EDT LEARNING INC
Form 10-Q
August 14, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE PERIOD ENDED JUNE 30, 2001 OR

[ ] TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _________ to _________

Commission File Number 1-13725

EDT Learning, Inc.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	76-0545043 (I.R.S. Employer Identification No.)
2999 North 44th Street, Suite 650, Phoenix, Arizona (address of principal executive offices)	85018 (Zip code)

(602) 952-1200
(Registrant's telephone number, including area code)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT 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 [X] NO [ ]

THE NUMBER OF SHARES OF COMMON STOCK OF THE REGISTRANT, PAR VALUE $.001 PER SHARE, OUTSTANDING AT AUGUST 6, 2001, WAS 10,542,034.

FORM 10-Q REPORT INDEX

PART I--FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EDT LEARNING, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	JUNE 30, 2001 (UNAUDITED)	MARCH 31, 2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 948	$ 1,051
Receivables from affiliated practices, net of allowance for doubtful accounts of $1,014 and $1,147, respectively	302	195
Prepaid and other current assets	179	128
Notes receivable from Affiliated Practices--current, net	313	261
	--------	--------

Total current assets	1,742	1,635
Property and equipment, net	3,001	3,279
Intangible assets, net	2,798	3,107
Notes receivable from Affiliated Practices, net	961	1,059
Other assets	174	111
Total assets	$ 8,676	$ 9,191

LIABILITIES AND SHAREHOLDERS' DEFICIT

CURRENT LIABILITIES:		
Current portion of long term debt	$ 534	$ 471
Accounts payable and accrued liabilities	810	959
Current portion of deferred revenue	860	1,052
Accrued employment agreement	248	248
Current portion of capital lease liabilities	355	345
Total current liabilities	2,807	3,075
Long term debt, less current maturities	11,301	11,461
Capital lease liabilities	543	643
Deferred revenue	464	666
Commitments and contingencies		
SHAREHOLDERS' DEFICIT		
Common stock, $.001 par value 40,000,000 shares authorized, 11,721,664 issued	12	12
Additional paid-in capital	25,841	25,809
Accumulated deficit	(31,166)	(31,349)
Less: 1,149,116 treasury shares at cost	(1,126)	(1,126)
Total shareholders' deficit	(6,439)	(6,654)
Total liabilities and shareholders' deficit	$ 8,676	$ 9,191

The accompanying notes are an integral part of the consolidated financial statements.

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EDT LEARNING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED JUNE 30,	
	2001	2000
Revenues		
Learning	$ 159	$ --
Dental contracts	1,768	2,218

Total revenues	1,927	2,218
Operating expenses		
Research and development	227	--
Sales and marketing	203	--
General and administrative	663	1,818
Depreciation and amortization	532	5,582
Total operating expenses	1,625	7,400
Earnings (loss) from operations	302	(5,182)
Interest expense	288	389
Interest income	(76)	(54)
Other income	(93)	(9)
Income (loss) before income taxes	183	(5,508)
Income taxes	--	--
Net income (loss)	$ 183	$ (5,508)
Basic and diluted earnings (loss) per share	$ .02	$ (0.54)
Weighted average number of share outstanding--basic and diluted	10,573	10,175

The accompanying notes are an integral part of the consolidated financial statements.

EDT LEARNING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT
(UNAUDITED)
(IN THOUSANDS)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TREASURY STOCK	TOTAL SHAREHOLDERS' DEFICIT
Balances, April 1, 2001	11,722	$12	$25,809	$(31,349)	$(1,126)	$(6,654)
Issuance of warrants ..	--	--	32	--	--	32
Net income	--	--	--	183	--	183
Balances, June 30, 2001	11,722	$12	$25,841	$(31,366)	$(1,126)	$(6,439)

The accompanying notes are an integral part of the consolidated financial statements.

EDT LEARNING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	THREE MONTHS ENDED JUNE 30, 2001	THREE MONTHS ENDED JUNE 30, 2000
Net cash used in operating activities	$ (15)	$(211)
Cash flows from investing activities:		
Repayment of notes receivable	76	16
Proceeds from property and equipment	31	--
Issuance of notes receivable	--	(12)
Capital expenditures	(8)	(44)
Net cash provided by (used in) investing activities	99	(40)
Cash flows from financing activities:		
Repayment of long-term debt and capital leases liabilities	(187)	(133)
Net cash used in financing activities	(187)	(133)
Net change in cash and cash equivalents	(103)	(384)
Cash and cash equivalents, beginning of period	1,051	553
Cash and cash equivalents, end of period	$ 948	$ 169
Supplemental disclosures of cash flow information:		
Convertible subordinated notes offset against receivables from Affiliated Practices	--	$ 540
Conversion of receivables from Affiliated Practices to notes receivables	--	$ 999
Treasury stock acquired for payment of receivable from Affiliated Practices and purchase of property and equipment	--	$ 772
Notes payable offset against future membership fees	--	$ 214

The accompanying notes are an integral part of the consolidated financial statements.

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EDT LEARNING, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. ORGANIZATION AND BASIS OF PRESENTATION

EDT Learning, Inc., formerly e-dentist.com, Inc. (the "Company") provides a comprehensive array of e-Learning content, handling and delivery services that are customized to each client. The Company also provides practice management services to dental practices throughout the United States.

The unaudited consolidated financial statements included herein have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Pursuant to such regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The Company believes the presentation and disclosures herein are adequate to make the information not misleading, but do not purport to be a complete presentation inasmuch as all note disclosures required by generally accepted accounting principles are not included. In the opinion of management, the consolidated financial statements reflect all elimination entries and normal adjustments that are necessary for a fair presentation of the results for the interim periods ended June 30, 2001 and 2000.

Fiscal operating results for interim periods are not necessarily indicative of the results for full years. It is suggested that these consolidated financial statements be read in conjunction with the financial statements of the Company and related notes thereto, and management's discussion and analysis related thereto, all of which are included in the Company's annual report on Form 10-K for the year ended March 31, 2001, as filed with the SEC.

RECENT EVENTS, LIQUIDITY AND MANAGEMENT PLANS

A name change of the Company to "EDT Learning, Inc." was approved by the Board of Directors in June 2001 and was approved by the shareholders at the August 2, 2001 Annual Shareholders Meeting. The name change was done to more accurately reflect the Company's current business model and expansion of its business offering which focuses on providing e-Learning tools and systems to corporate clients inside and outside the dental industry.

During fiscal 2001, the Company incurred a net loss of $24.9 million and had an accumulated deficit of $31.3 million at March 31, 2001. In addition, the Company had cash flow from operations of $1.4 million during the year ending March 31, 2001. During the quarter ended June 30, 2001, the Company had a net income of $183,000 and has an accumulated deficit of $31.2 million at June 30, 2001. In addition, the Company used cash flow from operations of $15,000 during the quarter ended June 30, 2001.

On June 29, 2001, Bank One, Texas, NA extended the terms of the credit facility through July 2, 2002. In connection with the extension, the Company will issue 393,182 warrants to acquire shares of the Company's common stock at $0.42 per share. The warrants were valued at $32,000. Until the credit facility is paid in full, the bank will have the right to maintain a 3% fully diluted interest in the Company through the issuance of additional warrants. The Company also paid $61,000 in fees to the bank as part of the extension.

Terms of the extension include monthly principal payments of $25,000 and modification of the financial covenants. The Company has prepared financial projections through the term of the extension and believes it will be in compliance with the financial covenants.

As discussed above, the bank credit facility due date has been extended to July 2, 2002. Based upon its current strategy, the Company projects to have sufficient funds to meet its operating capital requirements through fiscal 2002, however, there would not be sufficient cash flow to fund the credit facility obligation due July 2, 2002. Management believes it will be able to replace the credit facility with other bank financing alternatives or refinancing of its current line of credit. There is no assurance that other financing will be available to refinance the current line of credit in sufficient amounts, if at all, and there can be no assurance that the related terms and conditions will be acceptable to the Company. Failure of the Company to obtain such alternative financing or refinancing of its current line of credit would have a material and adverse effect on the Company's financial position.

In order to increase its liquidity, the Company has developed the following strategies; (i) implement its revised eCommerce and e-Learning based strategic alternative described above, (ii) reducing costs in the Company's corporate office, and (iii) raising additional capital through a private placement. However, there can be no assurance that the Company's strategies will be achieved.

2. SIGNIFICANT ACCOUNTING POLICIES

EARNINGS PER SHARE

Earnings per share are computed based upon the weighted average number of shares of Common Stock and Common Stock equivalents outstanding during each period. Diluted earnings per share are not separately presented because such amounts would be the same as amounts computed for basic earnings per share.

Outstanding options to purchase approximately 1,684,563 and 1,219,273 shares of Common Stock at exercise prices above the market value of Common Stock were excluded from the calculation of earnings per share for the three months ended June 30, 2001 and 2000, respectively, because their effect would have been antidilutive.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

NEW PRONOUNCEMENTS

On June 30, 2001, the Financial Accounting Standard Board issued Statement of Financial Accounting Standards No. 141 (SFAS 141), "Business Combinations" which requires that all business combinations be accounted for using the purchase method. In addition, this Statement requires that intangible assets be recognized as assets apart from goodwill if certain criteria are met. As the provisions of this Statement apply to all business combinations initiated after June 30, 2001, Management will consider the impact of this statement for future combinations.

On June 30, 2001, the Financial Accounting Standard Board issued Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Other Intangible Assets" which established Standards for reporting acquired goodwill and other intangible assets. This Statement accounts for goodwill based on the reporting units of the combined entity into which an acquired entity is integrated. In accordance with the statement, goodwill and indefinite lived intangible assets will not be amortized but will be tested for impairment at least annually at the reporting unit level and the amortization period of intangible assets with finite lives will not be limited to forty years. The provisions of this Statement are required to be applied starting with fiscal years beginning after December 15, 2001 with early application permitted for entities with fiscal years beginning after March 15, 2001. The Company has $205,000 of goodwill included in its balance sheet at June 30, 2001. Goodwill amortization for the three months ended June 30, 2001 was $23,000 and is currently expected to approximate $92,000 for the year ended March 31, 2002 before the provisions of SFAS 142 are applied. Implementation of SFAS 142 by the Company would result in elimination of amortization of goodwill from acquisition under the purchase method of accounting. The statement does not result in the elimination of amortization of the Company's service agreements because under the scope of the statement only goodwill resulting from acquisitions under the purchase method of accounting, and not other identifiable intangible assets, is subject to being no longer amortized.

3. SEGMENT INFORMATION

During the period ended June 30, 2001, the Company had two reportable segments, learning and dental practice management. The learning segment included revenues and operating expenses related to the development and sale of the Company's learning products. The dental practice segment included revenues from service contracts, operating expenses related to the delivery of the dental services and other non-operating expenses.

There are no intersegment revenues. The Company does not review assets by operating segment.

	THREE MONTHS ENDED JUNE 30,	
	2001	2000
Revenues		
Learning	$ 159	$ --
Dental practice management	1,768	2,218
Total revenues	1,927	2,218
Operating expenses		
Learning	430	--
Dental practice management	1,195	7,400
Total operating expenses	1,625	7,400
Earnings (loss) from operations		
Learning	(271)	--
Dental practice management	573	(5,182)
Total earnings (loss) for operating	302	(5,182)
Non operating expenses		
Learning	--	--
Dental practice management	119	326
Total non-operating expenses	119	326
Income (loss) before income taxes		
Learning	(271)	--
Dental practice management	454	(5,508)
Total income (loss) before income taxes	$ 183	$(5,508)

4. COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS

The Company has pending lawsuits against five Affiliated Practices for defaulting in the payment of the required Service Fees. In each of those cases, the Company is seeking damages equal to past due and remaining service fees, consequential damages equal to the value of the intangible practice asset and attorney's fees. Three Affiliated Practices have in response filed a counter-claim alleging breach of contract, misrepresentation and securities violations. The Company believes that those counter-claims are without merit and that the Company will prevail in defense to the alleged counterclaims.

The Company is also the defendant in a recently filed lawsuit in which the plaintiff claims breach of the premises lease associated with an Affiliated Practice. The Company as a defendant tenant is seeking indemnity from the Affiliated Practice and believes that it will recover any damages suffered from the responsible Affiliated Practice.

ACCRUED EMPLOYMENT AGREEMENT

The accrued employment is payable to the former Chief Dental Officer of the Company. Pursuant to the terms of the agreement, as amended, the remaining balance of $248,000 is payable on July 31, 2001. Payment of the remaining balance is in dispute.

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

THE FOLLOWING DISCUSSION AND ANALYSIS CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ARE BASED ON CURRENT PLANS AND EXPECTATIONS OF THE COMPANY AND INVOLVE RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL FUTURE ACTIVITIES AND RESULTS OF OPERATIONS TO BE MATERIALLY DIFFERENT FROM THAT SET FORTH IN THE FORWARD-LOOKING STATEMENTS. IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER INCLUDE, AMONG OTHERS, RISKS ASSOCIATED WITH AFFILIATIONS, FLUCTUATIONS IN OPERATING RESULTS BECAUSE OF AFFILIATIONS AND VARIATIONS IN STOCK PRICE, CHANGES IN GOVERNMENT REGULATIONS, COMPETITION, RISKS OF OPERATIONS AND GROWTH OF EXISTING AND NEW AFFILIATED DENTAL PRACTICES, AND RISKS DETAILED IN THE COMPANY'S SEC FILINGS.

OVERVIEW

As an extension of its educational and training background, the Company has broadened its reach to focus on the larger growing e-Learning and corporate training market. With the launch of the Company's state of the art learning management system and its e-Learning engine, the Company now provides a comprehensive array of e-Learning content, hosting and delivery services to corporations, inside and outside the dental and healthcare industries. The Company's synchronous and asynchronous content delivery solutions provide an array of e-Learning products that are customized to each corporate client. The Company is positioning itself in the corporate training sector of the e-Learning marketplace leveraging its existing infrastructure and using scale provided by an integrated product.

The Company continues to provide services to its Affiliated Practices in accordance with the modified Service Agreements and derive revenues. The actual terms of the various Service Agreements vary slightly on a case-by-case basis, depending on negotiations with the individual Affiliated Practices. Those Modified Agreements require in general that the Company provide: access to online practice enhancement services; access to online tools and payroll services; access to certain on-site consulting and seminar programs; and the use of the tangible assets owned by the Company located at each affiliated dental practice location. The service fees payable under the modified Service Agreements are guaranteed by the owner-dentists.

RECENT EVENTS, LIQUIDITY AND MANAGEMENT PLANS

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Terms of the extension include monthly principal payments of $25,000 and modification of the financial covenants. The Company has prepared financial projections through the term of the extension and believes it will be in compliance with the financial covenants.

As discussed above, the bank credit facility due date has been extended to July 2, 2002. Based upon its current strategy, the Company projects to have sufficient funds to meet its operating capital requirements through fiscal 2002, however, there would not be sufficient cash flow to fund the credit facility obligation due July 2, 2002. Management believes it will be able to replace the credit facility with other bank financing alternatives or refinancing of its current line of credit. There is no assurance that other financing will be available to refinance the current line of credit in sufficient amounts, if at all, and there can be no assurance that the related terms and conditions will be

acceptable to the Company. Failure of the Company to obtain such alternative financing or refinancing of its current line of credit would have a material and adverse effect on the Company's financial position.

In order to increase its liquidity, the Company has developed the following strategies; (i) implement its revised eCommerce and e-Learning based strategic alternative described above, (ii) reducing costs in the Company's corporate office, and (iii) raising additional capital through a private placement. However, there can be no assurance that the Company's strategies will be achieved.

REVENUES

Total revenues generated for the three months ended June 30, 2001 and 2000 were $1.9 million and $2.2 million, respectively, a decrease of $291,000. The Company recognized $159,000 in learning revenues in the three months ended June 30, 2001. The were no learning revenues in the three months ended June 30, 2000. Revenue from dental contacts decreased by $450,000 during the three months ended June 30, 2001 as compared to the three months ended June 30, 2000. The decrease in dental contract revenue is due to the modification and termination of certain dental contracts.

OPERATING EXPENSES

The Company incurred operating expenses of $1.6 million and $7.4 million for the three months ended June 30, 2001 and 2000, respectively. Operating expenses consist of research and development, sales and marketing, general and administrative and depreciation and amortization expenses.

Research and development expenses include expenses associated with the development of new products and new product versions and consist primarily of salaries and benefits, communication equipment and supplies. Research and development expenses were $227,000 for the three months ended June 30, 2001. There were no research and development expenses during the three months ended June 30, 2000.

Sales and marketing expenses consist primarily of sales and marketing salaries and benefits, travel, advertising, and other marketing literature. Sales and marketing expenses were $203,000 for the three months ended June 30, 2001. There were no sales and marketing expenses during the three months ended June 30, 2000.

General and administrative expenses consist of the corporate expenses of the Company. These corporate expenses include salaries and benefits of executive, finance and administrative personnel, rent, bad debt expenses, professional services, travel (primarily related to practice development), office costs and other general corporate expenses. For the three months ended June 30, 2001 and 2000, general and administrative expenses were $663,000 and $1.8 million, respectively a decrease of $1.2 million. General and administrative expenses decreased primarily due to decreases in professional services of $394,000; salaries and wages of $339,000; bad debt expenses of $238,000, and travel of $51,000 for the quarter ended June 30, 2001 from the same quarter in 2000.

INCOME TAX EXPENSE

The Company recorded no tax expense during the three months ended June 30, 2001 due to the expected utilization of the Company's net operating loss carry-forwards. At June 30, 2001, the Company has a net deferred tax asset of $9.5 million with a corresponding valuation allowance. The Company also has $6.1 million of available deductions related to the increase in tax basis of the assets acquired in the dental practice affiliations.

For the three months ended June 30, 2000, the Company recorded a valuation allowance for its entire deferred tax asset of $1.6 million because it concluded it is not likely it would be able to recognize the tax asset due to the lack of operating history of its implementation of its learning business plan, modification of its management service agreements and maturity of its line of credit.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2001 the Company had a working capital deficit of $1.1 million. Current assets included $948,000 in cash and $615,000 in accounts and notes receivable. Current liabilities consisted of $889,000 of current maturities of long-term debt and capital leases. $860,000 of deferred revenue and $810,000 in accounts payable and accrued liabilities.

On June 29, 2001, Bank One, Texas, NA extended the terms of the credit facility through July 2, 2002. In connection with the extension, the Company will issue 393,182 warrants to acquire shares of the Company's common stock at $0.42 per share. The warrants were valued at $32,000. Until the credit facility is paid in full, the bank will have the right to maintain a 3% fully diluted interest in the Company through the issuance of additional warrants. The Company also paid $61,000 in fees to the bank as part of the extension.

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Cash generated from investing activities for the three months ended June 30, 2001 and 2000 resulted from the collection of notes receivable of $76,000 and $16,000, respectively. The Company also received $31,000 from the disposition of property and equipment for the three months ended June 30, 2001. Cash used in investing activities was $8,000 and $44,000 for the purchases of capital equipment for the three months ended June 30, 2001 and 2000, respectively. Uses of cash also include the issuance of notes receivable to affiliated practices of $12,000 in the three months ended June 30, 2000.

Cash used in financing activities for the three months ended June 30, 2001 and 2000 included payments on the Company's long-term debt and capital leases of $187,000 and $133,000, respectively.

NEW PRONOUNCEMENTS

On June 30, 2001, the Financial Accounting Standard Board issued Statement of Financial Accounting Standards No. 141 (SFAS 141), "Business Combinations" which requires that all business combinations be accounted for using the purchase method. In addition, this Statement requires that intangible assets be recognized as assets apart from goodwill if certain criteria are met. As the provisions of this Statement apply to all business combinations initiated after June 30, 2001, Management will consider the impact of this statement for future combinations.

On June 30, 2001, the Financial Accounting Standard Board issued Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Other Intangible Assets" which established Standards for reporting acquired goodwill and other intangible assets. This Statement accounts for goodwill based on the reporting units of the combined entity into which an acquired entity is integrated. In accordance with the statement, goodwill and indefinite lived intangible assets will not be amortized but will be tested for impairment at least annually at the reporting unit level and the amortization period of intangible assets with finite lives will not be limited to forty years. The provisions of this Statement are required to be applied starting with fiscal years beginning after December 15, 2001 with early application permitted for entities with fiscal years beginning after March 15, 2001. The Company has $205,000 of goodwill included in its balance sheet at June 30, 2001. Goodwill amortization for the three months ended June 30, 2001 was $23,000 and is currently expected to approximate $92,000 for the year ended March 31, 2002 before the provisions of SFAS 142 are applied. Implementation of SFAS 142 by the

Company would result in elimination of amortization of goodwill from acquisition under the purchase method of accounting. The statement does not result in the elimination of amortization of the Company's service agreements because under the scope of the statement only goodwill resulting from acquisitions under the purchase method of accounting, and not other identifiable intangible assets, is subject to being no longer amortized.

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ITEM 1. LEGAL PROCEEDINGS

The Company has pending lawsuits against five Affiliated Practices for defaulting in the payment of the required Service Fees. In each of those cases, the Company is seeking damages equal to past due and remaining service fees, consequential damages equal to the value of the intangible practice asset and attorney's fees. Three Affiliated Practices have in response filed a counter-claim alleging breach of contract, misrepresentation and securities violations. The Company believes that those counter-claims are without merit and that the Company will prevail in defense to the alleged counter-claims.

The Company is also the defendant in a recently filed lawsuit in which the plaintiff claims breach of the premises lease associated with an Affiliated Practice. The Company as a defendant tenant is seeking indemnity from the Affiliated Practice and believes that it will recover any damages suffered from the responsible Affiliated Practice.

ITEM 2. CHANGE IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS OF SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

None

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SIGNATURE

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

EDT LEARNING, INC.

Dated: August 14, 2001

By: /s/ Charles Sanders

Charles Sanders
Sr. Vice President-Chief Financial Officer

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