity Workplace Learning Corporation, located in our 205,000 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 2,000 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 division 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 maintain ownership positions in small operating subsidiaries in Australia and Norway.

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 TWL 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, 2006. The results of operations for the six months ended December 31, 2006, 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.

Lines of Credit

The Company maintains and utilizes a revolving loan or open line of credit for $5,000,000 with Laurus Master Fund, Ltd. At the end of the six month period ending December 31, 2006, borrowings of $6,800,000 offset by repayments of $5,200,000 left a balance of $1,600,000 drawn against the revolving loan balance. Interest on the unpaid balance is accrued daily and paid monthly. The current rate of interest is 10.25%. The revolving loan is secured by 90% the eligible accounts receivable of the Company's domestic operations and 30% of eligible inventory not to exceed $1,000,000.

Convertible Debt

The Company records its convertible debt net of the debt discount. From time to time, the Company has debt with conversion options that provide for a rate of conversion that is below market value. This feature is normally characterized as a beneficial conversion feature ("BCF"), which is recorded by the Company pursuant to EITF Issue No. 98-5 ("EITF 98-05"), "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios," and EITF Issue No. 00-27, "Application of EITF Issue No. 98-5 to Certain Convertible Instruments." If a BCF exists, the Company records it as a debt discount. Debt discounts are amortized to interest expense over the life of the debt on a straight-line basis, which approximates the effective interest method. The convertible debt held by the Company at December 31, 2006 did not contain beneficial conversion features.

Stock Options

The Company has elected to measure and record compensation cost relative to stock option costs in accordance with SFAS 123, "ACCOUNTING FOR STOCK-BASED COMPENSATION," which requires the Company to use the Black-Scholes pricing model to estimate the fair value of the options at the option grant date.

Earnings (Loss) Per Share

Basic earnings (loss) per common share is computed by dividing net income (loss) available for common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per common share ("DEPS") is computed giving effect to all potential dilutive shares including shares held in escrow, common stock issuable upon the conversion of notes payable or the exercise of stock options and warrants. DEPS is computed by dividing net income (loss) available for common stockholders by the weighted-average common shares and dilutive potential common shares that were outstanding during the period. Shares from release of escrow shares, the conversion of notes payable or the exercise of options and warrants of 21,105,900 and 30,017,684, respectively, were not included in the computation of DEPS, because their inclusion would have been anti-dilutive for the six months ended December 31, 2006 and fiscal year ended June 30, 2005. Basic and diluted net loss per common share for the fiscal periods ended June 30, 2006 and 2005 were calculated as follows:

	For the Six Months Ended December 31,	
	2006	2005
Numerator-Basic / Diluted		
Net loss available for common stockholders	$ (9,547,185)	$(10,495,103)
Denominator-Basic / Diluted		
Weighted-average common stock outstanding	43,415,513	40,018,013
Basic / Diluted loss per share	$ (0.22)	$ (0.26)

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 - Stock Option Plan

The following schedule summarizes the activity during the periods ended December 31, 2006 and June 30, 2006, respectively:

	December 31, 2006 (Unaudited)		June 30, 2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	10,628,000	$ 0.30	11,665,000	$ 0.33
Granted	14,100,300	0.06	2,004,000	0.18
Canceled	(3,622,400)	0.25	(3,041,000)	0.45
Outstanding at end of period	21,105,900	$ 0.15	10,628,000	$ 0.30
Exercisable at period-end	9,340,837	$ 0.23	6,614,393	$ 0.33

Range of Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)	Number of Options Vested (Exercisable)	Weighted Average Exercise Price
$ 0.05	350,000	$ 0.05	0.77	350,000	$ 0.05
$ 0.05	12,000	0.05	6.93	3,000	0.05
$ 0.06	14,006,400	0.06	6.75	3,501,600	0.06
$ 0.07	4,500	0.07	6.84	1,125	0.07
$ 0.16	250,000	0.16	4.34	62,500	0.16
$ 0.16	250,000	0.16	4.35	250,000	0.16
$ 0.19	975,000	0.19	4.11	787,500	0.19
$ 0.22	1,725,000	0.22	3.30	1,165,928	0.22
$ 0.25	500,000	0.25	0.92	500,000	0.25
$ 0.27	125,000	0.27	3.38	82,011	0.27
$ 0.50	25,000	0.50	1.25	25,000	0.50
$ 0.50	1,010,000	0.50	1.67	1,000,000	0.50
$ 0.50	625,000	0.50	2.00	625,000	0.50
$ 0.50	250,000	0.50	2.09	244,905	0.50
$ 0.50	898,000	0.50	3.08	658,887	0.50
$ 0.85	100,000	0.85	2.67	83,381	0.85
	21,105,900			9,340,837	

We recognized stock option expense in the amount of $353,036 and $828,308 for the six months ending December 31, 2006 and for the fiscal year ending June 30, 2006, respectively. The option expense was calculated using the Black Scholes valuation model.

NOTE 3 Warrants

During the six months ended December 31, 2006, 7,200,000 warrants for the purchase of its common stock were surrendered. As a result of the surrender, the principle terms of the warrants are summarized as follows:

	2006		
Description	Shares	Exercise Price Per Share	Exercisable Through
Granted			
October 2002 Equity Private Placement	500,000	$ 0.25	September 2007
October 2002 Equity Private Placement Bonus Warrants (1)	250,000	1.00	September 2010
May 2003 Equity Private Placement	2,438,000	0.25	September 2007
May 2003 Equity Private Placement	7,708,600	0.25	October 2007
May 2003 Equity Private Placement Bonus Warrants (1)	1,219,000	1.00	September 2010
May 2003 Equity Private Placement Bonus Warrants (1)	3,854,300	1.00	October 2010
Warrants issued to Mr. Swindells on note conversion	850,000	0.25	November 2007
Bonus warrants to Mr. Swindells (1)	425,000	1.00	November 2007
2004 Bridge Loan Warrant	1,549,000	0.25	May 2010
2004 Bridge Loan Warrant	1,146,000	0.25	February 2010
Warrants Issued to Financial Advisors	125,000	1.00	July 2009
Warrants Issued to Financial Advisors	1,600,000	0.81	August 2009
Warrants issued to Financial Advisors	20,000	0.25	July 2008
Warrants issued to Financial Advisors	190,050	0.25	October 2008
Warrants issued to Financial Advisors	10,000	0.25	October 2008
2005 Convertible Loan Warrants	1,476,027	0.25	January 2009
Warrants Issued to Financial Advisors	150,000	0.31	August 2008
Warrants Issued to Financial Advisors	376,818	0.31	July 2010

Warrants Issued to Financial Advisors	3,391,362	0.27	July 2010
Warrants Issued to Debt Private Placement	250,000	0.15	March 2008
Warrants Issued to Equity Private Placement	937,500	0.20	March 2008
Warrants Issued to debt holders that converted debt during calendar 2005	1,476,027	0.25	January 2008
Warrants Issued to Creditors	75,000	0.30	March 2008
Total Granted	30,017,684	0.43	
Exercised	-		
Total Outstanding	30,017,684		

On July 31, 2006 the Company entered into a subsequent Letter Agreement with Palisades whereby Palisades surrendered 7,200,000 warrants issued in connection with the March 2006 financing. We recognized a gain of $254,011 in the quarter ending September 30, 2006 as a result of this surrender and also a gain on the change in derivative valuation on these warrants of $119,925 for the valuation change from July 1, 2006 to July 31, 2006.

(1) Bonus warrants are issuable upon exercise of the original warrant.

NOTE 4 Stockholders' Equity

On July 24, 2006, the Company issued 1,800,000 shares of common stock for services rendered on behalf of the Company. The services were valued at $0.07 per share. Accordingly, $126,000 has been recorded to the common stock account of the Company.

On July 27, 2006, the Company issued 2,800,000 shares of preferred stock with a coupon rate of 7% convertible into 10 shares of common stock at $0.10 per share. The shares were valued at the then current common stock market value of $0.07 per share. Accordingly, $1,960,000 has been recorded to the preferred stock account of the Company. The shares were issued as consideration to its financing partner for subordinating its security interest in its long-term loan.

On August 31, 2006, the Company issued 1,500,000 shares of preferred stock with a coupon rate of 7% convertible into 10 shares of common stock at $0.10 per share. The shares were valued at the then current common stock market value of $0.10 per share. Accordingly, $1,500,000 has been recorded to the preferred stock account of the Company. The shares were issued in connection with additional long-term financing outlined in other notes.

NOTE 5 - GOING CONCERN

To meet our present and future liquidity requirements, we are developing our business through collections on accounts receivable, and growing our revenues. There can be no assurance that our results of operations will materially improve in either the short or the long-term. Based upon our cash balance at February 1, 2007 we will not be able to sustain operations for more than three months without an improvement in our revenues and cost reducing initiatives. If we fail to 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 6 SUBSEQUENT EVENTS

On January 5, 2007, the Company determined that it could not pay certain obligations as and when they shall become due and payable. The Company's inability to meet its obligations as they become due represents an event of default under, and accelerates its payment obligations in connection with, the 15% senior secured convertible debenture (the "Debenture") causing it to become due and payable immediately, together with interest and other amounts owing in respect thereof. Specifically, the Company's determination with respect to the Debenture is as follows:

Accrued interest of $337,500 was due January 1, 2007 on the Debenture in the principal amount of $4,500,000, and as of January 10, 2007 a late fee at the rate of 18% on the accrued interest in the amount of $3,750.

The Company is currently negotiating to extend the terms of this debt instrument; however, there can be no assurance that the Company will be able to extend such term with the investor.

NOTE 7 MATERIAL EVENTS

On July 27, 2006, we entered into a Letter Agreement (the "Letter Agreement #1") with Palisades Master Fund LP ("Palisades") pursuant to which Palisades agreed to waive an Event of Default for the Company's failure to timely file a registration statement with the SEC (the "Waiver") in connection with the March 2006 financing with Palisades (the "March 2006 Financing"), and further agreed to subordinate its security interest to the Company's loan in the amount of $4,500,000 to Laurus (the "Subordination"). Furthermore, Palisades agreed to modify certain provisions of the Registration Rights Agreement and Securities Purchase Agreement, dated March 31, 2006, see Note 4. Furthermore, at our sole option, we have the right to redeem the Palisades Preferred Stock at $0.10 per share at any time on or before the 5th anniversary of the Palisades Closing Date (as defined below).

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

On July 31, 2006 (the "Palisades Closing Date"), the Company entered into a subsequent Letter Agreement with Palisades (the "Letter Agreement #2") whereby Palisades and the Company agreed to modify the Letter Agreement #1, such that Palisades would subordinate its security interest in all of the assets of the Company and its subsidiaries to Laurus (as defined below). As consideration for the Waiver, the Subordination and Palisades' agreement to surrender the 7,200,000 warrants issued in connection with the March 2006 Financing and in lieu of the Company issuing the additional 82,800,000 warrants as agreed to pursuant Letter Agreement #1, see Note 4.
On August 31, 2006 (the "Closing Date"), the Company entered into agreements with Laurus Master Fund, Ltd., a Cayman Islands corporation ("Laurus") and Palisades Equity Fund ("PEF"), pursuant to which the Company sold debt and issued preferred stock of the Company to Laurus in a private offering pursuant to exemption from registration under Section 4(2) of the Securities Act of 1933, as amended. As a part of this financing, PEF agreed to return all of its warrants issued under the March 31, 2006 Securities Purchase Agreement. In return, they were issued 1,800,000 shares of convertible preferred stock. PEF was also issued 1,000,000 shares of convertible stock as part of this transaction. The securities being sold and issued to Laurus included the following:

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

- A secured three-year revolving note with a principal amount of $5,000,000 (the "Revolving Note"; the Revolving Note and the Secured Note shall be collectively referred to as the "Notes"); see Note 4.

Of the Secured Note, net proceeds of $2,173,000 were received by the Company on the Closing Date. Any proceeds of the Revolving Note will be deposited in a restricted account with Cole Taylor Bank as security for the total loan amount and for use by us to make acquisitions as approved by Laurus. We also agreed to pay, out of the Loan proceeds, the sum of $270,000 to Laurus Capital Management, LLC, the manager of Laurus, the sum of $60,000 to Laurus as reimbursement for Laurus' legal fees, due diligence fees and expenses incurred in connection with the transaction, and $2,000 to Loeb & Loeb LLP as escrow agent fees.

The Notes are secured by a blanket lien on all of the Company's assets, the assets of the Company's subsidiaries and the cash held in the restricted account at Cole Taylor Bank. The Company pledged its ownership interests in TWL Knowledge Group, Inc., its subsidiary, to Laurus in connection with the aforementioned financing. In the event of a default, Laurus has the right to accelerate payments under the Notes and, in addition to any other remedies available to it, to foreclose upon the assets securing the Notes. The principal amount of the Secured Note carries an interest rate of prime plus three percent (the "Secured Note Rate"), subject to adjustment, and we must make monthly amortizing payments of $42,500, commencing January 1, 2007 and with said monthly amortizing payments increasing to $62,500 commencing on January 1, 2008, toward the outstanding non-restricted principal amount. Furthermore, the Secured Note Rate shall not at any time be less than nine percent (9.0%). The Company may prepay the Secured Note at any time by paying Laurus 105% of the Secured Note Amount if such prepayment occurs prior to the first anniversary of the Closing Date, 103% if such prepayment occurs on or after the first anniversary of the Closing Date and prior to the second anniversary of the Closing Date, or 101% of the Secured Note Amount outstanding at such time if such prepayment occurs thereafter but prior to the Maturity Date, plus any accrued but unpaid interest thereon.

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

In consideration of the foregoing and so long as no Event of Default, as defined in the Security Agreement entered into by and between the Company, Laurus and TWL Knowledge Group, Inc., has occurred and is continuing, Laurus agreed not to directly or indirectly, sell, offer, contract or grant any option to sell (including without limitation any short sale), pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the U.S. Securities Exchange Act of 1934, as amended, or otherwise dispose of any Shares or publicly announce an intention to do any of the foregoing, for a period of no less than twelve (12) months from the Closing Date.

The Shares of Preferred Stock are convertible into shares of our common stock at a price of $0.10 per share, subject to anti-dilution adjustments. Laurus has contractually agreed to restrict its ability to convert the Shares of Preferred Stock and receive shares of the Company's Common Stock such that the number of shares of the Company common stock held by it after such exercise does not exceed 4.99% of the Company's then issued and outstanding shares of common stock. Such restriction shall automatically become null and void following notice to the Company upon occurrence of an event of default under the agreements with Laurus or upon 61days prior notice to the Company.

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

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

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

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

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

The Company filed a Certificate of Amendment with the Secretary of State of the State of Utah, effective as of September 29, 2006, to effect a name change the Company from Trinity Learning Corporation to TWL Corporation and to increase the authorized common stock of the Company from 100,000,000 shares to 750,000,000 shares.

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

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

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, 2006 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 an established source of revenues sufficient to cover our operating costs and to allow us to continue as a going concern. We cannot be certain that our existing sources of cash will be adequate to meet our liquidity requirements. Based upon our cash balance at February 1, 2007, we will not be able to sustain operations for more than three months without additional sources of funding. To meet our present and future liquidity requirements, we will continue to seek conversion of outstanding loans and payables into common stock, development of the business of our newly-acquired subsidiaries, collections on accounts receivable. There can be no assurance that we will be successful in obtaining more debt and/or equity financing in the future or that our results of operations will materially improve in either the short- or the long-term. If we fail to obtain such financing and improve our results of operations, we will be unable to meet our obligations as they become due. That would raise substantial doubt about our ability to continue as a going concern.

Results of Operations

COMPARISON OF THE THREE MONTHS ENDED DECEMBER 31, 2006 TO THE THREE MONTHS ENDED DECEMBER 31, 2005

Our revenue for the second quarter of 2007 was $6,342,560, as compared to $8,675,748 for the second quarter of 2006. This decrease in revenue is due to decreased subscription revenue $1,783,429, one-time sales $596,329 and other revenue $185,950 offset by increased production revenue $232,520.

Cost of sales, which consist of labor, hardware costs, cost of goods sold and other incidental expenses, was $1,849,184 for the three months ending December 31, 2006 as compared to $2,184,869 for the three months ending December 31, 2005, resulting in gross profit of $4,493,376 for the three months ending December 31, 2006 as compared to $6,490,879 for the three months ending December 31, 2005.

Operating expenses for the three months ending December 31, 2006 were $8,351,190 as compared to $7,497,694 for the three months ending December 31, 2005. Salaries and benefits increased $572,780 from $3,826,685 for the three month period ending 2005 to $4,399,465 for the three month period ending 2006. Professional fees increased slightly to $859,751 for the three months ending December 31, 2006 as compared to $719,259 for the three months ending December 31, 2005. Selling, general and administrative expenses decreased $660,014 from $2,780,675 for the three month period ending December 31, 2006 to $2,120,661 for the three months ending December 31, 2005. Depreciation and amortization increased from $171,075 for the three months ending December 31, 2005 to $971,313 for the three months ending December 31, 2006.

Other expenses of $513,253 were $900,583 less than that for the three months ending December 31, 2005. This decrease in other expenses was due primarily to a decrease in interest expense.

We reported net loss available for common stockholders of $4,371,067 or

$0.10 per share for the three months ended December 31, 2006, compared to a net loss of $2,420,651 or $0.06 per share for the three months ended December 31, 2005.

COMPARISON OF THE SIX MONTHS ENDED DECEMBER 31, 2006 TO THE SIX MONTHS ENDED DECEMBER 31, 2005

Our revenue for the second quarter of 2007 was $13,121,250, as compared to $14,024,505 for the second quarter of 2006. This decrease in revenue is due primarily to decreased subscription $1,645,732 and other $348,517 revenue offset by increases in one-time sales $754,007 and production revenue $336,987.

Cost of sales, which consist of labor, hardware costs, cost of goods sold and other incidental expenses, was $2,974,367 for the six months ending December 31, 2006 as compared to $2,735,342 for the six months ending December 31, 2005, resulting in gross profit of $10,146,883 for the six months ending December 31, 2006 as compared to $11,289,163 for the six months ending December 31, 2005.

Operating expenses for the six months ending December 31, 2006 were $15,351,691 as compared to $17,878,463 for the six months ending December 31, 2005. Salaries and benefits decreased $667,155 from $9,337,498 for the six month period ending 2006 to $8,670,343 for the six month period ending 2005. Professional fees increased slightly to $1,138,727 for the six months ending December 31, 2006 as compared to $1,085,473 for the six months ending December 31, 2005. Selling, general and administrative expenses decreased $3,737,231 from $7,143,011 for the six month period ending December 31, 2005 to $3,405,780 for the six months ending December 31, 2006. Depreciation and amortization increased from $312,481 for the six months ending December 31, 2005 to $2,136,841 for the six months ending December 31, 2006.

Other expenses for the six months ending December 31, 2006 were $4,342,377 compared to $3,895,002 for the six months ending December 31, 2005. This increase is attributable to the issuance of preferred stock $3,460,000 offset by decreases in net interest expense $1,218,782, loss on debt conversion $1,314,064 and other $479,779.

We reported net loss available for common stockholders of $9,547,185 or $0.22 per share for the six months ending December 31, 2006, compared to a net loss of $10,495,103 or $0.26 per share for the six months ending December 31, 2005.

LIQUIDITY AND CAPITAL RESOURCES

Our expenses are currently greater than our revenues. We have a history of losses and our accumulated deficit as of December 31, 2006 was $69,592,820 as compared to $48,321,856 as of December 31, 2005.

At December 31, 2006, we had an unrestricted cash balance of $1,605,895 compared to $1,447,247 at December 31, 2005. Net cash used by operating activities during the six months ended December 31, 2006 was 1,962,720 attributable primarily to our adjusted loss from operations offset by our increase in accounts payable. Net cash provided by financing activities was $3,416,827 for the six months ended December 31, 2006 representing borrowings long-term notes and short-term loans.

Accounts receivable decreased from $5,687,730 at December 31, 2005 to $3,352,817 at December 31, 2006. This decrease is attributable to our increased collection efforts.

Accounts payable decreased from $5,500,518 at December 31, 2005 to $4,345,085 at December 31, 2006. Accrued expenses increased from $3,126,252 at December 31, 2005 to $8,332,982 at December 31, 2006. The net increase in accounts payable and accrued expenses was attributable to 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 systems and general-purpose computer equipment to accommodate our growth.

On July 27, 2006, we entered into a Letter Agreement (the "Letter Agreement #1") with Palisades Master Fund LP ("Palisades") pursuant to which Palisades agreed to waive an Event of Default for the Company's failure to timely file a registration statement with the SEC (the "Waiver") in connection with the March 2006 financing with Palisades (the "March 2006 Financing"), and further agreed to subordinate its security interest to the Company's loan in the amount of $4,500,000 to Laurus (the "Subordination"). Furthermore, Palisades agreed to modify certain provisions of the Registration Rights Agreement and Securities Purchase Agreement, dated March 31, 2006, see Note 4. Furthermore, at our sole option, we have the right to redeem the Palisades Preferred Stock at $0.10 per share at any time on or before the 5th anniversary of the Palisades Closing Date (as defined below).

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

On July 31, 2006 (the "Palisades Closing Date"), the Company entered into a subsequent Letter Agreement with Palisades (the "Letter Agreement #2") whereby Palisades and the Company agreed to modify the Letter Agreement #1, such that Palisades would subordinate its security interest in all of the assets of the Company and its subsidiaries to Laurus (as defined below). As consideration for the Waiver, the Subordination and Palisades' agreement to surrender the 7,200,000 warrants issued in connection with the March 2006 Financing and in lieu of the Company issuing the additional 82,800,000 warrants as agreed to pursuant Letter Agreement #1, see Note 4.
On August 31, 2006 (the "Closing Date"), the Company entered into agreements with Laurus Master Fund, Ltd., a Cayman Islands corporation ("Laurus") and Palisades Equity Fund ("PEF"), pursuant to which the Company sold debt and issued preferred stock of the Company to Laurus in a private offering pursuant to exemption from registration under Section 4(2) of the Securities Act of 1933, as amended. As a part of this financing, PEF agreed to return all of its warrants issued under the March 31, 2006 Securities Purchase Agreement. In return, they were issued 1,800,000 shares of convertible preferred stock. PEF was also issued 1,000,000 shares of convertible stock as part of this transaction. The securities being sold and issued to Laurus included the following:

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

- A secured three-year revolving note with a principal amount of $5,000,000 (the "Revolving Note"; the Revolving Note and the Secured Note shall be collectively referred to as the "Notes"); see Note 4.

Of the Secured Note, net proceeds of $2,173,000 were received by the Company on the Closing Date. Any proceeds of the Revolving Note will be deposited in a restricted account with Cole Taylor Bank as security for the total loan amount and for use by us to make acquisitions as approved by Laurus. We also agreed to pay, out of the Loan proceeds, the sum of $270,000 to Laurus Capital Management, LLC, the manager of Laurus, the sum of $60,000 to Laurus as reimbursement for Laurus' legal fees, due diligence fees and expenses incurred in connection with the transaction, and $2,000 to Loeb & Loeb LLP as escrow agent fees.

The Notes are secured by a blanket lien on all of the Company's assets, the assets of the Company's subsidiaries and the cash held in the restricted account at Cole Taylor Bank. The Company pledged its ownership interests in TWL Knowledge Group, Inc., its subsidiary, to Laurus in connection with the aforementioned financing. In the event of a default, Laurus has the right to accelerate payments under the Notes and, in addition to any other remedies available to it, to foreclose upon the assets securing the Notes. The principal amount of the Secured Note carries an interest rate of prime plus three percent (the "Secured Note Rate"), subject to adjustment, and we must make monthly amortizing payments of $42,500, commencing January 1, 2007 and with said monthly amortizing payments increasing to $62,500 commencing on January 1, 2008, toward the outstanding non-restricted principal amount. Furthermore, the Secured Note Rate shall not at any time be less than nine percent (9.0%). The Company may prepay the Secured Note at any time by paying Laurus 105% of the Secured Note Amount if such prepayment occurs prior to the first anniversary of the Closing Date, 103% if such prepayment occurs on or after the first anniversary of the Closing Date and prior to the second anniversary of the Closing Date, or 101% of the Secured Note Amount outstanding at such time if such prepayment occurs thereafter but prior to the Maturity Date, plus any accrued but unpaid interest thereon.

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

In consideration of the foregoing and so long as no Event of Default, as defined in the Security Agreement entered into by and between the Company, Laurus and TWL Knowledge Group, Inc., has occurred and is continuing, Laurus agreed not to directly or indirectly, sell, offer, contract or grant any option to sell (including without limitation any short sale), pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the U.S. Securities Exchange Act of 1934, as amended, or otherwise dispose of any Shares or publicly announce an intention to do any of the foregoing, for a period of no less than twelve (12) months from the Closing Date.

The Shares of Preferred Stock are convertible into shares of our common stock at a price of $0.10 per share, subject to anti-dilution adjustments. Laurus has contractually agreed to restrict its ability to convert the Shares of Preferred Stock and receive shares of the Company's Common Stock such that the number of shares of the Company common stock held by it after such exercise does not exceed 4.99% of the Company's then issued and outstanding shares of common stock. Such restriction shall automatically become null and void following notice to the Company upon occurrence of an event of default under the agreements with Laurus or upon 61days prior notice to the Company.

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

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

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

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

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

The Company filed a Certificate of Amendment with the Secretary of State of the State of Utah, effective as of September 29, 2006, to effect a name change the Company from Trinity Learning Corporation to TWL Corporation and to increase the authorized common stock of the Company from 100,000,000 shares to 750,000,000 shares.

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

On January 5, 2007, the Company determined that it could not pay certain obligations as and when they shall become due and payable. The Company's inability to meet its obligations as they become due represents an event of default under, and accelerates its payment obligations in connection with, the 15% senior secured convertible debenture (the "Debenture") causing it to become due and payable immediately, together with interest and other amounts owing in respect thereof. Specifically, the Company's determination with respect to the Debenture is as follows:

Accrued interest of $337,500 was due January 1, 2007 on the Debenture in the principal amount of $4,500,000, and as of January 10, 2007 a late fee at the rate of 18% on the accrued interest in the amount of $3,750.

The Company is currently negotiating to extend the terms of this debt instrument; however, there can be no assurance that the Company will be able to extend such term with the investor.

To meet our present and future liquidity requirements, we are continuing to seek conversion of outstanding loans and payables into common stock, developing the business of our subsidiaries and collections on accounts receivable. 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 February 1, 2006 we will not be able to sustain operations for more than three months without additional sources of financing or improved operating results. 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 32. CONTROLS AND PROCEDURES

(a) Management's Evaluation of Disclosure Controls and Procedures

The Company 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.

(b) Changes In Internal Controls

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

See section Item 3 "Legal Proceedings" in our Annual Report filed with the SEC on Form 10-KSB on November 13, 2006.

ITEM 2. ISSUANCE OF UNREGISTERED SECURITIES

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

In July of 2006, the Company issued to a certain individual 1,800,000 shares of common Stock pursuant to an agreement entered into in March 2006, as a performance bonus stock award.

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

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

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

On January 5, 2007, the Company determined that it could not pay certain obligations as and when they shall become due and payable. The Company's inability to meet its obligations as they become due represents an event of default under, and accelerates its payment obligations in connection with, the 15% senior secured convertible debenture (the "Debenture") causing it to become due and payable immediately, together with interest and other amounts owing in respect thereof. Specifically, the Company's determination with respect to the Debenture is as follows:

Accrued interest of $337,500, due January 1, 2007 on the Debenture in the principal amount of $4,500,000, and as of January 10, 2007 a late fee at the rate of 18% on the accrued interest in the amount of $3,750.

The Company is currently negotiating to extend the terms of this debt instrument; however, there can be no assurance that the Company will be able to extend such term with the investor.

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

See section Item 4 "Submission of Matters to a Vote of Security Holders" in our Annual Report filed with the SEC on Form 10-KSB on November 13, 2006.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are filed herewith:

31.1 Certification of Periodic Financial Reports by Dennis J. Cagan, the Company's Chief Executive Officer, in satisfaction of Section 302 of the Sarbanes-Oxley Act of 2002. *

31.2 Certification of Periodic Financial Reports by Patrick R. Quinn, the Company's Chief Financial Officer, in satisfaction of Section 302 of the Sarbanes-Oxley Act of 2002. *

32.1 Certification of Periodic Financial Reports by Dennis J. Cagan, the Company's Chief Executive Officer, in satisfaction of Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. Section 1350. *

32.2 Certification of Periodic Financial Reports by Patrick R. Quinn, the Company's Chief Financial Officer, in satisfaction of Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. Section 1350. *

* Filed Herewith

SIGNATURES

In accordance with the requirements of the Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TWL CORPORATION

February 14, 2007 By: /S/ DENNIS J. CAGAN

Dennis J. Cagan
Chief Executive Officer

February 14, 2007 By: /S/ Patrick R. Quinn

Patrick R. Quinn
Chief Financial Officer