EDT LEARNING INC
Form 8-K/A
February 10, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 8-K/A

AMENDMENT NO. 1 TO CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 13, 2002

EDT LEARNING, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE (State or Other Jurisdiction of Incorporation or Organization)	76-0545043 (I.R.S. Employer Identification No.)
2999 NORTH 44TH STREET, SUITE 650, PHOENIX, ARIZONA (Address of Principal Executive Offices)	85018 (Zip Code)

(602) 952-1200
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Pro Forma Financial Information (unaudited)

EDT LEARNING, INC. AND LEARNLINC CORPORATION PRO FORMA
UNAUDITED COMBINED FINANCIAL STATEMENTS

(b) Financial Statements of Business Acquired

LEARNLINC CORPORATION FINANCIAL STATEMENTS

SIGNATURES

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

EDT Learning, Inc.

By: /s/ James M. Powers, Jr.

James M. Powers, Jr.,
Chairman of the Board, President and
Chief Executive Officer

Date: February 10, 2003

EDT LEARNING, INC. AND LEARNLINC CORPORATION
PRO FORMA UNAUDITED COMBINED FINANCIAL STATEMENTS

INTRODUCTION

The following pro forma combined financial statements reflect the acquisition of certain assets of LearnLinc Corporation (LearnLinc) on December 13, 2002. The pro forma combined financial statements also reflect the acquisition of certain assets of Quisic Corporation (Quisic) on June 17, 2002, the acquisition of all the outstanding capital stock of ThoughtWare Technologies, Inc. (ThoughtWare) on January 15, 2002 and the acquisition of all of the outstanding capital stock of Learning-Edge, Inc. (Learning-Edge) on October 1, 2001.

The pro forma combined balance sheet is derived from the historical consolidated balance sheet of EDT Learning as of September 30, 2002 and the historical balance sheet of LearnLinc as of September 30, 2002 and is presented as if the acquisition had been consummated on September 30, 2002. The pro forma combined statement of operations for the year ended March 31, 2002 is derived from the historical consolidated statement of operations of EDT Learning for the year ended March 31, 2002, the historical statement of operations of LearnLinc for the year ended December 31, 2001, the historical statement of operations of Quisic for the year ended December 31, 2001, the interim statement of operations of ThoughtWare for the nine months ended December 31, 2001 and the interim statement of operations of Learning-Edge for the six months ended September 30, 2001. The pro forma combined statement of operations for the six months ended September 30, 2002 is derived from the interim consolidated statement of operations of EDT Learning for the six months ended September 30, 2002, the interim statement of operations of LearnLinc for the six months ended September

30, 2002 and the results of operations of Quisic for the period from April 1, 2002 to June 16, 2002. The pro forma adjustments have been prepared as if the acquisitions of LearnLinc, Quisic, Learning-Edge and ThoughtWare had been consummated on April 1, 2001.

The pro forma combined financial statements are not necessarily indicative of the results of the future operations of EDT Learning. The pro forma combined statements of operations do not reflect the anticipated cost savings resulting from integration of the operations of EDT Learning and LearnLinc or costs to be incurred to integrate the two companies. The pro forma adjustments described in the accompanying notes are based on estimates derived from information currently available.

The pro forma combined financial statements should be read in conjunction with the notes thereto and the historical financial statements of LearnLinc included in Item 7(b) of this Form 8-K/A. In addition, reference should be made to the historical financial statements of EDT Learning included in Form 10-K for the year ended March 31, 2002 and included in Form 10-Q for the six months ended September 30, 2002 filed with the Securities and Exchange Commission. Reference should be made to the historical statements of Quisic included in Form 8-K/A, which contained the audited financial statements of Quisic for the years ended December 31, 2001 and 2000 filed with the Securities and Exchange Commission. Reference should be made to the historical financial statements of ThoughtWare included in Form 8-K/A, which contained the audited financial statements of ThoughtWare for the year ended December 31, 2001 and the unaudited financial statements of ThoughtWare for the year ended December 31, 2000 filed with the Securities and Exchange Commission. Reference should also be made to the historical financial statements of Learning-Edge included in Form 8-K/A, which contained the audited financial statements of Learning-Edge, Inc. for the year ended December 31, 2000 and the unaudited financial statements of Learning-Edge, Inc. for the nine months ended September 30, 2001 filed with the Securities and Exchange Commission.

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EDT LEARNING, INC. AND LEARNLINC CORPORATION
UNAUDITED PROFORMA COMBINED BALANCE SHEET
AS OF SEPTEMBER 30, 2002
(IN THOUSANDS)

	EDT LEARNING	LEARNLINC	PRO FOR ADJUSTME
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 832	$ 1	$ -
Accounts Receivable, net	1,022	106	
Prepaid expenses and other current assets	118	10	
Inventory		5	
Notes receivable, net	310	--	
Total current assets	2,282	122	
Property and equipment, net	1,519	54	(
Goodwill	9,600	--	34
Intangible assets, net	1,504	--	50
Notes receivable, net	488	--	
Other assets	262	--	

Total assets	$ 15,655	$ 176	$ 84
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities:			
Current portion of long term debt	$ 725	$ 49	$ 45
Accounts payable and accrued liabilities	1,770	233	(4
Current portion of deferred revenue	340	387	(5
Current portion of capital lease liabilities	399	--	
Total current liabilities	3,234	669	35
Long term debt, less current maturities	5,746	--	-
Capital lease liabilities	308	--	
Deferred revenue	84	--	
Commitments and contingencies			
Shareholders' deficit:			
Common stock	18	1	(
Additional paid-in capital	33,659	5,757	(5,75
Accumulated deficit	(26,253)	(6,174)	6,17
Deferred compensation	--	(77)	7
Less: Treasury shares	(1,141)	--	-
Total shareholders' deficit	6,283	(493)	49
Total liabilities and shareholders' deficit	$ 15,655	$ 176	$ 84

SEE ACCOMPANYING NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

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EDT LEARNING, INC., LEARNING-EDGE, INC., THOUGHTWARE TECHNOLOGIES, INC.,
QUISIC CORP. AND LEARNLINC CORP.
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE DATA)

	EDT LEARNING FOR THE FISCAL YEAR ENDED MARCH 31, 2002	LEARNING-EDGE FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2001	THOUGHTWARE TECHNOLOGIES FOR THE NINE MONTHS ENDED DECEMBER 31, 2001	QUISIC CORPORATION FOR THE YEAR ENDED DECEMBER 31, 2001	LEA CORP FO Y E DECE 2
Revenues					
Learning	$ 2,682	$ 530	$ 1,493	$ 6,184	$
Dental contracts	6,582	--	--	--	
Total revenues	9,264	530	1,493	6,184	
Operating expenses:					
Costs of revenue	--	608	887	3,747	
Research and development	2,323	--	908	5,030	
Sales and marketing	1,123	402	1,611	4,201	

General and administrative	2,692	638	3,234	9,642	1
Depreciation and amortization ...	2,089	88	131	5,049	
Impairment of long-lived assets	--	--	--	6,217	
	--------	--------	--------	--------	----
Total operating expenses	8,227	1,736	6,771	33,886	2
Earnings (loss) from operations ...	1,037	(1,206)	(5,278)	(27,702)	
Interest expense	(1,040)	(54)	(65)	(45,540)	
Interest income	238	--	37	--	
Other income (expense)	1,305	--	--	(763)	
	--------	--------	--------	--------	----
	503	(54)	(28)	(46,303)	
Income (loss) before taxes	1,540	(1,260)	(5,306)	(74,005)	
Income tax expense	--	--	--	1	
	--------	--------	--------	--------	----
Income (loss) before extraordinary item	$ 1,540	$ (1,260)	$ (5,306)	$(74,006)	$
	========	========	========	========	====
Earnings (loss) per common share:					
Basic	$ 0.13				
	========				
Diluted	$ 0.12				
	========				
Number of shares used in calculation of earnings (loss) per share:					
Basic	11,930				
	========				
Diluted	12,466				
	========				

SEE ACCOMPANYING NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

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EDT LEARNING, INC. AND LEARNLINC CORPORATION
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002
(IN THOUSANDS, EXCEPT SHARE DATA)

	EDT LEARNING FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002	QUISIC CORPORATION FOR THE PERIOD FROM APRIL 1 TO JUNE 16, 2002	LEARNLINC CORPORATION FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002
	----	----	----
Revenues			
Learning	$ 2,272	$ 335	$ 774
Dental contracts	1,993	--	--

Total revenues	4,265	335	774
Operating expenses			
Cost of revenue	--	472	216
Research and development	1,810	408	177
Sales and marketing	851	383	129
General and administrative	1,463	708	119
Depreciation and amortization	991	466	138
Total operating expenses	5,115	2,437	779
Earnings (loss) from operations	(850)	(2,102)	(5)
Interest expense	(766)	(348)	(1)
Interest income	92	--	--
Other income	815	--	2
Income (loss) before income taxes	(709)	(2,450)	(4)
Income taxes	--	--	--
Net income (loss)	$ (709)	$ (2,450)	(4)
Earnings (loss) per common share, basic and diluted	$ (0.05)		
Number of shares used in calculation of earnings (loss) per share, basic and diluted	15,572		

SEE ACCOMPANYING NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

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NOTES TO PRO FORMA UNAUDITED COMBINED FINANCIAL STATEMENTS

On December 13, 2002, the Company acquired certain assets of LearnLinc Corporation (LearnLinc), a wholly-owned subsidiary of Mentergy, Inc., in exchange for $500,000 and the assumption of $462,000 of liabilities. In addition, the Company will pay a royalty of 20% for all revenues collected from the sale or license of LearnLinc software over a three-year period. The maximum amount due under the Royalty Agreement is $5,000,000. The purchase price has initially been calculated as follows:

	LEARNLINC (IN THOUSANDS)
Issuance of debt	$ 500
Acquisition costs	60
Net purchase price, including acquisition costs	$ 560
Assumed liabilities	462
Total purchase price	$1,022

The following is a summary of the significant assumptions and adjustments used in preparing the pro forma unaudited combined balance sheet as of September 30, 2002 and the pro forma unaudited combined statements of operations for the year ended March 31, 2002 and for the six months ended September 30, 2002.

(A) The total purchase price has initially been allocated to assets acquired and liabilities assumed based upon their estimated fair values in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations". The excess purchase price over the estimated fair value of the tangible and identifiable intangible assets acquired and liabilities assumed has been assigned to goodwill.

The purchase price of LearnLinc has initially been allocated as follows:

	HISTORICAL AMOUNT	PURCHASE PRICE ALLOCATION	PRO FORMA ADJUSTMENT
		(IN THOUSANDS)	
Current assets	$ 121	$ 124	$ 3
Property and equipment	54	50	(4)
Goodwill	--	348	348
Identifiable intangible assets	--	500	500
Current liabilities, including deferred revenue	(668)	(1,022)	(354)
Common stock	(1)	--	1
Capital in excess of par value	(5,757)	--	5,757
Accumulated deficit	6,174	--	(6,174)
Deferred compensation	77	--	(77)
	$ --	$ --	$ --

(B) Reflects the elimination of sales between EDT Learning and Learning-Edge prior to the acquisition.

(C) Reflects the increase in amortization related to the Learning-Edge acquisition.

(D) Reflects interest expense related to the $500,000 and $1.1 million of debt issued by EDT Learning in connection with the LearnLinc and Learning-Edge acquisitions.

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(E) The historical results of EDT Learning for the year ended March 31, 2002 included a $4,265,000 extraordinary gain related to forgiveness of debt. This item has not been included in the related unaudited pro forma consolidated statements of operations.

(F) Reflects amortization of the identifiable intangible assets recorded as part of the LearnLinc and Quisic asset acquisitions.

(G) Reflects the condensed historical results of LearnLinc's operations not otherwise included in the related pro forma information:

	NINE MONTHS ENDED	LESS THREE MONTHS ENDED	SIX MONTHS ENDED SEPTEMBER 30, 2002 INCLUDED IN

LearnLinc Corporation	SEPTEMBER 30, 2002	MARCH 31, 2002	PRO FORMA STATEMENTS
Revenues	$ 1,083	$ 309	$ 774
Loss from operations	$ (145)	$ (140)	$ (5)
Net loss	$ (147)	$ (143)	$ (4)

(H) Weighted average shares of common stock outstanding is summarized below:

	SIX MONTHS ENDED SEPTEMBER 30, 2002	YEAR ENDED MARCH 31, 2002
EDT Learning historical weighted average common stock equivalents:		
Basic	15,572	11,930
Diluted	15,572	12,466
EDT Learning shares issued for the acquisition of Learning-Edge	--	975
EDT Learning shares issued for the acquisition of ThoughtWare	--	1,163
EDT Learning issued for the acquisition of certain assets of Quisic	1,050	2,500
Total number of shares used in net income per share calculation:		
Basic	16,622	16,568
Diluted	16,622	17,104

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
LearnLinc Corporation

We have audited the accompanying balance sheets of LearnLinc Corporation (the Company) as of December 31, 2001 and 2000 and the related statements of operations, shareholder's deficit and cash flows for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LearnLinc Corporation at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years ended December 31, 2001 and 2000 in conformity with accounting principles generally accepted in the United States of America.

/s/ HANSEN, BARNETT & MAXWELL

Salt Lake City, Utah
January 15, 2003

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LEARNLINC CORPORATION
BALANCE SHEETS

	SEPTEMBER 30, 2002	DECEMBER 31, 2001	DECEMBER 31, 2000
	(UNAUDITED)		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 750	$ 750	$ 43,116
Accounts receivable, net of allowance for uncollectible accounts of $142,427 (unaudited), $51,240, and $95,792, respectively	105,327	360,436	378,691
Inventory	4,667	7,882	3,598
Other current assets	10,000	1,040	53,815
TOTAL CURRENT ASSETS	120,744	370,108	479,220
PROPERTY AND EQUIPMENT, NET	53,912	152,531	242,244
TOTAL ASSETS	$ 174,656	$ 522,639	$ 721,464
LIABILITIES AND SHAREHOLDER'S DEFICIT			
CURRENT LIABILITIES			
Current portion of notes payable	$ 48,744	$ 55,536	$ 37,182
Accounts payable	200,752	64,213	52,681
Accrued expenses	32,084	51,112	169,349
Deferred revenue	387,038	494,988	379,501
TOTAL CURRENT LIABILITIES	668,618	665,849	638,713
LONG-TERM NOTES PAYABLE	--	--	2,111,160
TOTAL LIABILITIES	668,618	665,849	2,749,873
SHAREHOLDER'S DEFICIT			
Common Stock, $0.0001 par value; 8,000,000 shares authorized; 5,446,431 shares issued and outstanding, respectively	545	545	545

Additional paid-in capital	5,756,892	5,883,812	3,489,799
Deferred compensation	(77,223)	--	--
Accumulated deficit	(6,174,176)	(6,027,567)	(5,518,753)
TOTAL SHAREHOLDER'S DEFICIT	(493,962)	(143,210)	(2,028,409)
TOTAL LIABILITIES AND SHAREHOLDER'S DEFICIT	$ 174,656	$ 522,639	$ 721,464

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

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LEARNLINC CORPORATION
STATEMENTS OF OPERATIONS

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE YEA DECEMBE
	2002	2001	2001
	(UNAUDITED)	(UNAUDITED)	
SALES	$ 1,083,239	$ 2,167,620	$ 2,529,415
COST OF SALES	318,119	502,097	570,364
GROSS MARGIN	765,120	1,665,523	1,959,051
OPERATING EXPENSES			
Selling, general, and administrative expenses	599,971	1,475,690	1,701,461
Product development expenses	310,216	571,789	672,716
TOTAL OPERATING EXPENSES	910,187	2,047,479	2,374,177
LOSS FROM OPERATIONS	(145,067)	(381,956)	(415,126)
OTHER INCOME (EXPENSE)			
Interest expense	(4,155)	(71,380)	(93,697)
Other income	2,613	9	9
	(1,542)	(71,371)	(93,688)
NET LOSS	$ (146,609)	$ (453,327)	$ (508,814)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.03)	$ (0.08)	$ (0.09)
BASIC AND DILUTED WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	5,446,431	5,446,431	5,446,431

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

LEARNLINC CORPORATION
STATEMENTS OF SHAREHOLDER'S DEFICIT
FOR THE YEARS ENDED DECEMBER 30, 2000 AND 2001 AND FOR THE NINE MONTHS
ENDED SEPTEMBER 30, 2002 (UNAUDITED)

	PREFERRED STOCK		
	SHARES	AMOUNT	SHAR
BALANCE AT JANUARY 1, 2000	2,818,318	$ 3,844,398	2,58
Common stock issued for exercise of options	--	--	
Preferred stock dividends	--	--	
Accretion of preferred stock to redemption value	--	55,614	
Cancellation of dividends payable	--	--	
Common stock issued for conversion of note payable	--	--	3
Common stock issued for conversion of preferred stock	(2,818,318)	(3,900,012)	2,81
Net distribution to shareholder	--	--	
Net loss	--	--	
BALANCE AT DECEMBER 31, 2000	--	--	5,44
Forgiveness of shareholder note payable	--	--	
Net contribution from shareholder	--	--	
Net loss	--	--	
BALANCE AT DECEMBER 31, 2001	--	--	5,44
Options of the parent corporation issued to employees of Company with no exercise price	--	--	
Amortization of compensation cost	--	--	
Net distribution to shareholder	--	--	
Net loss	--	--	
BALANCE AT SEPTEMBER 30, 2002 (UNAUDITED)	--	$ --	5,44

	ADDITIONAL PAID-IN CAPITAL	DEFERRED COMPENSATION	ACCUMUL DEFIC
BALANCE AT JANUARY 1, 2000	$ --	$ --	$ (5,16
Common stock issued for exercise of options	5,970	--	
Preferred stock dividends	--	--	(9
Accretion of preferred stock to redemption value	--	--	(5
Cancellation of dividends payable	--	--	1,78
Common stock issued for conversion of note payable	49,997	--	
Common stock issued for conversion of preferred stock	3,899,730	--	
Net distribution to shareholder	(465,898)	--	
Net loss	--	--	(1,99
BALANCE AT DECEMBER 31, 2000	3,489,799	--	(5,51
Forgiveness of shareholder note payable	2,182,647	--	
Net contribution from shareholder	211,366	--	
Net loss	--	--	(50

BALANCE AT DECEMBER 31, 2001	5,883,812	--	(6,02
Options of the parent corporation issued to employees of Company with no exercise price	166,272	(166,272)	
Amortization of compensation cost	--	89,049	
Net distribution to shareholder	(293,192)	--	
Net loss	--	--	(14
BALANCE AT SEPTEMBER 30, 2002 (UNAUDITED)	$ 5,756,892	$ (77,223)	$ (6,17

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

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LEARNLINC CORPORATION
STATEMENTS OF CASH FLOWS

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE DEC
	2002	2001	2001
	(UNAUDITED)	(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (146,609)	$ (453,327)	$ (508,81
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation	74,939	72,000	108,65
Amortization of deferred compensation	89,049	--	-
(Gain) loss on sale of property and equipment	(2,612)	--	-
Changes in operating assets and liabilities:			
Accounts receivable	255,109	9,484	16,30
Other assets	(5,745)	33,904	50,44
Accounts payable	136,539	(2,132)	11,53
Accrued expenses	(19,028)	32,284	(59
Deferred revenue	(107,950)	12,379	115,48
NET CASH FROM OPERATING ACTIVITIES	273,692	(295,408)	(206,98
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	--	--	-
Proceeds from sale of property and equipment	12,126	--	-
NET CASH FROM INVESTING ACTIVITIES	12,126	--	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments of notes payable	(6,792)	(25,655)	(27,80
Proceeds from issuance of note payable	--	--	-
Proceeds from shareholder note payable	--	--	-
Proceeds from exercise of stock options	--	--	-
Net contributions (distributions) from (to) shareholder	(279,026)	278,697	192,42

NET CASH FROM FINANCING ACTIVITIES	(285,818)	253,042	164,61
DECREASE IN CASH AND CASH EQUIVALENTS	--	(42,366)	(42,36
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	750	43,116	43,11
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 750	$ 750	$ 75

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

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LEARNLINC CORPORATION
STATEMENTS OF CASH FLOWS
(CONTINUED)

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR T D
	2002	2001	2001
	(UNAUDITED)	(UNAUDITED)	
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	$ 1,682	$ 8,713	$ 9,
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Value of options of shareholder corporation issued to employees of Company with no exercise price	$ 166,272	$ --	$
Property and equipment transferred to shareholder corporation	14,166	--	
Property and equipment transferred from shareholder corporation	--	18,945	18,
Forgiveness of shareholder note payable and accrued interest	--	--	2,182,
Conversion of preferred stock to common stock and the accretion of the remaining discount	--	--	
Accrual of dividends	--	--	
Settlement of notes payable with common stock	--	--	
Cancellation of dividends payable	--	--	

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

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LEARNLINC CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Information with Respect to the Nine-Month Period
Ending September 30, 2002 is Unaudited)

NOTE 1--DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PRINCIPAL BUSINESS ACTIVITIES - Interactive Learning International, Inc was organized in March 1994 and changed its name to LearnLinc Corporation (the Company) in July 1999. The Company was privately held by its employees and a small number of outside investors until February 29, 2000, when it was acquired by Gilat Communications, Ltd., an Israeli corporation, traded publicly on the NASDQ exchange. The merger was accounted for as a pooling of interests. In May 2001, Gilat Communications Ltd. changed its name to Mentergy Ltd. In December 2001, Mentergy Ltd. transferred its ownership of LearnLinc Corporation to Mentergy, Inc., a wholly owned subsidiary of Mentergy Ltd. Mentergy Ltd. and Mentergy, Inc. are collectively referred to as the sole shareholder or the parent company of LearnLinc Corporation.

The accompanying financial statements present the operations of the LearnLinc Corporation (the Company) on a stand-alone basis for the nine months ended September 30, 2002 and for the years ended December 31, 2001 and 2000. During 2001, the Company closed all of its checking accounts and the parent corporation managed all operations of the Company. Any amounts owed to the parent corporation for net cash payments are classified as a contribution of capital from the parent corporation. Any amounts receivable from the parent for net cash proceeds are classified as a distribution to the parent corporation.

The Company develops, markets and licenses interactive multimedia software. The software is designed to create a student-centered, instructor-led distance learning environment for business, educational and governmental use in a "virtual classroom" via a personal computer.

BASIS OF PRESENTATION AND BUSINESS CONDITION- The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business. As shown in the financial statements, during the years ended December 31, 2001 and 2000, the Company incurred losses of $508,814 and $1,993,037, respectively. During the years ended December 31, 2001 and 2000, the Company's operations used $206,981 and $1,447,948 of cash, respectively. On September 25, 2002, Mentergy Ltd. announced that it had filed a request with an Israeli court seeking protection from creditors. Although this filing related only to creditors of Mentergy Ltd., it further impaired the Company's ability to market its products or obtain additional financing. The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows to meet its obligations on a timely basis, to obtain additional financing as may be required, and ultimately to attain profitable operations. Management has addressed this concern by selling substantially all the assets of the Company to EDT learning on December 13, 2002 for $500,000. The sale also included the assumption of certain liabilities.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

INVENTORY - Inventory is stated at the lower of cost or market as determined on the first-in, first-out method. Inventory consists mainly of program CD's and manuals.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets (three to seven years). Upon retirement, sale, or other disposition of assets, the cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized.

The Company reviews its long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment. The Company uses an estimate of future undiscounted net cash flows from the related asset or group of assets over the remaining life in measuring whether the assets are recoverable. As of December 31, 2001, the Company did not consider any of its long-lived assets to be impaired.

REVENUE RECOGNITION - The Company recognizes revenues in accordance with the provisions of Statement of Position No. 97-2, "Software Revenue Recognition" and related interpretations. The Company generates revenues from the sale of its software products to end-users. It also generates revenues from the sale of maintenance and support services on its software products.

PRODUCT REVENUE - Revenue from software license and technology development fees is recognized upon the later of shipment of product or completion of significant obligations to customers, provided collectiblity of the resulting receivable is probable.

MAINTENANCE AND SUPPORT SERVICES - Maintenance revenue is deferred and recognized ratably over the term of the agreement. Revenue from support services is recognized as the related services are performed.

PRODUCT DEVELOPMENT EXPENSE - All costs incurred to establish the technological feasibility of the Company's products have been charged to product development and research expense in the periods such costs were incurred. The Company sells its products immediately following the achievement of technological feasibility.

INCOME TAXES - Financial Accounting Standard No. 109, "Accounting for Income Taxes" (FAS 109), requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between financial statement and tax bases of existing assets and liabilities. Under FAS No. l09, the effect of tax rate changes on deferred taxes is recognized in the income tax provision in the period that includes the enactment date.

NET LOSS PER COMMON SHARE - Basic loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares and the dilutive potential common share equivalents outstanding. Potential common share equivalents consist of shares issuable upon the exercise of stock options, warrants and shares issuable upon the conversion of convertible preferred stock. At December 31, 2001, the Company had no potential common share equivalents issued or outstanding.

INTERIM FINANCIAL STATEMENTS - The accompanying financial statements include the accounts of the Company for the nine months ended September 30, 2002. In the opinion of management, all adjustments necessary for a fair presentation of the financial statements as of September 30, 2002 and for the nine months ended September 30, 2002 have been included in the accompanying financial statements and consist of only normal recurring adjustments. The results of operations presented in the accompanying financial statements for the nine months ended September 30, 2002 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2002.

NOTE 2 -- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	SEPTEMBER 30, 2002	DECEMBER 31, 2001	DECEMBER 31, 2000
Furniture and fixtures	$ 92,707	$ 92,707	$ 73,762
Computers and equipment	573,567	610,192	610,192
Purchased software	14,738	66,412	66,412
	681,012	769,311	750,366
Accumulated depreciation	(627,100)	(616,780)	(508,122)
NET PROPERTY AND EQUIPMENT	$ 53,912	$ 152,531	$ 242,244

Depreciation and amortization expense for the nine months ended September 30, 2002 and for the years ended December 31, 2001 and 2000 was $74,939, $108,659 and $100,217, respectively.

NOTE 3 -- NOTES PAYABLE

Notes payable consisted of the following:

	SEPTEMBER 30, 2002	DECEMBER 31, 2001	DECEMBER 31, 2000
Note payable to parent company bearing interest at 4%; originally due April 2002; forgiven as a capital contribution during 2001	$ --	$ --	$2,065,000
Notes payable to a leasing company bearing interest at rates ranging from 13.9% to 16.2%; as of December 31, 2001, the Company was in default on these leases; the leases are classified as due on demand;			

secured by computer hardware	48,744	55,536	83,342
	48,744	55,536	2,148,342
Less: current portion of notes payable	48,744	55,536	37,182
LONG-TERM PORTION OF NOTES PAYABLE	$ --	$ --	$2,111,160

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LEARNLINC CORPORATION
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NOTE 4 -- REDEEMABLE PREFERRED STOCK

Upon the merger of the Company with the parent corporation, each Series A Preferred, Series B Preferred and Series C Preferred shareholder was required to redeem their preferred stock at $1.055, $1.3525 and $1.4475 per share of preferred stock, respectively. Upon redemption, the remaining $55,614 accretion to redemption value was recognized and the preferred shareholders waived all accrued and unpaid dividends. Accordingly, 142,150, 1,293,300 and 1,382,868 shares of Series A, Series B and Series C Preferred Stock, respectively were converted into 2,818,308 shares of the Company's common stock.

NOTE 5 -- STOCK OPTION AND WARRANT ARRANGEMENTS

Stock option and warrant activity is set forth as follows:

	NUMBER OF SHARES	PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE
BALANCE - DECEMBER 31, 1999	697,100	$0.59 to $1.45	$1.29
Options granted	17,500	$1.45	$1.45
Options forfeited	(42,200)	$1.45	$1.45
Options exercised	(7,800)	$0.59 to $1.35	$0.77
Options exchanged	(664,600)	$0.59 to $1.45	$1.40
BALANCE - FEBRUARY 2000	--	N/A	$ --

In February 2000, as part of the merger with the parent corporation, the Company exchanged its 664,600 options and warrants for 34,260 options and warrants to purchase shares of the parent corporation. Subsequent to the merger and through January 2002, the parent corporation issued various options to purchase the parent corporation shares to employees of the Company. These options vested between two and four years and expire ten years from the date of grant. Below is a summary of the grants, forfeitures and total options and options exercisable of the parent corporation options and warrants held by the Company's employees:

	NUMBER OF SHARES	PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE

NINE MONTHS ENDED - SEPTEMBER 30, 2002			
Granted	59,810	$0.00	$ --
Forfeited	5,484	$0.00 to $47.50	1.86
Total	77,444	$0.00 to $47.50	7.92
Exercisable	20,015	$8.00 to $47.50	27.16
YEAR ENDED - DECEMBER 31, 2001			
Granted	--	N/A	N/A
Forfeited	1,611	$8.00 to $28.11	$ 23.12
Total	23,118	$8.00 to $47.50	26.96
Exercisable	19,483	$8.00 to $47.50	26.65
YEAR ENDED - DECEMBER 31, 2000			
Granted	4,450	$8.00 to $47.50	$ 23.09
Forfeited	13,990	$11.44 to $28.11	27.86
Total	24,729	$11.44 to $28.11	26.71
Exercisable	18,251	$11.44 to $28.11	26.30

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The Company applies APB Opinion No. 25 and related interpretations in accounting for the stock option issuances; therefore, $89,049 in compensation expense was recognized for employee option grants during the nine months ended September 30, 2002.

Employee stock options of the parent corporation were recorded in accordance with Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees." FASB No. 123, "Accounting for Stock Based Compensation" (FASB 123) requires the recording or disclosure of the fair value of options issued to employees. Had compensation cost for the stock option issuances been determined based on the fair value at the grant dates, the Company's net loss and loss per share for the nine months ended September 30, 2002 and the years ended December 31, 2001 and 2000 would have been increased as follows. Also included are the weighted average assumptions used by the parent corporation to estimate the fair value of each grant using the Black-Scholes option-pricing model:

	SEPTEMBER 30,	DECEMBER 31,	
	2002	2001	2000
WEIGHTED AVERAGE FAIR VALUE PER SHARE	$ 2.78	$ --	$ 13.93
NET LOSS			
As reported	$ (146,609)	$ (508,814)	$(1,993,037)
Proforma	(161,323)	(542,076)	(2,014,345)
BASIC AND DILUTED LOSS PER SHARE			
As reported	$ (0.03)	$ (0.09)	$ (0.39)
Proforma	(0.03)	(0.10)	(0.40)

WEIGHTED AVERAGE ASSUMPTIONS			
Dividend yield	0%	--	0%
Expected volatility	150%	--	87%
Risk-free interest rate	2.28%	--	6.50%
Expected life of options, in years	0.75%	--	2.75%

The impact of SFAS No. 123 may not be representative of the effect on future years because options vest over several years and additional option grants may be made each year.

As a result of the asset sale mentioned in Note 10, all employees were terminated on November 22, 2002. All unvested options were immediately forfeited. The unamortized deferred compensation will be eliminated against additional paid-in capital.

NOTE 6 -- INCOME TAXES

The difference between the federal statutory rate and the Company's effective rate is primarily attributable to the maintenance of a full valuation allowance against net deferred tax assets in 2001 and 2000. The temporary

difference giving rise to a significant portion of the net deferred tax asset at December 31, 2001 and 2000 is the net operating loss carryover.

The Company has recorded a full valuation allowance against its net deferred tax assets totaling approximately $2,338,460 and $2,223,742 at December 31, 2001 and 2000. The valuation allowance increased approximately $164,719 and $810,743 during the years ended December 31, 2000 and 2001.

At December 31, 2001, the Company had federal net operating loss carryovers for income tax purposes of approximately $5,461,321. These loss carryovers may be subject to annual limitation on their usage and will begin to expire in 2011.

NOTE 7 -- CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and trade receivables.

With respect to trade receivables, the Company's customers are primarily concentrated in one line of business and are located throughout the United States. The Company establishes allowances for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

NOTE 8 -- COMMITMENTS AND CONTINGENCIES

The Company leases office space and equipment under operating leases which expires between May 2004 and May 2006. Total rent expense for the nine months ended September 30, 2002 and the years ended December 31, 2001 and 2000 was $91,319, $114,847 and $109,815, respectively. Future minimum payments required under the operating leases described above are as follows:

YEARS ENDING DECEMBER 31,	
2002	$108,356
2003	108,356
2004	46,861
2005	2,936
2006	2,936

NOTE 9 -- RELATED PARTY TRANSACTIONS

The Company has had sales to its parent corporation of $90,188, $525,782 and $465,898 for the nine months ended September 30, 2002 and the years ended December 31, 2001 and 2000, respectively. The parent corporation resold these items during the same period for at least the original purchase price. These inter-company sales were classified as distributions to the parent corporation.

During 2000, the Company borrowed $2,065,000 from its parent corporation which was to be repaid in April 2002. Interest accrued at four percent (4%). On December 31, 2001, the parent corporation forgave the note and all accrued interest. Since the companies are related, the forgiveness of $2,182,647 was recorded as a contribution of capital.

NOTE 10 -- SUBSEQUENT EVENTS

ACQUISITION OF COMPANY ASSETS
On December 13, 2002, the parent corporation sold certain assets of the Company to EDT Learning, Inc. The purchase price for the acquisition was $500,000 and the assumption of certain liabilities, with $250,000 being paid on December 13, 2002 and $250,000 due on December 13, 2003. In addition, the Company will receive a royalty of

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LEARNLINC CORPORATION
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20% for all revenues collected from the sale or license of LearnLinc software over a three year period. The maximum amount due under the Royalty Agreement is $5,000,000.

STOCK OPTIONS

As a result of the above asset sale, all employees were terminated on November 22, 2002. All unvested options were immediately forfeited. The unamortized deferred compensation will be eliminated against additional paid-in capital.

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[LETTERHEAD OF HANSEN, BARNETT & MAXWELL]

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statement No. 333-71332 on Form S-8 of EDT Learning, Inc. of our report dated January 15, 2003 (relating to the 2001 and 2000 financial statements of LearnLinc Corporation) appearing in this Form 8-K.

/s/ HANSEN, BARNETT & MAXWELL

Salt Lake City, Utah
February 7, 2003