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 November 30, 2024

OR

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

For the transition period from ______________ to ______________ .

Commission file number: 000-04957

EDUCATIONAL DEVELOPMENT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**73-0750007** (I.R.S. Employer Identification No.)
5402 South 122nd East Ave , Tulsa, Oklahoma (Address of principal executive offices)	**74146** (Zip Code)

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

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

Common Stock, $.20 par value (Title of class)	**EDUC** (Trading symbol)	**NASDAQ** (Name of each exchange on which registered)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging Growth Company ☐

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of January 7, 2025, there were 8,583,601 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. Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by 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 brand partners,*
- *our ability to locate and procure desired books,*
- *product and supplier concentrations,*
- *our relationship with our primary supplier and the related distribution requirements and contractual limitations,*
- *adverse publicity associated with our Company or the industry,*
- *our ability to ship timely,*
- *changes to our primary sales channels, including social media and party plan platforms,*
- *changing consumer preferences and demands,*
- *cybersecurity threats and incidents,*
- *legal matters,*
- *reliance on information technology infrastructure,*
- *restrictions imposed by covenants in the agreements governing our indebtedness,*
- *our ability to obtain adequate financing for working capital and capital expenditures,*
- *economic and competitive conditions, regulatory changes and other uncertainties, as well as*
- *those factors discussed below and elsewhere in our Annual Report on Form 10-K for the year ended February 29, 2024 and in 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 not occur. 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. As used in this Quarterly Report on Form 10-Q, the terms "*the Company,*" "*EDC,*" "*we,*" "*our*" *or* "*us*" *mean Educational Development Corporation, a Delaware corporation, unless the context indicates otherwise.*

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

EDUCATIONAL DEVELOPMENT CORPORATION
CONDENSED BALANCE SHEETS (UNAUDITED)

	November 30, 2024	February 29, 2024
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,289,300	$ 844,500
Restricted cash	935,600	432,900
Accounts receivable, less allowance for credit losses of $124,700 (November 30) and $129,000 (February 29)	2,175,200	1,936,900
Inventories - net	32,058,600	43,913,200
Prepaid expenses and other assets	842,900	630,800
Assets held for sale	19,250,000	18,281,100
Total current assets	57,551,600	66,039,400
INVENTORIES - net	14,728,500	11,677,000
PROPERTY, PLANT AND EQUIPMENT - net	6,964,300	8,939,600
DEFERRED INCOME TAX ASSET	2,663,600	1,406,500
OPERATING LEASE RIGHT-OF-USE ASSETS	1,256,500	1,614,900
OTHER ASSETS	437,300	427,600
TOTAL ASSETS	$ 83,601,800	$ 90,105,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 2,332,700	$ 3,910,200
Line of credit	4,298,100	5,498,100
Deferred revenues	1,378,100	583,500
Operating lease liabilities, current	705,800	726,900
Current maturities of long-term debt	1,800,000	1,800,000
Accrued salaries and commissions	913,900	384,400
Income taxes payable	1,148,100	773,400
Other current liabilities	3,232,400	3,338,100
Total current liabilities	15,809,100	17,014,600
LONG-TERM DEBT - net	25,324,300	26,640,700
OPERATING LEASE LIABILITIES, non-current	550,700	888,000
OTHER LONG-TERM LIABILITIES	111,000	111,000
Total liabilities	41,795,100	44,654,300
SHAREHOLDERS' EQUITY:		
Common stock, $0.20 par value; Authorized 16,000,000 shares; Issued 12,702,080 shares; Outstanding 8,583,601 (November 30) and 8,575,088 (February 29) shares	2,540,400	2,540,400
Capital in excess of par value	13,698,500	13,405,400
Retained earnings	38,648,500	42,566,600
Accumulated other comprehensive income (loss)	(21,600)	24,400
	54,865,800	58,536,800
Less treasury stock, at cost	(13,059,100)	(13,086,100)
Total shareholders' equity	41,806,700	45,450,700
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 83,601,800	$ 90,105,000

See notes to condensed financial statements (unaudited).

EDUCATIONAL DEVELOPMENT CORPORATION
CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	2023	2024	2023
PRODUCT REVENUES, net of discounts and allowances	$ 10,556,100	$ 16,597,200	$ 26,266,600	$ 39,964,000
Transportation revenue	496,000	347,600	1,288,100	2,097,800
NET REVENUES	11,052,100	16,944,800	27,554,700	42,061,800
COST OF GOODS SOLD	4,148,300	5,802,400	10,544,700	14,637,100
Gross margin	6,903,800	11,142,400	17,010,000	27,424,700
OPERATING EXPENSES				
Operating and selling	1,744,100	2,978,200	5,010,000	7,292,100
Sales commissions	3,283,600	5,585,000	8,193,400	13,305,100
General and administrative	3,074,700	3,520,300	9,179,700	10,683,900
Total operating expenses	8,102,400	12,083,500	22,383,100	31,281,100
INTEREST EXPENSE	575,400	726,200	1,697,800	2,202,900
OTHER INCOME	(662,100)	(4,363,300)	(1,745,900)	(9,007,500)
EARNINGS (LOSS) BEFORE INCOME TAXES	(1,111,900)	2,696,000	(5,325,000)	2,948,200
INCOME TAX EXPENSE (BENEFIT)	(276,200)	723,900	(1,406,900)	787,200
NET EARNINGS (LOSS)	$ (835,700)	$ 1,972,100	$ (3,918,100)	$ 2,161,000
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE				
Basic	$ (0.10)	$ 0.24	$ (0.47)	$ 0.26
Diluted	$ (0.10)	$ 0.24	$ (0.47)	$ 0.26
WEIGHTED AVERAGE NUMBER OF COMMON AND EQUIVALENT SHARES OUTSTANDING				
Basic	8,273,402	8,266,032	8,270,797	8,271,284
Diluted	8,273,402	8,266,032	8,270,797	8,277,491
Dividends per share	$ -	$ -	$ -	$ -

See notes to condensed financial statements (unaudited).

EDUCATIONAL DEVELOPMENT CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	**2023**	**2024**	**2023**
Net earnings (loss)	$ (835,700)	$ 1,972,100	$ (3,918,100)	$ 2,161,000
Other comprehensive income (loss):				
Unrealized gain (loss) on interest rate exchange agreement	(1,200)	15,400	(46,000)	15,400
Comprehensive income (loss)	$ (836,900)	$ 1,987,500	$ (3,964,100)	$ 2,176,400

See notes to condensed financial statements (unaudited).

EDUCATIONAL DEVELOPMENT CORPORATION
CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED NOVEMBER 30, 2024

	Common Stock (par value $0.20 per share)					Treasury Stock		
	Number of Shares Issued	Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Number of Shares	Amount	Shareholders' Equity
BALANCE – February 29, 2024	12,702,080	$ 2,540,400	$ 13,405,400	$ 42,566,600	$ 24,400	4,126,992	$ (13,086,100)	$ 45,450,700
Sale of treasury stock	-	-	(4,100)	-	-	(4,000)	12,700	8,600
Share-based compensation expense - net	-	-	100,800	-	-	-	-	100,800
Change in fair value of interest rate exchange agreement	-	-	-	-	22,900	-	-	22,900
Net loss	-	-	-	(1,279,000)	-	-	-	(1,279,000)
BALANCE - May 31, 2024	12,702,080	$ 2,540,400	$ 13,502,100	$ 41,287,600	$ 47,300	4,122,992	$ (13,073,400)	$ 44,304,000
Sale of treasury stock	-	-	(3,000)	-	-	(2,513)	7,900	4,900
Share-based compensation expense - net	-	-	100,800	-	-	-	-	100,800
Change in fair value of interest rate exchange agreement	-	-	-	-	(67,700)	-	-	(67,700)
Net loss	-	-	-	(1,803,400)	-	-	-	(1,803,400)
BALANCE - August 31, 2024	12,702,080	$ 2,540,400	$ 13,599,900	$ 39,484,200	$ (20,400)	4,120,479	$ (13,065,500)	$ 42,538,600
Sale of treasury stock	-	-	(2,200)	-	-	(2,000)	6,400	4,200
Share-based compensation expense - net	-	-	100,800	-	-	-	-	100,800
Change in fair value of interest rate exchange agreement	-	-	-	-	(1,200)	-	-	(1,200)
Net loss	-	-	-	(835,700)	-	-	-	(835,700)
BALANCE - November 30, 2024	12,702,080	$ 2,540,400	$ 13,698,500	$ 38,648,500	$ (21,600)	4,118,479	$ (13,059,100)	$ 41,806,700

FOR THE NINE MONTHS ENDED NOVEMBER 30, 2023

	Common Stock (par value $0.20 per share)					Treasury Stock		
	Number of Shares Issued	Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Number of Shares	Amount	Shareholders' Equity
BALANCE – February 28, 2023	12,702,080	$ 2,540,400	$ 13,193,400	$ 42,020,200	$ -	3,988,791	$ (12,522,200)	$ 45,231,800
Purchases of treasury stock	-	-	-	-	-	138,201	(563,900)	(563,900)
Share-based compensation expense - net	-	-	96,200	-	-	-	-	96,200
Net loss	-	-	-	(872,800)	-	-	-	(872,800)
BALANCE - May 31, 2023	12,702,080	$ 2,540,400	$ 13,289,600	$ 41,147,400	$ -	4,126,992	$ (13,086,100)	$ 43,891,300
Forfeiture of restricted shares	-	-	-	-	-	4,000	-	-
Share-based compensation expense - net	-	-	79,600	-	-	-	-	79,600
Unrealized gain on interest rate exchange agreement	-	-	-	-	51,100	-	-	51,100
Net earnings	-	-	-	1,061,700	-	-	-	1,061,700
BALANCE - August 31, 2023	12,702,080	$ 2,540,400	$ 13,369,200	$ 42,209,100	$ 51,100	4,130,992	$ (13,086,100)	$ 45,083,700
Share-based compensation expense - net	-	-	94,900	-	-	-	-	94,900
Unrealized loss on interest rate exchange agreement	-	-	-	-	(35,700)	-	-	(35,700)
Net earnings	-	-	-	1,972,100	-	-	-	1,972,100
BALANCE - November 30, 2023	12,702,080	$ 2,540,400	$ 13,464,100	$ 44,181,200	$ 15,400	4,130,992	$ (13,086,100)	$ 47,115,000

See notes to condensed financial statements (unaudited).

EDUCATIONAL DEVELOPMENT CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended November 30, 2024	Nine Months Ended November 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	$ (3,918,100)	$ 2,161,000
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,355,300	1,995,500
Deferred income taxes	(1,257,100)	(199,500)
Provision for credit losses	53,600	19,800
Provision for inventory valuation allowance	220,400	9,300
Share-based compensation expense - net	302,400	270,700
Net loss (gain) on sale of assets	3,300	(4,017,100)
Changes in assets and liabilities:		
Accounts receivable	(291,900)	1,041,900
Inventories - net	8,582,700	5,867,700
Prepaid expenses and other assets	(241,900)	107,300
Accounts payable	(1,577,500)	1,271,200
Accrued salaries and commissions and other liabilities	377,800	637,700
Deferred revenues	794,600	1,491,600
Income taxes payable/receivable	374,700	961,700
Total adjustments	8,696,400	9,457,800
Net cash provided by operating activities	4,778,300	11,618,800
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(308,300)	(675,200)
Proceeds from sale of assets	9,800	4,858,200
Net cash provided by (used in) investing activities	(298,500)	4,183,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on term debt	(1,350,000)	(6,049,100)
Cash paid to acquire treasury stock	-	(563,900)
Sales of treasury stock	17,700	-
Net payments under line of credit	(1,200,000)	(5,636,400)
Net cash used in financing activities	(2,532,300)	(12,249,400)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,947,500	3,552,400
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF PERIOD	1,277,400	689,100
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF PERIOD	$ 3,224,900	$ 4,241,500
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid for interest	$ 1,695,900	$ 2,216,400
Cash paid for income taxes - net of refunds	$ 33,800	$ 25,000

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 29, 2024 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.

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 and unless otherwise disclosed, are consistent with those disclosed in Note 1 to our audited financial statements as of and for the year ended February 29, 2024 included in our Form 10-K.

Reclassifications

Certain reclassifications have been made to the fiscal 2024 condensed statements of operations to combine Gross Sales and Discounts and allowances now presented as Product Revenues, net of discount and allowances to conform with the current year financial statement presentation. These reclassifications had no effect on net earnings.

Liquidity

In accordance with ASC 205-40, *Going Concern*, the Company has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued.

Determining the extent to which conditions or events raise substantial doubt about our ability to continue as a going concern and the extent to which mitigating plans sufficiently alleviate any such substantial doubt requires significant judgment and estimation by us. Our significant estimates related to this analysis may include identifying business factors such as completing the planned sale of owned real estate, changes in our Brand Partners, sales growth and profitability used in the forecasted financial results and liquidity. Further, we make assumptions about the probability that management's plans will be effectively implemented and alleviate substantial doubt and our ability to continue as a going concern. We believe that the estimated values used in our going concern analysis are based on reasonable assumptions. However, such assumptions are inherently uncertain, and actual results could differ materially from those estimates.

The short-term duration of the Revolving Loan and uncertainty of the bank's ongoing support beyond April 4, 2025, along with recurring operating losses and other items, raise substantial doubt over the Company's ability to continue as a going concern. To address these concerns, the Company has taken steps in its plans to reduce debt by selling owned real estate. On September 19, 2024, the Company executed a letter of intent to sell the Hilti Complex for $38,250,000, the closing of which remains subject to the satisfaction of various closing conditions. On October 28, 2024, the Company executed the Asset Purchase Sale Agreement with the buyer that started the due diligence period. Upon closing, the proceeds from the sale are expected to pay off the Term Loans and Revolving Loan. Following the loan payoff, management plans to fund ongoing operations with limited borrowings through local banks or other financing sources. In addition, management's plans include reducing inventory which will generate free cashflows and building the number of active PaperPie Brand Partners to pre-pandemic levels. Although there is no guarantee these plans will be successful, management believes these plans, if achieved, will alleviate the substantial doubt about continuing as a going concern and generate sufficient liquidity to meet our obligations as they become due over the next twelve months.

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 pronouncements and concluded the following new accounting standard updates ("ASU") apply to us:

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*, which provides updates to qualitative and quantitative reportable segment disclosure requirements, including enhanced disclosures about significant segment expenses and increased interim disclosure requirements, among others. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted, and the amendments should be applied retrospectively. This ASU will be effective for our Form 10-K for fiscal 2025 and our Form 10-Q for the first quarter of fiscal 2026. We expect to implement the changes related to this ASU in our 10-K for fiscal 2025 and subsequent 10-Q and 10-K filings.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*, which provides qualitative and quantitative updates to the rate reconciliation and income taxes paid disclosures, among others, in order to enhance the transparency of income tax disclosures, including consistent categories and greater disaggregation of information in the rate reconciliation and disaggregation by jurisdiction of income taxes paid. The amendments in ASU 2023-09 are effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied prospectively; however, retrospective application is also permitted. This ASU will be effective for our Form 10-K for fiscal 2026. We are currently evaluating the impact this ASU may have on our financial statement disclosures.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, which requires disclosure about the types of costs and expenses included in certain expense captions presented on the income statement. The new disclosure requirements are effective for the Company's annual periods beginning March 1, 2027, and interim periods beginning March 1, 2028, with early adoption permitted, and may be applied either prospectively or retrospectively. The Company is currently evaluating the ASU to determine its impact on the Company's disclosures.

Note 2 – CASH

The below table reconciles cash, cash equivalents and restricted cash as reported in the balance sheets to the total of the same amounts shown in the statements of cash flows:

	November 30, 2024	**November 30, 2023**
Cash and cash equivalents	$ 2,289,300	$ 3,141,000
Restricted cash	935,600	1,100,500
Total cash, cash equivalents and restricted cash shown in the condensed statements of cash flows	$ 3,224,900	$ 4,241,500

The Company has contracted with Nexio and PayPal, Inc., third-party merchant service processors, to capture Visa, Discover, Mastercard and PayPal payments from customers. Approximately 90% of all payments received by the Company have been channeled through these processors. These processors hold cash payments received from customers in reserve for a specified number of days to offset any potential chargebacks. The Company has classified the cash held in reserves by Nexio and PayPal as restricted cash.

Note 3 – ASSETS HELD FOR SALE

During the third quarter of fiscal 2024, the Company listed its real estate property located at 5402 S. 122nd E. Ave, Tulsa, Oklahoma 74146 for sale. This property, consisting of approximately 402,000 square feet of office and warehouse space on 35-acres (the "Hilti Complex"), along with 17-acres of adjacent undeveloped land, was recently appraised in November 2024 with a market value of approximately $ 47,410,000. The Company ceased recording depreciation on the assets upon meeting the held for sale criteria at the end of the third quarter of fiscal 2024.

On September 19, 2024, the Company executed a Letter of Intent with Partner Holdings, LLC ("Buyer") for the Hilti Complex. On October 28, 2024, the Company further executed a Commercial Real Estate Sale Contract ("Contract") under similar terms as the Letter of Intent. The agreed upon sale price of the Hilti Complex per the executed Contract totaled $38,250,000 less buyer fees and closing costs. At closing, EDC will assign the existing Hilti tenant lease to the Buyer. EDC will retain sublease rights to the Crusoe Energy System leased space and will execute a separate Triple-Net Lease (the "Lease") for the remaining square feet in the Hilti Complex of approximately 218,000 square feet. The Contract includes a right of first refusal on the excess land parcel, consisting of approximately 17 acres of undeveloped land adjacent to the Hilti Complex, which will remain under the ownership of EDC. The initial term of the new lease with the Buyer will be for 15 years, and the initial lease rate will be $8.52 per square foot, with 2.5% annual escalations beginning in year two of the lease. The Lease will also include triple-net terms, where the Seller will be responsible for utilities, insurance, property taxes, and regular maintenance, including roof and structural maintenance. Additionally, the Seller will retain the rights to sublease, subject to buyer approval, any available unused space in the building during the lease term. The Lease will also encompass other standard terms that are customary in the local market.

During the second quarter of fiscal year 2025, the Company entered into a triple-net lease agreement for approximately 111,000 square feet of available office and warehouse space in the Hilti Complex to a new tenant. To create space for this new tenant, the Company removed certain operating equipment and reclassified the assets from property plant and equipment to assets held for sale upon meeting the held for sale criteria.

The Company records assets held for sale at the lower of their carrying value or fair value less costs to sell. The total carrying value of assets held for sale was $19,250,000 and $18,281,100 as of November 30, 2024 and February 29, 2024 and is separately recorded on the balance sheets.

Note 4 – INVENTORIES

Inventories consist of the following:

	November 30, 2024	February 29, 2024
Current:		
Product inventory	$ 32,486,300	$ 44,303,000
Inventory valuation allowance	(427,700)	(389,800)
Inventories net – current	$ 32,058,600	$ 43,913,200
Noncurrent:		
Product inventory	$ 15,480,300	$ 12,269,200
Inventory valuation allowance	(751,800)	(592,200)
Inventories net – noncurrent	$ 14,728,500	$ 11,677,000

Inventory in transit totaled $0 and $264,000 at November 30, 2024 and February 29, 2024, respectively.

Product 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.

Note 5 – LEASES

We have both lessee and lessor arrangements. Our lessee arrangements include five rental agreements where we have the exclusive use of dedicated office space in San Diego, California, warehouse and office space in Seattle, Washington, two leases for warehouse space locally in Tulsa, Oklahoma, and warehouse space in Joplin, Missouri, all of which qualify as an operating lease. Our lessor arrangements include three rental agreements for warehouse and office space in Tulsa, Oklahoma, and qualify as operating leases under ASC 842.

Operating Leases – Lessee

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

	November 30, 2024	February 29, 2024
Operating lease assets:		
Right-of-use assets	$ 1,256,500	$ 1,614,900
Operating lease liabilities:		
Current lease liabilities	$ 705,800	$ 726,900
Long-term lease liabilities	$ 550,700	$ 888,000
Weighted-average remaining lease term (months)	16.2	25.8
Weighted-average discount rate	4.87%	4.34%

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	2023	2024	2023
Fixed lease costs	$ 224,600	$ 152,000	$ 604,100	$ 363,600

Future minimum rental payments under operating leases with initial terms greater than one year as of November 30, 2024, are as follows:

Years ending February 28 (29),	
2025	$ 190,400
2026	701,000
2027	435,300
Total future minimum rental payments	1,326,700
Less: imputed interest	(70,200)
Total operating lease liabilities	$ 1,256,500

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	2023	2024	2023
Operating cash outflows – operating leases	$ 224,600	$ 152,000	$ 604,100	$ 363,600

Operating Leases – Lessor

In connection with the 2015 purchase of the Hilti Complex, we entered into a 15-year lease with the seller, a non-related third party, who leases 181,300 square feet, or 45.3% of the facility. The lessee pays $123,900 per month, through the lease anniversary date of December 2024 with a 2.0% annual increase adjustment on each anniversary date thereafter. The lease terms allow for one five-year extension, which is not a bargain renewal option, at the expiration of the 15-year term. Revenues associated with the lease are being recorded on a straight-line basis over the initial lease term and are reported in other income in the statements of operations. We recognize variable rental payments as revenue in the period in which the changes in facts and circumstances, on which the variable lease payments are based, occur.

On May 26, 2024, the Company entered into a triple-net lease agreement for approximately 111,000 square feet of available office and warehouse space in the Hilti Complex to a new tenant. The initial lease term is five years, commenced July 1, 2024, and includes an option to extend the lease term for an additional five years. The lessee pays $84,000 per month, with 3% escalations at the beginning of each year of the lease. The lease includes standard triple-net terms such that the Tenant shall be responsible for utilities, insurance, property taxes, repairs, and maintenance, excluding roof and structure, which shall be the Landlords' responsibility.

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

Years ending February 28 (29),		
2025	$	657,500
2026		2,657,700
2027		2,666,300
2028		2,676,600
2029		2,741,400
Thereafter		3,711,200
Total	$	15,110,700

The cost of the leased space was $16,313,300 and $10,159,500 at November 30, 2024 and February 29, 2024. The accumulated depreciation associated with the leased asset was $3,891,200 and $2,776,400 at November 30, 2024 and February 29, 2024, respectively. During the third quarter of fiscal 2024, the Company announced its plans to sell the Hilti Complex and reclassified the land and buildings from property, plant and equipment to assets held for sale. The leased space was included in this reclassification.

Note 6 – DEBT

Debt consists of the following:

		November 30, 2024		February 29, 2024
Line of credit	$	4,298,100	$	5,498,100
Floating rate term loan	$	16,512,500	$	17,300,000
Fixed rate term loan		10,738,400		11,300,900
Total term debt		27,250,900		28,600,900
Less current maturities		(1,800,000)		(1,800,000)
Less debt issue cost		(126,600)		(160,200)
Long-term debt, net	$	25,324,300	$	26,640,700

On August 9, 2022, the Company executed a Credit Agreement ("Loan Agreement") with BOKF, NA ("Bank of Oklahoma" or the "Lender"). The Loan Agreement established a fixed rate term loan in the principal amount of $15,000,000 (the "Fixed Rate Term Loan"), a floating rate term loan in the principal amount of $21,000,000 (the "Floating Rate Term Loan"; together with the Fixed Rate Term Loan, collectively, the "Term Loans"), and a revolving promissory note in the principal amount up to $15,000,000 (the "Revolving Loan" or "Line of Credit").

On December 22, 2022, the Company executed the First Amendment to our Loan Agreement with the Lender. This amendment clarified the definition of the Fixed Charge Coverage Ratio to exclude dividends paid prior to November 30, 2022, and placed restrictions on acquisitions and cash dividends.

On May 10, 2023, the Company executed the Second Amendment to our Loan Agreement with the Lender. This amendment waived the fixed charge ratio default which occurred on February 28, 2023 and amended the financial covenant to not require the fixed charge ratio to be measured at May 31, 2023. The Second Amendment also added a cumulative maximum level of fiscal year to date inventory purchases through the expiration of the Revolving Loan Agreement, increased the borrowing rate on the Company's Revolving Loan to Term SOFR Rate plus 3.5%, required certain swap agreements be executed within 30 days of the amendment, reduced the revolving commitment from $15,000,000 to $14,000,000, effective May 10, 2023, and further reduced the revolving commitment to $13,500,000, effective July 15, 2023, among other items.

On June 6, 2023, pursuant to its interest rate risk and risk management strategy, the Company entered into a swap transaction (the "Swap Transaction") with the Lender, which converts a portion of the original $21,000,000 Floating Rate Term Loan from a floating interest rate to a fixed interest rate for the next two years. The Swap Transaction has a notional amount of $18,000,000 through fiscal quarter ending May 31, 2024, and then resets to $13,000,000 through May 30, 2025, while continuing to mirror the amortizing balance of the Floating Rate Term Loan. Under the terms of this agreement, the Company, in effect, has exchanged the floating interest rate of 30-Day Term SOFR Rate at the trade date of June 5, 2023, to a fixed rate of 4.73%. The Swap Transaction commenced on June 7, 2023, with a termination date of May 30, 2025.

On August 9, 2023, the Company executed the Third Amendment along with a Revised Credit Agreement ("Revised Loan Agreement") with the Lender. This amendment extended the Revolving Loan maturity date to January 31, 2024 and introduced a stepdown to the Revolving Commitment from $13,500,000, through August 30, 2023; to $ 10,500,000 through October 30, 2023; to $9,000,000 through November 29, 2023; to $5,000,000 through December 30, 2023; to $4,500,000 through January 30, 2024; and to $4,000,000 on January 31, 2024. The amendment restricted the Company from entering into any new purchase orders and use its best efforts to cancel existing purchase orders. It also required the Company to list its real estate property located at 10302 East 55th Place, Tulsa, Oklahoma, for sale with a licensed commercial real estate broker satisfactory to the Lender on or before August 18, 2023, among other items. Contingent upon the occurrence of an Event of Default in the agreement, the Company shall within 15 days list the Hilti Complex with a licensed commercial real estate broker satisfactory to the Lender. The Third Amendment also increased the borrowing rate on the Revolving Loan to 30-Day Term SOFR Rate + 4.50. The Revised Loan Agreement was updated for the changes in the Third Amendment as well as removed the fixed charge ratio and the ability for borrowings to be accelerated before the January 31, 2024 Revolving Loan maturity date.

Prior to the Third Amendment, executed on August 9, 2023, the Loan Agreement contained provisions that required the Company to maintain a minimum fixed charge ratio. The Company was in violation of the minimum fixed charge ratio covenant as of February 28, 2023, for which the Company obtained a written waiver of compliance from the Lender and was not required to measure the fixed charge ratio as of May 31, 2023. Concurrent with the execution of the Third Amendment to the Loan Agreement, the Loan Agreement was modified to incorporate the changes outlined in the Third Amendment and the fixed charge ratio covenant was removed, as well as the Lender's right to accelerate the maturities of the Fixed Rate Term Loan and Floating Rate Term Loan due to the fixed charge ratio covenant.

On November 30, 2023, the Company executed the Fourth Amendment to the Credit Agreement ("Amendment") with the Lender. The Amendment, effective December 1, 2023, increased the Revolving Loan commitment to $8,000,000 and extended the maturity date to May 31, 2024. The Amendment also required the Company to list the Hilti Complex for sale, allowed the Company to execute additional purchase orders, subject to the lender's approval and conditions, not to exceed $2,100,000 between December 1, 2023 and March 31, 2024, among other items. Proceeds from the sale of the property are to be used to pay down the borrowings with the Lender.

On June 13, 2024, the Company executed the Fifth Amendment to the Existing Credit Agreement with the Lender. The Amendment, effective May 31, 2024, adjusts the maximum availability of the Revolving Loan commitment to $7,000,000 through the maturity date of October 4, 2024. The Amendment also requires an additional decrease in the Revolving Loan to $4,500,000 from the effective date of the sale of the Hilti Complex among other restrictions and requirements.

On October 7, 2024, the Company executed the Sixth Amendment to the Existing Credit Agreement with the Lender. The Amendment, effective October 3, 2024, extends the maturity date to January 4, 2025 and includes required step downs on the Revolving Loan to $ 5,500,000 by November 30, 2024. (See Note 17 for additional information on the Seventh Amendment executed subsequent to quarter end.)

Available credit under the current $5,500,000 revolving line of credit with the Company's Lender was approximately $ 1,201,900 at November 30, 2024.

Features of the Loan Agreement (as amended) at November 30, 2024 include:

(i) Two Term Loans on 20-year amortization with 5-year maturity date of August 9, 2027
(ii) $15 Million Fixed Rate Term Loan bears interest at a fixed rate per annum equal to 4.26%
(iii) $21 Million Floating Rate Term Loan bears interest at a rate per annum equal to Term SOFR Rate + 1.75%
(iv) $5.5 Million Revolving Loan with maturity date of January 4, 2025. The Revolving Loan bears interest at a rate per annum equal to Term SOFR Rate + 5.50% (effective rate was 10.17% at November 30, 2024)
(v) Revolving Loan allows for Letters of Credit upon bank approval (none were outstanding at November 30, 2024)

The following table reflects aggregate current maturities of term debt, excluding the Revolving Loan, during the current fiscal year as follows:

Years ending February 28 (29),	
2025	$ 450,000
2026	1,800,000
2027	1,800,000
2028	23,200,900
Total	$ 27,250,900

Note 7 – OTHER INCOME

A summary of other income is shown below:

	Three Months Ended November 30,		**Nine Months Ended November 30,**	
	2024	**2023**	**2024**	**2023**
Federal tax credits realized	$ -	$ -	$ -	$ 3,808,700
Gain from sale of assets	-	3,970,600	-	4,017,100
Rental income	655,100	386,000	1,605,500	1,158,000
Other	7,000	6,700	140,400	23,700
Total other income	$ 662,100	$ 4,363,300	$ 1,745,900	$ 9,007,500

As a response to the COVID-19 outbreak, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") which contained a number of programs to assist workers, families, and businesses. Part of the CARES Act provides an Employee Retention Credit ("ERC") which is a refundable tax credit against certain employment taxes equal to 50% of qualified wages paid, up to $10,000 per employee annually, from March 12, 2020 through January 1, 2021. Additional relief provisions were passed by the U.S. government, which extended and expanded the qualified wage caps on these credits to 70% of qualified wages paid, up to $10,000 per employee per quarter, through September 30, 2021. Due to the subjectivity of the credit, the Company elected to account for the ERC as a gain analogizing to ASC 450-30, Gain Contingencies.

During the quarter ended August 31, 2023, the Department of Treasury notified the Company of ERC credits awarded under the CARES Act for the first three quarters of calendar 2021. During August 2023, the Company received three refund payments resulting from amended 2021 Q1, Q2 and Q3 941-X returns that were filed. As a result of receiving these refund payments, the Company is required to file amended fiscal 2021 and 2022 corporate income tax returns reducing the wages expense deduction associated with the credit received. The Company recognized estimated federal and state tax liabilities associated with these amended returns of approximately $1,041,600 as of August 31, 2023, which are included in income taxes payable on the condensed balance sheets.

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Note 8 – BUSINESS CONCENTRATION

Significant portions of our inventory purchases are concentrated with an England-based publishing company, Usborne Publishing Limited (“Usborne”). During fiscal 2023, we entered into a new distribution agreement (“Agreement”) with Usborne. The Agreement includes annual minimum purchase volumes along with specific payment terms and letter of credit requirements, which if not met offer Usborne the right to terminate the Agreement on less than 30 days’ written notice. Should termination of the Agreement occur, the Company will be allowed to sell its remaining Usborne inventory for an agreed upon period, but not less than twelve months following the termination date. As of February 29, 2024, the Company did not meet the minimum purchase requirements and did not supply the letter of credit required under the Agreement, which offers Usborne the right to exercise their option to terminate the Agreement. Usborne has not notified the Company of termination of the Agreement. Usborne has refused to pay the $1.0 million volume rebate owed to the Company from purchases made during fiscal 2022. The Company is disputing the cancellation of the rebate but has not recognized any rebate due to its uncertainty. Additionally, under the terms in the Agreement, the Company no longer has the rights to distribute Usborne’s products to retail customers. The Company discontinued selling Usborne products to retail customers in the first quarter of fiscal 2024.

The following table summarizes Usborne product revenues net of discounts by division and inventory purchases by product type:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	**2023**	**2024**	**2023**
Product revenues, net of discounts of Usborne products by division:				
PaperPie division	$ 4,446,500	$ 7,578,200	$ 9,889,200	$ 17,521,500
% of total PaperPie Product revenues, net of discounts	*47.9%*	*49.4%*	*43.3%*	*49.3%*
Publishing division	-	-	-	1,304,000
% of total Publishing Product revenues, net of discounts	*0.0%*	*0.0%*	*0.0%*	*29.5%*
Total Product revenues, net of discounts of Usborne products	$ 4,446,500	$ 7,578,200	$ 9,889,200	$ 18,838,200
Purchases received by product type:				
Usborne	$ 70,600	$ -	$ 171,300	$ 1,560,700
% of total purchases received	*15.2%*	*0.0%*	*8.8%*	*20.1%*
All other product types	394,100	1,713,700	1,774,200	6,191,700
% of total purchases received	*84.8%*	*100.0%*	*91.2%*	*79.9%*
Total purchases received	$ 464,700	$ 1,713,700	$ 1,945,500	$ 7,752,400

Total Usborne inventory owned by the Company and included in our condensed balance sheets was $ 24,756,500 and $29,010,200 as of November 30, 2024 and February 29, 2024, respectively.

Note 9 – EARNINGS (LOSS) PER SHARE

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

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	2023	2024	2023
Earnings (loss):				
Net earnings (loss) applicable to common shareholders	$ (835,700)	$ 1,972,100	$ (3,918,100)	$ 2,161,000
Weighted average shares:				
Weighted average shares outstanding-basic	8,273,402	8,266,032	8,270,797	8,271,284
Issued unvested restricted stock and assumed shares issuable under granted unvested restricted stock awards	-	-	-	6,207
Weighted average shares outstanding-diluted	8,273,402	8,266,032	8,270,797	8,277,491
Earnings (loss) per share:				
Basic	$ (0.10)	$ 0.24	$ (0.47)	$ 0.26
Diluted	$ (0.10)	$ 0.24	$ (0.47)	$ 0.26

As shown in the table below, the following shares have not been included in the calculation of diluted loss per share as they would be anti-dilutive to the calculation above.

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	2023	2024	2023
Weighted average shares:				
Issued unvested restricted stock and assumed shares issuable under granted unvested restricted stock awards	235,214	-	185,665	-

Note 10 – COMMITMENT AND CONTINGENCIES

During the first quarter of fiscal 2025, the Company received a property tax assessment notice on our inventory balance at December 31, 2023 from Tulsa County totaling approximately $700,000. The Company appealed the assessment, requesting a reduction of the property tax assessment on inventory to approximately $290,000. On June 25, 2024, the Company met with the Tulsa County Board of Equalization (“Board”) and presented the appeal, which was granted by the Board. Subsequent to the Board’s decision, the Tulsa County Assessor appealed the Board’s decision by filing a case in the District Court in and for Tulsa County. The Company has accrued the property taxes associated with the Board’s decision of approximately $290,000 but awaits the final decision from the District Court.

Note 11 – 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 established 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 or 2023. The Company did not exceed the defined metrics during these fiscal years and no shares were granted to members of management according to the Plan.

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 fiscal year 2021, 5,000 restricted shares were forfeited and later regranted to other participants. During fiscal year 2023, 10,000 restricted shares were forfeited, along with 969 additional shares purchased with dividends received from the original issue date. The 10,000 forfeited shares were re-granted to participants during the fiscal 2023 third quarter with an average grant-date fair value of $2.08. The 969 shares purchased with dividends were not reissued. The remaining first tranche of granted shares totaling 303,000 shares vested on February 28, 2023.

During fiscal year 2021, the Company granted 297,000 restricted shares under the 2019 LTI Plan with an average grant-date fair value of $6.30 per share. During fiscal year 2023, 18,000 restricted shares were forfeited, along with 760 additional shares purchased with dividends received from the original issue date. The 18,000 forfeited shares were re-granted to participants during fiscal 2023 with an average grant-date fair value of $2.08. The 760 shares purchased with dividends were not reissued. During fiscal year 2024, 35,285 restricted shares were forfeited and regranted to participants with an average grant-date fair value of $1.84. The remaining unrecognized compensation expense of these awards, totaling approximately $100,900 as of November 30, 2024, will be recognized ratably over the remaining vesting period of 3 months.

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	**2023**	**2024**	**2023**
Share-based compensation expense	$ 100,800	$ 96,200	$ 302,400	$ 288,500
Less reduction of expense for forfeitures	-	(1,300)	-	(17,800)
Share-based compensation expense - net	$ 100,800	$ 94,900	$ 302,400	$ 270,700

The following table summarizes stock award activity during the first nine months of fiscal year 2025 under the 2019 LTI Plan:

	Shares	**Weighted Average Fair Value (per share)**
Outstanding at February 29, 2024	297,000	$ 5.53
Granted	-	-
Vested	-	-
Forfeited	-	-
Outstanding at November 30, 2024	297,000	$ 5.53

Note 12 – SHIPPING AND HANDLING COSTS

We classify shipping and handling costs as operating and selling expenses in the condensed statements of operations. Shipping and handling costs include postage, freight, handling costs, as well as shipping materials and supplies. These costs were $1,350,400 and $2,152,700 for the three months ended November 30, 2024 and 2023, respectively. These costs were $3,865,500 and $5,505,000 for the nine months ended November 30, 2024 and 2023, respectively.

Note 13 – BUSINESS SEGMENTS

We have two reportable segments: PaperPie 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 PaperPie segment markets its products through a network of independent brand partners 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, museums, trade, and specialty wholesalers, through commissioned sales representatives and our internal tele-sales group. See Note 8 for the impact of our updated Usborne distribution agreement on the Publishing segment.

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

Information by reporting segment for the three- and nine-month periods ended November 30, 2024 and 2023, are as follows:

NET REVENUES

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	**2023**	**2024**	**2023**
PaperPie	$ 9,776,700	$ 15,698,300	$ 24,117,300	$ 37,615,500
Publishing	1,275,400	1,246,500	3,437,400	4,446,300
Total	$ 11,052,100	$ 16,944,800	$ 27,554,700	$ 42,061,800

EARNINGS (LOSS) BEFORE INCOME TAXES

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	**2023**	**2024**	**2023**
PaperPie	$ 1,017,000	$ 1,610,700	$ 1,317,400	$ 3,633,600
Publishing	422,500	341,200	909,300	1,237,800
Other	(2,551,400)	744,100	(7,551,700)	(1,923,200)
Total	$ (1,111,900)	$ 2,696,000	$ (5,325,000)	$ 2,948,200

Note 14 – INTEREST RATE EXCHANGE AGREEMENT

The Company maintains an interest-rate risk-management strategy that uses interest-rate swap instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility. The Company's specific goal is to lower the cost of its borrowed funds, when possible.

On June 5, 2023, the Company entered into a receive-variable (based on 30-Day SOFR)/pay-fixed interest-rate swap agreement related to $18,000,000 of our $21,000,000 Floating Rate Term Loan. This swap is utilized to manage interest-rate exposure over the period of the interest-rate swap and is designated as a highly effective cash-flow hedge. The differential to be paid or received on the swap agreement is accrued as interest rates change and is recognized in interest expense over the life of the agreement. The swap agreement offsets a corresponding portion of the amortizing $21,000,000 Floating Rate Term Loan, expires on May 30, 2025, and has effectively fixed the interest rate on the offsetting, outstanding balance of the $21,000,000 Floating Rate Term Loan at 6.48%. The notional amount of the swap and the offsetting, outstanding portion of the term loan was $11,512,500 on November 30, 2024. The interest-rate swap contains no credit-risk–related contingent features and is cross-collateralized by all assets of the Company.

The effective portion of the unrealized gain or loss on this interest-rate swap is reported as a component of other comprehensive income ("OCI") and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the interest rate swap representing amounts excluded from the assessment of hedge effectiveness are recognized in current earnings.

The fair value of the interest rate swap is included in the following caption on the condensed balance sheets as follows:

	November 30, 2024	February 29, 2024
Prepaid expenses and other assets	$ -	$ 24,400
Other current liabilities	$ 21,600	$ -

There was no portion of unrealized gain that was excluded from the assessment of hedge effectiveness.

Note 15 – FINANCIAL INSTRUMENTS

The following methods and assumptions are used in estimating the fair-value disclosures for financial instruments:

- The carrying amounts reported on the balance sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturity of these instruments
- The estimated fair value of our assets held for sale for the Hilti complex was $ 37,000,000 as of November 30, 2024 and February 29, 2024, respectively. Management's estimates are based on the recent sale agreement for the price of the Hilti Complex less the estimated costs to sell plus an estimated value of the excess land of approximately 17 acres for $2,500,000 along with the estimated fair value of equipment held for sale of approximately $1,000,000.
- The estimated fair value of our term notes payable is estimated by management to approximate $ 26,936,300 and $28,152,800 as of November 30, 2024 and February 29, 2024, respectively. Management's estimates are based on the obligations' characteristics, including floating interest rate, maturity, and collateral.
- The fair value of the Company's interest rate swap of $(21,600) is based on Level 2 inputs, including the present value of estimated future cash flows based on market expectations of the yield curve on variable interest rates.

Note 16 – DEFERRED REVENUES

The Company's PaperPie division receives payments on orders in advance of shipment. Any payments received prior to the end of the period that were not shipped as of November 30, 2024 or February 29, 2024 are recorded as deferred revenues on the condensed balance sheets. We received approximately $1,378,100 and $583,500 as of November 30, 2024 and February 29, 2024, respectively, in payments for sales orders which were, or will be, shipped out subsequent to the end of the period.

Note 17 – SUBSEQUENT EVENTS

On December 20, 2024, the Company executed an amendment to its lease with an existing tenant in the Hilti Complex. The amendment provides the tenant a $500,000 tenant improvement allowance, providing a $10,000 credit per month on their scheduled rental payments for 50 months in exchange for extending the term of the lease for an additional five years through June 30, 2034.

On January 13, 2025, the Company executed the Seventh Amendment to the Existing Credit Agreement with the Lender. The Amendment, effective January 4, 2025, adjusts the maximum availability of the Revolving Loan commitment to $4,750,000 through the maturity date of April 4, 2025.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Factors Affecting Forward-Looking Statements

See "Cautionary Remarks Regarding Forward-Looking Statements" in the front of this Quarterly Report on Form 10-Q.

Overview

We are the owner and exclusive publisher of Kane Miller children's books; Learning Wrap-Ups, maker of educational manipulatives; and SmartLab Toys, maker of STEAM-based toys and games. We are also the exclusive United States Multi-Level Marketing ("MLM") distributor of Usborne Publishing Limited ("Usborne") children's books. Significant portions of our product offering and inventory are concentrated with Usborne. Our distribution agreement with Usborne includes annual minimum purchase volumes along with specific payment terms, which, if not met or if payments are not received in a timely manner, offer Usborne the right to terminate the agreement. During fiscal 2024 and fiscal 2025, the Company did not meet the minimum purchase volumes and certain payments were not received timely. No notification of non-compliance or termination has been received from Usborne. Should termination of the agreement occur, the Company will be allowed, at a minimum, to sell through their remaining Usborne inventory over the twelve months following the termination date.

We sell our products through two separate divisions, PaperPie and Publishing. These two divisions each have their own customer base. The PaperPie division markets our complete line of products through a network of independent Brand Partners using a combination of home shows, internet party events and book fairs. The Publishing division markets Kane Miller, Learning Wrap-Ups and SmartLab Toys on a wholesale basis to various retail accounts. All other supporting administrative activities are recognized as other expenses outside of our two divisions. Other expenses consist primarily of the compensation for our office, warehouse, and sales support staff as well as the cost of operating and maintaining our corporate offices and distribution facility.

The following table shows our condensed statements of operations data:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	2023	2024	2023
Net revenues	$ 11,052,100	$ 16,944,800	$ 27,554,700	$ 42,061,800
Cost of goods sold	4,148,300	5,802,400	10,544,700	14,637,100
Gross margin	6,903,800	11,142,400	17,010,000	27,424,700
Operating expenses				
Operating and selling	1,744,100	2,978,200	5,010,000	7,292,100
Sales commissions	3,283,600	5,585,000	8,193,400	13,305,100
General and administrative	3,074,700	3,520,300	9,179,700	10,683,900
Total operating expenses	8,102,400	12,083,500	22,383,100	31,281,100
Interest expense	575,400	726,200	1,697,800	2,202,900
Other income	(662,100)	(4,363,300)	(1,745,900)	(9,007,500)
Earnings (loss) before income taxes	(1,111,900)	2,696,000	(5,325,000)	2,948,200
Income tax expense (benefit)	(276,200)	723,900	(1,406,900)	787,200
Net earnings (loss)	$ (835,700)	$ 1,972,100	$ (3,918,100)	$ 2,161,000

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 November 30, 2024

Total operating expenses not associated with a reporting segment decreased $0.3 million, or 10.3%, to $2.6 million for the three-month period ended November 30, 2024, when compared to $2.9 million for the same quarterly period a year ago. Operating expenses decreased primarily as a result of a $0.2 million decrease in labor from staff reductions across all departments associated with the reduction in revenues, and a $0.1 million decrease in freight expenses due to less shipments compared to the same quarterly period a year ago.

Interest expense decreased $0.1 million, or 14.3%, to $0.6 million for the three months ended November 30, 2024, when compared to $0.7 million for the same quarterly period a year ago due to paydown on the Company's borrowings, period over period.

Other income decreased $3.7 million, or 84.1%, to $0.7 million for the three months ended November 30, 2024, when compared to $4.4 million for the same quarterly period a year ago resulting from the sale of the old headquarters building of $4.0 million in the prior year, offset by a $0.3 million increase in rental income in the quarter ended November 30, 2024 from the new tenant in the Hilti Complex.

Income taxes decreased $1.0 million, or 142.9%, to a tax benefit of $0.3 million for the three months ended November 30, 2024, from a tax expense of $0.7 million for the same quarterly period a year ago, primarily resulting from operating losses in the third quarter ended November 30, 2024. Our effective tax rate decreased to 24.8% for the quarter ended November 30, 2024, from 26.8% for the quarter ended November 30, 2023. Our tax rates are higher than the federal statutory rate of 21% due to the inclusion of state income and franchise taxes.

Non-Segment Operating Results for the Nine Months Ended November 30, 2024

Total operating expenses not associated with a reporting segment decreased $1.1 million, or 12.6%, to $7.6 million for the nine-month period ended November 30, 2024, when compared to $8.7 million for the same period a year ago. Labor expenses decreased $0.8 million from staff reductions across all departments and freight handling costs decreased $0.3 million for the nine months ended November 30, 2024, both associated with reduced sales.

Interest expense decreased $0.5 million, or 22.7%, to $1.7 million for the nine months ended November 30, 2024, when compared to $2.2 million for the same period a year ago, due to decreased borrowings period over period.

Other income decreased $7.3 million, or 81.1%, to $1.7 million for the nine months ended November 30, 2024, when compared to $9.0 million for the same quarterly period a year ago, primarily from the receipt of the Employee Retention Credit totaling $3.8 million and the sale of the old headquarters building for $4.0 million, both in fiscal 2024, offset by a $0.4 million increase in rental income from the new tenant in the Hilti Complex and a $0.1 increase in other income related to a Chik-fil-A marketing promotion.

Income taxes decreased $2.2 million, or 275.0%, to a tax benefit of $1.4 million for the nine months ended November 30, 2024, from a tax expense of $0.8 million for the same period a year ago, primarily resulting from operating losses for the nine months ended November 30, 2024. Our effective tax rate decreased to 26.4% for the nine months ended November 30, 2024, from 26.7% for the nine months ended November 30, 2023 due primarily 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.

PaperPie Operating Results for the Three and Nine Months Ended November 30, 2024

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	2023	2024	2023
Net revenues	$ 9,776,700	$ 15,698,300	$ 24,117,300	$ 37,615,500
Cost of goods sold	3,623,800	5,282,600	9,150,300	12,699,800
Gross margin	6,152,900	10,415,700	14,967,000	24,915,700
Operating expenses				
Operating and selling	1,334,800	2,456,800	4,007,700	5,945,100
Sales commissions	3,260,300	5,550,600	8,121,200	13,158,800
General and administrative	540,800	797,600	1,520,700	2,178,200
Total operating expenses	5,135,900	8,805,000	13,649,600	21,282,100
Operating income	$ 1,017,000	$ 1,610,700	$ 1,317,400	$ 3,633,600
Average number of active brand partners	12,400	16,400	13,300	19,200

PaperPie Operating Results for the Three Months Ended November 30, 2024

PaperPie net revenues decreased $5.9 million, or 37.6%, to $9.8 million during the three months ended November 30, 2024, when compared to $15.7 million during the same period a year ago. The average number of active brand partners in the third quarter of fiscal 2025 was 12,400, a decrease of 4,000, or 24.4%, from 16,400 average active brand partners selling in the third quarter of fiscal 2024. The Company reports the average number of active Brand Partners as a key indicator for this division. We saw new Brand Partner recruiting negatively impacted by the change in our distribution agreement with Usborne Publishing Limited. This agreement required the rebranding of the direct sales division from Usborne Books & More (“UBAM”) to PaperPie. This rebranding was completed in the fourth quarter of fiscal 2023. Subsequent to the rebranding, Brand Partner levels declined due to several reasons including economic factors that include recent record inflation, resulting in high fuel costs and food price increases that continue to impact the disposable income of our customers. The reduced sales resulted in increased Brand Partner turnover and lower levels of new Brand Partner recruits. We expect this impact on sales to continue as inflationary pressures persist through fiscal 2025.

Net revenues during the fiscal 2025 third quarter were also negatively impacted from increased discounts. Discounts as a percentage of sales before discounts and allowances increased from 31.2% in the third quarter of fiscal 2024 to 39.9% in the third quarter of this fiscal year, resulting in less net revenues of approximately $0.9 million. The increased discounts resulted from recruiting promotions to increase band partner levels and additional customer discounts offered to spur sales during the quarter.

Gross margin decreased $4.2 million, or 40.4%, to $6.2 million during the three months ended November 30, 2024, when compared to $10.4 million during the same period a year ago. Gross margin as a percentage of net revenues for the three months ended November 30, 2024 decreased to 62.9%, compared to 66.3% the same period a year ago, representing a decrease of $0.3 million. The decrease in gross margin as a percentage of net revenues was primarily attributed to increased discounts between the periods related to recruiting promotions and increased customer discounts.

PaperPie operating expenses consist of operating and selling expenses, sales commissions, and general and administrative expenses. Operating and selling expenses primarily consists of freight expenses, materials, and supplies. Sales commissions include amounts paid to Brand Partners for new sales and promotions. These operating expenses are directly tied to the sales volumes of the PaperPie segment. General and administrative expenses include payroll, outside services, inventory reserves and other expenses directly associated with the segment.

Total operating expenses decreased $3.7 million, or 42.0%, to $5.1 million during the three-month period ended November 30, 2024, when compared to $8.8 million reported in the same quarter a year ago. Operating and selling expenses decreased $1.2 million, or 48.0%, to $1.3 million during the three-month period ended November 30, 2024, when compared to $2.5 million reported in the same quarter a year ago, primarily due to less freight expense on fewer sales and a decrease in brand partner incentive trip expenses as fewer brand partners are expected to earn the trip this year. Sales commissions decreased $2.3. million, or 41.1%, to $3.3 million during the three-month period ended November 30, 2024, when compared to $5.6 million reported in the same quarter a year ago, due to the decrease in net revenues. Sales commissions as a percentage of net revenues decreased from 35.4.% to 33.3% between periods, primarily due to the mix of order types. Web orders pay higher commissions than special programs such as book fairs. General and administrative expenses decreased $0.3 million, or 37.5%, to $0.5 million during the three months ended November 30, 2024, when compared to $0.8 million during the same period a year ago, due primarily to $0.2 million of reduced bank fees from fewer credit card transactions associated with reduced sales and $0.1 million in other various general and administrative expenses.

Operating income for the PaperPie segment decreased $0.6 million, or 37.5% to $1.0 million during the three months ended November 30, 2024, when compared to $1.6 million reported in the same quarter a year ago. Operating income for the PaperPie division decreased primarily from reduced sales; along with additional recruiting and product discounts partially offset by reduced operating expenses.

PaperPie Operating Results for the Nine Months Ended November 30, 2024

PaperPie net revenues decreased $13.5 million, or 35.9%, to $24.1 million during the nine-month period ended November 30, 2024, compared to $37.6 million from the same period a year ago. The average number of active brand partners in the nine-month period ended November 30, 2024 was 13,300, a decrease of 5,900, or 30.7%, from 19,200 selling in same period a year ago. Recruiting and maintaining brand partners has been negatively impacted by several factors including record inflation, our new distribution agreement with Usborne and the rebranding of the division in the fourth quarter of fiscal year 2023. Inflation was most evident in increased food and fuel prices, which impacts the disposable income of our target customer base, which is families with small children. Sales during the first three quarters of fiscal year 2025 continued to be negatively impacted by inflationary pressures and we expect this to continue through the rest of fiscal year 2025, as these pressures persist. Historically, when we have experienced these difficult inflationary times, our active brand partner numbers have been positively impacted as more families look for non-traditional income streams to offset rising costs of living.

Gross margin decreased $9.9 million, or 39.8%, to $15.0 million during the nine-month period ended November 30, 2024, when compared to $24.9 million during the same period a year ago, due primarily to a decrease in net revenues. Gross margin as a percentage of net revenues decreased to 62.1% for the nine-month period ended November 30, 2024, when compared to 66.2% for the same period a year ago. The decrease in gross margin as a percentage of net revenues was primarily attributed to increased recruiting promotions offered to increase brand partner levels and additional discounts offered to customers between the periods to spur sales.

Total operating expenses decreased $7.7 million, or 36.2%, to $13.6 million during the nine-month period ended November 30, 2024, from $21.3 million for the same period a year ago. Operating and selling expenses decreased $1.9 million, or 32.2%, to $4.0 million during the nine-month period ended November 30, 2024, when compared to $5.9 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 totaling approximately $1.3 million and a $0.6 million decrease in brand partner incentive trip expenses as fewer brand partners are expected to earn the trip this year. Sales commissions decreased $5.1 million, or 38.6%, to $8.1 million during the nine-month period ended November 30, 2024, when compared to $13.2 million reported in the same period a year ago, primarily due to the decrease in net revenues. General and administrative expenses decreased $0.7 million, or 31.8%, to $1.5 million, from $2.2 million recognized during the same period last year, due primarily to both decreased credit card transaction fees associated with decreased sales volumes totaling $0.3 million and a $0.2 million decrease in payroll expenses, as well as $0.2 million in other various general and administrative expenses.

Operating income of the PaperPie segment decreased $2.3 million, or 63.9%, to $1.3 million during the nine months ended November 30, 2024, when compared to $3.6 million reported in the same period last year. Operating income of the PaperPie division as a percentage of net revenues for the nine months ended November 30, 2024 was 5.5%, compared to 9.7% for the nine months ended November 30, 2023. Operating income for the PaperPie division decreased primarily from reduced sales; along with additional recruiting promotions and customer discounts offered to increase brand partner levels and spur sales in the current year.

Publishing Operating Results for the Three and Nine Months Ended November 30, 2024

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	2023	2024	2023
Net revenues	$ 1,275,400	$ 1,246,500	$ 3,437,400	$ 4,446,300
Cost of goods sold	524,400	519,800	1,394,400	1,937,300
Gross margin	751,000	726,700	2,043,000	2,509,000
Total operating expenses	328,500	385,500	1,133,700	1,271,300
Operating income	$ 422,500	$ 341,200	$ 909,300	$ 1,237,700

Publishing Operating Results for the Three Months Ended November 30, 2024

Our Publishing division's net revenues increased $0.1 million, or 8.3%, to $1.3 million during the three-month period ended November 30, 2024, from $1.2 million reported in the same period a year ago.

Gross margin increased $0.1 million, or 14.3%, to $0.8 million during the three-month period ended November 30, 2024, from $0.7 million reported in the same quarter a year ago, primarily due to the decrease in net revenues. Gross margin as a percentage of net revenues increased to 58.9% during the three-month period ended November 30, 2024, from 58.3% reported in the same quarter a year ago.

Total operating expenses of the Publishing segment decreased $0.1 million, or 25.0%, to $0.3 million, from $0.4 million, during the three-month periods ended November 30, 2024 and 2023, respectively.

Operating income of the Publishing division increased $0.1 million or 33.3% to $0.4 million during the three-month period ended November 30, 2024 from $0.3 million for the three-month period ended November 30, 2023.

Publishing Operating Results for the Nine Months Ended November 30, 2024

Our Publishing division's net revenues decreased by $1.0 million, or 22.7%, to $3.4 million during the nine-month period ended November 30, 2024, from $4.4 million reported in the same period a year ago primarily due to the stoppage of distribution of Usborne products in this division between the periods. Usborne sales in the first quarter of fiscal 2024 totaled $1.3 million.

Gross margin decreased $0.5 million, or 20.0%, to $2.0 million during the nine-month period ended November 30, 2024, from $2.5 million reported in the same period a year ago. Gross margin as a percentage of net revenues increased to 59.4%, during the nine-month period ended November 30, 2024, from 56.4% reported in the same period a year ago. Gross margin as a percentage of net revenues changed primarily from changes in the mix of products sold between EDC-owned brands and Usborne, with Kane Miller, SmartLab Toys and Learning Wrap-Ups products carrying a better margin on average.

Total operating expenses of the Publishing segment decreased $0.2 million, or 15.4%, to $1.1 million during the nine-month period ended November 30, 2024, from $1.3 million reported in the same period a year ago. This change was primarily due to a $0.1 million decrease in sales commissions due to decreased overall sales and the restructuring of the Company's internal sales department and a $0.1 million decrease in other various operating expenses.

Operating income of the Publishing segment decreased $0.3 million, or 25.0%, to $0.9 million during the nine-month period ended November 30, 2024 when compared to $1.2 million reported in the same period a year ago, due primarily to the decrease in sales and operating expenses. The decrease in operating income was primarily associated with the decline in revenues associated with the stoppage of Usborne product sales in this division.

Liquidity and Capital Resources

EDC has a history of profitability and positive cash flow. We typically fund our operations from the cash we generate. During periods of operating losses, EDC will reduce purchases and sell through inventory to generate cash flow. The Company expects to reduce current excess inventory levels and use the cash proceeds to offset any future operating losses, and to pay down the line of credit and portions of the term debt. Available cash has historically been used to pay down outstanding bank loan balances, for capital expenditures, to pay dividends and to acquire treasury stock. We utilize a bank credit facility and other term loan borrowings to meet our short-term cash needs, as well as fund capital expenditures, when necessary. As of the end of the third fiscal quarter of 2025, our revolving bank credit facility loan balance was $4.3 million with $1.2 million in available capacity.

During the first nine months of fiscal year 2025, we experienced positive cash inflows from operations of $4,778,300. These cash inflows resulted from:

- net loss of $3,918,100

Adjusted for:

- depreciation and amortization expense of $1,355,300
- share-based compensation expense, net of $302,400
- provision for inventory allowance of $220,400
- provision for credit losses of $53,600
- net loss on sale of assets of $3,300

Offset by:

- deferred income taxes of $1,257,100

Positively impacted by:

- decrease in inventories, net of $8,582,700
- increase in deferred revenues of $794,600
- increase in accrued salaries and commissions, and other liabilities of $377,800
- increase in income taxes payable of $374,700

Negatively impacted by:

- decrease in accounts payable of $1,577,500
- increase in accounts receivable of $291,900
- increase in prepaid expenses and other assets of $241,900

Cash used in investing activities was $298,500 for capital expenditures, consisting of $292,100 in new software development costs to add new features to our proprietary systems that PaperPie Brand Partners use to monitor their business and place customer orders and $16,200 in building improvements, offset by $9,800 from the sale of machinery and equipment.

Cash used in financing activities was $2,532,300, which was comprised of net payments on the line of credit of $1,200,000 and payments on term debt of $1,350,000, offset by $17,700 from the sale of treasury stock.

We continue to expect the cash generated from our operations, specifically from the reduction of excess inventory, and cash available through our line of credit with our Lender will provide us with the liquidity we need to support ongoing operations. Cash generated from operations will be used to purchase inventory in order to expand our product offerings and to pay down existing debt.

On August 9, 2022, the Company executed a Credit Agreement (“Loan Agreement”) with BOKF, NA (“Bank of Oklahoma” or the “Lender”). The Loan Agreement established a fixed rate term loan in the principal amount of $15,000,000 (the “Fixed Rate Term Loan”), a floating rate term loan in the principal amount of $21,000,000 (the “Floating Rate Term Loan”; together with the Fixed Rate Term Loan, collectively, the “Term Loans”), and a revolving promissory note in the principal amount up to $15,000,000 (the “Revolving Loan” or “Line of Credit”).

On December 22, 2022, the Company executed the First Amendment to our Loan Agreement with the Lender. This amendment clarified the definition of the Fixed Charge Coverage Ratio to exclude dividends paid prior to November 30, 2022, and placed restrictions on acquisitions and cash dividends.

On May 10, 2023, the Company executed the Second Amendment to our Loan Agreement with the Lender. This amendment waived the fixed charge ratio default which occurred on February 28, 2023 and amended the financial covenant to not require the fixed charge ratio to be measured at May 31, 2023. The Second Amendment also added a cumulative maximum level of fiscal year to date inventory purchases through the expiration of the Revolving Loan Agreement, increased the borrowing rate on the Company's Revolving Loan to Term SOFR Rate plus 3.5%, required certain swap agreements be executed within 30 days of the amendment, reduced the revolving commitment from $15,000,000 to $14,000,000, effective May 10, 2023, and further reduced the revolving commitment to $13,500,000, effective July 15, 2023, among other items.

On June 6, 2023, pursuant to its interest rate risk and risk management strategy, the Company entered into a swap transaction (the "Swap Transaction") with the Lender, which converts a portion of the original $21,000,000 Floating Rate Term Loan from a floating interest rate to a fixed interest rate for the next two years. The Swap Transaction has a notional amount of $18,000,000 through fiscal quarter ending May 31, 2024, and then resets to $13,000,000 through May 30, 2025, while continuing to mirror the amortizing balance of the Floating Rate Term Loan. Under the terms of this agreement, the Company, in effect, has exchanged the floating interest rate of 30-Day Term SOFR Rate at the trade date of June 5, 2023, to a fixed rate of 4.73%. The Swap Transaction commenced on June 7, 2023, with a termination date of May 30, 2025.

On August 9, 2023, the Company executed the Third Amendment along with a Revised Credit Agreement ("Revised Loan Agreement") with the Lender. This amendment extended the Revolving Loan maturity date to January 31, 2024 and introduced a stepdown to the Revolving Commitment from $13,500,000, through August 30, 2023; to $10,500,000 through October 30, 2023; to $9,000,000 through November 29, 2023; to $5,000,000 through December 30, 2023; to $4,500,000 through January 30, 2024; and to $4,000,000 on January 31, 2024. The amendment restricted the Company from entering into any new purchase orders and uses its best efforts to cancel existing purchase orders. It also required the Company to list its real estate property located at 10302 East 55th Place, Tulsa, Oklahoma, for sale with a licensed commercial real estate broker satisfactory to the Lender on or before August 18, 2023, among other items. Contingent upon the occurrence of an Event of Default in the agreement, the Company shall within 15 days list the Hilti Complex with a licensed commercial real estate broker satisfactory to the Lender. The Third Amendment also increased the borrowing rate on the Revolving Loan to 30-Day Term SOFR Rate + 4.50%. The Revised Loan Agreement was updated for the changes in the Third Amendment as well as removed the fixed charge ratio and the ability for borrowings to be accelerated before the January 31, 2024 Revolving Loan maturity date.

Prior to the Third Amendment, executed on August 9, 2023, the Loan Agreement contained provisions that required the Company to maintain a minimum fixed charge ratio. The Company was in violation of the minimum fixed charge ratio covenant as of February 28, 2023, for which the Company obtained a written waiver of compliance from the Lender and was not required to measure the fixed charge ratio as of May 31, 2023. Concurrent with the execution of the Third Amendment to the Loan Agreement, the Loan Agreement was modified to incorporate the changes outlined in the Third Amendment and the fixed charge ratio covenant was removed, as well as the Lender's right to accelerate the maturities of the Fixed Rate Term Loan and Floating Rate Term Loan due to the fixed charge ratio covenant.

On November 30, 2023, the Company executed the Fourth Amendment to the Credit Agreement ("Amendment") with the Lender. The Amendment, effective December 1, 2023, increased the Revolving Loan commitment to $8,000,000 and extended the maturity date to May 31, 2024. The Amendment also required the Company to list the Hilti Complex for sale, allowed the Company to execute additional purchase orders, subject to the lender's approval and conditions, not to exceed $2,100,000 between December 1, 2023 and March 31, 2024, among other items. Proceeds from the sale of the property are to be used to pay down the borrowings with the Lender. A third-party appraisal was completed on the Hilti Complex, consisting of the 400,000 square feet building complex on approximately 50 acres, along with approximately 15 acres of adjacent unused land, in July of 2023 with a market value of $41,970,000.

On June 13, 2024, the Company executed the Fifth Amendment to the Existing Credit Agreement with the Lender. The Amendment, effective May 31, 2024, adjusts the maximum availability of the Revolving Loan commitment to $7,000,000 through the maturity date of October 4, 2024. The Amendment also requires an additional decrease in the Revolving Loan to $4,500,000 from the effective date of the sale of the Hilti Complex among other restrictions and requirements.

On October 7, 2024, the Company executed the Sixth Amendment to the Existing Credit Agreement with the Lender. The Amendment, effective October 3, 2024, extends the maturity date to January 4, 2025 and includes required step downs on the Revolving Loan to $5,500,000 by November 30, 2024. (See Note 17 for additional information on the Seventh Amendment executed subsequent to quarter end.)

Available credit under the current $5,500,000 revolving line of credit with the Company's Lender was approximately $1,201,900 at November 30, 2024.

Features of the Loan Agreement (as amended) at November 30, 2024 include:

(i) Two Term Loans on 20-year amortization with 5-year maturity date of August 9, 2027
(ii) $15 Million Fixed Rate Term Loan bears interest at a fixed rate per annum equal to 4.26%
(iii) $21 Million Floating Rate Term Loan bears interest at a rate per annum equal to Term SOFR Rate + 1.75%
(iv) $5.5 Million Revolving Loan with maturity date of January 4, 2025. The Revolving Loan bears interest at a rate per annum equal to Term SOFR Rate + 5.50% (effective rate was 10.17% at November 30, 2024)
(v) Revolving Loan allows for Letters of Credit upon bank approval (none were outstanding at November 30, 2024)

The following table reflects aggregate current maturities of term debt, excluding the Revolving Loan, during the current fiscal year as follows:

Years ending February 28 (29),		
2025	$	450,000
2026		1,800,000
2027		1,800,000
2028		23,200,900
Total	$	27,250,900

Risks and Uncertainties

In accordance with ASC 205-40, *Going Concern*, the Company has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued.

The short-term duration of the Revolving Loan and uncertainty of the bank's ongoing support beyond April 4, 2025, along with recurring operating losses and other items, raise substantial doubt over the Company's ability to continue as a going concern. To address these concerns, the Company has taken steps in its plans to reduce debt by selling owned real estate. The proceeds from the sale are expected to pay off the Term Loans and Revolving Loan. Following the loan payoff, management plans to fund ongoing operations with limited borrowings through local banks or other financing sources. In addition, management's plans include reducing inventory which will generate free cashflows and building the active PaperPie Brand Partners to pre-pandemic levels. Although there is no guarantee these plans will be successful, management believes these plans, if achieved, will alleviate the substantial doubt about continuing as a going concern and generate sufficient liquidity to meet our obligations as they become due over the next twelve months.

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 and in our audited financial statements as of and for the year ended February 29, 2024 included in our Form 10-K. However, we consider the following accounting policies to be more significantly dependent on the use of estimates and assumptions.

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 has been established. The fair value of these awards is determined based on the closing price of the shares on the grant date. The probability of restricted share awards granted with future performance conditions is evaluated at each reporting period and compensation expense is adjusted based on the probability assessment.

During the first nine months of fiscal year 2025, the Company recognized $0.3 million of compensation expense associated with the shares granted.

Revenue Recognition

Sales associated with product orders are recognized and recorded when products are shipped. Products are shipped FOB-Shipping Point. PaperPie’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 a product damaged in transit. Damaged returns are primarily received from the retail customers of our Publishing division. This damage occurs 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 for November 30, 2024 and February 29, 2024, respectively.

Allowance for Credit Losses

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, when applicable (collectively “credit losses”). 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 credit losses of $0.1 million for both November 30, 2024 and February 29, 2024.

Inventory

Our inventory contains approximately 2,000 titles, each with different rates of sale depending upon the nature and popularity of the title. Almost all of our product line is saleable as the products are not topical in nature and remain current in content today as well as in the future. Most of our products are printed in China, Europe, Singapore, India, Malaysia, and Dubai typically resulting in a four to eight-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 the minimum order requirements of our suppliers. Noncurrent inventory is estimated by management using an anticipated turnover ratio by title, based primarily on historical trends. Inventory in excess of 2½ years of anticipated sales is classified as noncurrent inventory. These inventory quantities have additional exposure for storage damages, aging of topical related content and associated issues, and therefore have higher obsolescence reserves. Noncurrent inventory balances prior to valuation allowances were $15.5 million and $12.3 million as of November 30, 2024 and February 29, 2024, respectively. Noncurrent inventory valuation allowances were $0.8 million and $0.6 million as of November 30, 2024 and February 29, 2024, respectively.

Brand Partners that meet certain eligibility requirements may request and receive inventory on consignment. We believe allowing our Brand Partners 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 11.7% of our active Brand Partners have maintained consignment inventory at the end of the third quarter of fiscal year 2025. 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 Brand Partners was $1.5 million and $1.4 million at November 30, 2024 and February 29, 2024, 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 $1.2 million and $1.0 million at November 30, 2024 and February 29, 2024, respectively.

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 third 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

We are not a party to any material legal proceedings.

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)
September 1 - 30, 2024	-	$ -	-	376,393
October 1 - 31, 2024	-	-	-	376,393
November 1 - 30, 2024	-	-	-	376,393
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. The 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	Usborne Distribution Agreement dated May 16, 2022 by and between the Company and Usborne Publishing Limited, London, England is incorporated herein by reference to Exhibit 10.2 to form 10-Q dated May 31, 2022 (File No. 0-04957).
10.2	Credit Agreement dated August 9, 2002 by and between the Company and BOKF, NA, Tulsa, OK is incorporated herein by reference to Exhibit 10.01 to form 8-K dated August 11, 2022 (File No. 0-04957).
10.3	First Amendment to Credit Agreement, dated December 22, 2022 by and between the Company and BOKF, NA, Tulsa, OK. Is incorporated herein by reference to Exhibit 10.4 to Form 10-Q dated November 30, 2022 (File No. 0-04957).
10.4	Second Amendment to Credit Agreement, dated May 10, 2023 by and between the Company and BOKF, NA, Tulsa, OK. Is incorporated herein by reference to Exhibit 10.18 to Form 10-K dated February 28, 2023 (File No. 0-04957).
10.5	Third Amendment to Credit Agreement, dated August 9, 2023 by and between the Company and BOKF, NA, Tulsa, OK is incorporated herein by reference to Exhibit 10.01 to Form 8-K dated August 17, 2023 (File No. 0-04957).
10.6	Fourth Amendment to Credit Agreement, effective December 1, 2023 by and between the Company and BOKF, NA, Tulsa, OK is incorporated herein by reference to Exhibit 10.01 to Form 8-K dated December 28, 2023 (File No. 0-04957)..
10.7	Fifth Amendment to Credit Agreement, effective May 31, 2024 by and between the Company and BOKF, NA, Tulsa, OK is incorporated herein by reference to Exhibit 10.01 to Form 8-K dated June 17, 2024 (File No. 0-04957).
10.8	Sixth Amendment to Credit Agreement, effective October 3, 2024 by and between the Company and BOKF, NA, Tulsa, OK is incorporated herein by reference to Exhibit 10.01 to Form 8-K dated October 7, 2024 (File No. 0-04957).
10.9**	Seventh Amendment to Credit Agreement, effective January 4, 2025 by and between the Company and BOKF, NA, 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 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: January 13, 2025

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

Date: January 13, 2025

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

SEVENTH AMENDMENT TO CREDIT AGREEMENT

This SEVENTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of January 4, 2025, is by and between EDUCATIONAL DEVELOPMENT CORPORATION, a Delaware corporation (the "Borrower") and BOKF, NA DBA BANK OF OKLAHOMA (the "Lender").

RECITALS:

A. The Borrower and the Lender have previously entered into that certain Credit Agreement dated as of August 9, 2022, as amended by (i) that certain First Amendment to Credit Agreement dated as of December 22, 2022, (ii) that certain Second Amendment to Credit Agreement dated as of May 10, 2023, (iii) that certain Third Amendment to Credit Agreement dated as of August 9, 2023, (iv) that certain Fourth Amendment to Credit Agreement dated as of December 1, 2023, (v) that certain Fifth Amendment to Credit Agreement dated as of May 31, 2024, and (vi) that certain Sixth Amendment to Credit Agreement dated as of October 3, 2024 (as so amended, the "Existing Credit Agreement"; the Existing Credit Agreement, as amended by this Amendment, is referred to herein as the "Credit Agreement").

B. The Borrower has requested, and the Lender has agreed, subject to the terms and conditions of this Amendment, to amend the Existing Credit Agreement as herein provided.

C. Subject to the terms and conditions of this Amendment, the Lender has agreed to consent to the Limited Waiver as set forth herein.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

Definitions

Definitions. All terms used herein which are defined in the Credit Agreement shall have the same meanings when used herein, unless the context hereof otherwise requires or provides. In addition, all references in the Loan Documents to the "Agreement" and the "Credit Agreement" shall mean the Credit Agreement, as amended by this Amendment, as the same shall hereafter be amended from time to time.

Amendments to Existing Credit Agreement

Section 1.01 of the Existing Credit Agreement is hereby amended to add the following definition in the appropriate alphabetical order:

“Seventh Amendment Effective Date” means January 4, 2025.

Section 1.01 of the Existing Credit Agreement is hereby amended by amending and restating the following definitions as follows:

“Revolving Commitment” means the commitment of the Lender to make Revolving Loans hereunder up to $4,750,000.

“Revolving Loan Maturity Date” means April 4, 2025, or any earlier date on which the Revolving Commitment is reduced to zero or otherwise terminated pursuant to the terms hereof.

Section 5.22(d) is hereby added to the Existing Credit Agreement as follows:

(d) No later than the earlier of (i) the day that is two (2) Business Days after the Borrower’s receipt of any non-refundable earnest money with respect to the sale of the Headquarters and (ii) January 31, 2025, the Borrower shall prepay the Revolving Loans in an amount equal to such non-refundable earnest money.

Limited Waiver

Limited Waiver to Existing Credit Agreement. Subject to the satisfaction or waiver in writing of the conditions precedent set forth in Article V, and in reliance on the representations and warranties in Section 4.2, effective as of the Seventh Amendment Effective Date, the Lender hereby agrees that the occurrence of the Revolving Loan Maturity Date under the Existing Credit Agreement on January 4, 2025, which constituted an Event of Default under clause (a) of Article VII of the Existing Credit Agreement (the “Specified Default”) is hereby waived solely through the Seventh Amendment Effective Date (such waiver, the “Limited Waiver”). This Section 3.1 is limited to the Specified Default precisely as written and shall not be deemed to (a) be a waiver of or a consent to the modification of or deviation from any term or condition of the Credit Agreement or the other Loan Documents or any of the other instruments or agreements referred to therein other than as expressly set forth in this Section 3.1 or (b) prejudice any right or rights which the Lender now has or may have in the future under or in connection with the Credit Agreement, the Loan Documents or any of the other instruments or agreements referred to therein. For the avoidance of doubt, except for the Limited Waiver, all of the terms, conditions, covenants, representations, warranties, and all other provisions of the Credit Agreement and the other Loan Documents remain in full force and effect.

Ratifications

Ratifications by Borrower.

The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Existing Credit Agreement and the other Loan Documents, and except as expressly modified and superseded by this Amendment, the terms and provisions of the Existing Credit Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect.

The Borrower and the Lender agree that each of the Credit Agreement, as amended hereby, and the other Loan Documents to which each is a party shall continue to be legal, valid, binding and enforceable in accordance with its respective terms. This Amendment is a "Loan Document" as referred to in the Credit Agreement and the provisions relating to Loan Documents in the Credit Agreement are incorporated herein by reference, the same as if set forth verbatim in this Amendment.

Representations and Warranties of the Borrower. Borrower hereby represents and warrants to the Lender that (a) the execution, delivery and performance of this Amendment and any and all other Loan Documents executed and/or delivered by Borrower in connection herewith have been authorized by all requisite action on the part of Borrower and will not violate any organizational document of Borrower, (b) the representations and warranties contained in the Loan Documents, as amended hereby, are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof, except to the extent such representations and warranties speak to a specific date, and (c) except for the Specified Default, no Default or Event of Default exists.

Conditions Precedent

Conditions Precedent. The effectiveness of this Amendment and the Lender's consent to the Limited Waiver in accordance with Section 3.1 are each subject to the satisfaction of the following conditions precedent:

Amendment and Other Documents. Lender shall have received:

this Amendment duly executed by the Borrower;

any documents, instruments, agreements, amendments or supplements as Lender may require, each in form and substance satisfactory to the Lender, to modify the documents governing the Banking Services, including, without limitation, to renew the Borrower's commercial credit card with the Lender; and

such other documents, instruments and agreements as Lender may require.

No Default. After giving effect to the Limited Waiver, no Default or Event of Default shall exist.

Representations and Warranties. All of the representations and warranties contained in the Credit Agreement, as amended hereby, shall be true and correct in all material respects on and as of the date of this Amendment with the same force and effect as if such representations and warranties had been made on and as of such date, except to the extent such representations and warranties speak to a specific date.

Extension Fee. The Borrower shall have paid to the Lender, on the Seventh Amendment Effective Date, a fee in an amount equal to $10,000.

Other Fees and Expenses. The Lender shall have received payment of all reasonable and documented out-of-pocket fees and expenses (including reasonable attorneys' fees and expenses) incurred by Lender in connection with the preparation, negotiation and execution of this Amendment and the other Loan Documents.

Miscellaneous

Survival of Representations and Warranties. All representations and warranties made in this Amendment or any other document executed in connection herewith shall survive the execution and delivery of this Amendment, and no investigation by the Lender or any closing shall affect the representations and warranties or the right of the Lender to rely upon them.

Reference to Agreement. Each of the Credit Agreement, the other Loan Documents and any and all other agreements, documents, or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Credit Agreement, as amended hereby, and the other Loan Documents are hereby amended so that any reference in such documents to the Credit Agreement shall mean a reference to the Credit Agreement as amended hereby.

Expenses of Lender. As provided in the Credit Agreement, Borrower agrees to pay on demand all reasonable costs and expenses incurred by Lender in connection with the preparation, negotiation, and execution of this Amendment and any other documents executed pursuant hereto and any and all amendments, modifications, and supplements thereto, including without limitation the costs and reasonable fees of Lender's legal counsel, and all costs and expenses incurred by Lender in connection with the enforcement or preservation of any rights under the Credit Agreement, as amended hereby, or any other document executed in connection therewith, including without limitation the costs and reasonable fees of Lender's legal counsel.

Severability. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

Applicable Law. This Amendment and all other documents executed pursuant hereto shall be governed by and construed in accordance with the laws of the State of Oklahoma.

Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of the Lender, Borrower and their respective successors and assigns, except Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Lender.

Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or as an attachment to an electronic mail message in .pdf, .jpeg, .TIFF or similar electronic format shall be effective as delivery of a manually executed counterpart of this Amendment for all purposes. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Amendment and any other Loan Document to be signed in connection with this Amendment, the other Loan Documents and the transactions contemplated hereby and thereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that nothing herein shall require the Lender to accept electronic signatures in any form or format without its prior written consent. For the purposes hereof, "Electronic Signatures" means an electronic sound, symbol, or process attached to, or associated with, a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or record. Each of the parties hereto represents and warrants to the other parties hereto that it has the corporate capacity and authority to execute the Amendment through electronic means and there are no restrictions for doing so in that party's constitutive documents. Without limiting the generality of the foregoing, Borrower hereby (i) agrees that, for all purposes, including without limitation, in connection with any workout, restructuring, enforcement of remedies, bankruptcy proceedings or litigation among the Lender and Borrower, electronic images of this Amendment or any other Loan Document (in each case, including with respect to any signature pages thereto) shall have the same legal effect, validity and enforceability as any paper original, and (ii) waives any argument, defense or right to contest the validity or enforceability of any Loan Document based solely on the lack of paper original copies of such Loan Document, including with respect to any signature pages thereto. Any party sending an executed counterpart of a signature page to this Amendment by facsimile, pdf, tiff, Electronic Signature or any other electronic means shall also send the original thereof to Lender within five (5) days following Lender's request therefor, but failure to do so shall not affect the validity, enforceability, or binding effect of this Amendment.

Headings. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

ENTIRE AGREEMENT. THIS AMENDMENT AND THE OTHER LOAN DOCUMENTS EXECUTED AND DELIVERED IN CONNECTION WITH THIS AMENDMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES HERETO AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES HERETO.

[*Signature Pages Follow*]

Executed as of the date first written above.

BORROWER:

EDUCATIONAL DEVELOPMENT CORPORATION,
a Delaware corporation

By: ______________________
Name: Craig White
Title: President & Chief Executive Officer

LENDER:

BOKF, NA DBA BANK OF OKLAHOMA,
a national banking association

By: ______________________
Name: Julie H. Chase
Title: Senior Vice President

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: January 13, 2025

/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: January 13, 2025

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

Exhibit 32.1

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

In connection with the quarterly report of Educational Development Corporation (the “Company”) on Form 10-Q for the period ended November 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: January 13, 2025

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

Date: January 13, 2025

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