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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended November 30, 2020

**OR**

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: 000-04957

**EDUCATIONAL DEVELOPMENT CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**73-0750007**

(I.R.S. Employer  
Identification No.)

**5402 South 122nd East Ave, Tulsa, Oklahoma**

(Address of principal executive offices)

**74146**

(Zip Code)

Registrant's telephone number, including area code **(918) 622-4522**

Securities registered pursuant to Section 12(b) of the Act:

**Common Stock, \$.20 par value**

(Title of class)

**EDUC**

(Trading symbol)

**NASDAQ**

(Name of each exchange on which registered)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of January 6, 2021, there were 8,350,972 shares of Educational Development Corporation Common Stock, \$.020 par value outstanding.

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### CAUTIONARY REMARKS REGARDING FORWARD-LOOKING STATEMENTS

The information discussed in this Quarterly Report on Form 10-Q includes “forward-looking statements.” These forward-looking statements are identified by their use of terms and phrases such as “may,” “expect,” “estimate,” “project,” “plan,” “believe,” “intend,” “achievable,” “anticipate,” “continue,” “potential,” “should,” “could,” and similar terms and phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve certain assumptions, risks and uncertainties, and we can give no assurance that such expectations or assumptions will be achieved. Important factors that could cause actual results to differ materially from those in the forward-looking statements are described under “*Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations*” in our Annual Report on Form 10-K for the year ended February 29, 2020 and in this quarterly report. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this Quarterly Report on Form 10-Q and speak only as of the date of this Quarterly Report on Form 10-Q. Other than as required under the securities laws, we do not assume a duty to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise.

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**PART I. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****EDUCATIONAL DEVELOPMENT CORPORATION  
CONDENSED BALANCE SHEETS (UNAUDITED)**

	November 30, 2020	February 29, 2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 31,494,300	\$ 2,999,400
Accounts receivable, less allowance for doubtful accounts of \$345,000 (November 30) and \$237,400 (February 29)	4,115,600	2,967,200
Inventories - net	47,313,800	30,087,300
Income taxes receivable	8,400	221,700
Prepaid expenses and other assets	1,163,700	950,600
Total current assets	84,095,800	37,226,200
INVENTORIES - net	754,200	1,016,700
PROPERTY, PLANT AND EQUIPMENT - net	27,209,800	26,377,700
OTHER ASSETS	108,300	82,200
<b>TOTAL ASSETS</b>	<b>\$ 112,168,100</b>	<b>\$ 64,702,800</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 45,159,800	\$ 9,661,100
Deferred revenues	2,330,900	385,300
Current maturities of long-term debt	527,700	1,027,400
Accrued salaries and commissions	6,252,900	1,657,200
Dividends payable	835,500	417,400
Other current liabilities	7,432,100	3,238,200
Total current liabilities	62,538,900	16,386,600
LONG-TERM DEBT - net of current maturities	10,587,100	17,784,300
DEFERRED INCOME TAXES - net	183,500	993,300
OTHER LONG-TERM LIABILITIES	137,300	145,800
Total liabilities	73,446,800	35,310,000
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, \$0.20 par value; Authorized 16,000,000 shares; Issued 12,410,080 (November 30) and 12,410,080 (February 29) shares; Outstanding 8,355,972 (November 30) and 8,348,651 (February 29) shares	2,482,000	2,482,000
Capital in excess of par value	10,552,600	9,843,900
Retained earnings	38,349,900	29,732,200
	51,384,500	42,058,100
Less treasury stock, at cost	(12,663,200)	(12,665,300)
Total shareholders' equity	38,721,300	29,392,800
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 112,168,100</b>	<b>\$ 64,702,800</b>

See notes to financial statements.

**EDUCATIONAL DEVELOPMENT CORPORATION**  
**CONDENSED STATEMENTS OF EARNINGS (UNAUDITED)**

	<b>Three Months Ended November 30,</b>		<b>Nine Months Ended November 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
GROSS SALES	\$ 83,137,500	\$ 53,619,900	\$ 203,717,200	\$ 122,635,300
Less discounts and allowances	(24,131,100)	(16,406,500)	(58,390,400)	(37,978,900)
Transportation revenue	7,743,900	3,611,200	18,965,300	8,193,600
NET REVENUES	66,750,300	40,824,600	164,292,100	92,850,000
COST OF GOODS SOLD	19,597,800	13,279,900	48,302,800	30,382,500
Gross margin	47,152,500	27,544,700	115,989,300	62,467,500
OPERATING EXPENSES				
Operating and selling	11,616,200	6,513,500	28,488,300	15,089,900
Sales commissions	22,960,300	13,008,600	56,865,200	28,804,700
General and administrative	7,082,200	4,373,500	17,282,200	12,029,300
Total operating expenses	41,658,700	23,895,600	102,635,700	55,923,900
INTEREST EXPENSE	119,300	216,500	441,500	691,000
OTHER INCOME	(399,800)	(403,100)	(1,305,600)	(1,196,300)
EARNINGS BEFORE INCOME TAXES	5,774,300	3,835,700	14,217,700	7,048,900
INCOME TAXES	1,504,700	1,099,900	3,762,000	1,941,900
NET EARNINGS	\$ 4,269,600	\$ 2,735,800	\$ 10,455,700	\$ 5,107,000
BASIC AND DILUTED EARNINGS PER SHARE				
Basic	\$ 0.51	\$ 0.33	\$ 1.25	\$ 0.62
Diluted	\$ 0.51	\$ 0.33	\$ 1.25	\$ 0.61
WEIGHTED AVERAGE NUMBER OF COMMON AND EQUIVALENT SHARES OUTSTANDING				
Basic	8,355,831	8,406,709	8,354,156	8,301,209
Diluted	8,355,831	8,412,638	8,354,156	8,307,496
Dividends per share	\$ 0.10	\$ 0.05	\$ 0.22	\$ 0.15

See notes to financial statements.

**EDUCATIONAL DEVELOPMENT CORPORATION**  
**CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED NOVEMBER 30, 2020**

	Common Stock (par value \$0.20 per share)		Capital in Excess of Par Value	Retained Earnings	Treasury Stock		Shareholders' Equity
	Number of Shares Issued	Amount			Number of Shares	Amount	
BALANCE - February 29, 2020	12,410,080	\$ 2,482,000	\$ 9,843,900	\$ 29,732,200	4,061,429	\$ (12,665,300)	\$ 29,392,800
Purchases of treasury stock	-	-	-	-	17,565	(75,500)	(75,500)
Sales of treasury stock	-	-	5,000	-	(21,167)	66,000	71,000
Dividends declared (\$0.06/share)	-	-	-	(502,200)	-	-	(502,200)
Share-based compensation expense (see Note 6)	-	-	169,000	-	-	-	169,000
Net earnings	-	-	-	1,931,100	-	-	1,931,100
BALANCE - May 31, 2020	12,410,080	2,482,000	10,017,900	31,161,100	4,057,827	(12,674,800)	30,986,200
Sales of treasury stock	-	-	11,500	-	(2,438)	7,600	19,100
Dividends declared (\$0.06/share)	-	-	-	(500,300)	-	-	(500,300)
Share-based compensation expense (see Note 6)	-	-	216,200	-	-	-	216,200
Net earnings	-	-	-	4,255,000	-	-	4,255,000
BALANCE - August 31, 2020	12,410,080	2,482,000	10,245,600	34,915,800	4,055,389	(12,667,200)	34,976,200
Sales of treasury stock	-	-	15,200	-	(1,281)	4,000	19,200
Dividends declared (\$0.10/share)	-	-	-	(835,500)	-	-	(835,500)
Share-based compensation expense (see Note 6)	-	-	291,800	-	-	-	291,800
Net earnings	-	-	-	4,269,600	-	-	4,269,600
BALANCE - November 30, 2020	<u>12,410,080</u>	<u>\$ 2,482,000</u>	<u>\$ 10,552,600</u>	<u>\$ 38,349,900</u>	<u>4,054,108</u>	<u>\$ (12,663,200)</u>	<u>\$ 38,721,300</u>

**FOR THE NINE MONTHS ENDED NOVEMBER 30, 2019**

	Common Stock (par value \$0.20 per share)		Capital in Excess of Par Value	Retained Earnings	Treasury Stock		Shareholders' Equity
	Number of Shares Issued	Amount			Number of Shares	Amount	
BALANCE - February 28, 2019	12,092,080	\$ 2,418,400	\$ 8,975,100	\$ 25,754,900	3,896,998	\$ (11,217,900)	\$ 25,930,500
Purchases of treasury stock	-	-	-	-	36,959	(302,500)	(302,500)
Sales of treasury stock	-	-	68,100	-	(19,171)	54,300	122,400
Dividends declared (\$0.05/share)	-	-	-	(408,900)	-	-	(408,900)
Share-based compensation expense (see Note 6)	-	-	166,300	-	-	-	166,300
Net earnings	-	-	-	1,363,600	-	-	1,363,600
BALANCE - May 31, 2019	12,092,080	2,418,400	9,209,500	26,709,600	3,914,786	(11,466,100)	26,871,400
Purchases of treasury stock	-	-	-	-	60,357	(417,100)	(417,100)
Sales of treasury stock	-	-	54,000	-	(22,961)	54,600	108,600
Dividends declared (\$0.05/share)	-	-	-	(422,300)	-	-	(422,300)
Share-based compensation expense (see Note 6)	-	-	166,200	-	-	-	166,200
Issuance of restricted share awards for vesting	308,000	61,600	(61,600)	-	-	-	-
Net earnings	-	-	-	1,007,600	-	-	1,007,600
BALANCE - August 31, 2019	12,400,080	2,480,000	9,368,100	27,294,900	3,952,182	(11,828,600)	27,314,400
Purchases of treasury stock	-	-	-	-	84,841	(534,100)	(534,100)
Sales of treasury stock	-	-	69,000	-	(24,959)	83,400	152,400
Dividends declared (\$0.05/share)	-	-	-	(423,500)	-	-	(423,500)
Share-based compensation expense (see Note 6)	-	-	166,300	-	-	-	166,300
Net earnings	-	-	-	2,735,800	-	-	2,735,800
BALANCE - November 30, 2019	<u>12,400,080</u>	<u>\$ 2,480,000</u>	<u>\$ 9,603,400</u>	<u>\$ 29,607,200</u>	<u>4,012,064</u>	<u>\$ (12,279,300)</u>	<u>\$ 29,411,300</u>

See notes to financial statements.

**EDUCATIONAL DEVELOPMENT CORPORATION**  
**CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED NOVEMBER 30,**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$ 10,455,700	\$ 5,107,000
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	1,207,900	1,054,100
Deferred income taxes	(809,800)	81,100
Provision for doubtful accounts	115,800	39,900
Provision for inventory valuation allowance	166,200	283,400
Share-based compensation expense	677,000	498,800
Changes in assets and liabilities:		
Accounts receivable	(1,264,200)	(845,400)
Inventories, net	(17,130,200)	3,147,500
Prepaid expenses and other assets	(239,200)	583,600
Accounts payable	35,498,700	(2,221,100)
Accrued salaries and commissions, and other liabilities	8,781,000	1,173,700
Deferred revenues	1,945,600	(470,800)
Income taxes	213,300	591,000
Total adjustments	29,162,100	3,915,800
Net cash provided by operating activities	39,617,800	9,022,800
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(2,040,000)	(402,200)
Net cash used in investing activities	(2,040,000)	(402,200)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on term debt	(9,144,300)	(719,400)
Proceeds from term debt	1,447,400	-
Sales of treasury stock	109,300	383,400
Purchases of treasury stock	(75,500)	(1,253,700)
Dividends paid	(1,419,800)	(1,241,300)
Net cash used in financing activities	(9,082,900)	(2,831,000)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	28,494,900	5,789,600
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	2,999,400	3,199,300
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<u>\$ 31,494,300</u>	<u>\$ 8,988,900</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>		
Cash paid for interest	\$ 463,600	\$ 693,800
Cash paid for income taxes	<u>\$ 3,789,500</u>	<u>\$ 1,318,000</u>

See notes to financial statements.

## **NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

### **Note 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Presentation***

The accompanying Unaudited Condensed Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim condensed financial information and in accordance with the rules and regulations of the Securities and Exchange Commission. The Unaudited Condensed Financial Statements include all adjustments considered necessary for a fair presentation of the financial position and results of operations for the interim periods presented. Such adjustments consist only of normal recurring items, unless otherwise disclosed herein. Accordingly, the Unaudited Condensed Financial Statements do not include all of the information and notes required by GAAP for complete financial statements. However, we believe that the disclosures made are adequate to make the information not misleading. These interim Unaudited Condensed Financial Statements should be read in conjunction with our audited financial statements as of and for the year ended February 29, 2020 included in our Form 10-K. The results of operations for interim periods are not necessarily indicative of the results to be expected for a full year due to the seasonality of our product sales.

#### ***COVID-19 Update***

In December 2019, a novel strain of coronavirus, known as COVID-19, was reported in Wuhan, China and has since extensively impacted the global health and economic environment. In March 2020, the World Health Organization characterized COVID-19 as a pandemic, and President Trump declared the COVID-19 outbreak in the United States as a national emergency. The Company has taken numerous steps, and will continue to take further actions, in its approach to minimize the impact of the COVID-19 pandemic. To ensure the well-being of our employees, the Company offered employees in our office the ability to work from home on a temporary basis; we instructed employees in our warehouse and office to take their temperature at the start of every shift; we requested employees forgo any in-person meetings and instead opt to utilize virtual meeting spaces; and we published and continually updated our employees on the most recent developments related to COVID-19 and best practices for safety and health in the office, warehouse and at home. We are closely monitoring the impact of the COVID-19 pandemic and continually assessing its potential effects on our business. On April 16, 2020, the Company entered into a loan with MidFirst Bank as the lender in an aggregate principal amount of \$1.4 million pursuant to the Paycheck Protection Program (the “PPP”) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This loan program provided paycheck protection for our employees from the economic impact to our business due to COVID-19, which was seen most by the decline in our Publishing division’s sales due to the temporary closure of many retail outlets across the country, and in our UBAM division’s School and Library and Book Fair sales due to the temporary closure of many schools nation-wide. The Company determined the PPP loan was no longer needed and therefore repaid the loan in full on May 12, 2020. While the Company did not experience a decrease in net revenues in the first nine months of fiscal year 2021 compared with the same period in fiscal year 2020, the severity and duration of the pandemic are uncertain and the extent to which our results are affected by COVID-19 cannot be accurately predicted.

#### ***Use of Estimates in the Preparation of Financial Statements***

The preparation of the Unaudited Condensed Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

#### ***Significant Accounting Policies***

Our significant accounting policies, other than the adoption of new accounting pronouncements separately documented herein, are consistent with those disclosed in Note 1 to our audited financial statements as of and for the year ended February 29, 2020 included in our Form 10-K.

#### ***New Accounting Pronouncements***

The Financial Accounting Standards Board (“FASB”) periodically issues new accounting standards in a continuing effort to improve standards of financial accounting and reporting. We have reviewed the recently issued accounting standards updates (“ASU”) and concluded that the following recently issued accounting standards apply to us:

In December 2019, the FASB published ASU 2019-12: Income Taxes (Topic 740), which simplifies the accounting for income taxes. Topic 740 addresses a number of topics including but not limited to the removal of certain exceptions currently included in the standard related to intra-period allocation when there are losses, in addition to calculation of income taxes when current year-to-date losses exceed anticipated loss for the year. The amendment also simplifies accounting for certain franchise taxes and disclosure of the effect of enacted change in tax laws or rates. Topic 740 is effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The impact of the adoption of the standard has not yet been determined and is being evaluated.

In March 2020, the FASB issued ASU 2020-04: Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This update provides optional guidance for a limited period of time to ease potential accounting impacts associated with transitioning away from reference rates that are expected to be discontinued, such as London Interbank Offered Rate (LIBOR). This ASU includes practical expedients for contract modifications due to reference rate reform. Generally, contract modifications related to reference rate reform may be considered an event that does not require remeasurement or reassessment of a previous accounting determination at the modification date. This ASU is effective March 12, 2020 through December 31, 2022. The Company's debt agreements include the use of alternate rates when LIBOR is not available. We do not expect the change from LIBOR to an alternate rate will have a material impact to our financial statements and, to the extent we enter into modifications of agreements that are impacted by the LIBOR phase-out, we will apply such guidance to those contract modifications.

## Note 2 – INVENTORIES

Inventories consist of the following:

	2020	
	November 30,	February 29,
Current:		
Book inventory	\$ 47,785,300	\$ 30,346,900
Inventory valuation allowance	(471,500)	(259,600)
Inventories net – current	<u>\$ 47,313,800</u>	<u>\$ 30,087,300</u>
Noncurrent:		
Book inventory	\$ 993,600	\$ 1,226,500
Inventory valuation allowance	(239,400)	(209,800)
Inventories net – noncurrent	<u>\$ 754,200</u>	<u>\$ 1,016,700</u>

Book inventory quantities in excess of what we expect will be sold within the normal operating cycle, based on 2 ½ years of anticipated sales, are included in noncurrent inventory.

Significant portions of our inventory purchases are concentrated with an England-based publishing company, Usborne Publishing, Ltd. (“Usborne”). Purchases received from this company were approximately \$26.2 million and \$4.2 million for the three months ended November 30, 2020 and 2019, respectively. Total inventory purchases received from all suppliers were \$35.0 million and \$6.9 million for the three months ended November 30, 2020 and 2019, respectively.

Purchases received from Usborne were approximately \$37.5 million and \$16.1 million for the nine months ended November 30, 2020 and 2019, respectively. Total inventory purchases received from all suppliers were \$53.2 million and \$24.1 million for the nine months ended November 30, 2020 and 2019, respectively.

## Note 3 – LEASES

We have both lessee and lessor arrangements. Our leases are evaluated at inception or at any subsequent modification. Depending on the terms, leases are classified as either operating or finance leases if we are the lessee, or as operating, sales-type or direct financing leases if we are the lessor, as appropriate under ASC 842. Our lessee arrangement includes a rental agreement where we have the exclusive use of dedicated office space in San Diego, California, and qualifies as an operating lease. Our lessor arrangements include three rental agreements for warehouse and office space in Tulsa, Oklahoma, and each qualifies as an operating lease under ASC 842.

In accordance with ASC 842, we have made an accounting policy election to not apply the new standard to lessee arrangements with a term of one year or less and no purchase option that is reasonably certain of exercise. We will continue to account for these short-term arrangements by recognizing payments and expenses as incurred, without recording a lease liability and right-of-use asset.



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We have also made an accounting policy election for both our lessee and lessor arrangements to combine lease and non-lease components. This election is applied to all of our lease arrangements as our non-lease components are not material and do not result in significant timing differences in the recognition of rental expenses or income.

#### *Operating Leases – Lessee*

We recognize a lease liability, reported in other liabilities on the condensed balance sheets, for each lease based on the present value of remaining minimum fixed rental payments (which includes payments under any renewal option that we are reasonably certain to exercise), using a discount rate that approximates the rate of interest we would have to pay to borrow on a collateralized basis over a similar term. We also recognize a right-of-use asset, reported in other assets on the condensed balance sheets, for each lease, valued at the lease liability, adjusted for prepaid or accrued rent balances existing at the time of initial recognition. The lease liability and right-of-use asset are reduced over the term of the lease as payments are made and the assets are used.

	2020	
	November 30,	February 29,
Operating lease assets:		
Right-of-use asset	\$ 37,000	\$ 45,200
Operating lease liabilities:		
Current lease liability	\$ 13,700	\$ 13,500
Long-term lease liability	\$ 23,300	\$ 31,700
Remaining lease term (months)	34	43
Discount rate	4.60%	4.60%

Minimum fixed rental payments are recognized on a straight-line basis over the life of the lease as costs and expenses on our condensed statements of earnings. Variable and short-term rental payments are recognized as costs and expenses as they are incurred.

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2020	2019	2020	2019
Fixed lease cost	\$ 3,300	\$ 3,200	\$ 9,800	\$ 9,400

Future minimum rental payments under operating leases with initial terms greater than one year as of November 30, 2020, are as follows:

<b>Year ending February 28 (29),</b>	
2021	\$ 3,400
2022	13,700
2023	14,200
2024	8,400
Total future minimum rental payments	39,700
Present value discount	(2,700)
Total operating lease liability	<u>\$ 37,000</u>

The following table provides further information about our operating leases reported in our condensed financial statements:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2020	2019	2020	2019
Operating cash flows – operating lease	\$ 3,300	\$ 3,200	\$ 9,800	\$ 9,400

### Operating Leases – Lessor

We recognize fixed rental income on a straight-line basis over the life of the lease as revenue on our condensed statements of earnings. Variable rental payments are recognized as revenue in the period in which the changes in facts and circumstances on which the variable lease payments are based occur.

On April 4, 2020, we executed an amendment to one of our existing leases that abated rental payments for the months of May, June and July 2020. The amendment also extended the term of the lease for three additional months. This amendment represents a lease modification and, as such, we have adjusted our fixed rental income on a straight-line basis over the remaining term starting May 1, 2020.

Future minimum payments receivable under operating leases with terms greater than one year are estimated as follows:

<b>Year ending February 28 (29),</b>		
2021	\$	383,400
2022		1,542,100
2023		1,573,200
2024		1,577,900
2025		1,547,100
Thereafter		9,615,300
<b>Total</b>	<b>\$</b>	<b>16,239,000</b>

The cost of the leased space was approximately \$10,846,200 and \$10,789,500 as of November 30, 2020 and February 29, 2020, respectively. The accumulated depreciation associated with the leased assets was \$2,120,000 and \$1,828,900 as of November 30, 2020 and February 29, 2020, respectively. Both the leased assets and accumulated depreciation are included in property, plant and equipment-net on the condensed balance sheets.

### Note 4 – DEBT

Debt consists of the following:

	<b>2020</b>	
	<b>November 30,</b>	<b>February 29,</b>
Line of credit	\$ -	\$ -
Long-term debt	\$ 11,114,800	\$ 18,811,700
Less current maturities	(527,700)	(1,027,400)
Long-term debt, net of current maturities	\$ 10,587,100	\$ 17,784,300

We have a Loan Agreement dated as of March 10, 2016 (as amended the “Loan Agreement”) with MidFirst Bank (“the Bank”) which includes Term Loan #1 Tranche A totaling \$11.1 million as of November 30, 2020, with the maturity date of December 1, 2025. Tranche A has a fixed interest rate of 4.23% and interest is payable monthly. Term Loan #1 is secured by the primary office, warehouse and land.

The Loan Agreement also provides a \$10.0 million revolving loan (“line of credit”) through August 15, 2021, which is limited to advance rates on eligible receivables and eligible inventory levels. Interest is payable monthly at the greater of 2.75% or the bank adjusted LIBOR Index plus a tiered pricing rate based on the Company’s Adjusted Funded Debt to EBITDA Ratio (2.75% at November 30, 2020).

On August 15, 2020, the Company executed the Eleventh Amendment Loan Agreement with the Bank related to our Loan Agreement. The amendment modified the Loan Agreement, extended the termination date of the line of credit to August 15, 2021, reduced the maximum revolving principal amount from \$15.0 million to \$10.0 million, and amended the definition of the LIBOR and Prime rate, establishing that the rate charged, including the LIBOR Margin or Prime Margin, shall never be less than 2.75%.

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Adjusted Funded Debt is defined as all long-term and short-term bank debt less the outstanding balances of Tranche A. EBITDA is defined in the Loan Agreement as earnings before interest expense, income tax expense (benefit) and depreciation and amortization expenses, reduced by rental income. The variable interest pricing tier is as follows:

Pricing Tier	Adjusted Funded Debt to EBITDA Ratio	LIBOR Margin (bps)
I	>2.00	300.00
II	>1.50 but ≤2.00	275.00
III	>1.00 but ≤1.50	250.00
IV	≤1.00	225.00

We had no borrowings outstanding on our line of credit at November 30, 2020 and February 29, 2020. Available credit under the revolving line of credit was approximately \$10.0 million and \$11.0 million at November 30, 2020 and February 29, 2020, respectively.

The Loan Agreement contains a provision for our use of the Bank's letters of credit. The Bank agrees to issue or obtain issuance of commercial or stand-by letters of credit provided that no letters of credit will have an expiry date later than August 15, 2021, and that the sum of the line of credit plus the letters of credit would not exceed the borrowing base in effect at the time. As of November 30, 2020, we had no letters of credit outstanding.

On April 16, 2020, the Company entered into a loan with the Bank of approximately \$1.4 million pursuant to the PPP under the CARES Act. The PPP Loan had a fixed interest rate of 1.00%, with principal and interest payments starting December 1, 2020 and a scheduled maturity date of May 1, 2022. Subsequent to receiving the loan, the Company determined the PPP loan was not needed and repaid the loan in full, including interest accrued to date, on May 12, 2020.

On June 3, 2020, the Company paid off the remaining balance of the \$4.0 million Term Loan #2 which originated on June 28, 2016. The final payment, including accrued interest, totaled \$2.9 million. There were no additional fees or penalties resulting from the payoff of Term Loan #2.

On August 4, 2020, the Company paid off the remaining balance of the \$5.0 million Term Loan #1 Tranche B which originated on March 10, 2016. The final payment, including accrued interest, totaled \$4.2 million. There were no additional fees or penalties resulting from the payoff of Term Loan #1 Tranche B.

The following table reflects aggregate future scheduled maturities of long-term debt during the next five fiscal years and thereafter as follows:

Year ending February 28 (29),	
2021	\$ 128,800
2022	533,400
2023	556,800
2024	581,100
2025	605,400
Thereafter	8,709,300
Total	<u>\$ 11,114,800</u>

#### Note 5 – EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted EPS is based on the combined weighted average number of common shares outstanding and dilutive potential common shares issuable which include, where appropriate, the assumed exercise of options. In computing diluted EPS, we have utilized the treasury stock method.

The computation of weighted average common and common equivalent shares used in the calculation of basic and diluted EPS is shown below.

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2020	2019	2020	2019
<b>Earnings:</b>				
Net earnings applicable to common shareholders	\$ 4,269,600	\$ 2,735,800	\$ 10,455,700	\$ 5,107,000
<b>Weighted average shares:</b>				
Weighted average shares outstanding-basic	8,355,831	8,406,709	8,354,156	8,301,209
Assumed exercise of options	-	5,929	-	6,287
Weighted average shares outstanding-diluted	8,355,831	8,412,638	8,354,156	8,307,496
<b>Earnings per share:</b>				
Basic	\$ 0.51	\$ 0.33	\$ 1.25	\$ 0.62
Diluted	\$ 0.51	\$ 0.33	\$ 1.25	\$ 0.61

#### Note 6 – STOCK-BASED COMPENSATION

We account for stock-based compensation whereby share-based payment transactions with employees, such as stock options and restricted stock, are measured at estimated fair value at the date of grant. For awards subject to service conditions, compensation expense is recognized over the vesting period on a straight-line basis. Awards subject to performance conditions are attributed separately for each vesting tranche of the award and are recognized ratably from the service inception date to the vesting date for each tranche. Forfeitures are recognized when they occur. The probability of restricted share awards granted with future performance conditions is evaluated at each reporting period and share awards are updated and compensation expense is adjusted based on updated information.

In July 2018, our shareholders approved the Company’s 2019 Long-Term Incentive Plan (“2019 LTI Plan”). The 2019 LTI Plan establishes up to 600,000 shares of restricted stock which can be granted to certain members of management based on exceeding specified net revenues and pre-tax performance metrics during fiscal years 2019, 2020 or 2021. The number of restricted shares to be distributed depends on attaining the performance metrics defined by the 2019 LTI Plan and may result in the distribution of a number of shares that is less than, but not greater than, the number of restricted shares outlined in the terms of the 2019 LTI Plan. Restricted shares granted under the 2019 LTI Plan “cliff vest” after five years.

During fiscal year 2019, the Company granted 308,000 restricted shares under the 2019 LTI Plan with an average grant-date fair value of \$9.94 per share. In the third quarter of fiscal year 2021, 5,000 of these restricted shares were forfeited. These shares were made available to be reissued to remaining participants upon forfeiture. The remaining compensation expense for the outstanding awards, totaling approximately \$1,470,400, will be recognized ratably over the remaining vesting period of approximately 27 months.

During fiscal year 2021, the Company initially granted 151,000 restricted shares under the 2019 LTI Plan with an average grant-date fair value of \$6.30 per share. 8,000 of these shares were granted, forfeited and re-granted to remaining participants in fiscal year 2021. In the third quarter of fiscal year 2021, the Company increased the number of shares granted for fiscal year 2021 from 151,000 to 305,000 due to revised performance expectations for the year. The remaining compensation expense of these awards, totaling approximately \$1,669,400, will be recognized ratably over the remaining vesting period of approximately 51 months. As of November 30, 2020, there are no restricted shares available for issuance as future awards under the 2019 LTI Plan.

A summary of compensation expense recognized in connection with restricted share awards follows:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2020	2019	2020	2019
Share-based compensation expense	\$ 291,800	\$ 166,300	\$ 677,000	\$ 498,800

The following table summarizes stock award activity during fiscal year 2021 under the 2019 LTI Plan:

	Shares	Weighted Average Fair Value (per share)
Outstanding at February 29, 2020	308,000	\$ 9.94
Granted	305,000	6.30
Vested	-	-
Forfeited	(13,000)	(7.70)
Outstanding at November 30, 2020	<u>600,000</u>	<u>\$ 8.14</u>

As of November 30, 2020, total unrecognized stock-based compensation expense related to unvested restricted shares was \$3,139,800, which we expect to recognize over a weighted-average period of 39.8 months.

#### Note 7 – SHIPPING AND HANDLING COSTS

We classify shipping and handling costs as operating and selling expenses in the statements of earnings. Shipping and handling costs include postage, freight, handling costs, as well as, shipping materials and supplies. These costs were \$10,610,900 and \$6,037,600 for the three months ended November 30, 2020 and 2019, respectively. These costs were \$26,910,800 and \$14,087,400 for the nine months ended November 30, 2020 and 2019, respectively.

#### Note 8 – BUSINESS SEGMENTS

We have two reportable segments: Usborne Books & More (“UBAM”) and Publishing. These reportable segments are business units that offer different methods of distribution to different types of customers. They are managed separately based on the fundamental differences in their operations. Our UBAM segment markets its products through a network of independent sales consultants using a combination of internet sales, direct sales, home shows and book fairs. Our Publishing segment markets its products to retail accounts, which include book, school supply, toy and gift stores and museums, through commissioned sales representatives, trade and specialty wholesalers and our internal tele-sales group.

The accounting policies of the segments are the same as those of the rest of the Company. We evaluate segment performance based on earnings before income taxes of the segments, which is defined as segment net revenues reduced by cost of sales and direct expenses. Corporate expenses, depreciation, interest expense and income taxes are not allocated to the segments but are listed in the “Other” row below. Corporate expenses include the executive department, accounting department, information services department, general office management, warehouse operations and building facilities management. Our assets and liabilities are not allocated on a segment basis.

Information by reporting segment for the three- and nine-month periods ended November 30, 2020 and 2019, are as follows:

#### NET REVENUES

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2020	2019	2020	2019
<b>Publishing</b>	\$ 2,580,600	\$ 2,724,200	\$ 6,284,600	\$ 7,766,300
<b>UBAM</b>	64,169,700	38,100,400	158,007,500	85,083,700
<b>Total</b>	<u>\$ 66,750,300</u>	<u>\$ 40,824,600</u>	<u>\$ 164,292,100</u>	<u>\$ 92,850,000</u>

#### EARNINGS (LOSS) BEFORE INCOME TAXES

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2020	2019	2020	2019
<b>Publishing</b>	\$ 773,000	\$ 832,900	\$ 1,858,400	\$ 2,253,300
<b>UBAM</b>	10,821,600	6,501,200	26,311,300	14,358,500
<b>Other</b>	(5,820,300)	(3,498,400)	(13,952,000)	(9,562,900)
<b>Total</b>	<u>\$ 5,774,300</u>	<u>\$ 3,835,700</u>	<u>\$ 14,217,700</u>	<u>\$ 7,048,900</u>

**Note 9 – FAIR VALUE MEASUREMENTS**

The valuation hierarchy included in GAAP considers the transparency of inputs used to value assets and liabilities as of the measurement date. A financial instrument's classification within the valuation hierarchy is based on the lowest level of input that is significant to its fair value measurement. The three levels of the valuation hierarchy and the classification of our financial assets and liabilities within the hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly. If an asset or liability has a specified term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs for the asset or liability.

We do not report any assets or liabilities at fair value in the financial statements. However, the estimated fair value of our term notes payable is estimated by management to approximate \$11,508,200 and \$19,155,500 at November 30, 2020 and February 29, 2020, respectively. Management's estimates are based on the obligations' characteristics, including floating interest rate, maturity, and collateral. Such valuation inputs are considered a Level 2 measurement in the fair value valuation hierarchy.

**Note 10 – DEFERRED REVENUES**

The Company's UBAM division receives payments on orders in advance of shipment. Any payments received prior to the end of the period that were not shipped as of November 30, 2020 or February 29, 2020 are recorded as deferred revenues on the condensed balance sheets. We received approximately \$2,330,900 and \$385,300 as of November 30, 2020 and February 29, 2020 in payments for sales orders which were shipped out subsequent to the end of the period. Orders that were included in deferred revenues predominantly shipped within the first few days of the next fiscal period.

**Note 11 – SUBSEQUENT EVENTS**

On January 7, 2021, our Board of Directors declared a distribution of \$0.10 per share of common stock. This cash distribution will be paid on or about March 11, 2021 to shareholders of record on February 23, 2021.

**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
**Factors Affecting Forward-Looking Statements**

The following discussion contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, our success in recruiting and retaining new consultants, our ability to locate and procure desired books, our ability to ship the volume of orders that are received without creating backlogs, our ability to obtain adequate financing for working capital and capital expenditures, economic and competitive conditions, regulatory changes and other uncertainties, the COVID-19 pandemic, as well as those factors discussed below and elsewhere in our Annual Report on Form 10-K for the year ended February 29, 2020 and this Quarterly Report on Form 10-Q, all of which are difficult to predict. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may or may not occur. See "Cautionary Remarks Regarding Forward-Looking Statements" in the front of this Quarterly Report on Form 10-Q.

**Overview**

We are the exclusive United States trade co-publisher of Usborne children's books and the owner of Kane Miller. We operate two separate segments, UBAM and Publishing, to sell our Usborne and Kane Miller children's books. These two segments each have their own customer base. The Publishing segment markets its products on a wholesale basis to various retail accounts. The UBAM segment markets its products through a network of independent sales consultants using a combination of home shows, internet party plan events and book fairs. All other supporting administrative activities are recognized as other expenses outside of our two segments. Other expenses consist primarily of the compensation of our office, warehouse and sales support staff as well as the cost of operating and maintaining our corporate office and distribution facility.

The following table shows our condensed statements of earnings data:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2020	2019	2020	2019
Net revenues	\$ 66,750,300	\$ 40,824,600	\$ 164,292,100	\$ 92,850,000
Cost of goods sold	19,597,800	13,279,900	48,302,800	30,382,500
Gross margin	47,152,500	27,544,700	115,989,300	62,467,500
Operating expenses				
Operating and selling	11,616,200	6,513,500	28,488,300	15,089,900
Sales commissions	22,960,300	13,008,600	56,865,200	28,804,700
General and administrative	7,082,200	4,373,500	17,282,200	12,029,300
Total operating expenses	41,658,700	23,895,600	102,635,700	55,923,900
Interest expense	119,300	216,500	441,500	691,000
Other income	(399,800)	(403,100)	(1,305,600)	(1,196,300)
Earnings before income taxes	5,774,300	3,835,700	14,217,700	7,048,900
Income taxes	1,504,700	1,099,900	3,762,000	1,941,900
Net earnings	\$ 4,269,600	\$ 2,735,800	\$ 10,455,700	\$ 5,107,000

See the detailed discussion of revenues, costs of goods sold, gross margin and operating expenses by reportable segment below. The following is a discussion of significant changes in the non-segment related operating expenses, interest expense and income taxes during the respective periods.

## Non-Segment Operating Results for the Three Months Ended November 30, 2020

*Total operating expenses* not associated with a reporting segment increased \$2.4 million, or 64.9%, to \$6.1 million for the three-month period ended November 30, 2020, compared to \$3.7 million for the same quarterly period a year ago. Operating expenses increased primarily as a result of a \$1.0 million increase in labor in our warehouse, a \$0.6 million increase in freight handling costs associated with increased order volumes and a \$0.2 million increase in incentive payroll expenses associated with the Company's improved financial performance.

*Interest expense* decreased \$0.1 million, or 50.0%, to \$0.1 million for the three months ended November 30, 2020, when compared to \$0.2 million for the same quarterly period a year ago as a result of the payoff of two long-term notes during the second quarter of fiscal year 2021.

*Income taxes* increased \$0.4 million, or 36.4%, to \$1.5 million for the three months ended November 30, 2020, from \$1.1 million for the same quarterly period a year ago. Our effective tax rate decreased 2.6%, to 26.1% for the quarter ended November 30, 2020, from 28.7% for the quarter ended November 30, 2019 due to sales mix fluctuations between states. Our tax rates are higher than the federal statutory rate of 21% due to the inclusion of state income and franchise taxes.

## Non-Segment Operating Results for the Nine Months Ended November 30, 2020

*Total operating expenses* not associated with a reporting segment increased \$4.7 million, or 46.5%, to \$14.8 million for the nine-month period ended November 30, 2020, compared to \$10.1 million for the same period a year ago. Operating expenses increased primarily as a result of a \$2.4 million increase in labor in our warehouse, a \$1.6 million increase in freight handling costs, both associated with the increase in order volumes, and a \$0.3 million increase in incentive payroll expenses associated with the Company's improved financial performance.

*Interest expense* decreased \$0.3 million, or 42.9%, to \$0.4 million for the nine months ended November 30, 2020, when compared to \$0.7 million for the same period a year ago as a result of the payoff of two long-term debt agreements during the second quarter of fiscal year 2021.

*Income taxes* increased \$1.9 million, or 100.0%, to \$3.8 million for the nine months ended November 30, 2020, from \$1.9 million for the same period a year ago. Our effective tax rate decreased by 1.0%, to 26.5% for the nine months ended November 30, 2020, from 27.5% for the nine months ended November 30, 2019 due to sales mix fluctuations between states. Our tax rates are higher than the federal statutory rate of 21% due to the inclusion of state income and franchise taxes.

## UBAM Operating Results for the Three and Nine Months Ended November 30, 2020 and 2019

The following table summarizes the operating results of the UBAM segment:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2020	2019	2020	2019
Gross sales	\$ 77,674,100	\$ 47,974,800	\$ 190,488,500	\$ 106,219,100
Less discounts and allowances	(21,244,700)	(13,469,600)	(51,379,800)	(29,298,200)
Transportation revenue	7,740,300	3,595,200	18,898,800	8,162,800
Net revenues	64,169,700	38,100,400	158,007,500	85,083,700
Cost of goods sold	18,230,200	11,830,100	45,048,500	26,317,100
Gross margin	45,939,500	26,270,300	112,959,000	58,766,600
Operating expenses				
Operating and selling	10,055,900	5,599,200	24,619,800	12,690,500
Sales commissions	22,865,000	12,912,200	56,674,800	28,511,700
General and administrative	2,197,000	1,257,700	5,353,100	3,205,900
Total operating expenses	35,117,900	19,769,100	86,647,700	44,408,100
Operating income	\$ 10,821,600	\$ 6,501,200	\$ 26,311,300	\$ 14,358,500
Average number of active consultants	57,200	33,600	45,200	32,900



**UBAM Operating Results for the Three Months Ended November 30, 2020**

UBAM net revenues increased \$26.1 million, or 68.5%, to \$64.2 million during the three months ended November 30, 2020, compared to \$38.1 million during the same period a year ago. The average number of active consultants in the third quarter of fiscal 2021 was 57,200, an increase of 23,600, or 70.2%, from 33,600 average active consultants selling in the third quarter of fiscal 2020. The Company reports the average number of active consultants each quarter as a key indicator for this division. UBAM's increase in active consultants resulted from several factors, including: an increase in families looking for non-traditional income streams to supplement or replace income lost from the COVID-19 pandemic; a change in new consultant kits which offered lower introductory prices; the restructure of our UBAM consultant success program, which was introduced during the first quarter of fiscal 2021; and technology improvements that have enhanced the customer experience and streamlined the proprietary systems that our consultants use to run their business. Our increase in active consultants and our ability to receive orders online and deliver directly to our customers' homes resulted in our increased revenues during the quarter.

Gross margin increased \$19.6 million, or 74.5%, to \$45.9 million during the three months ended November 30, 2020, compared to \$26.3 million during the same period a year ago. Gross margin as a percentage of net revenues increased 2.6% to 71.6% for the three-month period ended November 30, 2020 when compared to 69.0% the same period a year ago. The increase in gross margin as a percentage of net revenues was due to the change in mix of order types received during the quarter. During the quarter our web sales, which have the lowest discounts and pay the highest commissions, increased significantly while book fairs, school and library sales and other in-person sales types declined year over year, due to the quarantining effects of the COVID-19 pandemic. The increase in web sales and decrease in in-person sales also resulted in overall higher sales commissions as a percentage of net revenues during the quarter. The overall net profit impact of the order type mix change after selling expenses, commissions and direct operating expenses was minimal.

UBAM operating expenses consists of operating and selling expenses, sales commissions and general and administrative expenses. Operating and selling expenses primarily consists of freight expenses and materials and supplies. Sales commissions include amounts paid to consultants for new sales and promotions. These operating expenses are directly tied to the sales volumes of the UBAM segment. General and administrative expenses include payroll, outside services, inventory reserves and other expenses directly associated with the UBAM segment. Total operating expenses increased \$15.3 million, or 77.3%, to \$35.1 million during the three-month period ended November 30, 2020, when compared to \$19.8 million reported in the same quarter a year ago. Operating and selling expenses increased \$4.5 million, to \$10.1 million, during the three-month period ended November 30, 2020, when compared to \$5.6 million reported in the same quarter a year ago, primarily due to an increase in postage and freight costs of \$3.9 million and an increase in accruals for trips and other consultant rewards of \$0.5 million, both associated with increased UBAM sales. Sales commissions increased \$10.0 million, to \$22.9 million, during the three-month period ended November 30, 2020, when compared to \$12.9 million reported in the same quarter a year ago, due primarily to the increase in sales volume and the increase in internet-based sales, which offer fewer discounts and higher sales commissions to consultants. General and administrative expenses increased \$0.9 million to \$2.2 million during the three months ended November 30, 2020, compared to \$1.3 million during the same period last year. This increase was primarily due to \$0.6 million of increased credit card transaction fees associated with increased sales volumes and a \$0.2 million increase in promotions and marketing expenses associated with increased consultant counts.

Operating income of the UBAM segment increased \$4.3 million, or 66.2%, to \$10.8 million during the three months ended November 30, 2020, when compared to \$6.5 million reported in the same quarter a year ago, primarily due to the growth in net revenues. Operating income of the UBAM division as a percentage of net revenues for the three months ended November 30, 2020 remained consistent at 16.9%, compared to 17.1% for the three months ended November 30, 2019.

**UBAM Operating Results for the Nine Months Ended November 30, 2020**

UBAM net revenues increased \$72.9 million, or 85.7%, to \$158.0 million during the nine-month period ended November 30, 2020, compared to \$85.1 million from the same period a year ago. The increase in net revenues resulted from the increase in the average number of active consultants of 12,300, or 37.4%, to 45,200 during the first nine months of fiscal year 2021, and the overall increase in consultants to 60,500 by the end of November 2020, from an average number of active consultants of 32,900 in the first nine months of fiscal year 2020. UBAM's increase in active consultants resulted from several factors including: an increase in families looking for non-traditional income streams to supplement or replace income lost from the COVID-19 pandemic; a change in new consultant kits which offered lower introductory prices; the restructure of our UBAM consultant success program, which was introduced during the first quarter of fiscal 2021; and technology improvements that have enhanced the customer experience and streamlined the proprietary systems that our consultants use to run their business. Along with the significant increases in active consultants during the first nine months of fiscal year 2021, we experienced a significant increase in demand for educational materials in homes. Our increase in active consultants and our ability to receive orders online and deliver directly to our customers' homes resulted in our increased revenues.

Gross margin increased \$54.2 million, or 92.2%, to \$113.0 million during the nine-month period ended November 30, 2020, when compared to \$58.8 million during the same period a year ago, due primarily to an increase in net revenues. Gross margin as a percentage of net revenues increased to 71.5% for the nine-month period ended November 30, 2020, when compared to 69.1% for the same period a year ago. During the first nine months of fiscal year 2021 our web sales, which have the lowest discounts and pay the highest commissions, increased significantly while book fairs, school and library sales and other in-person sales types declined year over year, due to the quarantining effects of the COVID-19 pandemic. While the increase in web sales and decrease in in-person sales resulted in overall higher gross margin percentages during the first nine months of fiscal year 2021, these higher gross margins were offset by higher sales commissions and increased direct operating expenses of the division. The overall net profit impact of the order type mix change after selling expenses, commissions and direct operating expenses was minimal.

Total operating expenses increased \$42.2 million, or 95.0%, to \$86.6 million during the nine-month period ended November 30, 2020, from \$44.4 million for the same period a year ago. Operating and selling expenses increased \$11.9 million, to \$24.6 million during the nine-month period ended November 30, 2020, when compared to \$12.7 million reported in the same period a year ago, primarily due to increased postage and freight costs of \$11.4 million associated with the increase in volume of orders shipped. Sales commissions increased \$28.2 million to \$56.7 million during the nine-month period ended November 30, 2020, when compared to \$28.5 million reported in the same period a year ago, due primarily to the increase in internet-based sales, which offer fewer discounts and higher sales commissions to consultants. General and administrative expenses increased \$2.2 million to \$5.4 million, from \$3.2 million recognized during the same period last year, due primarily to \$1.6 million of increased credit card transaction fees associated with increased sales volumes and a \$0.6 million increase in promotions and marketing expenses associated with increased consultant counts.

Operating income of the UBAM segment increased \$11.9 million, or 82.6%, to \$26.3 million during the nine months ended November 30, 2020, when compared to \$14.4 million reported in the same period last year. Operating income of the UBAM division as a percentage of net revenues for the nine months ended November 30, 2020 was 16.7%, compared to 16.9% for the nine months ended November 30, 2019, a change of 0.2%, or \$0.4 million. Operating income as a percentage of net revenues changed from the prior year primarily due to increased postage and freight expenses as a percentage of net revenues totaling approximately \$0.9 million, partially offset by the positive impact of the change to a “virtual” convention totaling approximately \$0.5 million.

#### **Publishing Operating Results for the Three and Nine Months Ended November 30, 2020 and 2019**

The following table summarizes the operating results of the Publishing segment:

	<b>Three Months Ended November 30,</b>		<b>Nine Months Ended November 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Gross sales	\$ 5,463,400	\$ 5,645,100	\$ 13,228,700	\$ 16,416,200
Less discounts and allowances	(2,886,400)	(2,936,900)	(7,010,600)	(8,680,700)
Transportation revenue	3,600	16,000	66,500	30,800
Net revenues	2,580,600	2,724,200	6,284,600	7,766,300
Cost of goods sold	1,367,600	1,449,800	3,254,300	4,065,400
Gross margin	1,213,000	1,274,400	3,030,300	3,700,900
Total operating expenses	440,000	441,500	1,171,900	1,447,600
Operating income	\$ 773,000	\$ 832,900	\$ 1,858,400	\$ 2,253,300

#### **Publishing Operating Results for the Three Months Ended November 30, 2020**

Our Publishing division’s net revenues decreased \$0.1 million, or 3.7%, to \$2.6 million during the three-month period ended November 30, 2020, from \$2.7 million reported in the same period a year ago. Many Publishing customers began to re-open prior to the start of the third quarter of fiscal year 2021. The slight decrease in sales was primarily due to stores that were unable to remain open for the full third quarter of fiscal 2021 due to the COVID-19 pandemic.

Gross margin decreased \$0.1 million, or 7.7%, to \$1.2 million during the three-month period ended November 30, 2020, from \$1.3 million reported in the same quarter a year ago, primarily due to the decrease in net revenues. Gross margin as a percentage of net revenues remained consistent, increasing 0.2%, to 47.0% during the three-month period ended November 30, 2020, from 46.8% reported in the same quarter a year ago. Gross margin as a percentage of net revenues fluctuates primarily from the different discount levels offered to customers.

Total operating expenses of the Publishing segment remained consistent at \$0.4 million during the three-month periods ended November 30, 2020 and 2019.

Operating income of the Publishing segment remained consistent at \$0.8 million for the three-month periods ended November 30, 2020 and 2019.

#### **Publishing Operating Results for the Nine Months Ended November 30, 2020**

Our Publishing division's net revenues decreased \$1.5 million, or 19.2%, to \$6.3 million during the nine-month period ended November 30, 2020, from \$7.8 million reported in the same period a year ago. The decrease in sales resulted from temporary store closures impacted by the COVID-19 pandemic. Many Publishing customers temporarily closed during our fiscal year 2021 first quarter, following the guidance from their local authorities to prevent the spread of the pandemic, and have begun reopening at varying times over the past six months.

Gross margin decreased \$0.7 million, or 18.9%, to \$3.0 million during the nine-month period ended November 30, 2020, from \$3.7 million reported in the same period a year ago, primarily due to the decrease in net revenues. Gross margin as a percentage of net revenues increased 0.5%, to 48.2%, during the nine-month period ended November 30, 2020, from 47.7% reported in the same period a year ago. The increase in gross margin percentage results primarily from a change in our customer mix. Customers receive varying discounts due to sales volumes and contract terms.

Total operating expenses of the Publishing segment decreased \$0.2 million to \$1.2 million during the nine-month period ended November 30, 2020, from \$1.4 million reported in the same period a year ago, resulting from a \$0.1 million decrease in postage and freight from the decrease in sales volumes and a \$0.1 million decrease in sales commissions due to decreased net revenues.

Operating income of the Publishing segment decreased \$0.4 million, or 17.4%, to \$1.9 million during the nine-month period ended November 30, 2020 when compared to \$2.3 million reported in the same period a year ago, due primarily to the decrease in net revenues.

#### **Liquidity and Capital Resources**

EDC has a history of profitability and positive cash flow. We typically fund our operations from the cash we generate. We also use available cash to pay down outstanding bank loan balances, for capital expenditures, to pay dividends, and to acquire treasury stock. We have utilized a bank credit facility and other term loan borrowings to meet our short-term cash needs, as well as fund capital expenditures, when necessary.

During the first nine months of fiscal 2021, we generated positive cash flows from our operations of \$39,617,800. These cash flows resulted from:

- net earnings of \$10,455,700

Adjusted for:

- depreciation expense of \$1,207,900
- share-based compensation expense of \$677,000
- provision for inventory valuation allowance of \$166,200
- provision for doubtful accounts of \$115,800

Offset by:

- deferred income taxes of \$809,800

Positively impacted by:

- increase in accounts payable of \$35,498,700
- increase in accrued salaries and commissions, and other liabilities of \$8,781,000
- increase in deferred revenues of \$1,945,600
- increase in income tax payable of \$213,300

Negatively impacted by:

- increase in inventories, net of \$17,130,200
- increase in accounts receivable of \$1,264,200
- increase in prepaid expenses and other assets of \$239,200

Cash used in investing activities was \$2,040,000 for capital expenditures, which were comprised of \$1,488,300 in equipment purchased to increase our daily shipping capacity, \$359,500 in software upgrades that our UBAM consultants use to monitor their business and place customer orders and \$192,200 in building and building improvements.

Cash used in financing activities was \$9,082,900, which was comprised of net cash used to pay down term debt of \$7,696,900, payments of \$1,419,800 for dividends, offset by \$33,800 net cash received in treasury stock transactions.

During fiscal year 2021, we continue to expect our cash from operations, along with our line of credit and any additional equipment financing needed from our Bank, will provide us the ability to meet our liquidity requirements. Cash generated from operations will be used to replace inventory, to liquidate existing debt and any excess cash is expected to be distributed to our shareholders or used to purchase available shares on the market.

We have a Loan Agreement with the Bank, Term Loan #1 Tranche A totaling \$11.1 million as of November 30, 2020, with a maturity date of December 1, 2025. Tranche A has a fixed interest rate of 4.23% and interest is payable monthly. The Loan Agreement also includes a \$10.0 million line of credit through August 15, 2021. The line of credit accrues interest monthly, at the bank adjusted LIBOR Index plus a tiered pricing rate based on the Company's Adjusted Funded Debt to EBITDA Ratio. The Loan Agreement maintains a minimum rate on borrowings of 2.75%, should the calculated rate of the LIBOR Index plus the tiered pricing rate fall below this level.

We had no borrowings on our line of credit at November 30, 2020 and February 29, 2020. Available credit under the revolving loan was \$10.0 million at November 30, 2020.

During the second quarter of fiscal year 2021, we paid off Loan Agreement Term Loan #1 Tranche B totaling \$4.2 million, which previously had a maturity date of December 1, 2025. In addition, we also paid off Term Loan #2 totaling \$2.9 million, which previously had a maturity date of June 28, 2021. The purpose of paying off these loans early was to utilize our existing cash flows from operations to increase future profits by reducing interest expense, as well as, free up future cash flows to be used to either pay dividends or purchase additional shares.

On August 15, 2019, the Company executed the Tenth Amendment Loan Agreement which extended the termination date of the line of credit to August 15, 2020, amended the definition of LIBOR Margin, reduced the frequency of reports to the Lender, amended the Adjusted Funded Debt to EBITDA Ratio and amended the Compliance and Borrowing Base Certificates reporting requirements.

On August 15, 2020, the Company executed the Eleventh Amendment Loan Agreement which extended the termination date of the line of credit to August 15, 2021, reduced the maximum revolving principal amount from \$15.0 million to \$10.0 million, and amended the definition of the LIBOR Margin and Prime Margin, establishing a floor on the borrowing rates of 2.75%.

The Loan Agreement also contains a provision for our use of the Bank's letters of credit. The Bank agrees to issue, or obtain issuance of, commercial or stand-by letters of credit provided that the sum of the line of credit plus the letters of credit issued would not exceed the borrowing base in effect at the time. As of November 30, 2020, we had no letters of credit outstanding. The agreement contains provisions that require us to maintain specified financial ratios, restrict transactions with related parties, prohibit mergers or consolidation, disallow additional debt, and limit the amounts of dividends declared, investments, capital expenditures, leasing transactions, and establish a dollar limit on the amount of shares that can be repurchased.

The following table reflects aggregate future maturities of long-term debt during the next five fiscal years and thereafter as follows:

Year ending February 28 (29),		
2021	\$	128,800
2022		533,400
2023		556,800
2024		581,100
2025		605,400
Thereafter		8,709,300
Total	\$	11,114,800

### Critical Accounting Policies

*Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to our valuation of inventory, allowance for uncollectible accounts receivable, allowance for sales returns, long-lived assets and deferred income taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.*

*Actual results may materially differ from these estimates under different assumptions or conditions. Historically, however, actual results have not differed materially from those determined using required estimates. Our significant accounting policies are described in the notes accompanying the financial statements included elsewhere in this report. However, we consider the following accounting policies to be more significantly dependent on the use of estimates and assumptions.*

### Revenue Recognition

Sales associated with product orders are recognized and recorded when products are shipped. Products are shipped FOB shipping point. UBAM's sales are generally paid at the time the product is ordered. Sales which have been paid for but not shipped are classified as deferred revenue on the balance sheet. Sales associated with consignment inventory are recognized when reported and payment associated with the sale has been remitted. Transportation revenue represents the amount billed to the customer for shipping the product and is recorded when the product is shipped.

Estimated allowances for sales returns are recorded as sales are recognized. Management uses a moving average calculation to estimate the allowance for sales returns. We are not responsible for product damaged in transit. Damaged returns are primarily received from the retail stores of our Publishing Division. Those damages occur in the stores, not in shipping to the stores, and we typically do not offer credit for damaged returns. It is industry practice to accept non-damaged returns from retail customers. Management has estimated and included a reserve for sales returns of \$0.2 million as of November 30, 2020 and February 29, 2020.

### Allowance for Doubtful Accounts

We maintain an allowance for estimated losses resulting from the inability of our customers to make required payments and a reserve for vendor share markdowns (collectively "allowance for doubtful accounts"). An estimate of uncollectible amounts is made by management based upon historical bad debts, current customer receivable balances, age of customer receivable balances, customers' financial conditions and current economic trends. Management has estimated and included an allowance for doubtful accounts of \$0.3 million at November 30, 2020, and \$0.2 million at February 29, 2020. Included within this allowance is \$0.1 million of reserve for vendor discounts to sell remaining inventory as of November 30, 2020 and February 29, 2020.

### Inventory

Our inventory contains over 2,000 titles, each with different sell through rates depending upon the nature and popularity of the title. We maintain very few titles that are topical in nature. As such, the majority of the titles we sell remain current in content for several years. Most of our products are printed in China, Europe, Singapore, India, Malaysia and Dubai resulting in a four- to six-month lead-time to have a title printed and delivered to us.

Certain inventory is maintained in a noncurrent classification. Management continually estimates and calculates the amount of noncurrent inventory. Noncurrent inventory arises due to occasional purchases of titles in quantities in excess of what will be sold within the normal operating cycle, due to minimum order requirements of our suppliers. Noncurrent inventory was estimated by management using the current year turnover ratio by title. Inventory in excess of 2 ½ years of anticipated sales is classified as noncurrent inventory. These inventory quantities have exposure of becoming out of date, and therefore have higher obsolescence reserves. Noncurrent inventory balances prior to valuation allowances were \$1.0 million and \$1.2 million at November 30, 2020 and February 29, 2020, respectively. Noncurrent inventory valuation allowances were \$0.2 million at November 30, 2020 and February 29, 2020.

Consultants that meet certain eligibility requirements may request and receive inventory on consignment. We believe allowing our consultants to have consignment inventory greatly increases their ability to be successful in making effective presentations at home shows, book fairs and other events; in summary, having consignment inventory leads to additional sales opportunities. Approximately 4.2% of our active consultants maintained consignment inventory at the end of the third quarter of fiscal 2021. Consignment inventory is stated at cost, less an estimated reserve for consignment inventory that is not expected to be sold or returned to the Company. The total cost of inventory on consignment with consultants was \$1.3 million at November 30, 2020 and \$1.5 million at February 29, 2020. During the current fiscal year, the Company increased its reserve for consignment inventory by approximately \$0.2 million based on the estimated impact of the COVID-19 pandemic. Because our consultants are currently limited in their ability to sell consignment inventory at schools, book fairs or fall festivals, we expect an increase in write-offs associated with consultants that become inactive.

Inventories are presented net of a valuation allowance, which includes reserves for inventory obsolescence and reserves for consigned inventory that is not expected to be sold or returned to the Company. Management estimates the inventory obsolescence allowance for both current and noncurrent inventory, which is based on management's identification of slow-moving inventory. Management has estimated a valuation allowance for both current and noncurrent inventory, including the reserve for consigned inventory, of \$0.7 million and \$0.5 million as of November 30, 2020 and February 29, 2020, respectively.

Our principal supplier, based in England, generally requires a minimum re-order of 6,500 or more of a title in order to get a solo print run. Smaller orders would require a shared print run with the supplier's other customers, which can result in lengthy delays to receive the ordered title. Anticipating customer preferences and purchasing habits requires historical analysis of similar titles in the same series. We then place the initial order or re-order based upon this analysis. These factors and historical analysis have led our management to determine that 2 ½ years represents a reasonable estimate of the normal operating cycle for our products.

#### **Stock-Based Compensation**

We account for stock-based compensation whereby share-based payment transactions with employees, such as stock options and restricted stock, are measured at estimated fair value at the date of grant. For awards subject to service conditions, compensation expense is recognized over the vesting period on a straight-line basis. Awards subject to performance conditions are attributed separately for each vesting tranche of the award and are recognized ratably from the service inception date to the vesting date for each tranche. Forfeitures are recognized when they occur. Any cash dividends declared after the restricted stock award is made, but before the vesting period is completed, will be reinvested in Company shares at the opening trading price on the dividend payment date. Shares purchased with cash dividends will also retain the same restrictions until the completion of the original vesting period associated with the awarded shares.

The restricted share awards granted under the 2019 Long-Term Incentive Plan ("2019 LTI Plan") contain both service and performance conditions. The Company recognizes share-based compensation expense only for the portion of the restricted share awards that are considered probable of vesting. Shares are considered granted, and the service inception date begins, when a mutual understanding of the key terms and conditions between the Company and the employees have been established. The fair value of these awards is determined based on the closing price of the shares on the grant date. The probability of restricted share awards granted with future performance conditions is evaluated at each reporting period and compensation expense is adjusted based on the probability assessment.

During the first nine months of fiscal 2021, the Company recognized \$0.7 million of compensation expense associated with the shares granted under the 2019 LTI Plan.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

**Item 4. CONTROLS AND PROCEDURES**

An evaluation was performed of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) and 15d-15(e) as of November 30, 2020. This evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer (Principal Executive Officer) and our Chief Financial Officer and Corporate Secretary (Principal Financial and Accounting Officer).

Based on that evaluation, these officers concluded that our disclosure controls and procedures were effective pursuant to Exchange Act Rule 13a-15(e).

In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the quarter ended November 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION****Item 1. LEGAL PROCEEDINGS**

Not applicable.

**Item 1A. RISK FACTORS**

Not required by smaller reporting company.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

<u>Period</u>	<u>Total # of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total # of Shares Purchased as Part of Publicly Announced Plan (1)</u>	<u>Maximum # of Shares that may be Repurchased under the Plan (1)</u>
September 1 - 30, 2020	-	\$ -	-	519,594
October 1 - 31, 2020	-	-	-	519,594
November 1 - 30, 2020	-	-	-	519,594
Total	-	\$ -	-	-

(1) On February 4, 2019 the Board of Directors approved a new stock repurchase plan, replacing the former 2008 stock repurchase plan. The maximum number of shares which can be purchased under the new plan is 800,000. Amounts in the table reflect the remaining number of shares available to be repurchased. This plan has no expiration date.

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**Item 4. MINE SAFETY DISCLOSURES**

None.

**Item 5. OTHER INFORMATION**

None.

**Item 6. EXHIBITS**

- 31.1 [Certification of the Chief Executive Officer of Educational Development Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 furnished herewith.](#)
- 31.2 [Certification of Chief Financial Officer and Corporate Secretary \(Principal Financial and Accounting Officer\) of Educational Development Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 furnished herewith.](#)
- 32.1 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)



**SIGNATURES**

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

**EDUCATIONAL DEVELOPMENT CORPORATION**  
(Registrant)

Date: January 13, 2021

By /s/ Randall W. White  
Chairman of the Board, President  
and Chief Executive Officer  
(Principal Executive Officer)

CERTIFICATION

I, Randall W. White, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Educational Development Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 13, 2021

/s/ Randall W. White  
Chairman of the Board, President  
and Chief Executive Officer  
(Principal Executive Officer)

CERTIFICATION

I, Dan E. O'Keefe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Educational Development Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 13, 2021

/s/ Dan E. O'Keefe

Chief Financial Officer and Corporate Secretary  
(Principal Financial and Accounting Officer)

**Exhibit 32.1**

**Certification Pursuant to 18 U.S.C. Section 1350,  
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

In connection with the quarterly report of Educational Development Corporation (the “Company”) on Form 10-Q for the period ended November 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 13, 2021

By /s/ Randall W. White  
Randall W. White  
Chairman of the Board, President and Chief Executive Officer  
(Principal Executive Officer)

Date: January 13, 2021

By /s/ Dan E. O’Keefe  
Dan E. O’Keefe  
Chief Financial Officer and Corporate Secretary  
(Principal Financial and Accounting Officer)