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

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 31, 2021

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	**73-0750007**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5402 South 122nd East Ave, Tulsa, Oklahoma	**74146**
(Address of principal executive offices)	(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	**EDUC**	**NASDAQ**
(Title of class)	(Trading symbol)	(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 October 1, 2021, there were 8,656,136 shares of Educational Development Corporation Common Stock, $0.20 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 28, 2021 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.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

EDUCATIONAL DEVELOPMENT CORPORATION
CONDENSED BALANCE SHEETS (UNAUDITED)

	August 31, 2021	February 28, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 921,200	$ 1,812,200
Accounts receivable, less allowance for doubtful accounts of $388,100 (August 31) and $331,900 (February 28)	3,894,400	3,346,700
Inventories - net	64,707,400	51,762,400
Prepaid expenses and other assets	1,407,500	1,219,300
Total current assets	70,930,500	58,140,600
INVENTORIES - net	843,400	685,300
PROPERTY, PLANT AND EQUIPMENT - net	31,186,400	29,951,000
OTHER ASSETS	43,600	73,600
TOTAL ASSETS	$ 103,003,900	$ 88,850,500
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 18,519,000	$ 19,674,300
Line of credit	16,653,800	5,245,300
Deferred revenues	751,400	1,914,100
Current maturities of long-term debt	1,645,200	533,500
Accrued salaries and commissions	1,896,400	3,488,000
Dividends payable	865,000	835,100
Income taxes payable	126,100	130,200
Other current liabilities	3,629,800	6,094,800
Total current liabilities	44,086,700	37,915,300
LONG-TERM DEBT - net of current maturities	14,278,400	10,451,200
DEFERRED INCOME TAXES - net	41,400	89,900
OTHER LONG-TERM LIABILITIES	114,000	134,300
Total liabilities	58,520,500	48,590,700
SHAREHOLDERS' EQUITY		
Common stock, $0.20 par value; Authorized 16,000,000 shares; Issued 12,702,080 (August 31) and 12,410,080 (February 28) shares; Outstanding 8,650,229 (August 31) and 8,346,600 (February 28) shares	2,540,400	2,482,000
Capital in excess of par value	11,377,900	10,863,900
Retained earnings	43,290,900	39,683,000
	57,209,200	53,028,900
Less treasury stock, at cost	(12,725,800)	(12,769,100)
Total shareholders' equity	44,483,400	40,259,800
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 103,003,900	$ 88,850,500

See notes to condensed financial statements (unaudited).

EDUCATIONAL DEVELOPMENT CORPORATION
CONDENSED STATEMENTS OF EARNINGS (UNAUDITED)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
GROSS SALES	$ 44,187,100	$ 73,682,800	$ 96,578,700	$ 120,579,700
Less discounts and allowances	(14,513,500)	(21,363,400)	(30,467,600)	(34,259,300)
Transportation revenue	3,320,800	6,930,700	7,691,200	11,221,400
NET REVENUES	32,994,400	59,250,100	73,802,300	97,541,800
COST OF GOODS SOLD	10,498,900	17,309,500	22,528,800	28,705,000
Gross margin	22,495,500	41,940,600	51,273,500	68,836,800
OPERATING EXPENSES				
Operating and selling	5,239,900	10,531,900	11,682,500	16,872,100
Sales commissions	10,105,200	20,304,400	23,072,000	33,904,900
General and administrative	4,793,900	5,664,000	9,932,800	10,200,000
Total operating expenses	20,139,000	36,500,300	44,687,300	60,977,000
INTEREST EXPENSE	213,700	140,000	381,500	322,200
OTHER INCOME	(515,300)	(499,200)	(1,114,000)	(905,800)
EARNINGS BEFORE INCOME TAXES	2,658,100	5,799,500	7,318,700	8,443,400
INCOME TAXES	759,900	1,544,500	1,982,400	2,257,300
NET EARNINGS	$ 1,898,200	$ 4,255,000	$ 5,336,300	$ 6,186,100
BASIC AND DILUTED EARNINGS PER SHARE				
Basic	$ 0.24	$ 0.51	$ 0.66	$ 0.74
Diluted	$ 0.23	$ 0.51	$ 0.63	$ 0.74
WEIGHTED AVERAGE NUMBER OF COMMON AND EQUIVALENT SHARES OUTSTANDING				
Basic	8,028,594	8,354,214	8,028,929	8,353,319
Diluted	8,435,348	8,354,214	8,458,664	8,353,319
Dividends per share	$ 0.10	$ 0.06	$ 0.20	$ 0.12

See notes to condensed financial statements (unaudited).

EDUCATIONAL DEVELOPMENT CORPORATION
CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED AUGUST 31, 2021

	Common Stock (par value $0.20 per share)				Treasury Stock		
	Number of Shares Issued	Amount	Capital in Excess of Par Value	Retained Earnings	Number of Shares	Amount	Shareholders' Equity
BALANCE – February 28, 2021	12,410,080	$ 2,482,000	$ 10,863,900	$ 39,683,000	4,063,480	$ (12,769,100)	$ 40,259,800
Sales of treasury stock	-	-	26,600	-	(1,714)	5,400	32,000
Dividends declared ($0.10/share)	-	-	-	(834,800)	-	-	(834,800)
Stock-based compensation (see note 6)	-	-	261,600	-	-	-	261,600
Net earnings	-	-	-	3,438,100	-	-	3,438,100
BALANCE - May 31, 2021	12,410,080	$ 2,482,000	$ 11,152,100	$ 42,286,300	4,061,766	$ (12,763,700)	$ 43,156,700
Sales of treasury stock	-	-	46,100	-	(4,915)	14,300	60,400
Issuance of restricted share awards for vesting	292,000	58,400	(82,000)	-	(5,000)	23,600	-
Dividends declared ($0.10/share)	-	-	-	(893,600)	-	-	(893,600)
Share-based compensation expense (see Note 6)	-	-	261,700	-	-	-	261,700
Net earnings	-	-	-	1,898,200	-	-	1,898,200
BALANCE - August 31, 2021	12,702,080	$ 2,540,400	$ 11,377,900	$ 43,290,900	4,051,851	$ (12,725,800)	$ 44,483,400

FOR THE SIX MONTHS ENDED AUGUST 31, 2020

	Common Stock (par value $0.20 per share)				Treasury Stock		
	Number of Shares Issued	Amount	Capital in Excess of Par Value	Retained Earnings	Number of Shares	Amount	Shareholders' Equity
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

See notes to condensed financial statements (unaudited).

EDUCATIONAL DEVELOPMENT CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended August 31, 2021	Six Months Ended August 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 5,336,300	$ 6,186,100
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation	924,200	821,100
Deferred income taxes	(48,500)	(185,100)
Provision for doubtful accounts	61,600	91,800
Provision for inventory valuation allowance	120,000	106,400
Share-based compensation expense	523,300	385,200
Changes in assets and liabilities:		
Accounts receivable	(609,300)	(392,400)
Inventories, net	(13,223,100)	(17,700)
Prepaid expenses and other assets	(158,200)	(383,800)
Accounts payable	(104,700)	14,797,500
Accrued salaries and commissions and other liabilities	(4,076,900)	4,164,500
Deferred revenues	(1,162,700)	843,100
Income taxes payable	(4,100)	2,133,200
Total adjustments	(17,758,400)	22,363,800
Net cash provided by (used in) operating activities	(12,422,100)	28,549,900
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(3,210,200)	(440,900)
Net cash used in investing activities	(3,210,200)	(440,900)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on term debt	(305,800)	(9,015,500)
Proceeds from term debt	5,244,700	1,447,400
Sales of treasury stock	92,400	90,100
Purchases of treasury stock	-	(75,500)
Net borrowings under line of credit	11,408,500	-
Dividends paid	(1,698,500)	(918,600)
Net cash provided by (used in) financing activities	14,741,300	(8,472,100)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(891,000)	19,636,900
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	1,812,200	2,999,400
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 921,200	$ 22,636,300
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid for interest	$ 378,000	$ 343,900
Cash paid for income taxes	$ 2,035,000	$ 309,200
NON-CASH TRANSACTIONS		
Accrued capital expenditures	$ 10,600	$ 252,000

See notes to condensed financial statements (unaudited).

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 28, 2021 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

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. Effective May 1, 2021, we lessened our safety and health practices in the office and warehouse based on the recommendations from the local Tulsa Health Department. We are closely monitoring the impact of the COVID-19 pandemic and continually assessing its potential effects on our business. While the Company did not experience a decrease in net revenues during fiscal year 2021, and the year-to-date result of fiscal 2022 are more normalized, the long-term severity and duration of the pandemic are uncertain and the extent to which our results are affected by COVID-19 cannot be accurately predicted. See Management's Discussion and Analysis of Financial Condition and Results of Operations for more information on the impact COVID-19 had during the current fiscal period.

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 28, 2021 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 was adopted by the Company at the beginning of fiscal year 2022 and did not have a material impact on our financial statements and disclosures.

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:

		August 31, 2021		February 28, 2021
Current:				
Book inventory	$	65,274,800	$	52,276,200
Inventory valuation allowance		(567,400)		(513,800)
Inventories net – current	$	64,707,400	$	51,762,400
Noncurrent:				
Book inventory	$	1,124,400	$	894,300
Inventory valuation allowance		(281,000)		(209,000)
Inventories net – noncurrent	$	843,400	$	685,300

Book inventory includes inventory in transit which totaled $2,796,900 and $6,467,400 at August 31, 2021 and February 28, 2021, respectively.

Book inventory quantities in excess of what we expect will be sold within the normal operating cycle, based on 2½ 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 $12,127,000 and $7,357,600 for the three months ended August 31, 2021 and 2020, respectively. Total inventory purchases received from all suppliers were $18,779,100 and $12,370,600 for the three months ended August 31, 2021 and 2020, respectively.

Purchases received from Usborne were $24,415,300 and $11,332,000 for the six months ended August 31, 2021 and 2020, respectively. Total inventory purchases received from all suppliers were $36,564,300 and $18,217,200 for the six months ended August 31, 2021 and 2020, 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. One 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 other lessee arrangement is short-term and offers flexible storage space on a month to month basis. Our lessee arrangements are not material to our condensed financial statements or notes to the condensed financial statements. 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.

Operating Leases – Lessor

We recognize fixed rental income on a straight-line basis over the life of the lease as other income on our condensed statements of earnings. Variable rental payments are recognized as other income 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:

Years ending February 28 (29),		
2022	$	775,200
2023		1,573,200
2024		1,577,900
2025		1,547,100
2026		1,524,300
Thereafter		8,091,000
Total	$	15,088,700

The cost of the leased space was $10,828,600 and $10,826,400 as of August 31, 2021 and February 28, 2021, respectively. The accumulated depreciation associated with the leased assets was $2,407,600 and $2,216,700 as of August 31, 2021 and February 28, 2021, 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:

		August 31, 2021		**February 28, 2021**
Line of credit	$	16,653,800	$	5,245,300
Advancing term loan	$	5,244,700	$	-
Long-term debt		10,678,900		10,984,700
Less current maturities		(1,645,200)		(533,500)
Long-term debt, net of current maturities	$	14,278,400	$	10,451,200

The Company executed an Amended and Restated Loan Agreement on February 15, 2021 (as amended the “Loan Agreement”) with MidFirst Bank (“the Bank”), which replaced the prior loan agreement and includes multiple loans. Term Loan #1 Tranche A (“Term Loan #1”), originally totaling $13.4 million, was part of the prior loan agreement. Term Loan #1 had a fixed interest rate of 4.23% with principal and interest payable monthly and a stated maturity date of December 1, 2025. On April 1, 2021, the Company executed the First Amendment to the Loan Agreement which reduced the fixed interest rate on Term Loan #1 to 3.12% and removed the prepayment premium from the Loan Agreement. Term Loan #1 is secured by the primary office, warehouse and land. The outstanding borrowings on Term Loan #1 were $10,678,900 and $10,984,700 as of August 31, 2021 and February 28, 2021, respectively.

The Loan Agreement also provides a $20.0 million revolving loan (“line of credit”) through August 15, 2022 with interest payable monthly at the Bank-adjusted LIBOR Index plus a tiered pricing rate based on the Company’s Adjusted Funded Debt to EBITDA Ratio, with a minimum rate of 2.75% (the effective rate was 2.75% at August 31, 2021). On July 16, 2021, the Company executed the Second Amendment to the Loan Agreement which increased the Maximum Revolving Principal Amount from $15.0 million to $20.0 million. On August 31, 2021, the Company executed the Third Amendment to the Loan Agreement which modified the advance rates used in the borrowing base certificate. Our borrowings outstanding on our line of credit as of August 31, 2021 and February 28, 2021, were $16,653,800 and $5,245,300, respectively. Available credit under the revolving line of credit was approximately $3,346,200 and $9,570,200 at August 31, 2021 and February 28, 2021, respectively.

In addition, the Loan Agreement provides a $6.0 million Advancing Term Loan to be used to finance planned equipment purchases. The Advancing Term Loan required interest-only payments through July 15, 2021, at which time it was converted to a 60-month amortizing term loan maturing July 15, 2026. The Advancing Term Loan accrues interest at the Bank-adjusted LIBOR Index plus a tiered pricing rate based on the Company’s Adjusted Funded Debt to EBITDA Ratio, with a minimum rate of 2.75% (the effective rate was 2.75% at August 31, 2021). Our borrowings outstanding under the Advancing Term Loan at August 31, 2021 were $5,244,700 and we had no borrowings at February 28, 2021.

Adjusted Funded Debt is defined as all long-term and short-term bank debt less the outstanding balance of Term Loan #1. EBITDA is defined in the Loan Agreement as net income plus interest expense, income tax expense (benefit) and depreciation and amortization expenses. The Adjusted Funded Debt to EBITDA ratio includes Adjusted Funded Debt to trailing twelve months EBITDA, reduced by specific rental income received from a non-related third party, see Note 3. The $20.0 million line of credit is limited to advance rates on eligible receivables and eligible inventory levels.

The Advancing Term Loan and the line of credit accrue interest at a tiered rate based on our Adjusted Funded Debt to EBITDA ratio. 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

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, 2022, 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 August 31, 2021, we had no letters of credit outstanding.

The Loan Agreement also contains provisions that require the Company to maintain specified financial ratios and limits any additional debt with other lenders. Additionally, the Loan Agreement places limitations on the amount of dividends that may be distributed and the total value of stock that can be repurchased using advances from the line of credit.

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

Years ending February 28 (29),		
2022	$	816,900
2023		1,658,800
2024		1,678,300
2025		1,697,700
2026		9,546,400
Thereafter		525,500
Total	$	15,923,600

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 excluding nonvested restricted stock awards. Diluted EPS includes the dilutive effect of issued unvested restricted stock awards and additional potential common shares issuable under stock warrants, restricted stock and stock options. We utilized the treasury stock method in computing the potential common shares issuable under stock warrants, restricted stock, stock options and preferred shares.

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 August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Earnings:				
Net earnings applicable to common shareholders	$ 1,898,200	$ 4,255,000	$ 5,336,300	$ 6,186,100
Weighted average shares:				
Weighted average shares outstanding-basic	8,028,594	8,354,214	8,028,929	8,353,319
Issued unvested restricted stock and assumed shares issuable under granted unvested restricted stock awards	406,754	-	429,735	-
Weighted average shares outstanding-diluted	8,435,348	8,354,214	8,458,664	8,353,319
Earnings per share:				
Basic	$ 0.24	$ 0.51	$ 0.66	$ 0.74
Diluted	$ 0.23	$ 0.51	$ 0.63	$ 0.74

Note 6 – SHARE-BASED COMPENSATION

We account for share-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 established up to 600,000 shares of restricted stock available to 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 Company exceeded all defined metrics during these fiscal years and 600,000 shares were granted to members of management according to the Plan. The granted shares under the 2019 LTI Plan "cliff vest" after five years from the fiscal year that the defined metrics were exceeded.

In July 2021, our shareholders approved the Company's 2022 Long-Term Incentive Plan ("2022 LTI Plan"). The 2022 LTI Plan establishes up to 300,000 shares of restricted stock available to be granted to certain members of management based on exceeding specified net revenues and pre-tax performance metrics during fiscal years 2022 and 2023. The number of restricted shares to be distributed depends on attaining the performance metrics defined by the 2022 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 2022 LTI Plan. Restricted shares granted under the 2022 LTI Plan "cliff vest" after five years from the fiscal year that the defined metrics were exceeded.

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 $980,200, will be recognized ratably over the remaining vesting period of approximately 18 months.

During fiscal year 2021, the Company granted 297,000 restricted shares under the 2019 LTI Plan, including the 5,000 aforementioned shares that were previously forfeited and held in Treasury, with an average grant-date fair value of $6.30 per share. The remaining compensation expense of these awards, totaling approximately $1,374,800, will be recognized ratably over the remaining vesting period of approximately 42 months.

As of August 31, 2021, no shares have been granted under the 2022 LTI Plan.

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

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Share-based compensation expense	$ 261,700	$ 216,200	$ 523,300	$ 385,200

The following table summarizes stock award activity during the first six months of fiscal year 2022 under the 2019 LTI Plan:

	Shares	Weighted Average Fair Value (per share)
Outstanding at February 28, 2021	600,000	$ 8.14
Granted	-	-
Vested	-	-
Forfeited	-	-
Outstanding at August 31, 2021	600,000	$ 8.14

As of August 31, 2021, total unrecognized share-based compensation expense related to unvested granted or issued restricted shares was $2,355,000, which we expect to recognize over a weighted-average period of 32.0 months.

Note 7 – SHIPPING AND HANDLING COSTS

We classify shipping and handling costs as operating and selling expenses in the condensed statements of earnings. Shipping and handling costs include postage, freight, handling costs, as well as shipping materials and supplies. These costs were $5,036,000 and $9,984,600 for the three months ended August 31, 2021 and 2020, respectively. These costs were $11,392,400 and $16,299,900 for the six months ended August 31, 2021 and 2020, 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, trade and specialty wholesalers, through commissioned sales representatives 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 six-month periods ended August 31, 2021 and 2020, are as follows:

NET REVENUES

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
UBAM	$ 29,518,100	$ 56,911,600	$ 67,135,000	$ 93,837,800
Publishing	3,476,300	2,338,500	6,667,300	3,704,000
Total	$ 32,994,400	$ 59,250,100	$ 73,802,300	$ 97,541,800

EARNINGS (LOSS) BEFORE INCOME TAXES

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
UBAM	$ 5,579,100	$ 9,662,600	$ 13,440,400	$ 15,489,700
Publishing	982,800	738,800	1,844,300	1,085,400
Other	(3,903,800)	(4,601,900)	(7,966,000)	(8,131,700)
Total	$ 2,658,100	$ 5,799,500	$ 7,318,700	$ 8,443,400

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 $15,654,000 and $11,078,800 at August 31, 2021 and February 28, 2021, 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 August 31, 2021 or February 28, 2021 are recorded as deferred revenues on the condensed balance sheets. We received approximately $751,400 and $1,914,100, as of August 31, 2021 and February 28, 2021, respectively, 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 October 6, 2021, the Board of Directors approved a $0.10 dividend that will be paid to shareholders of record on Thursday, November 18, 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 28, 2021 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 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. The Publishing segment markets its products on a wholesale basis to various retail accounts. 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 August 31, 2021	Three Months Ended August 31, 2020	Six Months Ended August 31, 2021	Six Months Ended August 31, 2020
Net revenues	$ 32,994,400	$ 59,250,100	$ 73,802,300	$ 97,541,800
Cost of goods sold	10,498,900	17,309,500	22,528,800	28,705,000
Gross margin	22,495,500	41,940,600	51,273,500	68,836,800
Operating expenses				
Operating and selling	5,239,900	10,531,900	11,682,500	16,872,100
Sales commissions	10,105,200	20,304,400	23,072,000	33,904,900
General and administrative	4,793,900	5,664,000	9,932,800	10,200,000
Total operating expenses	20,139,000	36,500,300	44,687,300	60,977,000
Interest expense	213,700	140,000	381,500	322,200
Other income	(515,300)	(499,200)	(1,114,000)	(905,800)
Earnings before income taxes	2,658,100	5,799,500	7,318,700	8,443,400
Income taxes	759,900	1,544,500	1,982,400	2,257,300
Net earnings	$ 1,898,200	$ 4,255,000	$ 5,336,300	$ 6,186,100

See the detailed discussion of revenues, gross margin and general and administrative expenses by reportable segment below. The following is a discussion of significant changes in the non-segment related general and administrative expenses, other income and expenses and income taxes during the respective periods.

Non-Segment Operating Results for the Three Months Ended August 31, 2021

Total operating expenses not associated with a reporting segment decreased $0.8 million, or 16.0%, to $4.2 million for the three-month period ended August 31, 2021, when compared to $5.0 million for the same quarterly period a year ago. Operating expenses decreased primarily as a result of a $0.6 million decrease in warehouse labor and a $0.4 million decrease in freight handling expenses, both resulting from a decrease in gross sales, offset by a $0.2 million increase in other various expenses.

Interest expense increased $0.1 million, or 100.0%, to $0.2 million for the three months ended August 31, 2021, when compared to $0.1 million for the same quarterly period a year ago associated with the increase in our line of credit and the addition of the Advancing Term Loan in the current fiscal year.

Income taxes decreased $0.7 million, or 46.7%, to $0.8 million for the three months ended August 31, 2021, from $1.5 million for the same quarterly period a year ago. Our effective tax rate increased to 28.6% for the quarter ended August 31, 2021, from 26.6% for the quarter ended August 31, 2020 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 Six Months Ended August 31, 2021

Total operating expenses remained consistent at $8.7 million for the six-month periods ended August 31, 2021 and August 31, 2020. Warehouse labor decreased $0.2 million and freight handling decreased $0.4 million for the six months ended August 31, 2021, both associated with reduced sales. These changes were offset by increased warehouse rental of $0.2 million and property insurance of $0.1 million associated with increased inventory levels along with a $0.3 million increase in other various expenses.

Interest expense increased $0.1 million, or 33.3%, to $0.4 million for the six months ended August 31, 2021, when compared to $0.3 million for the same period a year ago as a result of the increase in our line of credit and the addition of the Advancing Term Loan in the current fiscal year.

Income taxes decreased $0.3 million, or 13.0%, to $2.0 million for the six months ended August 31, 2021, from $2.3 million for the same period a year ago. Our effective tax rate increased to 27.1% for the six months ended August 31, 2021, from 26.7% for the six months ended August 31, 2020 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 Six Months Ended August 31, 2021

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

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	**2020**	**2021**	**2020**
Gross sales	$ 36,789,400	$ 68,868,300	$ 82,325,100	$ 112,814,400
Less discounts and allowances	(10,590,700)	(18,828,400)	(22,876,400)	(30,135,100)
Transportation revenue	3,319,400	6,871,700	7,686,300	11,158,500
Net revenues	29,518,100	56,911,600	67,135,000	93,837,800
Cost of goods sold	8,636,600	16,129,700	18,886,500	26,818,300
Gross margin	20,881,500	40,781,900	48,248,500	67,019,500
Operating expenses				
Operating and selling	4,215,000	9,137,600	9,559,700	14,563,900
Sales commissions	9,937,600	20,249,400	22,795,900	33,809,800
General and administrative	1,149,800	1,732,300	2,452,500	3,156,100
Total operating expenses	15,302,400	31,119,300	34,808,100	51,529,800
Operating income	$ 5,579,100	$ 9,662,600	$ 13,440,400	$ 15,489,700
Average number of active consultants	46,100	45,400	50,200	39,300

UBAM Operating Results for the Three Months Ended August 31, 2021

UBAM net revenues decreased $27.4 million, or 48.2%, to $29.5 million during the three months ended August 31, 2021, when compared to $56.9 million during the same period a year ago. The average number of active consultants in the second quarter of fiscal 2022 was 46,100, an increase of 700, or 1.5%, from 45,400 selling in the second quarter of fiscal 2021. The Company reports the average number of active consultants each quarter as a key indicator for this division. During the quarter ended August 31, 2020 our sales per average number of active consultants increased significantly to due to the increase in demand for our products resulting from the impacts of the COVID-19 pandemic. During last summer, school closings and public interaction restrictions increased the need for educational materials in the home and our consultants were positioned to fill this increased demand. During the quarter ended August 31, 2021, our sales per average number of active consultants remained consistent with years prior to the COVID-19 pandemic.

Gross margin decreased $19.9 million, or 48.8%, to $20.9 million during the three months ended August 31, 2021, when compared to $40.8 million during the same period a year ago, primarily associated with the decrease in net revenues. Gross margin as a percentage of net revenues decreased 1.0%, to 70.7% for the three-month period ended August 31, 2021, when compared to 71.7% the same period a year ago. The decrease in gross margin as a percentage of net revenues resulted from a change in order mix partially offset by reduced cost of goods sold. During the quarter ended August 31, 2021 sales through book fairs, booths and home parties increased over the second quarter last year when these sales types were challenged. These sales types have higher sales discounts and pay less sales commissions to our consultants, resulting in similar operating income. Reduced cost of goods sold resulted from larger volume discounts and vendor rebates associated with increased purchasing volumes over pre-COVID-19 levels.

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 decreased $15.8 million, or 50.8%, to $15.3 million during the three-month period ended August 31, 2021, when compared to $31.1 million reported in the same quarter a year ago. Operating and selling expenses decreased $4.9 million, or 53.8%, to $4.2 million during the three-month period ended August 31, 2021, when compared to $9.1 million reported in the same quarter a year ago, primarily due to a decrease in net revenues and a decrease in postage and freight peak charges we experienced in the second quarter last year. Sales commissions decreased $10.3 million, or 51.0%, to $9.9 million during the three-month period ended August 31, 2021, when compared to $20.2 million reported in the same quarter a year ago, due primarily to the decrease in net revenues. General and administrative expenses decreased $0.6 million, or 35.3%, to $1.1 million during the three months ended August 31, 2021, when compared to $1.7 million during the same period a year ago, due primarily to reduced bank fees from less credit card transactions during the quarter ended August 31, 2021.

Operating income of the UBAM segment decreased $4.1 million, or 42.3%, to $5.6 million during the three months ended August 31, 2021, when compared to $9.7 million reported in the same quarter a year ago, primarily due to the change in net revenues. Operating income of the UBAM division as a percentage of net revenues for the three months ended August 31, 2021 increased to 18.9%, compared to 17.0% for the three months ended August 31, 2020, primarily from reduced cost of goods sold resulting from larger volume discounts and vendor rebates associated with increased purchasing volumes and reduced outbound shipping peak charges experienced in the second quarter last year.

UBAM Operating Results for the Six Months Ended August 31, 2021

UBAM net revenues decreased $26.7 million, or 28.5%, to $67.1 million during the six-month period ended August 31, 2021, compared to $93.8 million from the same period a year ago. The average number of active consultants in the six-month period ended August 31, 2021 was 50,200, an increase of 10,900, or 27.7%, from 39,300 selling in same period a year ago. During the six months ended August 31, 2020 our sales per average number of active consultants increased significantly due to the increase in demand for our products resulting from the impacts of the COVID-19 pandemic. School closings and quarantine restrictions increased the need for educational materials in the home and our consultants were positioned to fill this increased demand. During the six months ended August 31, 2021, our sales per average number of active consultants remained consistent with years prior to the COVID-19 pandemic.

Gross margin decreased $18.8 million, or 28.1%, to $48.2 million during the six-month period ended August 31, 2021, when compared to $67.0 million during the same period a year ago, due primarily to a decrease in net revenues. Gross margin as a percentage of net revenues increased to 71.9% for the six-month period ended August 31, 2021, when compared to 71.4% for the same period a year ago. During the six months ended August 31, 2021 , sales through book fairs, booths and home increased over the first six months of fiscal year 2021 when these sales types were challenged. These sales types have higher sales discounts and pay less sales commissions to our consultants, resulting in similar operating income. The decrease in gross margin percentage associated with the mix from these sales types was offset by reduced cost of goods sold resulting from larger volume discounts and vendor rebates associated with increased purchasing volumes over pre-COVID-19 levels.

Total operating expenses decreased $16.7 million, or 32.4%, to $34.8 million during the six-month period ended August 31, 2021, from $51.5 million for the same period a year ago. Operating and selling expenses decreased $5.0 million, or 34.2%, to $9.6 million during the six-month period ended August 31, 2021, when compared to $14.6 million reported in the same period a year ago, primarily due to a decrease in shipping costs associated with the decrease in volume of orders shipped. Sales commissions decreased $11.0 million, or 32.5%, to $22.8 million during the six-month period ended August 31, 2021, when compared to $33.8 million reported in the same period a year ago, primarily due to the decrease in net revenues along with a lower percentage of internet-based sales, which offer fewer discounts and higher sales commissions to consultants. General and administrative expenses decreased $0.7 million, or 21.9%, to $2.5 million, from $3.2 million recognized during the same period last year, due primarily to decreased credit card transaction fees associated with decreased sales volumes.

Operating income of the UBAM segment decreased $2.1 million, or 13.5%, to $13.4 million during the six months ended August 31, 2021, when compared to $15.5 million reported in the same period last year. Operating income of the UBAM division as a percentage of net revenues for the six months ended August 31, 2021 was 20.0%, compared to 16.5% for the six months ended August 31, 2020, a change of 3.5%. Operating income as a percentage of net revenues increased from the prior year primarily from reduced cost of goods sold resulting from larger volume discounts and vendor rebates associated with increased purchasing volumes and reduced outbound shipping peak charges experienced during the first six months of the prior fiscal year.

Publishing Operating Results for the Three and Six Months Ended August 31, 2021

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

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Gross sales	$ 7,397,700	$ 4,814,500	$ 14,253,600	$ 7,765,300
Less discounts and allowances	(3,922,800)	(2,535,000)	(7,591,200)	(4,124,200)
Transportation revenue	1,400	59,000	4,900	62,900
Net revenues	3,476,300	2,338,500	6,667,300	3,704,000
Cost of goods sold	1,862,300	1,179,800	3,642,300	1,886,700
Gross margin	1,614,000	1,158,700	3,025,000	1,817,300
Total operating expenses	631,200	419,900	1,180,700	731,900
Operating income	$ 982,800	$ 738,800	$ 1,844,300	$ 1,085,400

Publishing Operating Results for the Three Months Ended August 31, 2021

Our Publishing division's net revenues increased $1.2 million, or 52.2%, to $3.5 million during the three-month period ended August 31, 2021, from $2.3 million reported in the same period a year ago. Many Publishing customers began to reopen in the latter half of fiscal year 2021 after closing in the first quarter of fiscal year 2021 due to the COVID-19 pandemic.

Gross margin increased $0.4 million, or 33.3%, to $1.6 million during the three-month period ended August 31, 2021, from $1.2 million reported in the same quarter a year ago, primarily due to the increase in net revenues. Gross margin as a percentage of net revenues decreased to 46.4% during the three-month period ended August 31, 2021, from 49.5% 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 as well as changes in the mix of products sold between Kane Miller and Usborne.

Total operating expenses of the Publishing segment increased $0.2 million, or 50.0%, to $0.6 million, from $0.4 million, during the three-month periods ended August 31, 2021 and 2020, primarily as a result of increased freight expenses from an increase in sales.

Operating income of the Publishing segment increased $0.3 million, or 42.9%, to $1.0 million from $0.7 million for the three-month periods ended August 31, 2021 and 2020, primarily driven by the increase in net revenues.

Publishing Operating Results for the Six Months Ended August 31, 2021

Our Publishing division's net revenues increased $3.0 million, or 81.1%, to $6.7 million during the six-month period ended August 31, 2021, from $3.7 million reported in the same period a year ago. The increase in sales resulted from temporary store closures impacted by the COVID-19 pandemic in fiscal year 2021. Many Publishing customers temporarily closed during the first quarter of fiscal year 2021, following the guidance from their local authorities to slow the spread of the pandemic, and began reopening at varying times in the latter half of fiscal year 2021.

Gross margin increased $1.2 million, or 66.7%, to $3.0 million during the six-month period ended August 31, 2021, from $1.8 million reported in the same period a year ago, primarily due to the increase in net revenues. Gross margin as a percentage of net revenues decreased to 45.4%, during the six-month period ended August 31, 2021, from 49.1% reported in the same period a year ago. The decrease 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 increased $0.5 million, or 71.4%, to $1.2 million during the six-month period ended August 31, 2021, from $0.7 million reported in the same period a year ago, resulting from a $0.3 million increase in postage and freight from an increase in sales volumes and a $0.2 million increase in sales commissions from an increase in sales volumes.

Operating income of the Publishing segment increased $0.7 million, or 63.6%, to $1.8 million during the six-month period ended August 31, 2021 when compared to $1.1 million reported in the same period a year ago, due primarily to the increase 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 six months of fiscal year 2022, we experienced cash outflows from operations of $12,422,100. These cash outflows resulted from:

●net earnings of $5,336,300

Adjusted for:

●depreciation expense of $924,200
●share-based compensation expense of $523,300
●provision for inventory valuation allowance of $120,000
●provision for doubtful accounts of $61,600

Offset by:

●deferred income taxes of $48,500

Negatively impacted by:

●increase in inventories, net of $13,223,100
●decrease in accrued salaries and commissions, and other liabilities of $4,076,900
●decrease in deferred revenues of $1,162,700
●increase in accounts receivable of $609,300
●increase in prepaid expenses and other assets of $158,200
●decrease in accounts payable of $104,700
●decrease in income taxes payable of $4,100

Cash used in investing activities was $3,210,200 for capital expenditures, which were comprised of $2,849,700 in equipment purchased to increase our daily shipping capacity, $280,500 in software upgrades to our proprietary systems that our UBAM consultants use to monitor their business and place customer orders and $80,000 in building and building improvements.

Cash provided by financing activities was $14,741,300, which was comprised of proceeds from term debt of $5,244,700, net borrowings under the line of credit of $11,408,500 and net cash received in treasury stock transactions of $92,400, offset by payments of $1,698,500 for dividends and payments on term debt of $305,800.

During fiscal year 2022, we continue to expect the cash generated from our operations and cash available through our line of credit with our Bank will provide us the liquidity we need to support ongoing operations. Cash generated from operations will be used to increase inventory by expanding our product offerings, to liquidate existing debt, and any excess cash is expected to be distributed to our shareholders.

On February 15, 2021, the Company executed the Amended and Restated Loan Agreement with MidFirst Bank which replaced the prior loan agreement and includes multiple loans. Term Loan #1 Tranche A ("Term Loan #1"), originally totaling $13.4 million, was part of the prior loan agreement. Term Loan #1 had a fixed interest rate of 4.23%, with principal and interest payable monthly and a stated maturity date of December 1, 2025. Term Loan #1 is secured by the primary office, warehouse and land. Term Loan #1 was amended on April 1, 2021 by executing the First Amendment to the Loan Agreement which reduced the fixed interest rate to 3.12% and removed the prepayment premium from the Loan Agreement. The outstanding borrowings on Term Loan #1 were $10.7 million and $11.0 million as of August 31, 2021 and February 28, 2021, respectively.

In addition, the Amended and Restated Loan Agreement provides a $6.0 million Advancing Term Loan to be used to finance planned equipment purchases. The Advancing Term Loan required interest-only payments through July 15, 2021, at which time it was converted to a 60-month amortizing term loan maturing July 15, 2026. The Advancing Term Loan accrues interest at the Bank-adjusted LIBOR Index plus a tiered pricing rate based on the Company's Adjusted Funded Debt to EBITDA Ratio, with a minimum rate of 2.75%. Our borrowings outstanding under the Advancing Term Loan at August 31, 2021 were $5.2 million.

The Amended and Restated Loan Agreement also provides a $20.0 million revolving loan ("line of credit") through August 15, 2022 with interest payable monthly at the Bank-adjusted LIBOR Index plus a tiered pricing rate based on the Company's Adjusted Funded Debt to EBITDA Ratio, with a minimum rate of 2.75%. On July 16, 2021, the Company executed the Second Amendment to the Loan Agreement which increased the Maximum Revolving Principal Amount from $15.0 million to $20.0 million. On August 31, 2021, the Company executed the Third Amendment to the Loan Agreement which modified the advance rates used in the borrowing base certificate. Our borrowings outstanding on our line of credit at August 31, 2021 and February 28, 2021 were $16.7 million and $5.2 million, respectively. Available credit under the revolving line of credit was approximately $3.3 million and $9.6 million at August 31, 2021 and February 28, 2021, respectively.

The Amended and Restated 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 August 31, 2021, we had no letters of credit outstanding. The agreement contains provisions that require us to maintain specified financial ratios, place limitations on additional debt with other banks, limit the amounts of dividends declared and limits the number of shares that can be repurchased using funding from the line of credit.

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

Years ending February 28 (29),		
2022	$	816,900
2023		1,658,800
2024		1,678,300
2025		1,697,700
2026		9,546,400
Thereafter		525,500
Total	$	15,923,600

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("GAAP"). 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 August 31, 2021 and February 28, 2021.

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 $0.4 million at August 31, 2021, and $0.3 million at February 28, 2021. Included within this allowance is $0.1 million of reserve for vendor discounts to sell remaining inventory as of August 31, 2021 and February 28, 2021.

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 2½ 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 $1.1 million and $0.9 million at August 31, 2021 and February 28, 2021, respectively. Noncurrent inventory valuation allowances were $0.3 million and $0.2 million at August 31, 2021 and February 28, 2021, 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 2½ years represents a reasonable estimate of the normal operating cycle for our products.

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 4.8% of our active consultants maintained consignment inventory at the end of the second quarter of fiscal 2022. 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 $1.2 million and $1.1 million at August 31, 2021 and February 28, 2021, respectively.

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 $0.8 million and $0.7 million at August 31, 2021 and February 28, 2021, respectively.

Share-Based Compensation

We account for share-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 issued, 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 under the 2019 Long-Term Incentive Plan (“2019 LTI Plan”) and 2022 Long-Term Incentive Plan (“2022 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 six months of fiscal year 2022, the Company recognized $0.5 million of compensation expense associated with the shares granted.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We performed an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. 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 designed and were effective to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is accumulated and communicated to them, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized, and reported in accordance with the time periods specified in SEC rules and forms. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events.

Changes in Internal Control over Financial Reporting

During the second quarter of the fiscal year covered by this report on Form 10-Q, there have been no changes in our internal control over financial reporting that have materially affected or are 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

Period	Total # of Shares Purchased	Average Price Paid per Share	Total # of Shares Purchased as Part of Publicly Announced Plan (1)	Maximum # of Shares that may be Repurchased under the Plan (1)
June 1 - 30, 2021	-	$ -	-	514,594
July 1 - 31, 2021	-	-	-	514,594
August 1 - 31, 2021	-	-	-	514,594
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

*3.1	Restated Certificate of Incorporation dated April 26, 1968 and Certificate of Amendment thereto dated June 21, 1968 are incorporated herein by reference to Exhibit 1 to Registration Statement on Form 10-K (File No. 0-04957).
*3.2	Certificate of Amendment of Restated Certificate of Incorporation dated August 27, 1977 is incorporated herein by reference to Exhibit 20.1 to Form 10-K for fiscal year ended February 28, 1981 (File No. 0-04957).
*3.3	By-Laws, as amended, are incorporated herein by reference to Exhibit 20.2. to Form 10-K for fiscal year ended February 28, 1981 (File No. 0-04957).
*3.4	Certificate of Amendment of Restated Certificate of Incorporation dated November 17, 1986 is incorporated herein by reference to Exhibit 3.3 to Form 10-K for fiscal year ended February 28, 1987 (File No. 0-04957).
3.5	Certificate of Amendment of Restated Certificate of Incorporation dated March 22, 1996 is incorporated herein by reference to Exhibit 3.4 to Form 10-K for fiscal year ended February 28, 1997 (File No. 0-04957).
3.6	Certificate of Amendment of Restated Certificate of Incorporation dated July 15, 2002 is incorporated herein by reference to Exhibit 10.30 to Form 10-K dated February 28, 2003 (File No. 0-04957).
3.7	Certificate of Amendment of Restated Certificate of Incorporation dated August 15, 2018 is incorporated herein by reference to Exhibit 3.1 to Form 8-K dated August 21, 2018 (File No. 0-04957).
**10.1	Second Amendment to the Amended and Restated Loan Agreement, dated July 16, 2021 by and between the Company and MidFirst Bank, Tulsa, OK.
**10.2	Third Amendment to the Amended and Restated Loan Agreement, dated August 31, 2021 by and between the Company and MidFirst Bank, Tulsa, OK.
**31.1	Certification of the Chief Executive Officer of Educational Development Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**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.
**32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Paper Filed
**Filed Herewith

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: October 7, 2021

By /s/ Craig M. White
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 10.1

SECOND AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

THIS SECOND AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (this "**Amendment**") is made and entered into as of July 16, 2021 (the "**Effective Date**"), by and between EDUCATIONAL DEVELOPMENT CORPORATION, a Delaware corporation ("**Borrower**"), and MIDFIRST BANK, a federally charted savings association ("**Lender**").

BACKGROUND RECITALS

A. Borrower and Lender are parties to that certain Amended and Restated Loan Agreement dated as of February 15, 2021, as amended by that certain First Amendment to Amended and Restated Loan Agreement dated as of April 1, 2021 (as amended, the "**Loan Agreement**"). Unless the context otherwise requires, capitalized terms used in this Amendment and not otherwise defined herein have the respective meanings assigned to them in the Loan Agreement.

B. Borrower has requested that Lender (i) agree to increase the Maximum Revolving Principal Amount from $15,000,000 to $20,000,000, and (ii) certain other changes in the Loan Agreement, and Lender has agreed to such requests, but only upon the terms and conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

1.INCREASE OF MAXIMUM REVOLVING PRINCIPAL AMOUNT.

1.1. Maximum Revolving Principal Amount. Subject to the terms and conditions set forth in this Amendment, Lender hereby agrees to increase the Maximum Revolving Principal Amount from $15,000,000 to $20,000,000. Accordingly, the definition of Maximum Revolving Principal Amount appearing in **Exhibit A** of the Loan Agreement is hereby amended in its entirety to read as follows:

> "**Maximum Revolving Principal Amount**" means $20,000,000.00, or if the Termination Date has occurred (and has not been extended by Lender in writing in its sole discretion), $0.

1.2. Replacement Revolving Note. Borrower shall make, execute and deliver a replacement Promissory Note (Revolving Loan) in the form of **Exhibit A** attached hereto (the "**Replacement Revolving Note**") payable to Lender in the principal amount of $20,000,000. From and after the Effective Date, all references in the Loan Agreement or any other Loan Documents to the Promissory Note evidencing the Revolving Loan or the Revolving Note shall be deemed references to the Replacement Revolving Note, together with any and all renewals, extensions or replacements thereof, amendments or modifications thereto or substitutions therefor.

2.INTEREST RATE. The definition of "LIBO Rate" appearing in **Exhibit A** of the Loan Agreement is hereby amended in its entirety to read as follows:

> "**LIBO Rate**" means the lesser of (i) the Maximum Rate, and (ii) the rate per annum equal to the sum of (a) the quotient of the LIBOR Index for Interest Period in question divided by (1 minus the Reserve Requirement), and (b) the LIBOR Margin. Notwithstanding the foregoing, the LIBO Rate shall never be less than 2.75%.

3. NOTICE INFORMATION. The notice address for the Borrower set forth in Section 6.18 of the Loan Agreement is hereby amended as follows:

To Borrower: 5404 South 122nd East Avenue
Tulsa, OK 74146
Attn: Craig White, President and CEO

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4. CONDITIONS TO EFFECTIVENESS. This Amendment will be effective as of the Effective Date, but subject to satisfaction of each of the following conditions precedent:

4.1. Execution of Amendment Documents. The following documents (collectively, the "**Amendment Documents**") shall have been executed by the applicable parties and delivered to Lender, each in form and substance satisfactory to Lender:

(a) this Amendment; and

(b) the Replacement Revolving Note.

4.2. Legal Matters. All legal matters incident to this Amendment shall be satisfactory to Lender and its counsel.

5. REPRESENTATIONS AND WARRANTIES.

5.1. Reaffirmation. Borrower confirms that all representations and warranties made by it in the Loan Agreement and the other Loan Documents are, and as of the Effective Date will be, true and correct in all material respects, and all of such representations and warranties are hereby remade and restated as of the Effective Date and shall survive the execution and delivery of this Amendment.

5.2. Additional Representations and Warranties.

5.2.1. Power; Transactional Authority; Enforceability. Borrower has the requisite power and authority to execute, deliver and carry out the terms and provisions of this Amendment, and has taken all necessary action to authorize its execution, delivery and performance of this Amendment. Borrower has duly executed and delivered this Amendment. This Amendment constitutes Borrower's legal, valid and binding obligations, enforceable in accordance with the terms of the Loan Documents, as amended by this Amendment, subject to (i) the effect of any Applicable Bankruptcy Law, or (ii) general principles of equity.

5.2.2. No Violation; No Consent. Borrower's execution, delivery and performance of this Amendment, and compliance with the terms and provisions of the Loan Documents, as amended by this Amendment, will not (i) contravene any Applicable Law, (ii) conflict or be inconsistent with or result in any breach of any term, covenant, condition or provision of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any lien upon any of the Property or Borrower's other assets pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which Borrower is a party or by which Borrower or any of the Property or Borrower's other assets is bound or may be subject, or (iii) violate any term of Borrower's certificate of incorporation or other documents and agreements governing Borrower's existence, management or operation. Borrower is not required to obtain the consent of any other party, including any Governmental Authority, in connection with the execution, delivery, performance, validity or enforceability of the Loan Documents, as amended by this Amendment.

5.2.3. Financial Matters. Each Borrower Party financial statement previously delivered to Lender was prepared in accordance with GAAP and completely, correctly and fairly present the financial condition and the results of operations of each Borrower Party on the date and for the period covered by the financial statements. All other reports, statements and other data that any Borrower Party furnished to Lender in connection with the Loan are true and correct in all material respects and do not omit any fact or circumstance necessary to ensure that the statements are not misleading. Each Borrower Party (i) is solvent, (ii) is not bankrupt, and (iii) has no outstanding liens, suits, garnishments, bankruptcies or court actions which may render such Borrower Party insolvent or bankrupt. Since the date of the last financial statements each Borrower Party delivered to Lender, no event, act, condition or liability has occurred or exists, which has had, or may reasonably be expected to have, a material adverse effect upon (A) such Borrower Party's business, condition (financial or otherwise) or operations, or (B) such Borrower Party's ability to perform or satisfy, or Lender's ability to enforce, any of the Indebtedness.

5.2.4. Litigation. There are no suits or proceedings (including condemnation) pending or (to Borrower's knowledge, after reasonable inquiry) threatened against or affecting any Borrower Party or the Property or involving the validity, enforceability or priority of any of the Loan Documents. Borrower has not received notice from any Governmental Authority alleging that any Borrower Party or the Property is violating any Applicable Law.

5.2.5. No Default. No Event of Default currently exists or would exist after giving effect to the transactions contemplated by this Amendment.

6. MISCELLANEOUS.

6.1. Effect of Amendment. The terms of this Amendment shall be incorporated into and form a part of the Loan Agreement. Except as expressly amended, modified and supplemented by this Amendment, the Loan Agreement shall continue in full force and effect in accordance with its original stated terms, all of which are hereby reaffirmed in every respect as of the Effective Date. In the event of any irreconcilable inconsistency between the terms of this Amendment and the terms of the Loan Agreement, the terms of this Amendment shall control and govern, and the agreements shall be interpreted so as to carry out and give full effect to the intent of this Amendment. All references to the Loan Agreement appearing in any of the Loan Documents shall hereafter be deemed references to the Loan Agreement as amended, modified and supplemented by this Amendment.

6.2. No Course of Dealing; Past Acceptance. This Amendment shall not establish a course of dealing or be construed or relied upon as evidence of any willingness on Lender's part to grant any future consent or amendment, should any be requested. Lender acknowledges that Lender and its agents in the past may have accepted, without exercising the remedies to which Lender was entitled, payments and performance by Borrower that constituted Events of Default under the Loan Documents. Borrower acknowledges that no such acceptance or grace granted by Lender or its agents in the past, or Lender's agreement to the modifications evidenced hereby, has in any manner diminished Lender's right in the future to insist that Borrower Parties strictly comply with the terms of the Loan Documents, as modified by the terms of this Amendment. Furthermore, Borrower specifically acknowledges that any future grace or forgiveness of any Events of Default shall not constitute a waiver or diminishment of any right of Lender with respect to any future Event of Default, whether or not similar to any Event of Default with respect to which Lender has in the past chosen, or may in the future choose, not to exercise all of the rights and remedies granted to it under the Loan Documents.

6.3. Release. Borrower hereby releases, remises, acquits and forever discharges Lender and any co-lender or loan participant, together with their respective employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, subsidiary corporations, parent corporations, and related corporate divisions (all of the foregoing the "**Released Parties**"), from any and all actions and causes of action, judgments, executions, suits, liens, debts, claims, counterclaims, defenses, demands, liabilities, obligations, damages and expenses of any and every character (collectively, "**Claims**"), known or unknown, direct or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter accruing, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the Effective Date, and in any way directly or indirectly arising out of or in any way connected to this Amendment or the other Loan Documents, or any of the transactions associated therewith, or the Property, including specifically but not limited to claims of usury, lack of consideration, fraudulent transfer and lender liability, that it now has or may hereafter have against any Released Party, and hereby agrees to indemnify and hold harmless Lender and each other Released Party for all Claims that any Person may bring against any such Released Party that arise under or in connection with the Loan Agreement based on facts existing on or before the Effective Date. **THE FOREGOING RELEASE INCLUDES ACTIONS AND CAUSES OF ACTION, JUDGMENTS, EXECUTIONS, SUITS, DEBTS, CLAIMS, DEMANDS, LIABILITIES, OBLIGATIONS, DAMAGES AND EXPENSES ARISING AS A RESULT OF THE NEGLIGENCE OR STRICT LIABILITY OF ONE OR MORE OF THE RELEASED PARTIES.**

6.4. Ratification and Affirmation. Borrower hereby acknowledges the terms of this Amendment and ratifies and affirms its obligations under, and acknowledges, renews and extends its continued liability under, each Loan Document to which it is a party and agrees that each Loan Document to which it is a party remains in full force and effect.

6.5. No Modification. This Amendment along with the Loan Documents supersedes and merges all prior and contemporaneous promises and agreements. No modification of this Amendment or any other Loan Document, or any waiver of rights under any of the foregoing, shall be effective unless made by supplemental agreement, in writing, executed by the Parties. The Parties further agree that the Loan Agreement, as amended by this Amendment, may not in any way be explained or supplemented by a prior, existing or future course of dealings between the Parties or by any prior, existing, or future performance between the Parties pursuant to this Amendment, the Loan Agreement or otherwise.

6.6. Headings. The headings of the sections and subsections of this Amendment are for convenience of reference only and will not affect the scope or meaning of the sections of this Amendment.

6.7. Applicable Law. This Amendment and the rights and obligations of Borrower and Lender are in all respects governed by, and construed and enforced in accordance with the Governing Law (without giving effect to its principles of conflicts of law), except for those terms of the Security Instruments pertaining to the creation, perfections, validity, priority or foreclosure of the liens or security interests on the Property located within the State, which terms will be governed by, and construed and enforced in accordance with the laws of the State (without giving effect to its principles of conflicts of law).

6.8. Counterparts; Miscellaneous. This Amendment may be executed in any number of counterparts with the same effect as if all signers executed the same instrument. All counterparts of this Amendment must be construed together and will constitute one instrument. This Amendment is a Loan Document. Time is of the essence with respect to this Amendment. The Parties acknowledge and confirm that each of their respective attorneys has participated or has had the opportunity to participate jointly in the review and revision of this Amendment and that it has not been written solely by counsel for one party. The Parties therefore stipulate and agree that the rule of construction to the effect that any ambiguities are to or may be resolved against the drafting Party will not favor either Party against the other. The terms and provisions of this Amendment are binding upon and inure to the benefit of the Parties and their successors and assigns.

6.9. Reimbursement of Expenses. Borrower agrees to pay or reimburse Lender for all reasonable out-of-pocket expenses, including Attorneys' Fees, incurred by Lender in connection with the negotiation, preparation, execution and delivery of this Amendment and the consummation of the transactions contemplated hereby.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed effective as of the Effective Date.

Borrower: EDUCATIONAL DEVELOPMENT CORPORATION,
a Delaware corporation

By: /s/ Craig White
Name: Craig White
Title: President and CEO

BORROWER'S SIGNATURE PAGE
TO
SECOND AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

Lender: MIDFIRST BANK, a federally chartered savings association

By: /s/ Marc Short
Name: Marc Short
Title: Senior Vice President

LENDER'S SIGNATURE PAGE
TO
SECOND AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

EXHIBIT A

REPLACEMENT REVOLVING NOTE

(See attached.)

PROMISSORY NOTE

(Revolving Loan)

$20,000,000.00 July 16, 2021

MIDFIRST BANK, a federally chartered savings association (collectively, with any holder of this Note, "**Lender**") has made a loan ("**Loan**") to **EDUCATIONAL DEVELOPMENT CORPORATION**, a Delaware corporation ("**Borrower**"), pursuant to an Amended and Restated Loan Agreement dated as of February 15, 2021 (as, from time to time, amended, modified or restated, the "**Loan Agreement**"), between Lender and Borrower. All capitalized terms used, but not otherwise defined in this Promissory Note have the meaning assigned such capitalized terms in the Loan Agreement.

FOR VALUE RECEIVED, Borrower promises to pay to the order of Lender, at 501 NW Grand Blvd. Oklahoma City, OK 73118, or at such other address as may be specified by Lender, the principal sum of Twenty Million and No/100 Dollars ($20,000,000.00), or such amounts as may be advanced under the Revolving Loan pursuant to the terms of the Loan Agreement, in Dollars, with interest thereon as set forth in the Loan Agreement, and to be paid in accordance with the terms of the Loan Agreement. Borrower's obligations to Lender are governed by the Loan Agreement.

1. All terms of the Loan Agreement are incorporated into this Note.

2. This Note is secured, in part, by the Security Instruments.

3. This Note only evidences Borrower's obligations to Lender under the Revolving Loan which are more specifically set forth in the Loan Agreement.

4. This Promissory Note is issued by Borrower in replacement, ratification and continuation of, but not in extinguishment or novation of, that certain Promissory Note (Revolving Loan) dated February 15, 2021, payable to the order of Lender in the stated principal amount of $15,000,000 (the "**Prior Note**"). All Security Instruments securing payment of the Prior Note, and the liens and security interests created thereby, shall continue in full force and effect, unabated and uninterrupted, as security for payment of this Promissory Note and the indebtedness evidenced hereby. This Note shall be construed and enforced in accordance with the laws of the State of Oklahoma.

5. **THIS NOTE IS NOT A NEGOTIABLE INSTRUMENT**. **THIS NOTE IS NOT GOVERNED BY ARTICLE 3 OF THE UCC**.

EDUCATIONAL DEVELOPMENT CORPORATION, a Delaware corporation

By: /s/ Craig White
Name: Craig White
Title: President and CEO

Exhibit 10.2

THIRD AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

THIS THIRD AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (this "**Amendment**") is made and entered into as of August 31, 2021 (the "**Effective Date**"), by and between EDUCATIONAL DEVELOPMENT CORPORATION, a Delaware corporation ("**Borrower**"), and MIDFIRST BANK, a federally charted savings association ("**Lender**").

BACKGROUND RECITALS

A. Borrower and Lender are parties to that certain Amended and Restated Loan Agreement dated as of February 15, 2021, as amended by that certain First Amendment to Amended and Restated Loan Agreement dated as of April 1, 2021, and as further amended by that certain Second Amendment to Amended and Restated Loan Agreement dated as of July 16, 2021 (as amended, the "**Loan Agreement**"). Unless the context otherwise requires, capitalized terms used in this Amendment and not otherwise defined herein have the respective meanings assigned to them in the Loan Agreement.

B. Borrower has requested that Lender (i) agree to modify the Borrowing Base by increasing the advance rate on inventory from 40% to 50%, and removing the inventory cap, and (ii) certain other changes in the Loan Agreement, and Lender has agreed to such requests, but only upon the terms and conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

1. MODIFICATIONS TO LOAN AGREEMENT.

1.1. Borrowing Base. The definition of "Borrowing Base" appearing in **Exhibit A** of the Loan Agreement is hereby amended in its entirety to read as follows:

"**Borrowing Base**" means, as of any calculation date, the sum of (i) 80% of Eligible Accounts and (ii) 50% of Eligible Inventory.

1.2. Replacement Borrowing Base Certificate. The form of Borrowing Base Certificate set forth in **Exhibit D** of Loan Agreement is hereby replaced with **Exhibit D-1** attached to this Amendment.

1.3. Audited Financial Statements. The last paragraph of Section 4.1(f) of the Loan Agreement is hereby amended in its entirety to read as follows:

All statements and reports must be in scope and detail reasonably satisfactory to Lender, and all audited financial statements shall be accompanied by an unqualified opinion. During any Event of Default Period, Lender may require that all statements and reports be prepared, audited and certified (at Borrower's cost and expense) by an independent certified public accountant, acceptable to Lender, and accompanied by an unqualified opinion. Borrower shall provide Lender with such additional financial, management, or other information regarding any Borrower Party or the Property, as Lender may request. Upon Lender's request, Borrower shall deliver all items required by this Subsection in an electronic format or by electronic transmission reasonably acceptable to Lender.

2. CONDITIONS TO EFFECTIVENESS. This Amendment will be effective as of the Effective Date, but subject to satisfaction of each of the following conditions precedent:

2.1. Execution of Amendment Documents. The following documents (collectively, the "**Amendment Documents**") shall have been executed by the applicable parties and delivered to Lender, each in form and substance satisfactory to Lender:

(a) this Amendment; and

(b) any other documents reasonably requested by Lender.

2.2. Legal Matters. All legal matters incident to this Amendment shall be satisfactory to Lender and its counsel.

3. REPRESENTATIONS AND WARRANTIES.

3.1. Reaffirmation. Borrower confirms that all representations and warranties made by it in the Loan Agreement and the other Loan Documents are, and as of the Effective Date will be, true and correct in all material respects, and all of such representations and warranties are hereby remade and restated as of the Effective Date and shall survive the execution and delivery of this Amendment.

3.2. Additional Representations and Warranties.

3.2.1. Power; Transactional Authority; Enforceability. Borrower has the requisite power and authority to execute, deliver and carry out the terms and provisions of this Amendment, and has taken all necessary action to authorize its execution, delivery and performance of this Amendment. Borrower has duly executed and delivered this Amendment. This Amendment constitutes Borrower's legal, valid and binding obligations, enforceable in accordance with the terms of the Loan Documents, as amended by this Amendment, subject to (i) the effect of any Applicable Bankruptcy Law, or (ii) general principles of equity.

3.2.2. No Violation; No Consent. Borrower's execution, delivery and performance of this Amendment, and compliance with the terms and provisions of the Loan Documents, as amended by this Amendment, will not (i) contravene any Applicable Law, (ii) conflict or be inconsistent with or result in any breach of any term, covenant, condition or provision of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any lien upon any of the Property or Borrower's other assets pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which Borrower is a party or by which Borrower or any of the Property or Borrower's other assets is bound or may be subject, or (iii) violate any term of Borrower's certificate of incorporation or other documents and agreements governing Borrower's existence, management or operation. Borrower is not required to obtain the consent of any other party, including any Governmental Authority, in connection with the execution, delivery, performance, validity or enforceability of the Loan Documents, as amended by this Amendment.

3.2.3. Financial Matters. Each Borrower Party financial statement previously delivered to Lender was prepared in accordance with GAAP and completely, correctly and fairly present the financial condition and the results of operations of each Borrower Party on the date and for the period covered by the financial statements. All other reports, statements and other data that any Borrower Party furnished to Lender in connection with the Loan are true and correct in all material respects and do not omit any fact or circumstance necessary to ensure that the statements are not misleading. Each Borrower Party (i) is solvent, (ii) is not bankrupt, and (iii) has no outstanding liens, suits, garnishments, bankruptcies or court actions which may render such Borrower Party insolvent or bankrupt. Since the date of the last financial statements each Borrower Party delivered to Lender, no event, act, condition or liability has occurred or exists, which has had, or may reasonably be expected to have, a material adverse effect upon (A) such Borrower Party's business, condition (financial or otherwise) or operations, or (B) such Borrower Party's ability to perform or satisfy, or Lender's ability to enforce, any of the Indebtedness.

3.2.4. Litigation. There are no suits or proceedings (including condemnation) pending or (to Borrower's knowledge, after reasonable inquiry) threatened against or affecting any Borrower Party or the Property or involving the validity, enforceability or priority of any of the Loan Documents. Borrower has not received notice from any Governmental Authority alleging that any Borrower Party or the Property is violating any Applicable Law.

3.2.5. No Default. No Event of Default currently exists or would exist after giving effect to the transactions contemplated by this Amendment.

4. MISCELLANEOUS.

4.1. Effect of Amendment. The terms of this Amendment shall be incorporated into and form a part of the Loan Agreement. Except as expressly amended, modified and supplemented by this Amendment, the Loan Agreement shall continue in full force and effect in accordance with its original stated terms, all of which are hereby reaffirmed in every respect as of the Effective Date. In the event of any irreconcilable inconsistency between the terms of this Amendment and the terms of the Loan Agreement, the terms of this Amendment shall control and govern, and the agreements shall be interpreted so as to carry out and give full effect to the intent of this Amendment. All references to the Loan Agreement appearing in any of the Loan Documents shall hereafter be deemed references to the Loan Agreement as amended, modified and supplemented by this Amendment.

4.2. No Course of Dealing; Past Acceptance. This Amendment shall not establish a course of dealing or be construed or relied upon as evidence of any willingness on Lender's part to grant any future consent or amendment, should any be requested. Lender acknowledges that Lender and its agents in the past may have accepted, without exercising the remedies to which Lender was entitled, payments and performance by Borrower that constituted Events of Default under the Loan Documents. Borrower acknowledges that no such acceptance or grace granted by Lender or its agents in the past, or Lender's agreement to the modifications evidenced hereby, has in any manner diminished Lender's right in the future to insist that Borrower Parties strictly comply with the terms of the Loan Documents, as modified by the terms of this Amendment. Furthermore, Borrower specifically acknowledges that any future grace or forgiveness of any Events of Default shall not constitute a waiver or diminishment of any right of Lender with respect to any future Event of Default, whether or not similar to any Event of Default with respect to which Lender has in the past chosen, or may in the future choose, not to exercise all of the rights and remedies granted to it under the Loan Documents.

4.3. Release. Borrower hereby releases, remises, acquits and forever discharges Lender and any co-lender or loan participant, together with their respective employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, subsidiary corporations, parent corporations, and related corporate divisions (all of the foregoing the "**Released Parties**"), from any and all actions and causes of action, judgments, executions, suits, liens, debts, claims, counterclaims, defenses, demands, liabilities, obligations, damages and expenses of any and every character (collectively, "**Claims**"), known or unknown, direct or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter accruing, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the Effective Date, and in any way directly or indirectly arising out of or in any way connected to this Amendment or the other Loan Documents, or any of the transactions associated therewith, or the Property, including specifically but not limited to claims of usury, lack of consideration, fraudulent transfer and lender liability, that it now has or may hereafter have against any Released Party, and hereby agrees to indemnify and hold harmless Lender and each other Released Party for all Claims that any Person may bring against any such Released Party that arise under or in connection with the Loan Agreement based on facts existing on or before the Effective Date. **THE FOREGOING RELEASE INCLUDES ACTIONS AND CAUSES OF ACTION, JUDGMENTS, EXECUTIONS, SUITS, DEBTS, CLAIMS, DEMANDS, LIABILITIES, OBLIGATIONS, DAMAGES AND EXPENSES ARISING AS A RESULT OF THE NEGLIGENCE OR STRICT LIABILITY OF ONE OR MORE OF THE RELEASED PARTIES.**

4.4. Ratification and Affirmation. Borrower hereby acknowledges the terms of this Amendment and ratifies and affirms its obligations under, and acknowledges, renews and extends its continued liability under, each Loan Document to which it is a party and agrees that each Loan Document to which it is a party remains in full force and effect.

4.5. No Modification. This Amendment along with the Loan Documents supersedes and merges all prior and contemporaneous promises and agreements. No modification of this Amendment or any other Loan Document, or any waiver of rights under any of the foregoing, shall be effective unless made by supplemental agreement, in writing, executed by the Parties. The Parties further agree that the Loan Agreement, as amended by this Amendment, may not in any way be explained or supplemented by a prior, existing or future course of dealings between the Parties or by any prior, existing, or future performance between the Parties pursuant to this Amendment, the Loan Agreement or otherwise.

4.6. Headings. The headings of the sections and subsections of this Amendment are for convenience of reference only and will not affect the scope or meaning of the sections of this Amendment.

4.7. Applicable Law. This Amendment and the rights and obligations of Borrower and Lender are in all respects governed by, and construed and enforced in accordance with the Governing Law (without giving effect to its principles of conflicts of law), except for those terms of the Security Instruments pertaining to the creation, perfections, validity, priority or foreclosure of the liens or security interests on the Property located within the State, which terms will be governed by, and construed and enforced in accordance with the laws of the State (without giving effect to its principles of conflicts of law).

4.8. Counterparts; Miscellaneous. This Amendment may be executed in any number of counterparts with the same effect as if all signers executed the same instrument. All counterparts of this Amendment must be construed together and will constitute one instrument. This Amendment is a Loan Document. Time is of the essence with respect to this Amendment. The Parties acknowledge and confirm that each of their respective attorneys has participated or has had the opportunity to participate jointly in the review and revision of this Amendment and that it has not been written solely by counsel for one party. The Parties therefore stipulate and agree that the rule of construction to the effect that any ambiguities are to or may be resolved against the drafting Party will not favor either Party against the other. The terms and provisions of this Amendment are binding upon and inure to the benefit of the Parties and their successors and assigns.

4.9. Reimbursement of Expenses. Borrower agrees to pay or reimburse Lender for all reasonable out-of-pocket expenses, including Attorneys' Fees, incurred by Lender in connection with the negotiation, preparation, execution and delivery of this Amendment and the consummation of the transactions contemplated hereby.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed effective as of the Effective Date.

Borrower: EDUCATIONAL DEVELOPMENT CORPORATION,
a Delaware corporation

By: /s/ Craig White
Name: Craig White
Title: President and CEO

BORROWER'S SIGNATURE PAGE
TO
THIRD AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

Lender:	MIDFIRST BANK, a federally chartered savings association

By: /s/ Marc Short
Name: Marc Short
Title: Senior Vice President

EXHIBIT D-1

REPLACEMENT BORROWING BASE CERTIFICATE

(See attached.)

EXHIBIT D

BORROWING BASE CERTIFICATE

On February 15, 2021, **EDUCATIONAL DEVELOPMENT CORPORATION**, a Delaware corporation ("Borrower"), and **MIDFIRST BANK** ("Lender") entered into an Amended and Restated Loan Agreement (as, from time to time, amended, modified or restated, the "Agreement"). Borrower delivers this certificate (this "Certificate") to Lender in order to comply with the terms of the Agreement. Capitalized terms used, but not defined, in this Certificate have the meanings specified in the Agreement.

Borrower certifies to Lender that as of the Effective Date (as defined below):

(1) As of the end of the calendar month ending ______________, the Borrowing Base was $ ________, as demonstrated by the calculations set forth on **Schedule 1** to this Certificate.

BORROWER:
EDUCATIONAL DEVELOPMENT CORPORATION

By: ____________________________
Name: ____________________________
Title: ____________________________

____
Date Borrower Executed this Certificate (the "Effective Date")

SCHEDULE 1

TO

BORROWING BASE CERTIFICATE

Date: ____________________ For: __________________

This Borrowing Base Report ("Report") made as of above date, is executed and delivered by Educational Development Corporation, a coproration duly organized and existing under the laws of the State of Delaware ("Borrower"), to MidFirst Bank ("Lender") pursuant to and in accordance with the provisions of that certain Loan Agreement dated as of December 1, 2015 (as, from time to time, amended, modified or restated, the "Agreement"), between Borrower and Lender.

In order to induce Lender now and from time too time during the term of the Agreement to make the Revolving Loan to Borrower pursuant to the Agreement, Borrower warrants and represents to Lender this report is true and correct, and that the total Eligible Inventory and Eligible Accounts as defined in the Agreement are accurately reflected below.

1	Total Accounts Receivable	______	
2	Less: Accounts over 90 days due	______	
3	Less: Tainted Accounts (> 10% is past 90 days due)	______	
4	Less: Other Ineligible Accounts	______	
5	Total Eligible Accounts (Line 1 less Lines 2, 3, 4)	______	
6	Advance Rate	80%	
7	Borrowing Base / Eligible Accounts component (Line 5 x Line 6)		______
8	Eligible Inventory	______	
9	Advance Rate	50%	
10	Borrowing Base - Eligible Inventory component (Line 8 x Line 9)		______
11	Total Borrowing Base (Line 7 + Line 10)		______
12	Maximum Revolving Credit Line Amount	20,000,000	
13	Current Outstanding Balance		______
14	Available for advance (Lesser of line 11 or line 12, less line 13)		______
15	Required payment (if any)		______

Certified as True and Correct as of ______
Date

EDUCATIONAL DEVELOPMENT CORPORATION
a Delaware Corporation

BY: ____

Name: Dan O'Keefe
Its: CFO

Attach Schedule 2, Accounts Receivable Aging Report - Note - The AR Aging Schedule is part of the Monthly Financial Statement Package File.

SCHEDULE 2
TO
BORROWING BASE CERTIFICATE

(Accounts Receivable Aging Report)

Exhibit 31.1

CERTIFICATION

I, Craig M. 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: October 7, 2021

/s/ Craig M. White
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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: October 7, 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 August 31, 2021, 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: October 7, 2021	By	/s/ Craig M. White Craig M. White President and Chief Executive Officer (Principal Executive Officer)
Date: October 7, 2021	By	/s/ Dan E. O’Keefe Dan E. O’Keefe Chief Financial Officer and Corporate Secretary (Principal Financial and Accounting Officer)