

DOLE FOOD CO INC
Form 4
December 01, 2010

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Weinberg Dennis M

(Last) (First) (Middle)

C/O DOLE FOOD COMPANY,
INC., ONE DOLE DRIVE

(Street)

WESTLAKE VILLAGE, CA 91362

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
DOLE FOOD CO INC [DOLE]

3. Date of Earliest Transaction
(Month/Day/Year)
11/29/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V Amount (A) or (D) Price			
Common Stock					14,222	I	Trust ⁽¹⁾
Common Stock	11/29/2010		A	7,701 ₍₂₎ A \$ 0 ₍₃₎	12,701 ₍₄₎	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Transaction (Instr. 5)
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Weinberg Dennis M C/O DOLE FOOD COMPANY, INC. ONE DOLE DRIVE WESTLAKE VILLAGE, CA 91362	X			

Signatures

/s/ Jeffrey Conner,
attorney-in-fact
12/01/2010

Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The Weinberg Family Trust, 1991, u/t/d January 23, 1991, a living trust of which Mr. Weinberg and his wife are the settlors, trustees and beneficiaries.
- (2) This restricted stock, issued to Mr. Weinberg as a non-employee director, vests in full on October 28, 2011.
- (3) Granted as compensation for services.
- (4) In a prior Form 4, it was inadvertently incorrectly stated that on 10/28/2009, Mr. Weinberg received 5,000 shares of restricted stock as a non-employee director, vesting on 10/28/2012. In fact, the vesting date was 10/28/2010, as was correctly reported on page 12 of the Company's definitive proxy statement filed with the SEC on 4/2/2010.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 1%>

828,308

Amortization of deferred financial advisory fees

	-
	-
	-
	-
	142,920
	142,920
Shares issued for services at \$0.25 per share	
	100,000
	25,374
	-
	-
	-
	25,374
Shares issued for services at \$0.24 per share	
	560,000
	134,400
	-
	-
	-
	134,400
Shares issued for cash at \$0.16 per share	
	937,500
	150,000
	-
	-
Explanation of Responses:	3

	-
	150,000
Value attributed to stock purchase warrants	-
	348,672
	-
	-
	-
	348,672
Divestiture of associated companies	-
	3,010,000
	-
	-
	-
	3,010,000
Discount on note payable	-
	774,834
	-
	-
	-
	774,834
Foreign currency translation	-
Explanation of Responses:	4

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

	Fiscal Year Ended June 30,	
	2006	2005
	Restated	
Cash flows from operating activities:		
Net loss	\$ (21,175,861)	\$ (15,615,042)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on disposal of assets	-	31,834
Depreciation and amortization	4,043,293	3,016,587
Reserve for obsolete inventory	524,176	-
Gain on settlement of accounts payable	(43,364)	-
Amortization of discount on notes payable	1,495,564	-
Loss on conversion of notes payable	1,614,064	-
Amortization of convertible note payable discounts related to warrants and beneficial conversions	235,471	-
Impairment of intangible assets	-	234,280
Non-cash interest expense	774,834	2,100,229
Stock issued for services	159,774	757,339
Fair value of stock purchase warrants	348,672	-
Warrants issued for financing costs	460,614	-
Equity losses of associated companies	-	4,192,461
Employee stock based compensation	828,308	752,063
Change in fair value of derivative warrant liabilities	(180,286)	-
Gain on forfeiture of warrants due to debt refinancing	(280,328)	-
Amortization of deferred financial advisory fees	142,920	-
Debt conversion expenses	-	231,579
Changes in current assets and liabilities, net of business acquired and sold:		
Accounts receivable	859,860	2,911,206
Prepaid expenses and other current assets	1,157,549	152,915
Accounts payable and accrued expenses	4,603,669	1,429,778
Accounts payable - related party	218,881	(77,988)
Inventory	188,516	(383,427)
Deferred revenue	(533,669)	(937,631)
Interest payable	145,371	46,524
Minority interest	(287,061)	(19,660)
Net cash used in operating activities	(4,699,033)	(1,176,953)
Cash flow from investing activities:		
Overdraft acquired in acquisition	-	(386,362)
Proceeds from sale of assets	-	11,901
Payments for program inventory	-	(463,238)
Restricted cash	5,091,670	(4,484,619)
Capital expenditures	(4,143)	(117,174)
Net cash provided (used) by investing activities	5,087,527	(5,439,492)

Explanation of Responses:

Cash flow from financing activities:		
Payment for capital leases	(1,115,665)	(266,542)
Payment for lines of credit	-	(253,846)
Proceeds from notes and convertible notes payable	9,100,000	8,029,477
Proceeds from notes payable - related parties	250,464	4,413
Payments on notes and convertible notes payable	(9,087,527)	(869,176)
Payments on notes payable - related parties	(250,000)	-
Payments for financing fees	-	(197,888)
Common stock issued for cash	150,000	-
Proceeds from exercise of warrants and options	-	21,250
Net cash provided (used) by financing activities	(952,728)	6,467,688
Effect of foreign exchange on cash	(6,688)	8,279
Net decrease in cash	(570,922)	(140,478)
Cash at beginning of period	752,261	892,739
Cash at end of period	\$ 181,339	\$ 752,261
Supplemental information:		
Interest paid	\$ 1,416,009	\$ 64,541
Income taxes	-	3,300
Issuance of common stock - conversion of bridge note	-	1,102,092
Warrants issued with convertible notes	933,238	2,863,363
Warrants issued with credit financing	460,614	-
Beneficial conversion value of note payable	-	2,070,784
Common stock issued for conversion of notes payable	787,550	-

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

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TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation)
Notes to Consolidated Financial Statements
June 30, 2006

Note 1 - Accounting Policies (Restated)

Overview

TWL Corporation (the “Company”), formerly known as Trinity Learning Corporation, 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.

On August 6, 2003, our board of directors approved a change in our fiscal year-end from September 30 to June 30 to align with those of the companies we had already acquired or were at that time in the process of acquiring. Future operating results may not be comparable to historical operating results due to our September 1, 2003 acquisitions of TouchVision, Inc. (“TouchVision”); River Murray Training Pty Ltd (“RMT”); and 51% of the issued and outstanding shares of Ayrshire Trading Limited (“Ayrshire”), as well as our December 1, 2003 acquisition of Danlas Limited (“Danlas”) and March 1, 2004 acquisition of Trinity Learning AS (“VILPAS”), formerly known as Virtual Learning Partners, AS. Ayrshire owns 95% of the issued and outstanding shares of Riverbend Group Holdings (Pty.) Ltd. (“Riverbend”). These companies are collectively referred to as Riverbend. Danlas owns 51% of IRCA (Proprietary) Limited (“IRCA”). These companies are collectively referred to as IRCA.

On September 1, 2003, we completed the acquisition of 51% of the issued and outstanding shares of Ayrshire that owns 95% of Riverbend, a South African company that provides learning services to corporations and individuals in South Africa. We also acquired the option to purchase the remaining 49% of Ayrshire. In consideration for the Ayrshire shares, we issued a convertible non-interest-bearing promissory note in the amount of \$20,000, which amount is convertible from time to time but no later than December 30, 2006 into a maximum of 2,000,000 shares of our common stock. The value of shares issuable upon conversion (based upon a \$0.50 per share value) in excess of the note amount has been classified as contingently redeemable equity. Of these shares, up to 400,000 may be withheld in satisfaction for any breach of warranties by the former shareholders of Ayrshire. The determination of purchase price was based on, among other things, annual revenue for the two preceding years relative to comparable market based values for publicly traded companies. The Ayrshire shares are subject to escrow, and pledge agreements will be re-conveyed to the former shareholders in the event of a default by us of certain terms and conditions of the acquisition agreements, including, among other things, a voluntary or involuntary bankruptcy proceeding involving us or the failure by us to list our shares of common stock on a major stock exchange by December 30, 2006. The results of operations for Ayrshire, using the equity method, have been included in the Company’s financial statements since the date of acquisition. As of June 30, 2004, no shares had been issued in exchange for the convertible promissory note.

Effective April 1, 2005, 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.

In October 2005, the parties entered into a Settlement Agreement with provisions as follows: (a) Musca, TLC and Danlas agreed to cancel the definitive agreement, and Danlas, IRCA and IRCA Investments agreed to cancel the sale of shares agreement; (b) all rights and obligations of the parties contained in the sale of shares and definitive agreements, which have not been exercised and/or fulfilled, shall expire; (c) any transfer of shares that may have been effected as envisaged in the sale of shares agreement and the definitive agreement, is void ab initio, and the parties agree to co-operate to the extent necessary to restore their positions as shareholders as they were before the conclusion of the sale of shares agreement, the definitive agreement and related agreements; (d) IRCA and IRCA Investments abandon all claims which either of them may have against Trinity International in terms of, arising from, or in connection with the expansion contribution; (e) Trinity Learning cedes all of its rights under terms of the interest free loan to Musca; (f) all options to purchase stock of Trinity Learning granted or to have been granted to employees, directors or officers of IRCA shall be rescinded; (g) IRCA, IRCA Investments and Musca shall indemnify Trinity Learning and hold it harmless against any loss which the Company may suffer as a result of any of the managers of these entities and/or Titan Aviation exercising their respective rights to acquire shares in the share capital of Trinity Learning. Further, the parties agreed that they shall take the necessary steps to release the bank guarantee, and to arrange for the repayment to Trinity Learning of the amount of \$250,000 deposited by TLC with Standard Bank Limited (plus accrued interest). Such funds have been released and transferred to Trinity Learning. Finally, the parties agreed that all disputes which exist between them in terms of, arising from, or in connection with the definitive agreement, the sale of shares agreement and/or the relationship between the parties are fully and finally settled with effect from the effective date, and all obligations which each of them may owe to any other of them and all claims (arising out of contract and statute), which each of them may have against any other of them (irrespective of whether that claim would ordinarily arise in terms of the laws of the RSA or any other jurisdiction), in terms of, arising from, or in connection with the definitive agreement, the sale of shares agreement and all agreement contained in appendices thereto and/or the relationship between the parties generally from the commencement of such relationship until and including the signature date shall have been settled.

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**TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation)
Notes to Consolidated Financial Statements
June 30, 2006**

Effective September 29, 2006, the Company filed Articles of Amendment (the “Articles”) with the Secretary of State of the State of Utah to effect a name change of the Company from Trinity Learning Corporation to TWL Corporation. The Articles were further amended to increase the authorized common stock of the Company from 100,000,000 shares to 750,000,000 shares.

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

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.

Principles of Consolidation and Basis of Presentation

Our consolidated financial statements include the accounts of the Company and our controlled subsidiaries. All significant inter-company transactions are eliminated in consolidation.

Our 51% ownership in IRCA and our 51% ownership in Ayrshire, which owns 95% of Riverbend, have been accounted for in the financial statements included with this report using the equity method of accounting. Emerging Issues Task Force Issue 96-16, “Investor’s Accounting for an Investee When the Investor Has a Majority Voting Interest but the Minority Shareholders Have Certain Approval or Voting or Veto Rights” (EITF 96-16) provides guidance as to the distinction between protective rights of the minority shareholder which do not overcome the presumption of consolidation and substantive participating rights of the minority shareholder. Substantive participating rights that allow the minority shareholder to participate in establishing operating and capital decisions in the ordinary course of business, overcome the presumption that the investor should consolidate the investee.

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**TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation)
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- In the Riverbend transaction, Section 20.2.11.3 of the Definitive Agreement (“the Agreement”) between Trinity, the majority owner in Ayrshire, and Great Owl Limited (“Great Owl”), the minority owner in Ayrshire, prevents Ayrshire and its subsidiaries from approving, canceling or effecting “material changes to the annual budget or any modification thereof” or “incur (ring) unbudgeted capital expenditure of US\$150,000 per item or US\$500,000 per annum.” Also, pursuant to Section 18.3 of the Agreement, Trinity and Great Owl are “each entitled to appoint an equal number of directors to the board of directors” of Ayrshire. These substantive participating rights of the minority shareholder preclude consolidation of this investment and will remain in effect until Trinity owns 100% of Ayrshire.
- In the IRCA transaction, Section 20.1.19.3 of the Sale of Shares Agreement (“SOS Agreement”) between Danlas Limited, a wholly owned subsidiary of Trinity, and IRCA Investments (Pty.) Ltd. (“IRCA Investments”), the minority shareholder in IRCA, prevents IRCA and its subsidiaries from approving, canceling or effecting “material changes to the annual budget or any modification thereof, or to its strategic plans or marketing strategy or incur(ring) unbudgeted capital expenditure in excess of R200,000 (two hundred thousand Rand) per item or R800,000 (eight hundred thousand Rand) in total per annum.” Also, pursuant to Section 19 of the SOS Agreement, Danlas and IRCA Investments are “each entitled to appoint equal number of directors to the board of directors” of IRCA. These substantive participating rights of the minority shareholder will remain in effect until Danlas owns 60% of IRCA.

The operating results and cash flows from operations as a result of the settlement agreement are included only for the months prior to divestiture of IRCA in October 2005 (see Note 2 – Divestiture of IRCA).

Purchase Accounting

The Company accounts for its investments in its subsidiaries using the purchase method of accounting. Intangible assets are recognized apart from goodwill if they are contractual in nature or separately identifiable. Acquisitions are measured on the fair value of consideration exchanged and, if the consideration given is not cash, measurement is based on the fair value of the consideration given or the fair value of the assets acquired, whichever is more reliably measurable. The excess of cost of an acquired entity over the net amounts assigned to identifiable acquired assets and liabilities assumed is recognized as goodwill. The valuation and allocation process relies on significant assumptions made by management, in particular, the value of the shares issued to affect the purchase prior to the Company having established a trading market for its stock.

Revenue Recognition

The Company applies the provisions of SEC Staff Accounting Bulletin (“SAB”) No. 104, REVENUE RECOGNITION IN FINANCIAL STATEMENTS (“SAB104”), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. The SAB 104 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. We earn our revenues primarily from service-related contracts, including operations and maintenance services and a variety of technical assistance services. Revenue is generally recognized on a straight-line basis, unless evidence suggests that the revenue is earned or obligations are fulfilled in a different pattern over the contractual term of the arrangement or the expected period, during which those specified services will be performed, whichever is longer. Four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed and determinable; and (4) collectibility is reasonably assured. The Company

determines whether criteria (3) and (4) are met based on judgments regarding the nature of the fee charged for services rendered and products delivered and the collectibility of those fees. Advance payments are recorded on the Consolidated Balance Sheet as deferred revenue. The Company also earns revenue from the sale of hardware containing software, and accounts for this revenue in accordance with SOP 97-2, Software Revenue Recognition in accordance with EITF 03-5. To date, such revenues have not been significant.. Sale of books, DVD's and printed products are recognized as revenue upon shipment, net of an allowance for returns. In compliance with Emerging Issues Task Force ("EITF") No. 00-10, "Accounting for Shipping and Handling Fees and Costs," distribution costs charged to customers are recognized as revenue when the related product is shipped.

The Company's revenue can be classified into three main categories – Subscription Revenue, Single Event Revenue, and Production Revenue.

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**TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation)
Notes to Consolidated Financial Statements
June 30, 2006**

1. Subscription revenue is approximately 60% of the Company's total revenue and is generated from contracts with customers who receive products or services for a specified time period. Revenue is recognized evenly over the term of the contract, unless pricing is tiered (must be stated in the contract). Subscription products include satellite subscriptions, monthly videotape subscriptions, monthly CD-ROM subscriptions, Internet subscriptions, and Training-On-Demand subscriptions (tape library).
2. Single Event revenue is approximately 30% of total revenue and involves the distribution of products (videotapes, CD-ROM's, etc.) to customers. Revenue recognition is determined by delivery date, so only revenue for products that have been delivered is recognized in the current period.
3. Production Revenue is approximately 10% of total revenue and is generated from live events or specialized production work performed for a customer. The revenue is recognized upon completion of the live event or production work, and subsequently invoiced (unless the customer requested an invoice in advance).

Concentrations of Credit Risk

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of trade receivables. Concentrations of credit risk with respect to trade receivables are limited due to the large number of clients that comprise our customer base and their dispersion across different business and geographic areas. We estimate and maintain an allowance for potentially uncollectible accounts and such estimates have historically been within management's expectations. Our cash balances, restricted cash and short-term investments are maintained in accounts held by major banks and financial institutions located primarily in the United States, Norway, South Africa and Australia. No single customer accounts for revenues or receivables greater than 10% of Company totals.

Cash and Cash Equivalents

We consider all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates fair value due to the short-term maturity of these instruments. The carrying value of notes payable approximates fair value because negotiated terms and conditions are consistent with current market rates. Determination of the fair value of notes payable to related parties cannot be estimated because of the favorable conditions given to the Company by these parties not otherwise available from third parties. It is not practicable to estimate the fair value of notes payable issued for acquisitions and equity investments because they were issued at a substantial conversion premium and contain no stated payment terms. The carrying value of equity investments approximates fair value. We evaluate such assets on a regular basis by looking at cash flows, market conditions and current and anticipated future performance. In June 2006 and June 2005, we incurred an impairment charge of \$0 and \$2,083,806, respectively.

Accounts Receivable

Accounts receivable are uncollateralized customer obligations due under normal trade terms. Management regularly evaluates the need for an allowance for uncollectible accounts by taking into consideration factors such as the type of

client; governmental agencies or private sector; trends in actual and forecasted credit quality of the client, including delinquency and late payment history; and current economic conditions that may affect a client's ability to pay. Management has determined that allowance for bad debt will be based on a percentage of aged receivables. Allowance for bad debt at June 30, 2006 was \$595,885 of which \$379,151 has been reserved for all subsidiary outstanding receivable balances, with the exception of TWL Knowledge Group, Inc.

Program Inventory and other Intangible Assets

Program inventory consists of capitalized costs incurred by TWL to develop the programming for its various networks (Technical, Industrial, HSTN, LETN, etc). The amounts capitalized primarily consist external costs (e.g., producers, talent, crew) and internal production department costs. Program inventory is amortized over the life of the program, assessed by TWL based on the history of the network and how long the program is expected to be aired, ranging from 2 to 5 years. The Company evaluates asset impairment for reasonableness as part of the monthly variance analysis review. Net amortization expense for the years ended June 30, 2006 and 2005 was \$2,991,189 and \$915,364, respectively.

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**TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation)
Notes to Consolidated Financial Statements
June 30, 2006**

At June 30, 2006, the Company did not have any intangible assets with indefinite lives.

Property and Equipment (Restated)

Property and equipment, net are stated at cost less accumulated depreciation and amortization. Depreciation of property and equipment, including the amortization of leasehold improvements, is provided at rates based on the estimated useful lives or lease terms, if shorter, using primarily the straight-line method. Improvements are capitalized while maintenance and repairs are expensed as incurred. Whenever significant events or changes occur, such as those affecting general market conditions or pertaining to a specific industry or an asset category, the Company reviews the property and equipment for impairment. When such factors, events or circumstances indicate that property and equipment should be evaluated for possible impairment, the Company used an estimate of cash flows (undisclosed and without interest charges) over the remaining lives of the assets to measure recoverability. If the estimated cash flows are less than the carrying value of the asset, the loss is measured as the amount by which the carrying value of the asset exceeds fair value. Depreciation expense for the period ended June 30, 2006 and 2005 is \$1,052,104 and \$2,783,664 respectively.

Deferred Financing Costs

Deferred financing costs are being amortized under the straight-line method over the terms of the related indebtedness, which approximates the effective interest method. Deferred financing costs were \$0 and \$142,920 for the years ended June 30, 2006 and 2005, respectively.

Inventory

The Company uses the weighted average FIFO method for inventory. The Company's inventory consists of saleable videotapes, CD ROM's, and DVD's, printed product (supporting materials for the videotapes and CD ROM's such as manuals, training guides, program guides, etc.), and Calibre products (high quality inventory such as gun bags, police batons, etc.). In addition, inventory is divided into the three main divisions at the Company – Industrial, Government, and Healthcare.

Fair Value of Common Stock (Restated)

Contingently redeemable equity represents the value of shares of our common stock issuable upon the conversion of notes payable in excess of the face value of these notes issued in the acquisition of VILPAS and the acquisition of equity interest in each of the Riverbend and IRCA transactions. The stock arrangements are dependent on the satisfaction of certain conditions by us, most notably the listing of our common stock on a major stock exchange in the United States of America, for whom there are financial requirements for listing. The valuation and allocation process relies on significant assumptions made by management, in particular, the value of the shares issued to affect the purchase prior to the Company having established a trading market for its stock. When it becomes probable that redemption will occur, the Company will record changes in fair value in the Statement of Operations. As discussed in Note 2, "Acquisitions and Divestitures," in October 2005 the Company divested themselves from their operations in South Africa. As a result, contingently redeemable equity of \$3,010,000 related to this subsidiary was cancelled and posted to the statement of stockholders' equity.

Allocation of Purchase Consideration in Business Combinations

The Company accounts for its investments in its subsidiaries using the purchase method of accounting. The excess of the consideration paid for subsidiaries over the fair value of acquired tangible assets less the fair value of acquired liabilities is assigned to intangible assets and goodwill. The Company obtains an independent third party valuation to ascertain the amount to allocate to identifiable intangible assets, and the useful lives of those assets. The Company amortizes identifiable intangible assets over their useful life unless that life is determined to be indefinite. The useful life of an intangible asset that is being amortized is evaluated each reporting period as to whether events and circumstances warrant a revision to the remaining period of amortization. Goodwill is not amortized and is tested for impairment on an annual basis. The implied fair value of goodwill is determined by allocating fair value to all assets and liabilities acquired; the excess of the price paid over the amounts assigned to assets and liabilities acquired is the implied fair value of goodwill.

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**TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation)
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Allocation of Purchase Consideration for Equity Investments in Associated Companies

The excess of the consideration paid for equity investments in associated companies over our pro rata share of the investee's net assets is allocated to intangibles and goodwill similar to a purchase business combination. The Company obtains an independent third party valuation to ascertain the amount to allocate to identifiable intangible assets and the useful lives of those assets. The Company amortizes identifiable intangible assets over their useful life unless that life is determined to be indefinite. In each of the Riverbend and the IRCA transactions, the Company received an option, exercisable under certain conditions, to acquire the additional 49% of each of those companies. Using the Black Scholes option valuation model, a value was assigned to each of the intangible assets associated with those options. The useful life of an intangible asset that is being amortized is evaluated each reporting period as to whether events and circumstances warrant a revision to the remaining period of amortization. The value of the Equity Investments in Associated Companies is tested for impairment on an annual basis. At June 30, 2004, based on actual performance and forecasts for future performance, the value of the IRCA investment after application of current year losses and amortization of intangible assets, was written down to \$0 and impairment expense of \$884,963 was recorded in the statement of operations. At June 30, 2005 the Company reassessed the value of its investments in RMT, Vilpas and TouchVision and determined it was appropriate to write down its investment in these entities to \$0. For more information see Note 5 of the Footnotes.

Software Development Costs

Software development costs related to software that the company licenses to customers are charged to expense as incurred until technological feasibility is attained. Technological feasibility is attained when the Company's software has completed system testing and has been determined viable for its intended use. The time between the attainment of technological feasibility and completion of software development has been short with immaterial amounts of development costs incurred during this period. Accordingly, software costs have not been capitalized other than product development costs acquired through technology business combinations and technology purchases.

Derivative Financial Instruments

The Company's derivative financial instruments consist of embedded derivatives related to the Instream note entered into in July 2005 and the Palisades note entered into in March 2006, since the notes are not conventional convertible debt. The accounting treatment of derivative financial instruments requires that the Company record the derivatives and related warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date.

In addition, under the provisions of EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," as a result of entering into the convertible debt, the Company is required to classify all other non-employee stock options as warrants and derivative liabilities and mark them to market at each reporting date.

The Company had no beneficial conversion features during the year ended June 30, 2006. Options and warrants were valued using the Black-Sholes model. The following assumptions were used in valuing the derivative and warrant liabilities as of June 30,

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	2006	2005
Risk-free interest rate	3.85%	4.25%
Volatility	120%	126%
Expected dividend yield	0%	0%

Any change in fair value of these instruments will be recorded as non-operating, non-cash income or expense at each reporting date. If the fair value of the derivative is higher at the subsequent balance sheet date, we will record a non-operating, non-cash charge. If the fair value of the derivative is lower at the subsequent balance sheet date, we will record non-operating, non-cash income. The derivative and warrant liabilities are recorded as liabilities in the consolidated balance sheet.

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Convertible Debt (Restated)

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 June 30, 2006 did not contain beneficial conversion features.

Issuance of Shares for Non-Cash Consideration

The Company accounts for the issuance of equity instruments to acquire goods and/or services based on the fair value of the goods and services or the fair value of the equity instrument at the time of issuance, whichever is more reliably determinable. The majority of equity instruments have been valued at the market value of the shares on the date issued.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of EITF Issue No. 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" and EITF Issue No. 00-18, "Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees." The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. In accordance with EITF Issue No. 00-18, an asset acquired in exchange for the issuance of fully vested, non-forfeitable equity instruments should not be presented or classified as an offset to equity on the grantor's balance sheet once the equity instrument is granted for accounting purposes.

Earnings (Loss) per Share (Restated)

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 10,628,000 and 37,217,684, respectively, were not included in the computation of DEPS, because their inclusion would have been anti-dilutive for the fiscal year ended June 30, 2006 and fiscal year ended June 30, 2005.

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Basic and diluted net loss per common share for the fiscal periods ended June 30, 2006 and 2005 were calculated as follows:

	For the Year Ended June 30, 2006	For the Year Ended June 30, 2005
Numerator-Basic / Diluted		
Net loss available for common stockholders	\$ (21,175,861)	\$ (15,615,043)
Denominator-Basic / Diluted		
Weighted-average common stock outstanding	40,335,278	31,925,184
Basic / Diluted loss per share	\$ (0.52)	\$ (0.49)

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Stock-Based Compensation

In January 2003, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard No. 148 (“SFAS 148”), “Accounting for Stock-Based Compensation – Transition and Disclosure.” SFAS 148 amends FASB Statement 123 (“SFAS 123”), “Accounting for Stock-Based Compensation,” to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require more prominent disclosure in both annual and interim financial statements of the method of accounting for employee stock option grants and the effect of the method used on reported results.

The Company has adopted the fair value based method of accounting for stock-based employee compensation in accordance with Statement of Financial Accounting Standards Number 123 (REVISED 2004), “*Accounting for Stock-Based Compensation*” (SFAS 123[R]). In accordance with SFAS 123[R], option expense of \$828,308 and \$752,063 was recognized for the fiscal year ended June 30, 2006 and 2005, respectively. The expense was calculated using the Black Scholes valuation model with the following assumptions:

	For the Year Ended June 30, 2006	For the Year Ended June 30, 2005
Five-Year Risk-Free Interest Rate	3.85%	4.25%
Dividend Yield	Nil	Nil
Volatility	120%	126%
Average Expected Term (Years to Exercise)	5	5

Recently Issued Accounting Standards*SFAS No. 151, Inventory Costs*

In November 2004, the FASB issued SFAS No. 151, “Inventory Costs.” This statement amends the guidance in ARB No. 43, Chapter 4, “Inventory Pricing”, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The adoption of SFAS No. 151 did not have an impact on the Company’s consolidated financial statements.

SFAS No. 123(Revised 2004), Share-Based Payment

In December 2004, the FASB issued No. 123, “Summary of Statement No. 123 (Revised 2004). This Statement is a revision of FASB Statement No. 123, “Accounting for Stock-Based Compensation.” This Statement supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees”, and its related implementation guidance. This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are

based on fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in Statement 123 as originally issued and EITF Issue No. 96-18, "Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." The Company is currently evaluating the provisions of SFAS 123(Revised 2004) and the impact that it will have on its share-based employee compensation programs.

SFAS No. 153, Exchanges Of Non-Monetary Assets, An Amendment Of APB Opinion No. 29

In December 2004, the FASB issued SFAS No. 153, which amends ARB 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. SFAS 153 is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. We do not anticipate that the adoption of this standard will have a material impact on our financial statements.

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SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3"

In May 2005, the FASB issued SFAS 154 which replaces APB 20 and SFAS 3. This statement provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. This statement also provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. SFAS 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard will not have a material impact on the Company's consolidated financial statements.

SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments"

In February 2006, the FASB issued *SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments"*, which amends SFAS No. 133, "Accounting for Derivatives Instruments and Hedging Activities" and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities". SFAS No. 155 amends SFAS No. 133 to narrow the scope exception for interest-only and principal-only strips on debt instruments to include only such strips representing rights to receive a specified portion of the contractual interest or principle cash flows. SFAS No. 155 also amends SFAS No. 140 to allow qualifying special-purpose entities to hold a passive derivative financial instrument pertaining to beneficial interests that itself is a derivative instrument. We do not anticipate that the adoption of this standard will have a material impact on our financial statements.

SFAS No. 156, "Accounting for Servicing of Financial Assets"

In March 2006, the FASB issued *SFAS No. 156, "Accounting for Servicing of Financial Assets"*, which provides an approach to simplify efforts to obtain hedge-like (offset) accounting. This Statement amends FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", with respect to the accounting for separately recognized servicing assets and servicing liabilities. The Statement (1) requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain situations; (2) requires that a separately recognized servicing asset or servicing liability be initially measured at fair value, if practicable; (3) permits an entity to choose either the amortization method or the fair value method for subsequent measurement for each class of separately recognized servicing assets or servicing liabilities; (4) permits at initial adoption a one-time reclassification of available-for-sale securities to trading securities by an entity with recognized servicing rights, provided the securities reclassified offset the entity's exposure to changes in the fair value of the servicing assets or liabilities; and (5) requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the balance sheet and additional disclosures for all separately recognized servicing assets and servicing liabilities. SFAS No. 156 is effective for all separately recognized servicing assets and liabilities as of the beginning of an entity's fiscal year that begins after September 15, 2006, with earlier adoption permitted in certain circumstances. The Statement also describes the manner in which it should be initially applied. The Company does not believe that SFAS No. 156 will have a material impact on its consolidated financial statements.

SFAS No. 157, "Fair Value Measurements"

Explanation of Responses:

In September 2006, the FASB issued SFAS No. 157, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies to other accounting pronouncements that require or permit fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not anticipate any material impact on its consolidated financial statements upon the adoption of this standard.

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SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans”

In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132-R.” SFAS No. 158 requires an entity to recognize in its statement of financial condition the funded status of its defined benefit postretirement plans, measured as the difference between the fair value of the plan assets, and the benefit obligation. SFAS No. 158 also requires an entity to recognize changes in the funded status of a defined benefit postretirement plan within accumulated other comprehensive income, net of tax, to the extent such changes are not recognized in earnings as components of periodic net benefit cost. SFAS No. 158 is effective as of the end of the fiscal year ending after December 15, 2006. The Company does not expect that the adoption of SFAS No. 158 will have a material effect on the Company’s financial condition, results of operations, or cash flows.

EITF No. 03-13, Applying The Conditions In Paragraph 42 Of SFAS No. 144, Accounting For The Impairment Or Disposal Of Long-Lived Assets, In Determining Whether To Report Discontinued Operations

In November 2004, the EITF reached a consensus on EITF No. 01-13, “Applying the Conditions In Paragraph 42 of SFAS No. 144, Accounting for the Impairment of Disposal of Long-Lived Assets, in Determining Whether to Report Discontinued Operations.” In this consensus, the EITF provided guidance on how an ongoing entity should evaluate whether the operations and cash flow of a disposed component have been or will be eliminated from the ongoing operations of the entity. The adoption of EITF 03-13 in 2004 did not have a material impact on the Company’s consolidated financial statements.

EITF No. 05-02, The Meaning of Conventional Convertible Debt Instrument in EITF Issue No. 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock

In June 2005, the EITF reached a consensus on EITF No. 05-02, “The Meaning of Conventional Convertible Debt Instrument in EITF Issue No. 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, A Company’s Own Stock” that (1)the exception to the requirements of paragraphs 12-33 of Issue 00-19 for “conventional convertible debt instruments” should be retained; (2) that instruments that provide the holder with an option to convert into a fixed number of shares (or equivalent amount of cash at the discretion of the issuer) for which the ability to exercise the option is based on the passage of time or a contingent event should be considered “conventional” for purposes of applying issue 00-19; and (3) that convertible preferred stock with a mandatory redemption date may qualify for the exception included in paragraph 4 of Issue 00-19 if the economic characteristics indicate that the instrument is more akin to debt than equity. We do not expect the adoption of EITF 05-02 to have a material impact on the Company’s consolidated financial statements.

FIN No. 48, Accounting for Uncertainty in Income Taxes

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109 (FIN No. 48). FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition of a tax position taken or expected to be taken on a tax return. Under FIN No. 48, a tax benefit from an uncertain tax position may be recognized only if it is “more likely than not” that the position is sustainable upon examination, based on its technical merits. The tax benefit of a qualifying position under FIN No. 48 would equal the largest amount of tax benefit that is

greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. In applying the new accounting model prescribed in FIN No. 48, companies are required to determine and assess all material positions existing as of the adoption date, including all significant uncertain positions, in all tax years, that are still subject to the assessment of challenge under relevant tax statutes. The Company will adopt FIN No. 48 effective July 1, 2007. The adoption of FIN No. 48 is not expected to have a material impact on the Company's consolidated financial statements.

Note 2 – Acquisitions and Divestitures (Restated)

We commenced a strategy in 2002 to acquire operating companies in strategic markets that have developed proprietary technology-enabled learning, training and certification services targeted at major customers in worldwide industries. Our mission is to become a leading global learning solution corporation through acquisition, business development and strategic relationships.

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ACQUISITIONS

Effective April 1, 2005, 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 following table summarizes the PWPL assets acquired and liabilities assumed as of the closing date:

Tangible assets acquired	\$ 24,294,121
Intangible assets acquired	10,300,845
Total assets acquired	34,594,966
Liabilities assumed	24,652,191
Net assets acquired	\$ 9,942,775

TouchVision

On September 1, 2003, we completed the acquisition of all of the issued and outstanding shares of TouchVision, a California corporation that is in the business of providing technology-enabled information and learning systems to healthcare providers, financial services companies and other industry segments. In consideration for the TouchVision shares, we issued an aggregate of 1,250,000 restricted shares of our common stock, of which 312,500 shares are subject to the terms of an escrow agreement as collateral for the indemnification obligations of the former TouchVision shareholders. The determination of purchase price was based on, among other things, annual revenue for the two preceding years relative to comparable market based values for publicly traded companies. We also agreed to loan to TouchVision the sum of \$20,000 per month for the twelve-month period following closing, to be used for working capital. As of June 30, 2004, we had loaned TouchVision a total of \$200,000 pursuant to this agreement. This loan has been eliminated in consolidation at June 30, 2004. We had previously loaned TouchVision the sum of \$50,000 in June and July, 2003 by way of bridge financing pending completion of the acquisition. This loan has also been eliminated in consolidation at June 30, 2004.

The following table summarizes the TouchVision assets acquired and liabilities assumed as of the closing date in connection with \$625,000 common stock issued and acquisition related costs of \$80,602:

Cash acquired	\$ 102,357
Tangible assets acquired	269,213
Intangible assets acquired	350,281
Goodwill	910,000

Total assets acquired	1,631,851
Liabilities assumed	926,249
Net assets acquired	\$ 705,602

The acquisition was accounted for using the purchase method of accounting. Intangible assets will be amortized over varying periods, as indicated by independent valuations, using the straight-line method. Allocation of the excess of merger consideration over the net book value of assets acquired between goodwill and intangible assets was determined by an independent, third-party professional valuation firm. As the merger consideration was paid entirely in shares of the Company's common stock, the goodwill acquired may not be amortized for federal income tax purposes. The goodwill arising from the acquisition is allocated to the United States geographic segment.

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In August 2005 the Company decided to pursue strategic business alternatives for its TouchVision subsidiary. These alternatives included a sale, divestiture, joint venture, license of intellectual property or closure of the business. Presently, the Company plans to dissolve the business. Further the Company chose to write down its investment of \$1,218,148.

River Murray Training

On September 1, 2003, we completed the acquisition of all of the issued and outstanding shares of RMT, an Australian company that is in the business of providing workplace training programs for various segments of the food production industry, including viticulture and horticulture. In consideration for the shares of RMT we issued 700,000 restricted shares of our common stock, of which 350,000 shares are subject to the terms of an escrow agreement as collateral for the indemnification obligations of the former RMT shareholders. The determination of purchase price was based on, among other things, annual revenue for the two preceding years relative to comparable market based values for publicly traded companies.

The following table summarizes the RMT assets acquired and liabilities assumed as of the closing date in connection with \$350,000 common stock issued and acquisition related costs of \$26,517:

Cash acquired	\$ 37,979
Tangible assets acquired	78,673
Intangible assets acquired	18,000
Goodwill	376,517
Total assets acquired	511,169
Liabilities assumed	145,744
Net assets acquired	\$ 365,425

The acquisition was accounted for using the purchase method of accounting. Intangible assets will be amortized over varying periods, as indicated by independent valuations, using the straight-line method. Allocation of the excess of merger consideration over the net book value of assets acquired between goodwill and intangible assets was determined by an independent, third-party professional valuation firm. As the merger consideration was paid entirely in shares of the Company's common stock, the goodwill acquired may not be amortized for federal income tax purposes. The goodwill arising from the acquisition is allocated to the Australian geographic segment.

Due to the uncertainty of its international operations and lack of positive cash flow, the Company has chosen to write down its investment to \$0 in River Murray Training as of June 30, 2005.

Vilpas

On March 1, 2004, we completed the acquisition of all the issued and outstanding shares of VILPAS (f/k/a Virtual Learning Partners AS). In consideration for the VILPAS shares we issued a convertible non-interest-bearing promissory note in the principal amount of \$500,000, which note is convertible from time to time but no later than August 5, 2005 into a maximum of 1,000,000 shares of our common stock. The value of shares issuable upon conversion (based upon a \$0.80 per share value) in excess of the note amount has been classified as contingently redeemable equity. Of these shares, up to 20% may be withheld in satisfaction for any breach of warranties by the

former shareholders of VILPAS. The determination of purchase price was based on, among other things, annual revenue for the two preceding years relative to comparable market based values for publicly traded companies. The VILPAS shares are subject to escrow and pledge agreements and will be re-conveyed to the former shareholders in the event of a default by us of certain terms and conditions of the acquisition agreements, including, among other things, a voluntary or involuntary bankruptcy proceeding involving us or the failure by us to list our shares of common stock on a major stock exchange by February 5, 2005, subject to a six-month extension in the event a listing application is in process on such date.

The following table summarizes the VILPAS assets acquired and liabilities assumed as of the closing date in connection with the \$500,000 convertible note payable issued, the \$300,000 recorded as conditionally redeemable equity in our balance sheet and acquisition related costs of \$52,869:

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Cash acquired	\$ 1,052,270
Tangible assets acquired	339,986
Intangible assets acquired	210,177
Goodwill	563,009
Total assets acquired	2,165,442
Liabilities assumed	1,017,937
Minority Interest	294,636
Net assets acquired	\$ 852,869

The acquisition was accounted for using the purchase method of accounting. Intangible assets will be amortized over varying periods, as indicated by an independent valuation, using the straight-line method. Allocation of the excess of merger consideration over the net book value of assets acquired between goodwill and intangible assets was determined by an independent, third-party professional valuation firm. As the merger consideration was paid entirely with a promissory note with no payment terms and convertible into shares of the Company's common stock, the goodwill acquired may not be amortized for federal income tax purposes. The goodwill arising from the acquisition is allocated to the European geographic segment.

Due to the uncertainty of its international operations and lack of positive cash flow, the Company has chosen to write down its investment in Vilpas of \$815,000 to \$0 as of June 30, 2005.

Ayrshire / Riverbend

On September 1, 2003, we completed the acquisition of 51% of the issued and outstanding shares of Ayrshire that owns 95% of Riverbend, a South African company that provides learning services to corporations and individuals in South Africa. We also acquired the option to purchase the remaining 49% of Ayrshire. In consideration for the Ayrshire shares, we issued a convertible non-interest-bearing promissory note in the amount of \$20,000, which amount is convertible from time to time but no later than December 30, 2006 into a maximum of 2,000,000 shares of our common stock. The value of shares issuable upon conversion (based upon a \$0.50 per share value) in excess of the note amount has been classified as contingently redeemable equity. Of these shares, up to 400,000 may be withheld in satisfaction for any breach of warranties by the former shareholders of Ayrshire. The determination of purchase price was based on, among other things, annual revenue for the two preceding years relative to comparable market based values for publicly traded companies. The Ayrshire shares are subject to escrow, and pledge agreements will be re-conveyed to the former shareholders in the event of a default by us of certain terms and conditions of the acquisition agreements, including, among other things, a voluntary or involuntary bankruptcy proceeding involving us or the failure by us to list our shares of common stock on a major stock exchange by December 30, 2006. The results of operations for Ayrshire, using the equity method, have been included in the Company's financial statements since the date of acquisition. As of June 30, 2005, no shares had been issued in exchange for the convertible promissory note. During the year ended June 30, 2006, the Company divested themselves of this entity (see "Divestiture of IRCA").

On December 1, 2003, we completed the acquisition of all the issued and outstanding shares of Danlas, a British Virgin Islands Company that owns 51% of IRCA (Proprietary) Limited ("IRCA"), a South African company specializing in corporate learning, certification and risk mitigation in the area of safety, health environment and quality assurance ("SHEQ"). IRCA operates in South Africa, England and the United States through various operating subsidiaries. Danlas also holds options to acquire the remaining 49% of IRCA. In consideration for the Danlas shares,

the Company issued a convertible promissory note in the aggregate principal amount of \$20,000 convertible under certain conditions into a maximum of 2,500,000 shares of the Company's common stock, (ii) agreed to advance \$500,000 in cash to Danlas to establish an international sales force, (iii) provided \$500,000 as collateral for an operating line of credit and, (iv) provided certain future profit thresholds are met, agreed to issue up to an additional 1,000,000 shares of the Company's common stock. The value of shares issuable upon conversion (based upon a \$0.50 per share value) in excess of the note amount has been classified as contingently redeemable equity. The determination of purchase price was based on, among other things, annual revenue for the two preceding years relative to comparable market based values for publicly traded companies. The results of operations for IRCA, using the equity method, have been included in the Company's financial statements since the date of acquisition. The \$500,000 deposited as collateral in support of a bank line of credit is classified as restricted cash in the Company's balance sheet. In consideration of the operating results for the year and management's estimate of future cash flows, the Company wrote down its remaining investment in IRCA of approximately \$884,963 to \$0. During the year ended June 30, 2006, the Company divested themselves of this entity (see "Divestiture of IRCA").

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DIVESTITURES (Restated)

Divestiture of IRCA

In October 2005, the parties entered into a Settlement Agreement with provisions as follows: (a) Musca, TLC and Danlas agreed to cancel the definitive agreement, and Danlas, IRCA and IRCA Investments agreed to cancel the sale of shares agreement; (b) all rights and obligations of the parties contained in the sale of shares and definitive agreements, which have not been exercised and/or fulfilled, shall expire; (c) any transfer of shares that may have been effected as envisaged in the sale of shares agreement and the definitive agreement, is void ab initio, and the parties agree to co-operate to the extent necessary to restore their positions as shareholders as they were before the conclusion of the sale of shares agreement, the definitive agreement and related agreements; (d) IRCA and IRCA Investments abandon all claims which either of them may have against Trinity International in terms of, arising from, or in connection with the expansion contribution; (e) Trinity Learning cedes all of its rights under terms of the interest free loan to Musca; (f) all options to purchase stock of Trinity Learning granted or to have been granted to employees, directors or officers of IRCA shall be rescinded; (g) IRCA, IRCA Investments and Musca shall indemnify Trinity Learning and hold it harmless against any loss which the Company may suffer as a result of any of the managers of these entities and/or Titan Aviation exercising their respective rights to acquire shares in the share capital of Trinity Learning. Further, the parties agreed that they shall take the necessary steps to release the bank guarantee, and to arrange for the repayment to Trinity Learning of the amount of \$250,000 deposited by TLC with Standard Bank Limited (plus accrued interest). Such funds have been released and transferred to Trinity Learning. The operations of IRCA for the months through October 2005 resulted in expenses of approximately \$618,000 which have been included in general and administrative expenses in the Statement of Operations for the fiscal year ended June 30, 2006. Finally, the parties agreed that all disputes which exist between them in terms of, arising from, or in connection with the definitive agreement, the sale of shares agreement and/or the relationship between the parties are fully and finally settled with effect from the effective date, and all obligations which each of them may owe to any other of them and all claims (arising out of contract and statute), which each of them may have against any other of them (irrespective of whether that claim would ordinarily arise in terms of the laws of the RSA or any other jurisdiction), in terms of, arising from, or in connection with the definitive agreement, the sale of shares agreement and all agreement contained in appendices thereto and/or the relationship between the parties generally from the commencement of such relationship until and including the signature date shall have been settled. As a result of the divestiture, convertible redeemable equity of \$3,010,000, related to IRCA, was cancelled and posted to the Statement of Stockholders' Equity.

Purchased Intangible Assets

SFAS 142 requires goodwill and other intangible assets to be tested for impairment at least annually. Accordingly, we have completed our annual review of the recoverability of goodwill as of June 30, 2005, which indicated that impairment of goodwill had been experienced. We believe the following method we use in testing impairment of goodwill provides us with a reasonable basis in determining whether an impairment charge should be taken.

We regularly evaluate whether events and circumstances have occurred which indicate a possible impairment of goodwill and other intangible assets. In evaluating whether there is an impairment of goodwill and other intangible assets, we evaluate the performance of each subsidiary relative to its performance in prior periods, its budget and its upcoming three year forecast. We also evaluate the revenue achieved per share of our common stock issued as part of the purchase consideration in relation to market capitalization of publicly traded training companies for current and

prior periods. Based on our impairment test of the goodwill and other intangible assets at June 30, 2005, we concluded that we did have impairment of goodwill and intangibles in the amount of \$234,280 resulting in full impairment of intangibles at June 30, 2005.

At June 30, 2006 the Company has no intangible assets.

Note 3 – Inventories

Inventories consist of the following:

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June 30, 2006

	June 30, 2006
Books, CD's, video tapes, collateral materials	\$ 1,444,234
Inventory reserve	(524,176)
Total Inventory	\$ 920,058

Note 4 – Property and Equipment (Restated)

Property and equipment, net, including those held under capital leases, consisted of the following:

	2006 Cost
Capital Leases:	
Buildings and improvements	\$ 10,540,518
Less: Accumulated depreciation and amortization	(3,792,342)
Net Capital Lease	6,748,176
Fixed Assets:	
Furniture and fixtures	128,610
Less: Accumulated depreciation and amortization	(81,176)
Net Fixed Assets	47,434
Total Property and Equipment, net	\$ 6,795,610

Note 5 – Equity Investments in and Advances to Associated Companies

At June 30, 2005, the principal components of Equity Investments in and Advances to Associated Companies were the following:

	Ayshire	IRCA	Total
Equity investment	\$ 1,379,871	\$ 2,178,049	\$ 3,557,920
Cash advances	1,000,000	580,000	1,580,000
Impairment in equity investment	(1,842,935)	(964,963)	(2,807,898)
Equity losses of unconsolidated subsidiaries	(536,936)	(1,793,086)	(2,330,022)
Balance June 30, 2005	\$ 0	\$ 0	\$ 0

The consideration paid for our investment in Ayrshire was \$1,379,871. This amount comprises legal and financial advisory fees of \$379,871 plus 2,000,000 shares of our common stock valued at \$0.50 per share. The net asset value of Ayrshire at acquisition date was \$1,806,886 and our pro rata share of their net assets was \$875,463. Equity Investments in Associated Companies are periodically reviewed for impairment. The difference between our investment and our pro rata share of Ayrshire's net assets has been allocated to goodwill and to intangible assets. Equity Investments in Associated Companies are periodically reviewed for impairment. When such impairment is identified, it is recorded as an impairment change in that period. As of June 30, 2005, we recognized impairment loss

for Ayrshire of \$1,842,935. This impairment was recognized due to Ayrshire's continued operating losses, and future economic uncertainties in the markets Ayrshire serves.

The consideration paid for our investment in IRCA was \$2,178,049. This amount comprises legal, financial advisory and consultancy fees of \$928,049, including the payment to Mr. Steynberg of \$607,165, plus 2,500,000 shares of our common stock valued at \$0.50 per share. The net asset value of IRCA at acquisition date was \$2,704,870 and our pro rata share of their net assets was \$1,379,484. The difference between our investment and our pro rata share of IRCA's net assets has been allocated to goodwill and to intangible assets. Equity Investments in Associated Companies are periodically reviewed for impairment. When such impairment is identified, it is recorded as a loss in that period. As of June 30 2005 and 2004, we recognized an impairment loss for IRCA of \$80,000 and \$884,963, respectively. We wrote down our investment in IRCA to \$0 as a result of current year operating performance. These losses are, in part, a result of the weakening of the US dollar in relation to the South African Rand and the resulting down turn in mining operations in South Africa.

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As a result of IRCA's continued unfavorable operating environment, we have absorbed losses up to \$500,000, the amount we have deposited as collateral in support of IRCA's operating line of credit.

In connection with our September 1, 2003 purchase of 51% of Ayrshire, we agreed to make a non-interest-bearing loan of \$1,000,000 to Ayrshire, \$300,000 of which was advanced at closing of the acquisition. The remaining \$700,000 was advanced on November 3, 2003. The note is due December 30, 2006 provided that, if by December 2005 an option to purchase the additional 49% of Ayrshire has not been exercised, the loan shall be repayable in five equal annual installments, the first installment being payable on December 31, 2007 and the remaining installments payable in yearly intervals thereafter. As further consideration for our December 1, 2003 purchase of 51% of IRCA, we agreed to make a non-interest-bearing loan of \$80,000 to IRCA Australia, which was advanced during fiscal 2004. During the year ended June 30, 2006, the Company divested themselves of this entity (see "Divestiture of IRCA").

Note 6 – Accrued Expenses (Restated)

Accrued expenses consisted of the following:

	June 30, 2006 Restated	2005
Payroll, commissions and related employee benefits	\$ 1,121,476	\$ 1,237,893
Rent and lease liabilities	518,346	-
Professional fees	1,100,630	112,000
Taxes	520,013	14,455
Royalties	569,319	147,413
Payable to Primedia	867,493	-
Other	-	114,140
	\$ 4,697,277	\$ 1,625,901

Note 7 – Commitments and Contingencies**Commitments**

Total rent expense under operating leases was \$1,980,000 and \$1,690,200 for the years ended June 30, 2006 and 2005, respectively. Certain leases are subject to escalation clauses and certain leases contain renewal options. The leases related to the Company's operating facilities, the 36 MHz Ku-band transponder, and several copier/printers. Minimum rental commitments under non-cancelable operating leases are as follows:

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Years ending June 30.

2007	\$ 1,980,000
2008	1,980,000
2009	117,097
2010	-
2011	-
Thereafter	-
	\$ 4,077,097

Future minimum lease payments under capital leases are as follows:

Years ending June 30.

2007	\$ 2,120,074
2008	2,120,074
2009	2,263,488
2010	2,335,194
2011	2,335,194
Thereafter	6,227,186
	\$ 17,401,210
Less: Amount representing interest	4,158,289
Present value of net minimum lease payments	\$ 13,242,921
Less: Current portion	1,199,294
Long term obligation	
(included in long-term debt)	\$ 12,043,627

Litigation

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

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

Note 8 – Related Party Transactions

During the period June 2004 to October 2004, Mr. Swindells, a shareholder of the Company, advanced us \$155,000. On August 10, 2004 we repaid \$50,000 of this amount and on November 2, 2004 we paid the remaining balance of \$105,000. On October 14, 2004, Mr. Swindells exercised warrants to purchase 300,000 shares of our common stock at \$0.05 per share. On April 22, 2005 Mr. Swindells advanced \$300,000 to us by way of short-term non-interest bearing working capital loan. In October 2005 the Company repaid \$250,000 on this loan. In November 2005 Mr. Swindells advanced the Company \$250,000 in a short-term non-interest bearing loan. The total balance owed to Mr. Swindells at June 30, 2006 is \$300,000.

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During September 2005 Vilpas converted its unsecured, non-interest bearing note to equity. The \$500,000 convertible note was converted into 1,100,000 shares of the Company's common stock in full satisfaction of the note.

From time to time, Jan Olaf Willums, an officer of Vilpas, as well as companies of which he is a director, have advanced funds to Vilpas. The current balance of \$186,448, of which \$109,972 bears interest at 8% per annum and \$76,476 is non-interest bearing, has no fixed terms of repayment.

During the year ended June 30, 2006, Dennis Cagan, CEO/President and Doug Cole, Executive Vice President paid for costs of the Company related to travel. The Company has yet to reimburse Mr. Cagan or Mr. Cole for the amounts advanced to the Company. The total amount of the payable to these individuals is \$218,881.

Note 9 – Convertible Debt and Notes Payable (Restated)

On July 29, 2004, we issued a secured promissory note in the principal amount of \$500,000 to Oceanus Value Fund, L.P., ("Oceanus"). In connection with the issuance of the note, we also issued to Oceanus a five-year warrant to purchase up to 125,000 shares of our common stock at a price of \$1.00 per share. A value attributable to the warrants using the Black Scholes option valuation model of \$188,842 was determined and recorded as a discount on notes payable.

On August 31, 2004, we entered into a series of Agreements with Laurus whereby we issued to Laurus (i) a secured convertible term note in the principal amount of \$5.5 million and (ii) a five-year warrant to purchase up to 1,600,000 shares of our common stock at a price of \$0.81 per share. Of the note proceeds, \$4,491,000 was deposited in a restricted account as security for the total loan amount and for use by us to make acquisitions as approved by Laurus; the outstanding principal balance of \$500,000 was repaid to Oceanus and the remainder of the loan proceeds was used for operating needs. The principal amount of the Term Note carries an interest rate of prime plus two percent, subject to adjustment, and we must make monthly principal payments of at least \$22,059, commencing November 1, 2004, toward the outstanding non-restricted principal amount. The principal amount of the Term Note and accrued interest thereon are convertible into shares of our common stock at a price of \$0.72 per share, subject to anti-dilution adjustments. A value attributable to the warrants using the Black Scholes option valuation model of \$2,863,363 was determined and recorded as a liability and a discount on notes payable. A value attributable to the beneficial conversion feature of the Term Note using the Black Scholes option valuation model of \$2,070,784 was determined and recorded as a credit to common stock and a discount on notes payable.

On January 7, 2005, we closed an offering of Notes in the aggregate principal amount of \$1,552,500. The Notes mature in twelve months and accrue interest at a rate of 9% per annum. The principal amount of the Notes and accrued interest thereon are convertible into shares of our common stock at any time prior to the due date of the Notes, we also issued three-year warrants to purchase an aggregate of 2,126,712 shares of our common stock at an exercise price of \$1.50 per share.

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 TWL Knowledge Group, Inc., 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. The warrants are exercisable for a period of five years at a price per share equal to \$0.266, subject to adjustment as provided in the warrants.

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The Credit Agreement includes certain features that are considered derivative financial instruments, such as the related warrants that are associated with a registration rights agreement which requires the exercise of the warrants to be in unrestricted common stock of the Company. As such, the Company is required to record the related warrants at their fair values. The total of the Instream-related derivative warrant liabilities at July 13, 2005 totaled \$460,614.

At March 31, 2006 the value of the derivative warrant liabilities decreased by \$180,286 which has been reflected as a component of other income in the accompanying consolidated statements of operations. On this date, the Company entered into another financing agreement with Palisades Master Fund LP ("Palisades"). As a result of the refinancing with Palisades the Instream Credit Agreement balance of \$2,551,169 was satisfied in full. The warrants associated with the Instream Credit Agreement were forfeited by Instream. As such, the derivative warrant liability has been removed from the Company's financial statements, and a gain of forfeiture of warrants has been recognized in the Company's statement of operations of \$280,328 at June 30, 2006 in accordance with EITF 96-19.

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, resulting in a credit of \$287,550 to common stock. The remaining discount on the Laurus note was expensed as amortization in the amount of \$1,495,564. The Laurus note balance of \$5,323,529 was satisfied by using the restricted cash noted above and some of the proceeds from the Instream note. In accordance with EITF Issue No. 96-19, "Debtor's Accounting for a Modification or Exchange of Debt Instruments," the exchange of the instruments was considered substantial and thus the Company recognized a loss of \$1,614,064 during the year ended June 30, 2006.

As disclosed above, on March 31, 2006, the Company entered into a Securities Purchase Agreement with certain accredited investors for the issuance of up to an aggregate of \$8,500,000 in face amount of 15% Senior Secured Convertible Debentures (the "Debentures") maturing March 31, 2010, and four year warrants (the "Warrants") to purchase an aggregate of 13,600,000 shares of common stock of the Company. The Debentures accrue interest at a rate of 15% per annum and the Company issued a face amount of \$4,500,000 in Debentures and issued warrants to purchase an aggregate of 7,200,000 shares of common stock pursuant to the first closing which occurred on March 31, 2006 at an exercise price equal to 120% of the closing bid price of the Company's common stock on the day that is one day prior to the initial closing date. The fair market value of the Company's common stock on that date was \$0.175. Therefore, the exercise price of the warrants granted to Palisades is \$0.21. The warrants were recorded at fair value totaling approximately \$775,000, and the debt discount was to be amortized to interest expense over the term of the debt. The entire discount was expensed in the fiscal year ending June 30, 2006 due to the reclassification of the debt from long-term to current.

The Debentures are convertible into shares of the Company's common stock at a price equal to \$0.25 per share. The Company is obligated to pay 1/24th of the face amount of the Debenture on the first of every month, starting March 31, 2008, which payment can be made in cash or in common stock of the Company. The Company's obligation to repay Debentures is secured by all of its assets, and the assets of its wholly owned subsidiary, TWL Knowledge Group, Inc. (the "Subsidiary"), pursuant to a certain Security Agreement which the Company and the Subsidiary entered into with the investors on March 31, 2006. In addition, the Company's Subsidiary entered into a Subsidiary Guarantee with the investors on March 31, 2006 pursuant to which the Subsidiary agreed to guarantee the Company's repayment of the Debentures to the investors.

As of June 30, 2006, convertible debt and notes payable consisted of the following:

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	June 30, 2006
Notes payable to third parties:	
Bank notes payable: secured by Company vehicle, interest at 9.5% per annum, monthly payment of \$574, matures October 2006.	\$ 12,496
Senior secured convertible note payable to third party, due March 31, 2010, interest at 15% per annum, convertible at \$0.25 per share, warrants are for four years to purchase 7,200,000 shares of common stock at \$0.25 per share	4,500,000
Convertible notes payable to third parties, interest at 9% per annum, principal and interest due January 7, 2006, past due, convertible at \$0.45 per share, warrants are for three years to purchase 2,126,712 shares of common stock at \$1.50 per share	475,000
Note payable to related party, due December 31, 2004, past due, unsecured, interest at 6% per annum	17,103
Notes payable to a related party: unsecured, interest at 8% per annum on \$94,777; non-interest bearing on \$76,447, payable on demand	186,448
Convertible note payable to a related party, unsecured, non-interest bearing, due December 31, 2006	300,000
Note Payable to a related party, unsecured, non-interest bearing, due December 31, 2006	100,000
Convertible note payable to a related party for IRCA purchase; due December 31, 2005, past due, unsecured, non-interest bearing convertible at \$0.01 per share	20,000
Convertible note payable to a related party for Riverbend purchase, due December 31, 2006, unsecured, non-interest bearing convertible at \$0.01 per share	20,000
Notes payable for capital lease obligations:	
Capital leases payable to third party, monthly payment of \$176,673 through November 2008 then increasing to \$194,600 per month through maturity date, interest at 7.25%, secured by building	13,242,921
Total notes payable	\$ 18,873,968
Less: current maturities	(4,987,496)
Less: current maturities - notes related party	(643,551)
Less: current maturities - capital leases	(1,199,294)
Long-term notes payable	\$ 12,043,627
Maturity schedule for notes payable:	
Fiscal Year	Amount
2007	\$ 6,830,341
2008	1,289,191
2009	1,532,309

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2010	1,723,100
2011	1,852,261
Thereafter	5,646,766
Total	\$ 18,873,968

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Note 10 - Stock Option Plan

On December 2, 2002, at a special meeting of our shareholders, the 2002 Stock Plan was approved. The Plan allowed for a maximum aggregate number of shares that may be optioned and sold under the plan of (a) 3,000,000 shares, plus (b) an annual 500,000 increase to be added on the last day of each fiscal year beginning in 2003 unless a lesser amount is determined by the board of directors. The Plan became effective with its adoption and remains in effect for ten years unless terminated earlier. On December 30, 2003, the board of directors amended the 2002 Stock Plan to allow for a maximum aggregate number of shares that may be optioned and sold under the Plan of (a) 6,000,000 shares, plus (b) an annual 1,000,000 increase to be added on the last day of each fiscal year beginning in 2004 unless a lesser amount is determined by the board of directors. On April 17, 2005, the board of directors amended the 2002 Stock Plan to allow for a maximum aggregate number of shares that may be optioned and sold under the Plan of (a) 11,000,000 shares, plus (b) an annual 500,000 increase to be added in fiscal years 2003 and 1,000,000 shares on the last day of each fiscal year thereafter unless a lesser amount is determined by the board of directors. Options granted under the plan vest 25% on the day of the grant and the remaining 75% vests monthly over the next 36 months.

The following schedule summarizes the activity during the fiscal years ended June 30, 2006 and June 30, 2005, respectively:

	2006		2005	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	11,665,000	\$ 0.33	5,570,000	\$ 0.43
Granted	2,004,000	0.18	6,220,000	0.25
Canceled	(3,041,000)	0.45	(125,000)	0.30
Outstanding at end of year	10,628,000	\$ 0.33	11,665,000	\$ 0.36
Exercisable at year-end	6,614,393	\$ 0.33	6,367,431	\$ 0.36

Range of Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life (Yrs)	Number of Options Vested (Exercisable)	Weighted Average Exercise Price
\$ 0.05	450,000	0.05	1.28	450,000	\$ 0.05
\$ 0.16	500,000	0.16	4.84	187,500	0.16
\$ 0.19	1,475,000	0.19	4.61	912,500	0.19
\$ 0.22	3,880,000	0.22	3.80	1,414,043	0.19
\$ 0.25	500,000	0.25	1.42	500,000	0.22
\$ 0.25	200,000	0.25	1.54	200,000	0.25
\$ 0.27	125,000	0.27	3.89	66,838	0.25
\$ 0.50	25,000	0.50	1.76	25,000	0.27
\$ 0.50	1,010,000	0.50	2.18	958,790	0.50

Explanation of Responses:

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\$	0.50	875,000	0.50	2.51	784,263	0.50	
\$	0.50	250,000	0.50	2.59	213,660	0.50	
\$	0.50	260,000	0.50	2.92	200,543	0.50	
\$	0.50	978,000	0.50	3.58	630,373	0.50	
\$	0.85	100,000	0.85	3.18	70,883	0.85	
		10,628,000	\$	0.30	6,614,393	\$	0.33

There are 1,386,000 options available for grant at June 30, 2006. The weighted average grant date fair value of options granted as of June 30, 2006, and 2005 is \$0.30 and \$0.33, respectively.

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Note 11 – Warrants

Through June 30, 2006, the Company had issued warrants for purchase of its common stock to investors and service providers in connection with its financing transactions. The principal terms of the warrants are summarized below:

Description	Shares	Exercise Price Per Share	2006
			Exercise 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
Warrants issued to Debt Private Placement	7,200,000	0.25	March 2010
Total Granted	37,217,684	\$ 0.39	
Exercised	-		
Total Outstanding	37,217,684		

Explanation of Responses:

We recognized valuation expense of \$460,614 for warrants granted in relation to debt financing and 348,672 related to other services performed on behalf of the Company for the fiscal year ended June 30, 2006. We recognized valuation expense of \$3,393,224 for the fiscal year ended June 30, 2005. The warrant expense was calculated using the Black Scholes valuation model.

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

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Note 12 – Income Taxes (Restated)

The Company accounts for corporate income taxes in accordance with Statement of Accounting Standards Number 109 (“SFAS No. 109”) “*Accounting for Income Taxes.*” SFAS No. 109 requires an asset and liability approach for financial accounting and reporting for income tax purposes. This approach results in the recognition of deferred tax assets (future tax benefits) and liabilities for the expected future tax consequences of temporary timing differences between book and carrying amounts and the tax basis of assets and liabilities. Future tax benefits are subject to a valuation allowance to the extent of the likelihood that the deferred tax assets may not be realized.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company’s total deferred tax asset, and deferred tax asset valuation allowance at June 30, 2006 is as follows:

	June 30, 2006	June 30, 2005
Net operating loss carryforward		
Federal	\$ 8,060,697	\$ 2,860,502
State	1,598,717	375,142
Foreign	1,044,419	685,500
Reserve for deferred revenues		
Federal	1,134,831	1,336,500
State	267,048	314,500
Accrued compensation costs		
Federal	78,372	46,000
State	18,440	10,800
Accrued amortization		
Federal	105,440	52,400
State	24,780	12,300
Accumulated depreciation		
Federal	517,300	268,100
State	121,700	63,100
Inventory Reserve		
Federal	178,220	-
State	41,934	-
Contingent Legal Fee Reserve		
Federal	68,000	-
State	16,000	-
Bad Debt		
Federal	11,806	-
State	26,307	-
	\$ 13,314,011	\$ 6,024,844
Less valuation allowance for deferred tax assets	(13,314,011)	(6,024,844)
Net Current Deferred Tax Assets	\$ -	\$ -

Explanation of Responses:

The valuation allowance for deferred tax assets was increased by \$6,947,000 during the year ended June 30, 2006.

At June 30, 2006, the Company has available net operating loss carryforwards of approximately \$21,377,875 for federal income tax purposes that begin to expire in 2021. The federal carryforwards resulted from losses generated in 2001 through 2005. The Company also has net operating loss carryforwards available for state income tax purposes of \$ 17,653,307 that begin to expire in 2021. The Company also has approximately \$2,748,000 of foreign net operating loss carryforwards. These loss carryovers are limited per Section 382.

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The reconciliation of income tax computed at statutory rates of income tax benefits is as follows:

	2006	2005
Expense at Federal statutory rate - 34%	\$ (7,199,793)	\$ (4,118,209)
State tax effects, net of Federal tax benefits	(1,326,281)	(711,313)
Nondeductible expenses	1,937,993	2,202,578
Foreign tax effects	(358,919)	(116,000)
Taxable temporary differences	-	-
Deductible temporary differences	-	-
Acquired net operating loss carryforward from subsidiary	-	-
Deferred tax asset valuation allowance	6,947,000	2,742,944
Income tax provision \$	-	-

No goodwill is expected to be deductible for tax purposes in any geographical segment.

The components of income (loss) before taxes for domestic and foreign operations are as follows for the year ended June 30, 2006 and 2005.

	2006		2005	
	Domestic	Foreign	Domestic	Foreign
Revenues	\$ 25,013,792	\$ 826,676	\$ 9,171,584	\$ 2,005,390
Expenses	39,335,976	1,743,658	18,166,359	2,593,244
Loss from Operations	(14,322,184)	(916,982)	(8,994,775)	(587,854)
Other Expenses	(5,921,207)	(15,488)	(6,131,620)	(3,942)
Minority Interest and Equity				59,215
Loss before Income Taxes	(20,243,391)	(932,470)	(15,126,395)	(532,581)

Note 13 – Segment and Related Information (Restated)

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

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

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	Revenue	Operating Loss	Depreciation & Amortization	Investment Losses in Associated Companies
United States	\$ 25,013,792	\$ (14,322,184)	\$ 4,030,156	\$ -
Europe	380,426	(854,962)	1,789	-
Australia	446,250	(62,020)	11,348	-
South Africa				
Total	\$ 25,840,468	\$ (15,239,166)	\$ 4,043,293	\$ -

	Accounts Receivable	Goodwill	Property & Equipment	Total Assets	Net Assets
United States	\$ 2,425,180	\$ -	\$ 6,755,811	\$ 12,507,147	\$ (20,367,768)
Europe	206,811	-	17,659	283,682	(855,430)
Australia	48,564	-	22,140	129,489	(154,621)
South Africa					
Total	\$ 2,680,555	\$ -	\$ 6,795,610	\$ 12,920,318	\$ (21,377,819)

Note 14 – Stockholders’ Equity

On July 29, 2004, we issued a secured promissory note in the principal amount of \$500,000 to Oceanus Value Fund, L.P., (“Oceanus”). In connection with the issuance of the note, we also issued to Oceanus a five-year warrant to purchase up to 125,000 shares of our common stock at a price of \$1.00 per share. A value attributable to the warrants using the Black Scholes option valuation model of \$188,842 was determined and recorded as a discount on notes payable.

On August 31, 2004, we entered into a series of Agreements with Laurus whereby we issued to Laurus (i) a secured convertible term note in the principal amount of \$5.5 million and (ii) a five-year warrant to purchase up to 1,600,000 shares of our common stock at a price of \$0.81 per share. Of the note proceeds, \$4,491,000 was deposited in a restricted account as security for the total loan amount and for use by us to make acquisitions as approved by Laurus; the outstanding principal balance of \$500,000 was repaid to Oceanus and the remainder of the loan proceeds was used for operating needs. The principal amount of the Term Note carries an interest rate of prime plus two percent, subject to adjustment, and we must make monthly principal payments of at least \$22,059, commencing November 1, 2004, toward the outstanding non-restricted principal amount.

The principal amount of the Term Note and accrued interest thereon are convertible into shares of our common stock at a price of \$0.72 per share, subject to anti-dilution adjustments. A value attributable to the warrants using the Black Scholes option valuation model of \$2,863,363 was determined and recorded as a liability and a discount on notes payable. A value attributable to the beneficial conversion feature of the Term Note using the Black Scholes option valuation model of \$2,070,784 was determined and recorded as a credit to common stock and a discount on notes payable.

On January 7, 2005, we closed an offering of Notes in the aggregate principal amount of \$1,552,500. The Notes mature in twelve months and accrue interest at a rate of 9% per annum. The principal amount of the Notes and accrued

interest thereon are convertible into shares of our common stock at any time prior to the due date of the Notes, we also issued three-year warrants to purchase an aggregate of 2,126,712 shares of our common stock at an exercise price of \$1.50 per share.

On July 13, 2005 the Company issued to Laurus Master Fund, Ltd. 1,198,124 share of common stock in connection with the payoff converting a portion of a Secured Convertible Term Note and Securities Purchase Agreement at a conversion price of \$0.24 per share. Accordingly, \$287,550 has been credited to common stock.

On September 30, 2006 an affiliate of the Company converted its non-recourse convertible note originally dated as of March 1, 2004 into 1,100,000 shares of common stock at a conversion price of \$0.454545 per share, resulting in a \$500,000 credit to common stock.

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In March 2006 the Company issued 25,000 three-year warrants to Johnson Printing with an exercise price of \$0.30 per share. Johnson Printing provides printed materials and products to the Company.

In March 2006 the Company issued 50,000 three-year warrants to ElectroLab Training with an exercise price of \$0.30 per share. ElectroLab Training provides proprietary products and training services to the Company.

On March 2, 2006, Jack Rutherford purchased 625,000 shares of Common Stock of the Company at \$0.16 per share or \$100,000. In addition we issued 625,000 warrants exercisable at \$0.20 per share to Mr. Rutherford in consideration of the purchase. We further issued 250,000 warrants exercisable at \$0.15 per share to Mr. Rutherford in consideration for a loan made in the amount of \$100,000 by Mr. Rutherford to the Company on March 1, 2006.

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

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

On February 1, 2006 the Company issued 480,000 shares of common stock for services rendered, and to be rendered, on behalf of the Company. The value of the services was valued at \$0.24 per share. Per the agreement with DJI Partners, 20,000 shares are recognized as expense each month. Accordingly, 380,000 shares have been recorded as deferred financial advisory fees and valued at \$91,200.

During the year ended June 30, 2006, the Company issued 80,000 and 100,000 shares of common stock for services rendered on behalf of the Company at a price of \$0.24 and \$0.25 per share, respectively. Accordingly, an aggregate of \$38,975 has been recorded to the common stock account of the Company.

Note 15 – Going Concern

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 do currently possess a financial institution source of financing although we cannot be certain that our existing sources of cash will be adequate to meet our liquidity requirements. These conditions raise substantial doubt about our ability to continue as a going concern.

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, 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. 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.

Trinity's future capital requirements will depend on our ability to successfully implement new revenue generating opportunities as well as reduce redundant expenses, including our ability to maintain our existing customer base and to expand our customer base into new geographic markets and enhanced product offerings. The Company is investing a significant amount of its available working capital into sales and marketing activities. The Company has hired additional sales personnel and contracted with a third party marketing organization to assist with customer satisfaction surveys as well as a needs and usage survey. These surveys will provide information that will allow the Company to tailor its product offerings to coincide with customer desires. Further, with the additional funding received (described in more detail in Footnote 16) the Company is using a portion of the net proceeds to pay outstanding balances due creditors. This will enable the Company to purchase additional products and materials for resale. In addition, the Company has entered into two sublease agreements for office space in its facilities at 4101 International Parkway, Carrollton Texas. Currently, the Company receives approximately \$64,000 per month related to the sublease agreements.

Note 16 – Subsequent 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 in connection with the March 2006 financing with Palisades (the "March 2006 Financing"), and further agreed to subordinate its security interest to the Company's loan in the amount of \$7,000,000 to Laurus (the "Subordination"). Furthermore, Palisades agreed to modify certain provisions of the Registration Rights Agreement and Securities Purchase Agreement, dated March 31, 2006. As consideration for the waiver, the Company agreed to issue Palisades 1,000,000 shares of Preferred Stock having a 7% coupon which is convertible into Common Stock at \$0.10 per share (the "Palisades Preferred Stock") and lower the conversion price for the debentures dated March 31, 2006 issued to Palisades to \$0.10. The Palisades Preferred Stock shall pay the 7% coupon semi-annually. Furthermore, at our sole option, we have the right to redeem the Palisades Preferred Stock at \$0.10 per share at any time on or before the 5th anniversary of the Palisades Closing Date (as defined below).

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

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

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 of convertible preferred stock. PEF was also issued \$1,000,000 of convertible preferred stock as part of this transaction. The securities being sold and issued to Laurus include 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"); and
- 1,500,000 shares (the "Shares") of preferred stock (the "Preferred Stock"), of the Company, which is redeemable by the Company at a price of \$0.10 per share (the "Set Price") at any time until August 31, 2011, and may be converted by Laurus at any time into common stock, no par value per share (the "Common Stock"), of the Company at the Set Price.

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

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

1. Amending the Company's Articles of Incorporation to change the name of the Company from Trinity Learning Corporation to TWL Corporation; and
2. Amending the Company's Articles of Incorporation to increase the authorized number of common stock from 100,000,000 shares to 750,000,000 shares.
3. In addition, the Company filed a Certificate of Amendment with the Secretary of State of the State of Delaware, effective as of September 12, 2006, to effect a name change of its subsidiary Trinity Workplace Learning to TWL Knowledge Group, Inc.

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Note 17 – Restatement

We have restated our financial statements for the year ended June 30, 2006 to reflect issues identified by management. Management and the board of directors concluded these restatements were necessary to reflect the changes described below.

Revisions affecting the consolidated statements of operations:

- The Company issued warrants during 2006 in connection with the Palisades financing as a derivative instrument in the amount of \$933,238. The Company subsequently determined that the financial instruments do not qualify as derivative instruments, but rather should have been accounted for as debt discount associated with the financing. Therefore, an accounting adjustment has been made to reverse the derivative classification and subsequent valuation of the derivatives, and expense \$774,314 to interest expense associated with the debt discount. In association with the financing the Company reclassified \$4,500,000 from long term to short term convertible notes payable due to the Company's non-compliance with the loan covenant requiring the Company to timely file a registration statement with the Securities and Exchange Commission.
- During the quarter ended March 31, 2006, the Company had recorded a gain due to non-conversion of contingently redeemable stock in the amount of \$2,210,000 related to the expiration of a conversion feature associated with the acquisition agreement for Ayshire/IRCA and VILPAS. At June 30, 2006 the Company had removed the \$2,210,000 gain and reflected it in the additional paid-in-capital of the Company. However, the March 31, 2006, 10QSB of the Company had not reflected the change. In association with the non-conversion, it was discovered by management that the remaining \$800,000 related to the contingently redeemable stock associated with the VILPAS acquisition had also expired. Therefore, the Company increased the amount to be adjusted to additional paid-in-capital by \$800,000.
- The Company has restated its quarterly and annual results to record amounts payable to Primedia, Inc. in connection with the Asset Purchase Agreement. This is in connection with amounts that Primedia, Inc. had paid in behalf of the Company, and to record an estimated working capital adjustment required by the agreement. The Company was also required to adjust this amount by the amount of cash receipts due to the Company that were being held in a lockbox by Primedia, Inc. Thus, the Company has increased the value of their fixed assets by \$1,966,572 as part of the working capital adjustment, with a corresponding entry to accrued liabilities. This has been offset by \$1,575,587 to accrued liabilities to reflect the amount held in the lockbox by Primedia, Inc. The Company has also increased depreciation expense and related accumulated depreciation to reflect the incremental value of the building due to the agreement in the amount of \$275,688. The Company also restated their financial statements in the amount of \$476,508 to record the payment of real estate taxes and the related accrual for amounts paid in behalf of the Company by Primedia, Inc.
- The Company has restated amounts related to the accrued liabilities of the Company in the amount of \$272,463. This was done since the Company could not specifically identify expenses that were directly related to the accruals.

The net effect of all of the above addressed adjustments to the earnings of the Company is a reduction of the net loss of the Company of \$603,756.

A summary of the effects of these changes is as follows:

Explanation of Responses:

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Restated Consolidated Balance Sheet
Unaudited

	As Previously Reported	As of June 30, 2006 As Restated	Change	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 181,339	\$ 181,339	-	
Accounts Receivable, net	2,680,555	2,680,555	-	
Inventory, net	920,058	920,058	-	
Prepaid Expenses and other Current Assets	19,858	19,858	-	
Total Current Assets	3,801,810	3,801,810	-	
Property and Equipment, net	5,104,726	6,795,610	1,690,884	(1)
Program Inventory, net	2,142,145	2,142,145	-	
Other Assets	180,753	180,753	-	
Total Assets	\$ 11,229,434	\$ 12,920,318	1,690,884	
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts Payable	\$ 6,830,088	\$ 6,830,088	-	
Accrued Expenses	4,102,247	4,697,277	595,030	(1)(2)
Accrued Expenses - Related Parties	218,881	218,881	-	
Interest Payable	168,750	168,750	-	
Deferred Revenue	3,509,173	3,509,173	-	
Capital Lease - Current	1,199,294	1,199,294	-	
Line of Credit	-	-	-	
Notes Payable - Current	587,496	5,087,496	4,500,000	(3)
Notes Payable - Related Parties	543,551	543,551	-	
Total Current Liabilities	17,159,480	22,254,510	5,095,030	
Long Term Liabilities				
Obligations under Capital Leases	12,043,627	12,043,627	-	
Convertible Notes Payable	4,500,000	-	(4,500,000)	(3)
Derivative Warrants	373,936	-	(373,936)	(4)
Total Long-term Liabilities	16,917,563	12,043,627	(4,873,936)	
Total Liabilities	34,077,043	34,298,137	221,094	
Contingently Redeemable Equity	800,000	-	(800,000)	(5)

Stockholders' Equity (Deficit)				
Preferred Stock, 10,000,000 Shares Authorized at No Par Value, No Shares Issued and Outstanding	-	-	-	
Common Stock, 750,000,000 Shares Authorized at No Par Value, 43,415,513 Shares Issued and Outstanding	36,485,096	38,059,930	1,574,834	(4)(5)(6)
Accumulated Deficit	(60,045,635)	(59,441,879)	603,756	(1)(2)(6)(7)
Deferred Financial Advisor Fees	(91,200)	-	91,200	(7)
Other Comprehensive Gain	4,130	4,130	-	
Total Stockholders' Equity (Deficit)	(23,647,609)	(21,377,819)	2,269,790	
Total Liabilities and Stockholders' Equity (Deficit)	\$ 11,229,434	\$ 12,920,318	1,690,884	

- (1) Fixed asset adjustment and associated payable to third-party due to working capital adjustment per purchase agreement
- (2) Accrual of real estate taxes
- (3) Reclassification of long-term debt to short-term
- (4) Reverse valuation of warrant recorded as a derivative
- (5) Conversion of contingently redeemable equity to common stock
- (6) Discount on notes payable
- (7) Expense of unearned financial advisor fees

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Restated Consolidated Statements of Operations and Comprehensive Loss
Unaudited

	For the Twelve Months Ended June 30, 2006			
	As			
	Previously Reported	As Restated	Change	
Revenue				
Subscription Revenue	\$ 13,501,787	\$ 13,501,787	-	
One-time Sales	8,005,726	8,005,726	-	
Production Revenue	1,396,951	1,396,951	-	
Other Revenue	2,936,004	2,936,004	-	
Total Revenue, net	25,840,468	25,840,468	-	
Cost of Sales	(7,036,893)	(7,036,893)	-	
Gross Profit	18,803,575	18,803,575	-	
Expense				
Salaries and Benefits	18,204,419	18,204,419	-	
Professional Fees	3,215,669	3,215,669	-	
Selling, General & Administrative	9,859,702	8,579,360	(1,280,342)	(1)(2)
Depreciation and Amortization	3,767,605	4,043,293	275,688	(2)
Total Expenses	35,047,395	34,042,741	(1,004,654)	
Loss From Operations	(16,243,820)	(15,239,166)	1,004,654	
Other Income (Expense)				
Interest, net	(3,591,976)	(4,366,810)	(774,834)	(3)
Financing Costs	(1,393,852)	(460,614)	933,238	(4)
Loss on Debt Refinancing	(1,614,064)	(1,614,064)	-	
Gain on Forfeiture of Warrants	739,588	180,286	(559,302)	(5)
Gain on Change in Derivative Valuation	280,328	280,328	-	
Other Income	44,179	44,179	-	
Total Other Expense	(5,535,797)	(5,936,695)	(400,898)	
Loss from Continuing Operations Before Tax	(21,779,617)	(21,175,861)	603,756	
Income Taxes	-	-	-	
Net Loss	(21,779,617)	(21,175,861)	603,756	
Net Loss per Common Share Basic and Dilutive				
Net Loss per Share	\$ (0.54)	\$ (0.52)	0.02	(6)

Explanation of Responses:

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Weighted Average Shares Outstanding	40,335,278	40,335,278	40,335,278
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A summary of the components of other comprehensive loss:

Net Loss for Common Shareholders	(21,779,617)	(21,175,861)	603,756
Foreign Currency Translation Gain (Loss)	(6,688)	(6,688)	-
Comprehensive Loss	(21,786,305)	(21,182,549)	603,756

- (1) Expense of unearned financial advisor fees
- (2) Fixed asset adjustment and associated payable to third-party due to working capital adjustment per purchase agreement
- (3) Expense of debt discount
- (4) Reversal of derivative value
- (5) Reversal of market valuation of warrants classified as derivatives
- (6) Increase in EPS from net effect of the above revisions

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TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation)
Notes to Consolidated Financial Statements
June 30, 2006

Restated Consolidated Statements of Cash Flows
Unaudited

For the Twelve Months Ended June 30, 2006

	As Previously Reported	As Restated	Change	
Cash flows from operating activities:				
Net loss	\$ (21,779,617)	\$ (21,175,861)	603,756	(1)(2)(3)(4)(5)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	3,767,605	4,043,293	275,688	(1)
Reserve for obsolete inventory	524,176	524,176	-	
Gain on settlement of accounts payable	(43,364)	(43,364)	-	
Amortization of discount on notes payable	1,495,564	1,495,564	-	
Loss on conversion of notes payable	1,614,064	1,614,064	-	
Amortization of convertible note payable discounts related to warrants and beneficial conversions	235,471	235,471	-	
Non-cash interest expense	-	774,834	774,834	(5)
Stock issued for services	68,574	159,774	91,200	(4)
Fair value of stock purchase warrants	348,672	348,672	-	
Warrants issued for financing costs	1,393,852	460,614	(933,238)	(5)
Employee stock based compensation	828,308	828,308	-	
Change in fair value of derivative warrant liabilities	(739,588)	(180,286)	559,302	(5)
Gain on forfeiture of warrants due to debt refinancing	(280,328)	(280,328)	-	
Amortization of deferred financial advisory fees	142,920	142,920	-	
Changes in current assets and liabilities, net of business acquired and sold:				
Accounts receivable	629,354	859,860	230,506	(6)
Prepaid expenses and other current assets	1,157,549	1,157,549	-	
Accounts payable and accrued expenses	6,205,717	4,603,669	(1,602,048)	(1)(2)(3)(6)

Explanation of Responses:

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Accounts payable - related party	218,881	218,881	-
Inventory	188,516	188,516	-
Deferred revenue	(533,669)	(533,669)	-
Interest payable	145,371	145,371	-
Minority interest	(287,061)	(287,061)	-
Net cash used in operating activities	(4,699,033)	(4,699,033)	-
Cash flow from investing activities:			
Restricted cash	509,167	5,091,670	-
Capital expenditures	(4,143)	(4,143)	-
Net cash provided (used) by investing activities	5,087,527	5,087,527	-
Cash flow from financing activities:			
Payment for capital leases	(1,115,665)	(1,115,665)	-
Payment for lines of credit			
Proceeds from notes and convertible notes payable	9,100,000	9,100,000	-
Proceeds from notes payable - related parties	250,464	250,464	-
Payments on notes and convertible notes payable	(9,087,527)	(9,087,527)	-
Payments on notes payable - related parties	(250,000)	(250,000)	-
Common stock issued for cash	150,000	150,000	-
Net cash provided (used) by financing activities	(952,728)	(952,728)	-
Effect of foreign exchange on cash	(6,688)	(6,688)	-
Net decrease in cash	(570,922)	(570,922)	-
Cash at beginning of period	752,261	752,261	-
Cash at end of period	\$ 181,339	\$ 181,339	\$ -
Supplemental information:			
Interest paid	\$ 1,416,009	\$ 1,416,009	-
Warrants issued with convertible notes	933,238	933,238	-
Warrants issued with credit financing	460,614	460,614	-
Common stock issued for deferred financial advisory fees	91,200	-	(91,200) (4)
Common stock issued for conversion of notes payable	787,550	787,550	-

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- (1) Fixed asset adjustment and associated payable to third-party due to working capital adjustment per purchase agreement
- (2) Accrual of real estate taxes
- (3) Reverse valuation of warrant recorded as a derivative
- (4) Expense of unearned financial advisor fees
- (5) Discount on notes payable
- (6) Reclassify prior year adjustment

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TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation)
Notes to Consolidated Financial Statements
June 30, 2006

Restated Consolidated Balance Sheet
Unaudited

	As of March 31, 2006		
	As Previously Reported	As Restated	Change
ASSETS			
Current Assets			
Current Assets			
Cash and Cash Equivalents	\$ 1,250,652	\$ 1,250,652	-
Accounts Receivable, net	4,617,595	4,617,595	-
Inventory, net	1,460,141	1,460,141	-
Prepaid Expenses and other Current Assets	189,900	189,900	-
Total Current Assets	7,518,288	7,518,288	-
Property and Equipment, net	5,355,748	5,355,748	-
Program Inventory, net	3,313,319	3,313,319	-
Total Assets	\$ 16,187,355	\$ 16,187,355	-
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable	\$ 6,257,809	\$ 6,257,809	-
Accrued Expenses	3,557,466	3,557,466	-
Deferred Revenue	4,687,366	4,687,366	-
Capital Lease - Current	1,177,817	1,177,817	-
Notes Payable - Current	113,538	113,538	-
Notes Payable - Related Parties	363,333	363,333	-
Total Current Liabilities	16,157,329	16,157,329	-
Long Term Liabilities			
Obligations under Capital Leases	12,351,625	12,351,625	-
Convertible Notes Payable	4,739,529	3,965,216	(774,313)
Notes Payable - Related Parties	20,000	20,000	-
Total Long-term Liabilities	17,111,154	16,336,841	(774,313)
Total Liabilities	33,268,483	32,494,170	(774,313)
Minority Interest (Vilpas investment in Funk Web)	309,210	309,210	-
Contingently Redeemable Equity	800,000	800,000	-
Stockholders' Equity (Deficit)			

Explanation of Responses:

Preferred Stock, 10,000,000 Shares				
Authorized at No Par Value, No Shares				
Issued and Outstanding				
Common Stock, 750,000,000 Shares				
Authorized at No Par Value, 43,415,513				
Shares Issued and Outstanding	33,989,891	36,974,725	2,984,834	(2)
Accumulated Deficit	(52,159,501)	(54,370,022)	(2,210,521)	(1)(2)
Other Comprehensive Loss	(20,728)	(20,728)	-	
Total Stockholders' Equity (Deficit)	(18,190,338)	(17,416,025)	774,313	
Total Liabilities and Stockholders' Equity				
(Deficit)	\$ 16,187,355	\$ 16,187,355	-	

(1) Expense debt discount on note payable

(2) Reclassify non-conversion of contingent stock to common stock

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TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation)
Notes to Consolidated Financial Statements
June 30, 2006

Restated Consolidated Statements of Operations and Comprehensive Loss
Unaudited

For the Three Months Ended March 31, 2006

	As Previously Reported	As Restated	Change	
Revenue				
Sales Revenue	\$ 6,147,414	\$ 6,147,414	-	
Cost of Sales	(1,746,910)	(1,746,910)	-	
Gross Profit	4,400,504	4,400,504	-	
Expense				
Salaries and Benefits	4,258,007	4,258,007	-	
Professional Fees	1,007,449	1,007,449	-	
Selling, General & Administrative	4,516,850	4,516,850	-	
Depreciation and Amortization	1,019,251	1,019,251	-	
Total Expenses	10,801,557	10,801,557	-	
Loss From Operations	(6,401,053)	(6,401,053)	-	
Other Income (Expense)				
Interest, net	(475,677)	(476,198)	(521)	(1)
Debt conversion			-	
Gain due to non-conversion of contingently redeemable stock	2,210,000	-	(2,210,000)	(2)
Gain on sale of assets			-	
Foreign currency loss			-	
Total Other Income (Expense)	1,734,323	(476,198)	(2,210,521)	
Loss from Continuing Operations Before Tax	(4,666,730)	(6,877,251)	(2,210,521)	
Minority Interest	-	-	-	
Net Loss Before Taxes	(4,666,730)	(6,877,251)	(2,210,521)	
Income Taxes	-	-	-	
Net Loss	(4,666,730)	(6,877,251)	(2,210,521)	
Net Loss per Common Share Basic and Dilutive				
Net Loss per Share	\$ (0.11)	\$ (0.17)	(0.06)	(3)

Explanation of Responses:

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Weighted Average Shares Outstanding	40,607,388	40,607,388	39,454,326
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A summary of the components of other comprehensive loss:

Net Loss for Common Shareholders	(4,666,730)	(6,877,251)	(2,210,521)
Foreign Currency Translation Gain (Loss)	2,652	2,652	-
Comprehensive Loss	(4,664,078)	(6,874,599)	(2,210,521)

- (1) Record additional interest expense due to debt discount.
- (2) Reclassify non-conversion of contingent stock to equity.
- (3) Reduction in EPS from net effect of the above revisions.

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TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation)
Notes to Consolidated Financial Statements
June 30, 2006

Restated Consolidated Statements of Operations and Comprehensive Loss
Unaudited

For the Nine Months Ended March 31, 2006

	As Previously Reported	As Restated	Change	
Revenue				
Sales Revenue	\$ 20,171,919	\$ 20,171,919	-	
Cost of Sales	(4,482,252)	(4,482,252)	-	
Gross Profit	15,689,667	15,689,667	-	
Expense				
Salaries and Benefits	13,541,418	13,541,418	-	
Professional Fees	2,099,264	2,099,264	-	
Selling, General & Administrative	9,445,913	9,445,913	-	
Depreciation and Amortization	2,307,074	2,307,074	-	
Total Expenses	27,393,669	27,393,669	-	
Loss From Operations	(11,704,002)	(11,704,002)	-	
Other Income (Expense)				
Interest, net	(2,775,431)	(2,775,952)	(521)	(1)
Debt conversion	(1,614,064)	(1,614,064)	-	
Gain due to non-conversion of contingently redeemable stock	2,210,000	-	(2,210,000)	(2)
Gain on sale of assets	1,000	1,000	-	
Foreign currency loss	(184)	(184)	-	
Total Other Income (Expense)	(2,178,679)	(4,389,200)	(2,210,521)	
Loss from Continuing Operations Before Tax	(13,882,681)	(16,093,202)	(2,210,521)	
Minority Interest	(10,801)	(10,801)	-	
Net Loss Before Taxes	(13,893,482)	(16,104,003)	(2,210,521)	
Income Taxes	-	-	-	
Net Loss	(13,893,482)	(16,104,003)	(2,210,521)	
Net Loss per Common Share Basic and Dilutive				
Net Loss per Share	\$ (0.35)	\$ (0.41)	(0.06)	(3)

Explanation of Responses:

Weighted Average Shares Outstanding	39,454,326	39,454,326	39,454,326
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A summary of the components of other comprehensive loss:

Net Loss for Common Shareholders	(13,893,482)	(16,104,003)	(2,210,521)
Foreign Currency Translation Gain (Loss)	(31,547)	(31,547)	-
Comprehensive Loss	(13,925,029)	(16,135,550)	(2,210,521)

- (1) Record additional interest expense due to debt discount.
- (2) Reclassify non-conversion of contingent stock to equity.
- (3) Reduction in EPS from net effect of the above revisions.

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TWL Corporation and Subsidiaries
(formerly Trinity Learning Corporation)
Notes to Consolidated Financial Statements
June 30, 2006

Restated Consolidated Statements of Cash Flows
Unaudited

For the Three Months Ended March 31, 2006

	As Previously Reported	As Restated	Change	
Cash flows from operating activities:				
Net loss	\$ (13,893,482)	\$ (16,104,003)	\$ (2,210,521)	(1)(2)
Less: Gain (Loss) from Discontinued Operations	-	-	-	
Net Loss from Continuing Operations	(13,893,482)	(16,104,003)	(2,210,521)	
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	487,059	487,059	-	
Bad debt expense	465,800	465,800	-	
Gain due to non-conversion of contingently redeemable stock	(2,210,000)	-	2,210,000	(1)
Foreign currency translation gain / loss	184	184	-	
Non-cash interest expense	50,533	51,054	521	(2)
Employee stock based compensation	600,000	600,000	-	
Non cash financial advisory fees	594,470	594,470	-	
Debt conversion expenses	3,882,047	3,882,047	-	
Program inventory	1,820,015	1,820,015	-	
Changes in current assets and liabilities, net of businesses acquired and sold:				
Accounts receivable	(1,077,180)	(1,077,180)	-	
Prepaid expenses and other current assets	970,373	970,373	-	
Accounts payable and accrued expenses	5,054,967	5,054,967	-	
Inventory	172,609	172,609	-	
Deferred revenue	644,524	644,524	-	
Interest payable	(23,379)	(23,379)	-	
Minority interest	22,149	22,149	-	
Net cash provided (used) by operating activities	(2,439,311)	(2,439,311)	-	

Cash flow from investing activities:

Payment for business acquisitions	-	-	-
Payment for business acquisitions - related party	-	-	-
Restricted cash	5,091,670	5,091,670	-
Advances to associated companies			-
Capital expenditures	(1,295)	(1,295)	-
Net cash provided (used) by investing activities	5,090,375	5,090,375	-

Cash flow from financing activities:

Repayment for capital leases	(829,144)	(829,144)	-
Borrowings under notes	100,000	100,000	-
Borrowings under notes - related party	-	-	-
Repayments under borrowings	(5,323,529)	(5,323,529)	-
Repayments under short-term notes	-	-	-
Repayments under short-term notes - related party	(750,000)	(750,000)	-
Borrowings under notes and contingent liability	-	-	-
Borrowings under long-term liabilities	4,500,000	4,500,000	-
Payments for financing fees	-	-	-
Other financing activities	150,000	150,000	-
Proceeds from sale of common stock	-	-	-
Net cash provided (used) by financing activities	(2,152,673)	(2,152,673)	-
Effect of foreign exchange on cash		-	-
Net cash provided by (used in) continuing operations	498,391	498,391	-
Net cash provided by (used in) discontinued operations	-	-	-
Net increase (decrease) in cash	498,391	498,391	-
Cash at beginning of period	752,261	752,261	-
Cash at end of period	\$ 1,250,652	\$ 1,250,652	\$ -

- (1) Reclassify non-conversion of contingent stock to equity.
(2) Record additional interest expense due to debt discount.

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ITEM 8. CONTROLS AND PROCEDURES

TWL Corporation ("TWL") 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, 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.

In connection with the completion of its audit of, and the issuance of its report on, TWL's consolidated financial statements for the year ended June 30, 2005, Chisholm, Bierwolf & Nilson, LLC ("CBN") identified deficiencies that existed in the design or operation of our internal controls over financial reporting of our subsidiaries that it considered being "material weaknesses." The Public Company Accounting Oversight Board has defined a material weakness as "a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected." CBN advised the Audit Committee of Trinity Learning's Board of Directors of the following material weaknesses in our financial reporting: (i) inadequate control over activities and reporting relating to Trinity Learning's subsidiaries; and (ii) lack of sufficient resources to identify and properly address technical SEC and reporting issues.

The Company did not timely file its annual report on Form 10-KSB for the fiscal year ended June 30, 2006. In addition, as noted above and as previously disclosed, material weaknesses had been identified by CBN that contributed to the Company's failure to timely file its annual report on Form 10-KSB for the fiscal year ending June 30, 2005 or, with respect to the audited and proforma financial statements relating to its acquisition of the Primedia assets, its Current Report on Form 8-K. Accordingly, the Company's chief executive officer and its chief financial officer concluded that such controls and procedures were not effective as of June 30, 2006 or 2005, respectively.

In connection with its audit of, and the issuance of its report on our consolidated financial statements for the year ended June 30, 2006, CBN, Certified Public Accountants, of Bountiful, Utah, informed the Audit Committee of Trinity Learning's Board of Directors of the following material weaknesses in our financial reporting: (i) inadequate control over activities and reporting relating to Trinity Learning's subsidiaries and (ii) lack of sufficient resources to identify and properly address technical SEC and reporting issues.

As required by Rule 13a-15(b) of the Securities and Exchange Commission, we carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2006. Based on this evaluation, our chief executive officer and our chief financial officer have concluded that the disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, were not effective as of June 30, 2006. Chisholm Bierwolf & Nilson has not provided an attestation report on management's assessment of our internal control over financial reporting.

There was no change in our internal control over financial reporting that occurred during fourth fiscal quarter of the Company's fiscal year ending June 30, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

In light of the material weaknesses identified by CBN, the Company continues to review its disclosure, financial information, internal controls and procedures and organization and staffing of its corporate accounting department. The Company retained an independent third party accounting firm to assist with the review of disclosure requirements for SEC reporting. In addition, the Company continues to retain outside legal counsel to assist in, among other things, in its efforts to timely file or submit our future reports under the Securities Exchange Act of 1934, as amended. Management intends to continue focusing on strengthening the Company's controls and procedures.

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our chief executive officer and chief financial officer concluded that for the fiscal year ended June 30, 2006, our disclosure controls and procedures are effective to ensure that all information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (1) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure; and (2) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. There was no change in our internal controls or in other factors that could affect these controls during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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None.

PART III**ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTORS AND CONTROL PERSONS;
COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT****Directors and Executive Officers**

The following table sets forth the names, ages and titles of our executive officers and directors.

Name	Age	Position
Dennis J. Cagan	61	Chief Executive Officer, President and Director
Patrick R. Quinn	46	Chief Financial Officer / Chief Operating Officer
Douglas D. Cole	51	Executive Vice President and Director
William D. Jobe	68	Director
Richard G. Thau	59	Director
Arthur Ronald Kidson	62	Director
Ron S. Posner	64	Director
David B. Batstone (1)	48	Director

*Rich Marino resigned and terminated his employment as President, Chief Executive Officer and as an employee of the Company on May 3, 2006.

(1) David B. Batstone was appointed as a member of the Company's board of Directors on September 13, 2006.

Certain biographical information pertaining to the above-named officers and directors is set forth below:

DENNIS J. CAGAN. Mr. Cagan was appointed as our permanent Chief Executive Officer and President on August 31, 2006. Mr. Cagan has also served as a director since May 2005. He has been in the high technology industry as an active entrepreneur for over 38 years, having founded over a dozen different companies. He has been an investor and professional board member (over 40 boards) for over 25 years. Most recently as the founder, Chairman and CEO of the Santa Barbara Technology Group, LLC, Mr. Cagan oversees all activities including monitoring portfolio investments, consulting to early-stage technology companies, and selecting new investments. Santa Barbara Technology Group, LLC is a private investment and consulting firm engaged primarily in working with, and investing in early-stage technology companies in Santa Barbara. Mr. Cagan is currently on the Boards of Directors of Acorn Technologies, Inc.; Pacific Palisades; BNI Holdings, Goleta, CA. (formerly Bargain Network); InQ, Inc. (Chairman), Agoura Hills, CA.; Nutricate Corp., Santa Barbara, CA.; Truston, Inc., Santa Barbara, CA. (Chairman); and SaluDent International, Inc., Santa Barbara, CA. (Chairman). His non-profit activities include: Executive Board, California Coast Venture Forum; and Board of Directors, Santa Barbara County's United Way.

DOUG COLE. Mr. Cole is Vice Chairman and Executive Vice President, has been a director of the Company since 2002 and was our Chief Executive Officer until February 1, 2006 when the company moved its corporate headquarters to Texas. For the past 28 years, Mr. Cole has worked in the information technology industry, with a focus on sales and marketing. He has successfully completed numerous acquisitions, OEM agreements, International Distribution and strategic partnerships for and among various companies over his career, ranging from Hewlett Packard, Canon, Texas Instruments, Sony and IBM. From 1998 to 2000, Mr. Cole served as a director of RateXchange Corporation and as a director of two of its subsidiaries, RateXchange I, Inc. and PolarCap, Inc. He served as Chairman, Chief Executive Officer, President and Principal Accounting Officer of RateXchange from 1999 to 2000. Mr. Cole was the founder and Chief Executive Officer of Great Bear Technology from its inception in 1992 until its merger with Graphic Zone Inc. in 1992. Mr. Cole is a graduate of the University of California, Berkeley.

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PATRICK R. QUINN. Mr. Quinn was appointed as the Company's Chief Financial Officer in May 2005, and subsequently appointed as the Company's Chief Operating Officer on August 31, 2006. From March 2004 to May, 2005, Mr. Quinn was employed by Primedia Workplace Learning ("PWPL") as the Chief Financial Officer. PWPL was a wholly-owned subsidiary of Primedia Inc (NYSE PRM). From 2000 to 2003 Mr. Quinn was Chief Financial Officer for Fusion Laboratories, Inc. From 1997 to 2000 Mr. Quinn was Chief Financial Officer of B.R. Blackmarr & Associates, until its merger into BrightStar Information Technology Corp (NASDAQ BTSR) where he was the Controller. From 1989 to 1997 Mr. Quinn was Vice President/Chief Financial Officer for Affiliated Computer Systems/Precept. Mr. Quinn has also been an adjunct professor of finance in the MBA program at the University of Dallas, where he was rated in the top 5% of the adjunct faculty.

WILLIAM D. JOBE. Mr. Jobe has been a director of the Company since 2002. He has been a private venture capitalist and a computer, communications and software industry advisor since 1991. Prior to that time, he worked in executive management for a number of firms in the computer, software and telecommunications industries including MIPS Technology Development, where he served as President, and Data General, where he was Vice President of North American Sales. Mr. Jobe has served as a director for a number of privately held and publicly held high technology companies including Qualix Group, Inc., Fulltime Software, Inc., Multimedia Access Corporation where he served as chairman of the board and director, Viewcast.com, GreatBear Technology Company, Tanisys Technology, Inc. and Interand Group.

RICHARD G. THAU. Mr. Thau has been a director of the Company since 2004. Mr. Thau is currently self-employed and is actively engaged in consultant/mentor/advisor activities. He is also an investor in early stage information technology companies and serves as an executive-in-residence at InterWest Partners. From 1990 to 1999, Mr. Thau served as Director, Chairman of the Board and CEO of FullTime Software (formerly Qualix Group), a provider of software for network-based computing. He also is the former CEO of Micro-MRP. Mr. Thau is Chairman of Availigent Systems and holds advisory and/or board positions at Symphoniq Corp, LandSonar, Inc., iBrevia and Nomea. Mr. Thau is a graduate of the State University of New York at Stony Brook.

ARTHUR RONALD KIDSON. Mr. Kidson has been a director of the Company since 2004 and is a chartered accountant in South Africa. Mr. Kidson was appointed a director pursuant to the terms of the agreement by which Trinity Learning acquired its interest in RiverBend Group Holdings (Proprietary) Limited. From 1998 to 2000, Mr. Kidson served as the Executive Director of Price Waterhouse Coopers Chartered Accountants in South Africa. Prior to that, Mr. Kidson served as Chairman of Coopers & Lybrand Chartered Accountants in South Africa.

RON S. POSNER. Mr. Posner has been a director of the Company since May 2005. Mr. Posner is Chairman of NetCatalyst, a high-technology mergers and acquisitions firm, and a founding general partner of PS Capital LLC, an angel venture capital firm. Mr. Posner has over 30 years experience in the technology industry, having held CEO positions with a number of high technology companies, including Peter Norton Computing, a PC utilities software company. He has been an active investor and advisor to a number of Internet companies including PrizeCentral.com (now called Flipside.com and part of Vivendi-Universal Net Group), tunes.com (now part of Universal Music Group), Spinner.com (now part of AOL Time Warner), STV.com (now part of Sonic Foundry), Match.com (now part of TicketMaster City Search, Inc.), and Novatel Wireless. Mr. Posner serves on the Boards of Directors of eChinaCash and Puresight.

DAVID B. BATSTONE. Mr. Batstone was appointed as a member of our Board of Directors on September 13, 2006. Prior to joining the Company's Board, David Batstone has been a fully tenured Professor at the University of San Francisco from fall of 1994 to the present date. He also has served as President of Right Reality, a publishing and consulting firm since he founded the company in September 2004. He currently serves as the Senior Editor of Worthwhile magazine - a post he has held since the fall of 2004 - and Editor-at-Large of Sojourners magazine - a post he had held since the fall of 2001. In the fall of 1998 David Batstone was part of the founding team that launched

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Business 2.0 magazine, and served on the executive editorial team until he departed in fall of 2000. In 2000 and 2001 David Batstone was a managing partner in the investment banking firm, NetCatalyst. He received his B.A. from Westmont College in Santa Barbara, CA in May, 1980; his M. Div. from the Pacific School of Religion in Berkeley in May, 1984; his Ph.D. from the Graduate Theological Union/University of California Berkeley in May 1989.

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Table of Contents**Code of Ethics**

We have adopted a code of ethics that applies to all employees of our company, including employees of our subsidiaries, as well as each member of our board of directors. The code of ethics is available on our website at www.trinitylearning.com.

Audit Committee

The Company has an Audit Committee established in accordance with Section 3(a) (58) (A) of the Securities Exchange Act of 1934, which consists of Richard Thau, William Jobe and Arthur Kidson. Richard Thau is the interim Chairperson of the committee. This committee, among other things, reviews the annual audit with the Company's independent accountants. In addition, the audit committee has the sole authority and responsibility to select, evaluate, and, where appropriate, replace the independent auditors or nominate the independent auditors for shareholder approval. The Company's Board of Directors has determined that the Company has at least one audit committee financial expert on its Audit Committee. Mr. Richard Thau, the audit committee financial expert, is independent as that term is used in Item 7(d) (3) (iv) of Schedule 14A under the Securities Act of 1934.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who beneficially own more than ten percent of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of change in ownership of common stock and other equity securities of our Company. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To our knowledge, the following persons have failed to file, on a timely basis, the identified reports required by Section 16(a) of the Exchange Act as of June 30, 2006:

Name and Relationship	Number of late reports	Transactions not timely reported	to file a required form	Known failures
Dennis J. Cagan	0	0	0	
Patrick R. Quinn	1	1	0	
Douglas D. Cole	2	1	0	
William D. Jobe	1	1	0	
Richard G. Thau	1	1	0	
David B. Batstone	N/A	N/A	0	
Ron S. Posner	1	1	0	
Arthur Kidson	2	1	0	

ITEM 10. EXECUTIVE COMPENSATION

The table below sets forth certain information regarding the annual and long-term compensation for services by the named executive officers to us in all capacities for the fiscal years ended June 30, 2005 and 2004, the nine month

Explanation of Responses:

transitional period ended June 30, 2003 and the fiscal year ended September 30, 2002. These individuals received no other compensation of any type, other than as set out below, during the fiscal years indicated.

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Summary Compensation Table

Name & Principal Position	Year	Annual Compensation			Long Term Compensation			
		Salary	Bonus	Other Annual Compensation	Restricted Stock Awards	Stock Options	Long Term Incentivve Payout	All Other Compensation
Dennis Cagan Chief Executive Officer, President and Director (1)	2006	\$ 41,666	0	0	0	375,000	0	0
Doug Cole, Executive Vice President	2006	\$ 198,359	0	6,000(4)	0	250,000	0	0
	2005	\$ 180,000	0	64,000	0	500,000	0	0
Edward Mooney, President (3)	2006	\$ 146,352	0	0	0	0	0	0
	2005	\$ 180,000		12,000(5)	0	500,000	0	0
Rich Marino, Chief Operating Officer (2)	2006	\$ 231,550	30,000	4,500(6)	0	250,000	0	0
	2005	\$ 240,000	0	4,500	0	0	0	0
Patrick R. Quinn, Chief Financial Officer, Chief Operating Officer	2006	\$ 186,500	0	5,000(7)	0	500,000	0	0
	2005	\$ 25,223	0	0	0	250,000	0	0

(1) Mr. Cagan was appointed on May 9, 2006, as the Company's Chief Executive Officer.

(2) Mr. Marino resigned as the Company's Chief Executive Officer on May 3, 2006.

(3) Mr. Mooney resigned as President of the company on January 9, 2006.

(4) Transportation and travel pursuant to employment agreement for Mr. Cole.

(5) Transportation and travel pursuant to employment agreement for Mr. Mooney.

(6) Transportation and travel pursuant to employment agreement for Mr. Marino.

(7) Transportation and travel pursuant to employment agreement for Mr. Quinn.

Compensation of Directors

Non-employee members of our board of directors have been granted options from time to time to purchase shares of our common stock, but are not otherwise compensated in their capacity as directors. We do not pay any fees for attendance at committee meetings.

Employment Agreements with the Management

We entered into a fulltime employment agreement (the "Agreement") with Dennis J. Cagan, our Chief Executive Officer, President and Director, on September 1, 2006. The Agreement is effective for a term beginning on the date of the Agreement and terminating on December 31, 2009 (the "Employment Period"), unless earlier terminated as provided in the Agreement. The Agreement may also be renewed by mutual written agreement between Mr. Cagan

Explanation of Responses:

and the Company. Mr. Cagan' base compensation under the Agreement is \$250,000 per year. Furthermore, Mr. Cagan shall be awarded pursuant to the Agreement the amount of stock options equal to 3% of the total number of fully diluted equity composed of the sum of (i) the number of shares of common stock of the Company outstanding on the date of the grant, (ii) the total amount of all granted options outstanding on the date of the grant (regardless of vesting), and (iii) the total amount of stock options authorized to be granted by the Company under the 2002 Stock Option Plan (including any increases authorized by the board of directors within the fourth quarter of the 2006 calendar year) (the "Options"). The Options shall vest as follows: 1/3 to vest on the date of the Agreement, and with 1/36 of the balance to vest each month over a 36 month period beginning on the date of the Agreement; provided that upon a change of control (as defined in the Agreement), 100% of all unvested options will vest, and provided further that in the event that Mr. Cagan's employment is terminated pursuant to Section 4(d)(i) of the Agreement, then he shall be entitled to an acceleration of vesting of 1/2 of the remaining unvested Options. Furthermore, Mr. Cagan is entitled to certain bonus compensation based on certain Company benchmarks as set forth in Exhibit A annexed to the Agreement.

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The Company is required to promptly reimburse Mr. Cagan for all business related out-of-pocket expenses reasonably incurred in performing his responsibilities under the agreement. Mr. Cagan is entitled to a certain amount of days of paid vacation, to be scheduled and taken in accordance with the Company's standard vacation policies. In addition, Mr. Cagan is entitled to sick leave and holidays at full pay in accordance with the Company's policies established and in effect from time to time. The Agreement also contains customary provisions for disability, death, confidentiality, indemnification and non-competition. Both the Company and Mr. Cagan have the right to voluntarily terminate the Agreement at any time with or without cause. If the Company voluntarily terminates the Agreement, the Company must pay Mr. Cagan a cash sum equal to his monthly salary over a 12 month period; provided that, said compensation will include all accrued vacation pay and bonuses, if any, as Mr. Cagan would have been entitled to pursuant to the Agreement. If Mr. Cagan resigns from his employment, he will be entitled to receive compensation amount equal to his annual base salary of \$250,000 plus any accrued leave through the date of termination. All of Mr. Cagan's rights to his annual base salary and benefits hereunder which accrue or become payable after the date of such termination of the Employment Period shall cease upon such termination. In addition, Mr. Cagan shall be eligible for payment of any bonuses (earned prior to termination) as provided in the Bonus Plan (as defined in the Agreement) and be entitled to exercise his Options in accordance with Exhibit "B" annexed to the Agreement.

We entered into a three-year employment agreement with Patrick Quinn, our Vice President of Finance, and Chief Financial Officer and Chief Operating Officer on February 1, 2006. The agreement initially provided for base salary of \$187,000 per annum ("Annual Base Salary"). According to the agreement, the annual base salary may be further adjusted from time to time by the Board of Directors. The Board will review Mr. Quinn's salary at least once during each calendar year, beginning with calendar year 2007. Mr. Quinn is eligible to participate in all executive benefit plans and to receive an annual bonus on such terms, at such time and in such amount as determined by the Board of Directors. As part of the compensation package given to Mr. Quinn, he will receive during the calendar year of 2006, 250,000 stock options which shall vest over a three-year period pursuant to the Company's 2002 Stock Option Plan. Mr. Quinn's employment period will continue until December 31, 2007 unless earlier terminated. If we terminate the agreement without cause (as defined in the agreement), Mr. Quinn is entitled to receive his annual base salary at the rate then in effect and all benefits then afforded to senior executives for a six month period after the date of termination, together with expenses incurred as of the date of termination. In addition, the Company shall pay Mr. Quinn the portion of the Annual Bonus attributable to any calendar year of the Company (or portion thereof) accrued through the date of termination. If Mr. Quinn terminates the agreement (as defined in the agreement), Mr. Quinn is entitled to receive his Annual Base Salary plus any accrued leave through the date of termination. All of Mr. Quinn's rights to Annual Base Salary and benefits pursuant to the Employment Agreement which accrue or become payable after the date of such termination of the employment period shall cease upon such termination. The agreement contains a non-competition covenant that survives for a period of six months after termination of employment.

We entered into a three-year employment agreement with Douglas Cole, our Executive Vice President on February 1, 2006. The agreement initially provided for base salary of \$180,000 per annum ("Annual Base Salary"). According to the agreement, the annual base salary may be further adjusted from time to time by the Board of Directors. The Board will review Mr. Cole's salary at least once during each calendar year, beginning with calendar year 2007. Mr. Cole is eligible to participate in all executive benefit plans and to receive an annual bonus on such terms, at such time and in such amount as determined by the Board of Directors. As part of the compensation package given to Mr. Cole, he will receive during the calendar year of 2006, 250,000 stock options which shall vest over a three-year period pursuant to the Company's 2002 Stock Option Plan. Mr. Cole's employment period will continue until December 31, 2007 unless earlier terminated. If we terminate the agreement without cause (as defined in the agreement), Mr. Cole is entitled to receive his annual base salary at the rate then in effect and all benefits then afforded to senior executives for a six month period after the date of termination, together with expenses incurred as of the date of termination. In addition, the Company shall pay Mr. Cole the portion of the Annual Bonus attributable to any calendar year of the Company (or portion thereof) accrued through the date of termination. If Mr. Cole terminates the agreement (as defined in the agreement), Mr. Cole is entitled to receive his Annual Base Salary plus any accrued leave through the date of

termination. All of Mr. Cole's rights to Annual Base Salary and benefits pursuant to the Employment Agreement which accrue or become payable after the date of such termination of the employment period shall cease upon such termination. The agreement contains a non-competition covenant that survives for a period of six months after termination of employment.

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Table of Contents**ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth certain information as of September 22, 2006 regarding current beneficial ownership of our common stock by (i) each person known by us to own more than 5% of the outstanding shares of our common stock, (ii) each of our executive officers and directors, and (iii) all of our executive officers and directors as a group. Except as noted, each person has sole voting and sole investment or dispositive power with respect to the shares shown. The information presented is based on 43,415,513 outstanding shares of common stock as of October 9, 2006. Unless otherwise indicated, the address for each of the following is 4101 International Parkway Carrollton, Texas 75007.

Beneficial Owner	Number of Shared Owned	Number of Options & Warrants (1)		Total Beneficial Ownership (2)	Percent of Class Beneficially Owned
Dennis J. Cagan Chief Executive Officer, President and Director	0	6,874,300	(3)	6,874,300	5.37%
Doug Cole Executive Vice President and Director	2,009,972	1,775,000	(4)	3,784,927	6.86%
William Jobe Director 6654 Bradbury Court Fort Worth, TX 76132	200,000	895,000	(5)	1,095,000	1.70%
Arthur R. Kidson Director 2 Epsom Road Stirling, East London Republic of South Africa	0	720,000	(6)	720,000	*
Richard G. Thau Director 2468 Sharon Oaks Menlo Park, CA 84025	0	1,055,000	(7)	1,055,000	1.40%
Ron S. Posner Director 820 Stony Hill Road Tiburon, CA 94920	100,000	540,000	(8)	640,000	*
Patrick R. Quinn Chief Financial Officer and Chief Operating Officer	0	2,400,000	(9)	2,400,000	1.66%
David B. Batstone Director	0	440,000	(10)	440,000	*
Steven Hanson 5% Shareholder 1319 NW 86th Street Vancouver, WA 98665	2,000,000	3,000,000		5,000,000	10.77%
Theodore Swindells	1,550,000	1,275,000		2,825,000	6.32%

Explanation of Responses:

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5% Shareholder				
11400 Southeast 8th St				
Bellevue, WA 98004				
Luc Verelst	3,725,138	4,000,000	7,725,138	16.29%
5% Beneficial Owner				
Verbier, Switzerland 1936				
All executive officer and				
directors of the Company				
as a group (8 persons)	2,309,972	6,353,519	8,663,491	17.41%

*Denotes less than one percent (1%).

** Unless otherwise stated, all stock options granted expire 5 years from the date of the respective stock option grant.

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- (1) Reflects warrants, options or other convertible securities that will be exercisable, convertible or vested as the case may be within 60 days of June 30,2006.
- (2) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or become exercisable within 60 days following June 30, 2006 are deemed outstanding. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated in the footnotes to this table, the persons and entities named in the table have sole voting and sole investment power with respect to the shares set forth opposite such shareholder's name.
- (3) Consists of (i) 25,000 stock options, which are fully vested, granted on October 9, 2002 and which expire on October 9, 2007; (ii) 125,000 stock options granted on May 19, 2005, of which 71,896 would vest by September 1, 2006; (iii) 250,000 stock options granted on May 9, 2006, of which 125,000 would vest by September 1, 2006; (iv) 125,000 stock options granted on February 8, 2006, fully vested; and (v) 6,349,300 stock options granted on September 26, 2004, of which 80,000 vested by September 30, 2006. **
- (4) Consists of (i) 250,000 stock options, fully vested, granted on December 1, 2002 and which expire on October 9, 2007; (ii) 250,000 stock options granted on December 31, 2003, of which 234,490 would vest by September 1, 2006; (iii) 250,000 stock options granted on January 28, 2005, of which 164,023 would vest by September 1, 2006; (iv) 250,000 stock options granted on April 18, 2005, of which 148,850 would vest by September 1, 2006; (v) 250,000 stock options granted on February 8, 2006, of which 111,111 would vest by September 1, 2006; and (vi) 525,000 stock options granted on September 26, 2004, of which 2,116,433 vested by September 30, 2006. **
- (5) Consists of (i) 25,000 stock options, fully vested, granted on October 9, 2002; (ii) 125,000 stock options granted on December 31, 2003, of which 117,245 would vest by September 1, 2006; (iii) 25,000 stock options granted on September 1, 2004, of which 19,283 would vest by September 1, 2006; (iv) 125,000 stock options granted on January 28, 2005, of which 82,011 would vest by September 1, 2006; (v) 125,000 stock options granted on April 18, 2005, of which 74,425 would vest by September 1, 2006; (v) 150,000 stock options granted on February 8, 2006, which are fully vested; and (vi) 320,000 stock options granted on September 26, 2004, of which 80,000 vested by September 30, 2006. **
- (6) Consists of (i) 125,000 stock options granted on February 1, 2004, of which 114,641 would vest by September 1, 2006; (ii) 25,000 stock options granted on September 1, 2004, of which 19,283 would vest by September 1, 2006; (iii) 50,000 stock options granted on January 28, 2005, of which 32,805 would vest by September 1, 2006; (iv) 50,000 stock options granted on April 18, 2005, of which 29,770 would vest by September 1, 2006; (v) 150,000 stock options granted on February 8, 2006, which are fully vested; and (vi) 320,000 stock options granted on September 26, 2004, of which 80,000 vested by September 30, 2006. **
- (7) Consists of (i) 25,000 stock options, which are fully vested, granted on October 9, 2002 and which expire on October 9, 2007; (ii) 125,000 stock options granted on February 1, 2004, of which 114,641 would vest by September 1, 2006; (iii) 50,000 stock options granted on September 1, 2004, of which 38,566 would vest by September 1, 2006; and (iv) 125,000 stock options granted on January 28, 2005, of which 82,011 would vest by September 1, 2006; (v) 125,000 stock options granted on April 18, 2005, of which 74,425 would vest by September 1, 2006; (vi) 175,000 stock options granted on February 8, 2006, which are fully vested; and (vii) 430,000 stock options granted on September 26, 2004, of which 107,500 vested by September 30, 2006. **
- (8) Consists of (i) 25,000 stock options, which are fully vested, granted on April 1, 2003 and which expire on October 9, 2007; (ii) 125,000 stock options granted on April 18, 2005, of which 74,425 would vest by September 1, 2006; (iii)

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125,000 stock options granted on February 8, 2006, fully vested; and (iv) 265,000 stock options granted on September 26, 2006, of which 62,250 vested by September 30, 2006. **

(9) Consists of (i) 250,000 stock options, granted on April 18, 2005, of which 148,850 would vest by September 1, 2006; (ii) 250,000 stock options granted on February 8, 2006, fully vested; (iii) 250,000 stock options granted on April 18, 2005, of which 62,500 would vest by September 1, 2006; and (iv) 1,650,000 stock options granted on September 26, 2006, of which 412,500 vested by September 30, 2006. **

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(10) Consists of (i) 50,000 stock options, granted on July 15, 2002 which have entirely vested by September 30, 2006; (ii) 125,000 stock options granted on September 13, 2006 which have entirely vested by September 30, 2006; and (iii) 265,000 stock options granted on September 26, 2006, of which 62,250 vested by September 30, 2006. **

Options/SARs Grants During Last Fiscal Year

The following table sets forth the individual grants of stock options for each of the below named executive officers for the fiscal year ended June 30, 2006. No stock options were exercised during the fiscal year ended June 30, 2006.

Name	Individual Grants # of Total Options		Exercise Price per Share	Expiration Date
	Number of Securities Underlying Options	granted to Employees in Fiscal Year		
Dennis Cagan	250,000	16.66%	\$0.16	5/9/2011
	250,000	16.66%	\$0.19	2/8/2011
Doug Cole	250,000	16.66%	\$0.19	2/8/2011
Patrick R. Quinn	250,000	16.66%	\$0.19	2/8/2011
	250,000	16.66%	\$0.16	5/3/2011
Rich Marino (1)	250,000	16.66%	\$0.19	2/8/2011

(1) Rich Marino resigned as the Company's Chief Executive Officer on May 3, 2006.

Aggregate Option Exercises In Last Fiscal Year and Fiscal Year End Option Values

The following table sets forth the aggregate stock option exercises and fiscal year-end option values for each of the above named executive officers, as of June 30, 2006. This table reflects September 1, 2006, as the vesting date of the options set forth below. No stock options were exercised as of June 30, 2006.

Name	Shares Acquired on Exercise	Value Realized	Exercise Value of Unexercised Options at below date Exercisable / Unexercisable	
			Number of Underlying Options as of Sept. 1, 2006; Exercisable / Unexercisable	(\$0.10 on 6/08/05)
Dennis Cagan	0	0	346,896 / 178,104	\$34,690 / \$17,810
Doug Cole	0	0	908,474 / 341,526	\$90,847 / \$34,153
Patrick R. Quinn	0	0	322,461 / 427,539	\$32,246 / \$42,754

Explanation of Responses:

			234,295 /	\$23,430 /
Rich Marino (1)	0	0	515,705	\$51,571

(1) Rich Marino resigned as the Company's Chief Executive Officer on May 3, 2006.

THE 2002 STOCK PLAN

As of June 30, 2006, an aggregate of 14,467,000 shares of our common stock are currently authorized for issuance pursuant to our 2002 Stock Plan. This plan was approved on December 2, 2002, at a special meeting of our shareholders. The Plan allowed for a maximum aggregate number of shares that may be optioned and sold under the plan of (a) 3,000,000 shares, plus (b) an annual 500,000 increase to be added on the last day of each fiscal year beginning in 2003 unless a lesser amount is determined by the board of directors. The plan became effective with its adoption and remains in effect for ten years unless terminated earlier. On December 30, 2003, the board of directors amended the 2002 Stock Plan to allow for a maximum aggregate number of shares that may be optioned and sold under the plan of (a) 6,000,000 shares, plus (b) an annual 1,000,000 increase to be added on the last day of each fiscal year beginning in 2004 unless a lesser amount is determined by the board of directors. Options granted under the plan vest 25% on the day of the grant and the remaining 75% vests monthly over the next 36 months.

Table of Contents**ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The following related party transactions occurred from June 30, 2004 to September 30, 2006:

As of July 31, 2002, we entered into an Advisory Agreement with EAS, a private entity of which Mr. Swindells is a principal, pursuant to which EAS agreed to provide financial advisory and investment banking services to us in connection with various equity and/or debt transactions. In exchange for such services, we agreed to pay EAS a retainer fee of \$5,000 per month and a commission ranging from 5% to 7% based on the type of transaction consummated, such fees being payable, at EAS' option, in cash or our common stock. On October 2, 2003, we renewed the agreement with EAS on terms similar to those contained in the first agreement. On January 1, 2004, we amended the October 2003 agreement in connection with our January 2004 senior convertible bridge note offering, which closed on May 28, 2004, for which we paid EAS a fee of 10%. Through June 30, 2004, EAS had earned a total of \$1,065,104 pursuant to our arrangement with them, of which \$345,450 was earned in connection with private equity and/or debt transactions and \$719,654 was earned for advisory services in connection with certain acquisitions. In January 2004, 250,000 shares of our common stock with a fair market value of \$375,000 were paid to EAS in the Company's common stock. As of June 30, 2004, the balance owed to EAS was \$66,653. On May 27, 2004, European American Perinvest Group, a subsidiary of EAS, invested \$100,000 in our 2004 senior convertible bridge note offering. On May 28, 2004, this investment was converted to 166,699 restricted shares of our common stock, which had a fair market value of \$175,034 at time of the conversion, as part of the total conversion of this financing to 4,520,069 shares of our common stock, which had a fair market value of \$4,746,072 at time of the conversion. During the period August 2001 to June 30, 2002, Mr. Swindells advanced a total of \$925,000 to us by way of short-term non-interest bearing working capital loans. We repaid \$500,000 of the total amount owing in September 2003 and issued an aggregate of 850,000 shares of our common stock to Mr. Swindells in November 2003 in payment of the remaining balance of \$425,000. During the period June 2004 to October 2004, Mr. Swindells advanced us \$155,000. On August 10, 2004 we repaid \$50,000 of this amount and on November 2, 2004 we paid the remaining balance of \$105,000. On October 14, 2004, Mr. Swindells exercised warrants to purchase 300,000 shares of our common stock at \$0.05 per share.

William Jobe, one of our directors, was paid a total of \$59,500 during the period December 2003 to May 2004 as compensation for merger and acquisition services associated with our acquisition of TouchVision. In August 2004, we paid Mr. Jobe an additional \$4,815 in connection with the TouchVision transaction. Ted Swindells, a holder of approximately 9.8% of the Company's Common Stock, lent the Company \$300,000 in April, 2005 pursuant to a non interest bearing unsecured demand promissory note. The loan proceeds were used for working capital. \$250,000 of the loan was repaid in October, 2005.

Ted Swindells, a holder of approximately 9.8% of the Company's Common Stock, lent the Company \$300,000 in April, 2005 pursuant to a non interest bearing unsecured demand promissory note. The loan proceeds were used for working capital. \$250,000 of the loan was repaid in October, 2005.

Management believes that all of the above transactions were on terms at least as favorable as could have been obtained from unrelated third parties.

ITEM 13. EXHIBITS

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Exhibit

No. Description

3(i).1	Articles of Restatement of the Articles of Incorporation of Trinity Learning Corporation dated February 25, 2003. (4)
3(i).2	Articles of Amendments of the Company filed on September 29, 2006 with the Secretary of State of the State of Utah to (i) increase the authorized common stock of the Company from 100,000,000 shares to 750,000,000 shares, and (ii) to change the name of the Company to TWL Corporation. (2)
3(i).3	Articles of Restatement of the Articles of Incorporation of the Company filed with the Secretary of State of the State of Utah on August 31, 2006. (3)
3(ii)	Bylaws of Trinity Companies, Inc. (1)
4.1	Statement of designation, powers, preferences and rights of the Series A Preferred Stock. (3)
10.1	Asset Purchase Agreement dated April 1, 2005 among the Company, Primedia, Inc., its wholly-owned entity Primedia Digital Video Holdings LLC and Primedia Workplace Learning LP. (7)

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Exhibit

No.

continued

Description

10.2	Securities Purchase Agreement dated as of March 31, 2006 by and among Trinity Learning Corporation and the investors. (8)
10.3	Form of 15% Senior Secured Convertible Debenture of Trinity Learning Corporation. (8)
10.4	Form of Warrant issued to the investors in connection with the Securities Purchase Agreement dated as of March 31, 2006. (8)
10.5	Registration Rights agreement dated as of March 31, 2006 by and among Trinity Learning Corporation and the investors. (8)
10.6	Security Agreement dated as of March 31, 2006 by and among Trinity Learning Corporation, TWL Knowledge Group Inc and the investors. (8)
10.7	Subsidiary Guarantee dated as of March 31, 2006 by Trinity Workplace Learning Corporation. (8)
10.8	Voting Agreement dated as of March 31, 2006 entered into in connection with the Securities Purchase Agreement dated as of March 31, 2006.
10.9#	Employment Agreement entered into by and between Dennis J. Cagan and the Company dated September 1, 2006. (5)
10.10#	Employment Agreement entered into by and between Patrick R. Quinn and the Company dated February 1, 2006. (6)
10.11#	Employment Agreement entered into by and between Douglas D. Cole and the Company dated February 1, 2006. (6)
10.12	Security Agreement dated August 31, 2006 by and among the Company, Laurus Master Fund, Ltd., and TWL Knowledge Group Inc. (3)
10.13	IP Security Agreement dated August 31, 2006 by and between Laurus Master Fund, Ltd. and TWL Knowledge Group Inc. (3)
10.14	Secured Non-Convertible Term Note dated August 31, 2006 payable to Laurus Master Fund, Ltd. (3)
10.15	Secured Non-Convertible Revolving Note dated August 31, 2006 payable to Laurus Master Fund, Ltd. (3)
10.16	Funds Escrow Agreement dated August 31, 2006 by and among TWL Corporation, Laurus Master Fund, Ltd. and Loeb & Loeb, Ltd. (3)
10.17	Registration Rights Agreement dated August 31, 2006 by and between TWL Corporation and Laurus Master Fund, Ltd. (3)
10.18	Stock Pledge Agreement dated August 31, 2006 by and among Laurus Master Fund, Ltd., TWL Corporation and TWL Knowledge Group Inc. (3)

Explanation of Responses:

10.19 Subordination Agreement dated August 31, 2006 by and among Laurus Master Fund, Ltd., Palisades Master Fund LP, TWL Corporation and TWL Knowledge Group Inc. (3)

10.20 Letter Agreement entered into by and between TWL Corporation and Palisades Master Fund LP dated July 27, 2006. (3)

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Exhibit

No.

continued

Description

10.21 Letter Agreement entered into by and between TWL Corporation and Palisades Master Fund LP dated July 31, 2006. (3)

10.22 Lock-up Letter Agreement by and between TWL Corporation and Laurus Master Fund, Ltd. (3)

10.23 Voting Agreement dated March 31, 2006. (9)

10.24 Escrow Agreement dated March 31, 2005 entered into by and among the Company, Palisades Master Fund,LP and Sichenzia Ross Friedman Ference LLP. (9)

16.1 Letter provided by Chisholm Bierwolf & Nilson, LLC (8)

21.1 List of Subsidiaries of TWL Corporation. *

23.1 Consent of Chisholm Bierwolf & Nilson, LLC. (9)

31.1 Certification of disclosure by CEO. *

31.2 Cerification of disclosure by CFO. *

32.1 Certification of SEC compliance and accurate representation by Chief Executive Officer. *

32.2 Certification of SEC compliance and accurate representation by Chief Financial Officer. *

* Exhibit filed herewith

Denotes a management contract or compensatory plan.

(1) Incorporated by reference from the quarterly report on Form 10-QSB filed by the registrant on August 21, 2002.

(2) Incorporated by reference from the current report on Form 8-k filed by the registrant on October 4, 2006.

(3) Incorporated by reference from the current report on Form 8-k filed by the registrant on September 6, 2006.

(4) Incorporated by reference from the current report on Form 8-k filed by the registrant on December 17, 2003.

(5) Incorporated by reference from the current report on Form 8-k filed by the registrant on September 7, 2006.

(6) Incorporated by reference from the quarterly report on Form 10-QSB filed by the registrant on May 23, 2006.

(7) Incorporated by reference from the current report on Form 8-k filed by the registrant on April 7, 2005.

(8) Incorporated by reference from the current report on Form 8-k filed by the registrant on April 4, 2006.

(9) Incorporated by reference from the annual report on Form 10-KSB filed by the registrant on November 13, 2006.

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Table of Contents**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.****AUDIT AND OTHER FEES**

The Audit Committee has selected and retained Chisholm, Bierwolf & Nilson, LLC as our independent auditors for the fiscal year ended 30, 2006. This is the second year that Chisholm, Bierwolf & Nilson, LLC has audited our financial statements.

The following table presents fees for professional services rendered by our auditors for the audit of our annual financial statements for the fiscal years ended June 30, 2006 and June 30, 2005 and fees billed for other services rendered by them during those periods:

	Chisholm, Bierwolf, Nilson, LLC	
	Fiscal 2006	Fiscal 2005
Audit Fees (1)	\$ 120,000	\$ 108,725
Audit-Related Fees (2)		-
Tax Tax Fees (3)	5,000	-
All Other Fees (4)		-
Total	\$ 125,000	\$ 108,725

- (1) Audit Fees consist of an estimate of fees to be billed for the annual audits and quarterly reviews.
(2) Audit-Related Fees consist of fees billed for various SEC filings and accounting research.
(3) Tax Fees consist of fees billed for tax consultation and assistance in the preparation of tax returns.
(4) All other fees.

All audited-related services, tax services and other services were pre-approved by the Audit Committee, which concluded that the provision of those services by Chisholm, Bierwolf & Nilson, LLC was compatible with the maintenance of that firm's independence in the conduct of its auditing functions.

Pre-Approval Policy

The policy of the Audit Committee is to pre-approve all auditing and non-auditing services of the independent auditors, subject to de minimus exceptions for other than audit, review, or attest services that are approved by the Audit Committee prior to completion of the audit. Alternatively, the engagement of the independent auditors may be entered into pursuant to pre-approved policies and procedures established by the Committee, provided that the policies and procedures are detailed as to the particular services and the Committee is informed of each service.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TWL CORPORATION

By: /s/ Dennis J. Cagan
Dennis J. Cagan
Chief Executive Officer

TWL CORPORATION

By: /s/ Patrick R. Quinn
Patrick R. Quinn
Chief Financial Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Dennis J. Cagan Dennis J. Cagan	Chief Executive Officer, President and Director	October 12, 2007
/s/ Douglas D. Cole Douglas D. Cole	Executive Vice President and Director	October 12, 2007
/s/ William D. Jobe William D. Jobe	Director	October 12, 2007
/s/ Richard G. Thau Richard G. Thau	Director	October 12, 2007
/s/ David B. Barstone David B. Batstone	Director	October 12, 2007

