



EDUCATIONAL DEVELOPMENT
CORPORATION
2010
ANNUAL REPORT

Financial Highlights

Fiscal Years ended February 28

<u>Financial Information</u>	<u>2010</u>	<u>2009</u>
Net revenues	\$ 28,670,800	\$ 29,398,400
Earnings before income taxes	\$ 3,052,400	\$ 3,138,900
Net earnings	\$ 1,913,600	\$ 1,912,600

Earnings per share:

Basic	\$ 0.49	\$ 0.50
Diluted	\$ 0.49	\$ 0.50

Capital expenditures	\$ 5,600	\$ 30,500
Total assets	\$ 19,360,400	\$ 19,941,400
Shareholders' equity	\$ 15,422,100	\$ 15,895,300

Common Stock

Shares outstanding at year end	3,887,030	3,838,461
Cash dividends paid	\$ 0.67	\$ 0.80
Book value at year end	\$ 3.97	\$ 4.14
Market price range		
High	\$ 6.48	\$ 6.80
Low	\$ 3.10	\$ 3.11
Market price at year end	\$ 6.10	\$ 3.58

Business Segments

Net Revenues

Publishing	\$ 9,502,700	\$ 8,126,000
Usborne Books & More	\$ 19,168,100	\$ 21,272,400

Total	\$ 28,670,800	\$ 29,398,400
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LETTER FROM THE PRESIDENT

Dear Stockholders and Friends,

Our fiscal year ending February 28 was again very challenging as we experienced a continuing softness in the retail market as our nation's economy struggled to recover from the economic slowdown. This affected our company in different ways as it continued to be difficult to schedule home parties in our Home Business Division. However, as many retail outlets experienced lower sales, we were still able to maintain our sales level in that market, which is attributable to the exceptional product lines we represent, Usborne Books and Kane/Miller Books, which we acquired a year ago. We have represented Usborne Books for 30 years and believe it is the premier line of non-fiction children's books in the marketplace and with the addition of Kane/Miller, primarily fiction, it is an excellent complement now encompassing nearly 2,000 titles.

Last year was challenging as we completed the acquisition and integration of Kane/Miller, our award winning publisher of multi-cultural fiction story books from around the world. This was an excellent addition to our existing product line of Usborne Books and fit our marketing programs very well. Actually, several of the Kane/Miller titles were among the best sellers in the entire line. Our top seller was *Everyone Poops*, which has now sold over 1,000,000 copies. We were also very fortunate to acquire the United States publishing rights to a terrific new title *Conspiracy 365*, a serial novel consisting of 12 titles which are released one per month. This title has become the bestselling young adult fiction book in Australia and we are also experiencing significant success with the book in our market.

While we experienced a small decline in our annual overall sales, we were happy to maintain our profit margin, strong balance sheet with no debt, and continue our dividend to our shareholders. We have struggled to expand our business the past two years and we expect this year to also present significant challenges. However, with the acquisition of Kane/Miller, we are a stronger company and are more capable to compete in the marketplace. While we were not satisfied with the results for fiscal year 2010, we are excited about the prospects for Fiscal year 2011.



Cordially yours,

Randall W. White
Chairman of the Board, President
and Chief Executive Officer

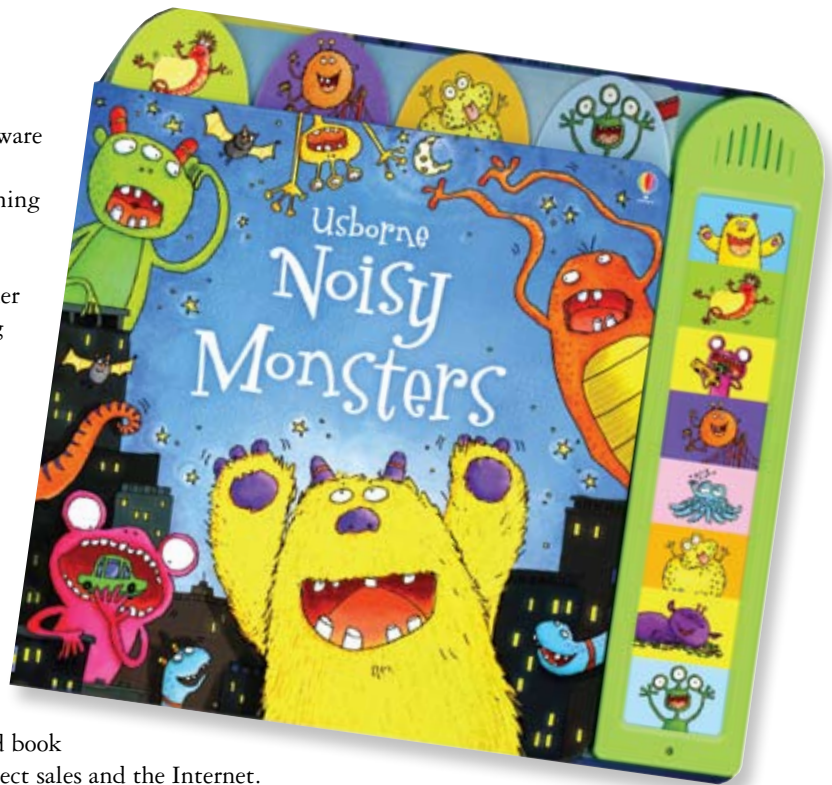
EDC is a company you can be proud to work for and one you can be proud to own.

ABOUT US

Educational Development Corporation, a Delaware corporation, was incorporated in 1965 to develop curriculum materials for schools. In 1978, the Publishing Division was created to distribute the Usborne line of children's books. The Home Business Division was started during 1989. In 2008, we acquired Kane/Miller Book Publishers and integrated them into our existing divisions. Kane/Miller publishes multi-cultural, international titles.

As the exclusive United States trade publisher of the Usborne Publishing children's books, created in the United Kingdom, we represent an excellent line, primarily non-fiction, of over 1,400 titles. Kane/Miller, which is primarily fiction, provides us a more complete line of products to present to the marketplace through our two divisions.

The Home Business Division distributes these books through independent sales consultants who hold book shows in individual homes and through book fairs, direct sales and the Internet. This division also sells the books to school and public libraries. Our Publishing Division markets the books to retail book stores, toy stores, specialty stores and other retail outlets throughout the United States.





OUR PRODUCT LINES

Our company has two primary product lines, Usborne Books from the United Kingdom, and Kane/Miller Books. Usborne children's books are produced in the United Kingdom by Usborne Publishing Limited. Usborne produces and distributes books in over 85 countries and in more than 75 languages. We are the United States trade publisher of these books and presently offer more than 1,400 different titles.

Usborne books are fascinating, lavishly illustrated books written with humor, surprise and drama. They incorporate activities and puzzles to challenge a child's observation skills and intelligence. Their superb print quality on acid free paper and exceptionally well-produced graphics, high ratio of pictures to text, short magazine-like format and unique detail set Usborne books apart from all other books. A wide range of subjects including hobbies, history, science, nature, foreign language, parent's guides and much more are covered.

Usborne books appeal to all ages, infants to adults, with prices to suit everyone. Usborne Internet-linked reference books offer more than 1,000 fascinating Web sites with animations, sound and video clips, interactive games, experiments and study guides. These books feature vibrant design, superb full-color photography and detailed illustrations. The books contain 'Internet link' boxes which suggest interesting Web sites to enhance the book's content. While each book works in conjunction with the Internet, it is also a completely self-sufficient book that can be used without accessing the Internet.

The Kane/Miller Books division offers excellent opportunities for expansion and market growth. Kane/Miller has built a reputation over 25 years as a publisher of award-winning literature for children. Kane/Miller editors have sought the best books from around the world to build a list that currently boasts titles from over 20 countries. These books bring children of the world closer to each other, sharing stories and ideas, while exploring cultural differences and similarities. Many of these titles have won high praise from prestigious review journals such as *The Horn Book*, *School Library Journal*, and *Kirkus*. Awards include *USBBY Outstanding International Booklist*, *New York Times Best Illustrated List*, *Reading Rainbow Feature Book*, *NPR Weekend Edition Review Book*, and a myriad of others.

The Kane/Miller list is primarily fiction for ages 0-14. From board books to picture books, early fiction to middle grade novels and gift books for all ages the wonderful texts enhanced by strikingly original illustrations perfectly complement the Usborne product list. Additionally, the planned expansion of the Kane/Miller line to include American authors, illustrators and subjects adds an additional dimension to our marketability, providing more flexibility and control over product development and direction.

We are pleased to receive recognition of our products. During the past year, the following awards were received: *Learning Magazine - Teacher's Choice Award for the Family*, *Dr. Toy Best Green Product for 2009*, *Practical Homeschooling Award*, *Teacher's Choice Award for Classroom*, and *Parent's Choice Award*.





THE HOME BUSINESS DIVISION

Our Home Business Division, Usborne Books & More (UBAM), markets our product lines through a network of over 8,000 independent sales consultants. The sales consultants utilize various venues including home shows, direct sales, book fairs, Internet sales, fundraisers, schools and public libraries.

The Home Business Division includes a sub-division, EDC Educational Services, which markets our product lines to schools and libraries through independent sales consultants. EDC Educational Services enhances the UBAM marketing program and provides additional marketing opportunities for the sales consultants; however home shows are the base for our business and provide a source of constant income and business growth, increase the networking base for both businesses and provide sales opportunity leads for additional marketing avenues. Individual UBAM Web sites are available for consultants to market their business and to set up home shows and book fairs via the Internet. Reach for the Stars, a pledge-based reading incentive program for schools and organizations, has been very successful with hundreds of thousands of dollars in cash and books distributed to the schools and organizations.

Usborne Books & More strives for excellence and creativity in training, recognition and incentive programs to encourage the division's growth. UBAM will hold its Fourteenth National Convention in July 2010, in Tulsa, Oklahoma. This three-day event offers an excellent opportunity for consultants to meet their peers, exchange ideas, and learn how to build their business. It allows the Home Office to award and recognize national achievement. The Home Office also sponsors an annual Advanced Leadership Retreat for UBAM Supervisors, providing them the tools to build their business quickly and efficiently. Travel incentive trips are a bonus for the independent consultants and can be earned working part-time on a steady basis. Recent trips include a trip to Cabo San Lucas in August 2009 and a Hawaiian Cruise in April 2010. Upcoming is a trip to London and Edinburgh in April 2011.



Todd R. White
Educational Services
Manager



Pat Wright
Consultant Services
Manager



THE PUBLISHING DIVISION

Fiscal Year 2010 was another challenging year for EDC and the entire publishing industry.

In spite of the continuation of difficult economic conditions across the country, the Publishing Division of EDC recorded fiscal year 2010 net sales of nine million, five hundred two thousand, and seven hundred dollars. This figure reflected a 16.9% increase in sales from fiscal year 2009. The company was extremely pleased with these results. Very few publishing groups enjoyed this type of sales activity.

EDC was able to achieve these sales results by continuing an aggressive presence at numerous trade shows across the nation. The company's participation at Toy Fair, Book Expo, New York Gift Show, San Francisco Gift Show, Los Angeles Gift Show, Atlanta Gift Show, Dallas Gift Show, Museum Store Association Show and others resulted in the opening of new accounts and continued support from existing customers. In addition, EDC expanded our national field representation to include the upper Midwest and Southern Plains areas. Sales to the large national chains strengthened significantly resulting in a 35.6% increase in volume.

The acquisition by EDC of Kane/Miller Publishing Company continues to be well received within the industry. Our expectation is that this purchase will continue to be a valuable enhancement to EDC's position in the publishing industry.

We look forward to a period of challenge in the upcoming year. Nevertheless, the Publishing Division will continue to maintain an aggressive marketing effort in all areas of our business.



Jeanie Crone
Vice President
Publishing



Kira Lynn
Editor
Kane/Miller



GENERAL

Our operations are located in Tulsa, Oklahoma. Our facility contains approximately 10,000 square feet of office space and 95,000 square feet of adjoining warehouse space, as well as 11,000 square feet of leased space.

We utilize a 600 foot long flow rack system to expedite the order fulfillment process. This system coupled with our EDI capabilities for instantaneous receipt of orders enables us to ship over 95% of the orders on the same day the order is received.

The Information Systems Department continues to introduce technological enhancements to further improve order fulfillment. OrderPro, online (OPOL) our proprietary web-based software developed internally for our Usborne Books & More consultants, continues to be an important focus with new features being added. InTouch, a communications suite of tools (part of OrderPro) that facilitates better and more efficient communication between our sales consultants and their groups and customers, matured with increased marketing and training. OPOL and InTouch also provide sales tools to help consultants market to their contacts effectively and efficiently.

Monthly marketing e-mails are created on behalf of our sales consultants to send to their customers. We offer personalized web sites for our Usborne Books & More consultants. These web sites use a shopping cart arrangement that allows the customer to easily purchase any items in our online catalog via online shows, book fairs or fundraisers. We continue to develop new ways to help our consultants promote their individual web sites.

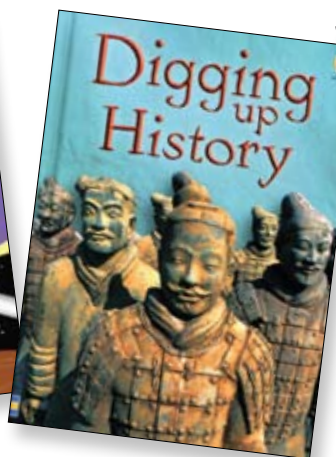
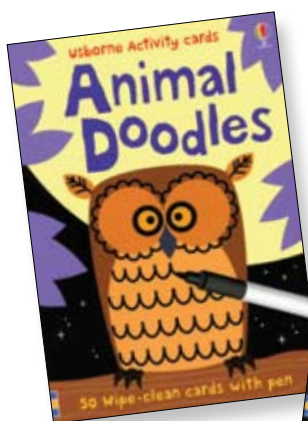
Fiscal Year	Stock Prices		Annual Dividend
	High	Low	
2010	\$ 6.48	\$ 3.10	\$ 0.67
2009	\$ 6.80	\$ 3.11	\$ 0.80
2008	\$ 8.58	\$ 5.19	\$ 0.22
2007	\$ 8.85	\$ 6.10	\$ 0.20
2006	\$ 10.98	\$ 7.65	\$ 0.15



Craig M. White
Vice President
Information systems



Marilyn Pinney
Controller & Corporate
Secretary



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

FORM 10-K

(Mark One)

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

For the fiscal year ended February 28, 2010

OR

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

For the transition period from _____ to _____.

Commission file number: 0-4957

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.)

10302 East 55th Place, Tulsa, Oklahoma
(Address of principal executive offices)

74146-6515
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: **None**

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

Common Stock, \$.20 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes _____ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes _____ No X

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 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 X No _____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).
Yes X No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

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

Yes ☐

No ☒

The aggregate market value of the voting shares held by non-affiliates of the registrant at the price at which the common stock was last sold on August 31, 2009, on the NASDAQ Stock Market, LLC was \$20,328,700.

As of May 25, 2010, 3,869,550 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for fiscal year 2010 relating to our Annual Meeting of Shareholders to be held on July 29, 2010 are incorporated by reference into Part III of this Report on Form 10-K.

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Part I

FORWARD LOOKING STATEMENTS

This report contains statements that are forward-looking. You should read the following discussion in connection with our financial statements, including the notes to those statements, included in this document. These forward-looking statements are not historical facts but are expectations or projections based on certain assumptions and analyses made by our senior management in light of their experience and perception of historical trends, current conditions, expected future developments and other factors. Actual events and results may be materially different from anticipated results described in such statements. As used in this Annual Report on Form 10-K, the terms "EDC," "we," "our" or "us" mean Educational Development Corporation, a Delaware corporation, unless the context indicates otherwise.

Our ability to achieve such results is subject to certain risks and uncertainties which are not currently known to us. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date that they are made. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report.

Item 1. BUSINESS

(a) General Development of Business

Educational Development Corporation ("EDC") is the exclusive United States trade publisher of the line of educational children's books produced in the United Kingdom by Usborne Publishing Limited ("Usborne"). We were incorporated on August 23, 1965. Our fiscal years end on February 28.

We also own Kane/Miller Book Publishers; award-winning publishers of International children's books.

Our company motto is "The future of our world depends on the education of our children. EDC delivers educational excellence one book at a time. We provide economic opportunity while fostering strong family values. We touch the lives of children for a lifetime."

(b) Financial Information about Industry Segments

While selling children's books is our only line of business, we sell them through two divisions:

- Home Business Division ("Usborne Books and More" or "UBAM") - This division distributes books nationwide through independent consultants who hold book showings in individual homes, and through book fairs, direct sales and Internet sales. The UBAM Consultants also distribute these titles to school and public libraries.
- Publishing Division ("Publishing") – This division markets books to bookstores (including major national chains), toy stores, specialty stores, museums and other retail outlets throughout the country.

Percent Net Revenues by Division

	2010	2009
Publishing	33%	28%
UBAM	67%	72%
Total revenues	<u>100%</u>	<u>100%</u>

(c) Narrative Description of Business

Products

As the sole United States trade publisher of the Usborne line of books, we offer over 1,500 different titles. Many are interactive in nature, including our Touchy-Feely board books, jigsaw puzzle books, activity and flashcards, adventure and search books, art books, sticker books and foreign language books. Many titles are also published in Spanish. The majority of the titles published by Kane/Miller Book Publishers originally were published in other countries in their native languages.

We have a broad line of 'internet-linked' books which allow readers to expand their educational experience by referring them to relevant non-Usborne websites. Our books include science and math titles, as well as chapter books and novels.

We also produce and distribute "Usborne Kid Kits", which combine an Usborne book with specialty items/toys that complement the information contained in the book.

We continually introduce new titles across all lines of our products.

UBAM markets the books through commissioned consultants using a combination of direct sales, home parties, book fairs and the Internet. The division had approximately 8,000 consultants in 50 states at February 28, 2010.

Publishing markets through commissioned trade representatives who call on book, toy, specialty stores and other retail outlets, as well as through in-house marketing by telephone to the trade. This division markets to approximately 5,000 book, toy and specialty stores. Significant orders totaling 39% of the Publishing Division's sales have been received from major book chains.

Seasonality

Sales for both divisions are greatest during the Fall due to the holiday season.

Competition

We face competition on two fronts for our UBAM Division from several other larger direct selling companies - for sales and consultants. However, no other direct selling company exclusively sells children's books. Our school and library market faces competition from Scholastic Books for the book fair market.

Publishing faces strong competition from large U.S. and international companies. Historically, this division's sales are approximately 1.0% of industry sales of juvenile paperbacks.

Employees

As of April 1, 2010, 76 full-time and 2 part-time employees worked at our Tulsa and San Diego facilities; about half of those are in the assembly/distribution warehouse. We believe our relations with our employees are good.

Company Reports

Our annual and quarterly reports (Forms 10-K and 10-Q), current Form 8-K reports and amendments to those reports filed with the SEC are available for download from the Investor Relations portion of our Internet website at www.edcpub.com.

Item 1A. RISK FACTORS

We are a smaller reporting company and are not required to provide this information.

Item 1B. UNRESOLVED STAFF COMMENTS

None

Item 2. PROPERTIES

We are located at 10302 E. 55th Pl., Tulsa, Oklahoma. These facilities are owned by us and contain approximately 105,000 square feet of office and warehouse space. All product distributions are made from this warehouse. We believe that our operating facility meets both present and future capacity needs.

We lease 11,400 square feet of additional warehouse space two blocks from our main facilities. This space is located at 5432 S. 103rd E. Ave., Tulsa, Oklahoma, and is used to store longer-term inventory requirements.

We also lease a small office in San Diego, California which houses Kane/Miller Book Publishers.

Item 3. LEGAL PROCEEDINGS

We are not a party to any material pending legal proceedings.

Item 4. REMOVED AND RESERVED

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The common stock of EDC is traded on the NASDAQ Stock Market, LLC (symbol--EDUC). The high and low closing quarterly common stock quotations for fiscal years 2010 and 2009, as reported by the National Association of Securities Dealers, Inc., were as follows:

<u>Period</u>	<u>2010</u>		<u>2009</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
1st Qtr	6.05	3.10	6.80	5.26
2nd Qtr	5.87	4.40	6.36	4.85
3rd Qtr	5.66	4.76	5.68	3.13
4th Qtr	6.48	5.25	4.47	3.11

The number of shareholders of record of EDC's common stock at March 12, 2010 was 707.

During fiscal year 2010, we paid a \$0.40 per share dividend on May 15, 2009 and a \$0.15 per share dividend on December 18, 2009. An additional \$0.12 per share dividend was declared on February 26, 2010, but was paid during fiscal year 2011 to shareholders of record on March 12, 2010. Two \$0.40 per share dividends were paid during fiscal year 2009.

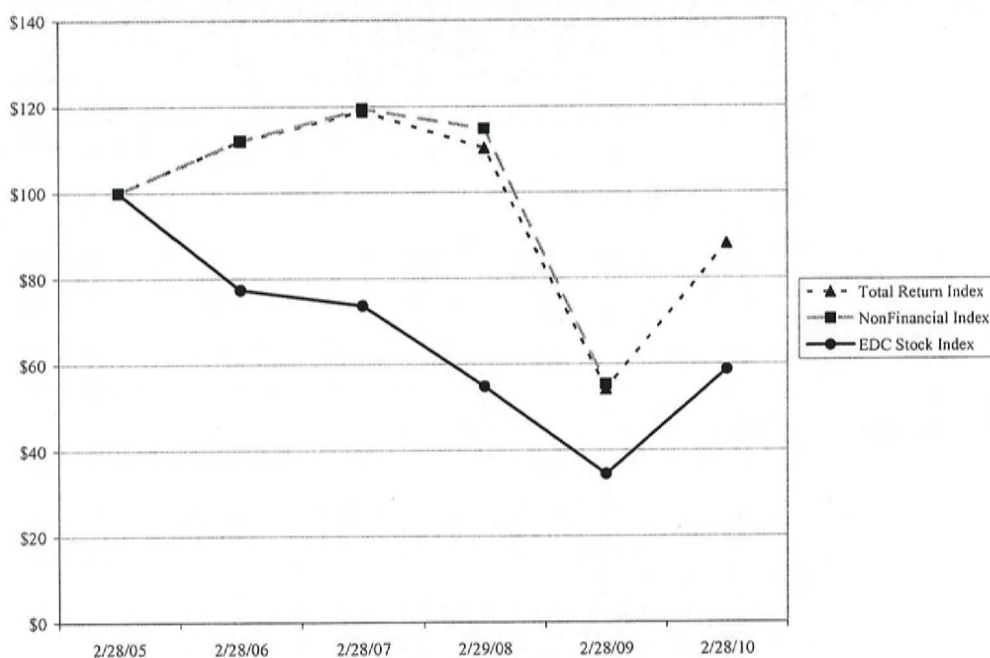
The following table shows repurchases of our common stock which we made during the fourth quarter of fiscal year 2010.

ISSUER PURCHASES OF EQUITY SECURITIES

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
December 1 - 31, 2009	0	-	0	433,194
January 1 - 31, 2010	6,946	\$6.04	6,946	426,248
February 1 - 28, 2010	15	\$6.15	15	426,233
Total	6,961	\$6.04	6,961	

(1) In April 2008 the Board of Directors authorized us to purchase up to 500,000 additional shares of our common stock under a plan initiated in 1998. This plan has no expiration date.

PERFORMANCE GRAPH COMPARISON OF THE FIVE-YEAR CUMULATIVE RETURN Among the Company, NASDAQ Stock Market Total Return Index and NASDAQ Non-Financial Stock Index



CUMULATIVE TOTAL RETURN

	February 2005	February 2006	February 2007	February 2008	February 2009	February 2010
EDC Stock.....	100.00	77.40	73.65	54.81	34.42	58.65

NASDAQ Stock Market Total Return Index.....	100.00	112.01	118.88	110.33	54.24	88.04
NASDAQ Non-Financial Stock Index.....	100.00	112.1	119.39	114.86	55.27	91.77

Item 6. SELECTED FINANCIAL DATA

We are a smaller reporting company and are not required to provide this information.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

MD&A contains statements that are forward-looking and include numerous risks which you should carefully consider. Additional risks and uncertainties may also materially and adversely affect our business. You should read the following discussion in connection with our financial statements, including the notes to those statements, included in this document. Our fiscal years end on February 28.

Management Summary

Educational Development Corporation is the sole distributor in the United States of the Usborne line of children's books. We operate two separate divisions, Publishing and Usborne Books and More ("UBAM"), to sell these books. Our Corporate headquarters, including the distribution facility for both divisions, is located in Tulsa, Oklahoma.

These two divisions each have their own customer base. The Publishing Division markets its products on a wholesale basis to various retail accounts. The UBAM Division markets its products to individual consumers as well as to school and public libraries through direct-selling consultants.

Publishing Division

The Publishing Division operates in a market that is highly competitive, with a large number of companies engaged in the selling of books. Sales in the book industry were approximately \$23.9 billion for calendar year 2009. Sales in the trade industry, defined as wholesale sales to retailers, were approximately \$8.1 billion for calendar year 2009.

The Publishing Division's customer base includes national book chains, regional and local bookstores, toy and gift stores, school supply stores and museums. To reach these markets, the Publishing Division utilizes a combination of commissioned sales representatives located throughout the country and a commissioned telesales group located in our headquarters. The Vice President of the Publishing Division manages sales to the national chains.

Publishing Division Sales by Market Type

	<u>FY 2010</u>	<u>FY 2009</u>
National chain stores	39%	34%
All other	<u>61%</u>	<u>66%</u>
Total net sales	<u>100%</u>	<u>100%</u>

The Publishing Division uses a variety of methods to attract potential new customers and maintain current customers. Company personnel attend many of the national trade shows held by the book selling industry each year, allowing us to make contact with potential buyers who may be unfamiliar with our books. We actively target the national chains through joint promotional efforts and institutional advertising in trade publications. The Publishing Division also participates with certain customers in a cooperative advertising allowance program, under which we pay

back up to 2% of the net sales to that customer. Our products are then featured in promotions, such as catalogs, offered by the vendor.

We may also acquire, for a fee, an end cap position in a bookstore (our products are placed on the end of a shelf), which in the publishing industry is considered an advantageous location in the bookstore. The costs of these promotions have been classified as reductions in revenue in the statements of earnings.

The Publishing Division's in-house telesales group targets the smaller independent book and gift store market. Our semi-annual, full-color, 160-page catalogs, are mailed to over 5,000 customers and potential customers. We also offer two display racks to assist stores in displaying our products.

Net Revenues for Publishing Division		
	<u>FY 2010</u>	<u>FY 2009</u>
Net Revenues	<u>\$ 9,502,700</u>	<u>\$ 8,126,000</u>

Publishing Division's net revenues increased \$1,376,700 in fiscal year 2010 from fiscal year 2009, or 16.9%. Net revenues were up 36% for national chain stores, 23% for smaller retail stores and 9% for inside sales.

Usborne Books and More ("UBAM") Division

The UBAM Division is a multi-level direct selling organization that markets its products through independent sales representatives ("consultants") located throughout the United States. The customer base of UBAM consists of individual purchasers, as well as school and public libraries. Revenues are generated through home shows, direct sales, Internet sales, book fairs and contracts with school and public libraries.

An important factor in the continued growth of the UBAM Division is the addition of new sales consultants and the retention of existing consultants. Current active consultants recruit new sales consultants. UBAM makes it easy to recruit by providing low-cost signing kits. For one month, kits containing sample products and supplies were free to new recruits when a minimum dollar home show was submitted by the new recruit. UBAM provides an extensive handbook that is a valuable tool in explaining the various programs to the new recruit.

Consultants During Year

	<u>FY 2010</u>	<u>FY 2009</u>
New Sales Representatives	6,200	6,000
Active Sales Representatives End of Fiscal Year	8,000	8,400

The UBAM Division presently has six levels of sales representatives:

- Consultants
- Supervisors
- Senior Supervisors
- Executive Supervisors
- Senior Executive Supervisors
- Directors

Upon signing up, each individual is considered a consultant. Consultants receive commissions from each sale they make; the commission rate being determined by the marketing program under which the sale is made. In addition, consultants receive a monthly sales bonus once their sales reach an established monthly goal. Consultants who recruit other consultants and meet certain established criteria are eligible to become supervisors. Upon reaching this level, they receive monthly override payments based upon the sales of their downline groups.

Once supervisors reach certain established criteria, they become senior supervisors and are eligible to earn promotion bonuses on their consultants. Once senior supervisors reach certain established criteria, they become executive supervisors, senior executive supervisors or directors. Executive supervisors and higher may receive an additional monthly override payment based upon the sales of their downline groups.

Percent of Net Revenues by UBAM Marketing Program

	<u>FY 2010</u>	<u>FY 2009</u>
Home Shows	37%	37%
Direct Sales	2%	2%
School & Library, including Book Fairs	38%	38%
Internet	13%	13%
Transportation Revenue	<u>10%</u>	<u>10%</u>
Totals	<u>100%</u>	<u>100%</u>

Number of Orders by UBAM Marketing Program

	<u>FY 2010</u>	<u>FY 2009</u>
Home Shows	29,000	31,000
Direct Sales	5,100	5,600
School & Library	12,400	12,800
Internet	<u>46,000</u>	<u>51,500</u>
	<u>92,500</u>	<u>100,900</u>

Net revenues from home shows declined 8% or \$456,700 during fiscal year 2010. This was a combination of 6% fewer orders placed during the period and per-order averages which were down 2%. Consultants contact individuals ("hostesses") to hold book shows in their homes. The consultant assists the hostess in setting up the details for the show and makes a presentation at the show and takes orders for the books. The hostess earns free books based upon the total sales at the show. Customer specials are available for customers when they order a selected amount. Additionally, home shows provide an excellent opportunity for recruiting new consultants.

Net revenues from direct sales declined 7% or \$24,000 during fiscal year 2010. This resulted from a 10% decrease in the number of orders placed during the year offset by a 3% increase in the per-order average. Direct sales are sales without a hostess being involved. This program makes it possible for consultants to work directly out of their homes by selling to friends, neighbors and other customers. It is especially convenient for those individuals who wish to order books from a consultant but are unable to attend a home show.

The UBAM Division offers many promotions (customer specials) throughout the year. These promotions offer the customer the opportunity to purchase selected items at a discount if the customer meets the defined criteria. The discounts under these promotions are recorded in discounts and allowances.

The school and library marketing program, including book fairs, decreased 9% or \$529,500 during fiscal year 2010. The number of orders placed during the year were down 4% while the per-order average decreased 6%.

School and library sales are restricted to consultants who have received additional, specialized training which allows them to sell to schools and libraries. The UBAM consultant is the only source that a library or school has for library-bound Usborne books and for most Kane/Miller titles. They are not available through any of the school supply distribution companies.

This program includes our book fairs. Book fairs can be held with almost any organization as the sponsor. The consultant provides promotional materials to acquaint parents with the books. Parents turn in their orders at a designated time. The book fair program generates free books for the sponsoring organization. UBAM also has a *Reach for the Stars* fundraiser program. This is a pledge-based reading incentive program that provides cash and books to the organization and books for the children.

Internet sales slowed for UBAM, decreasing 9% or \$181,700 during fiscal year 2010. Consultants utilize in-house-developed and hosted web sites in their businesses for a nominal monthly fee. They can customize the web sites to their own particular needs or they can maintain the generic site. Orders are transmitted to us through a shopping cart arrangement and the consultant receives sales credit and commission on the sales. Web-only specials are changed frequently and have proved successful, contributing to the growth in this market.

The cost of free books provided under the various UBAM marketing programs is recorded as operating and selling expense in the statements of earnings.

We believe that the UBAM Division has the greatest growth potential for us. While there are many multi-level companies in the United States, UBAM is the only one exclusively selling books. We believe this is a fertile market with excellent opportunities for continued growth. The keys to future growth in the UBAM Division are recruiting and retaining consultants.

(1-2) Liquidity and Capital Resources

EDC has a history of profitability and positive cash flow. We can continue to grow with minimal additional capital requirements. Our primary source of cash is generated from operations. Our primary uses of cash are to pay dividends, acquire treasury stock, purchase property and equipment, and repay borrowings on our line of credit. We utilize our bank credit facility to meet our short-term cash requirements, when needed.

We expect our ongoing cash flow to continue to exceed cash required to operate the business. Consequently, we expect short-term borrowings to continue to remain at a minimum.

During fiscal year 2010 we experienced a positive cash flow from operations of \$412,300. Cash flow from operations was decreased by an increase in inventories of \$1,073,700 and a decrease in current liabilities of \$322,000, a decrease in net income tax payable/receivable and an increase in prepaid expenses and other assets.

Cash used in investing activities was \$5,600 for capital expenditures. We estimate that cash used in investing activities for fiscal year 2011 will be less than \$200,000. This would consist of software and hardware enhancements to our existing data processing equipment, property improvements and additional warehouse equipment.

Cash used in financing activities was \$2,106,000 which was primarily due to dividend payments of \$2,118,300, \$150,000 notes payable paid, and \$46,400 paid to acquire treasury stock. These were offset by cash received of \$208,700 from the sale of treasury stock. In September 2002, the Board of Directors authorized paying a minimum annual cash dividend of 20% of net earnings. In fiscal years 2010 and 2009, we paid 111% and 160%, respectively, of net earnings as a cash dividend.

Our Board of Directors adopted a stock repurchase plan in which we may purchase up to an additional 500,000 shares as market conditions warrant. Management believes the stock is undervalued and when stock becomes available at an attractive price, we can utilize free cash flow to repurchase shares. Management believes this enhances the value to the remaining stockholders and that these repurchases will have no adverse effect on our short-term and long-term liquidity.

(3) Results of Operations

Earnings as a Percent of Net Revenues

	<u>FY 2010</u>	<u>FY 2009</u>
Net revenues	100.0%	100.0%
Cost of sales	<u>36.8%</u>	<u>36.0%</u>
Gross margin	63.2%	64.0%
Operating expenses:		
Operating and selling	24.5%	25.0%
Sales commissions	21.4%	22.6%
General and administrative	<u>7.1%</u>	<u>6.3%</u>
Total operating expenses	<u>53.0%</u>	<u>53.9%</u>
Income from operations	10.2%	10.1%
Other income	<u>0.5%</u>	<u>0.6%</u>
Earnings before income taxes	10.7%	10.7%
Income taxes	<u>4.0%</u>	<u>4.2%</u>
Net earnings	<u>6.7%</u>	<u>6.5%</u>

Fiscal Year 2010 Compared with Fiscal Year 2009

The following presents an overview of our results of operations for the years ended February 28, 2010 and 2009. We had earnings before income taxes of \$3,052,400 for fiscal year 2010 compared with \$3,138,900 for fiscal year 2009.

	<u>Revenues</u>		
	<u>FY 2010</u>	<u>FY 2009</u>	<u>\$ Increase/ (decrease)</u>
Gross sales	\$ 40,451,300	\$ 40,283,500	\$ 167,800
Less discounts & allowances	(13,209,700)	(12,462,200)	(747,500)
Transportation revenue	<u>1,429,200</u>	<u>1,577,100</u>	<u>(147,900)</u>
Net revenues	<u>\$ 28,670,800</u>	<u>\$ 29,398,400</u>	<u>\$ (727,600)</u>

The UBAM Division's gross sales decreased 11.2% or \$2,638,300 during FY 2010 when compared with FY 2009. This decrease is attributable to lower sales in the home party, direct sales, school and library/book fair, and the internet markets. Average sales per order for this division were down 0.4%, while the overall number of orders was down 8.3% due to reductions in each of those markets. The Publishing Division's gross sales increased 16.7% or \$2,806,100 during FY 2010 when compared with FY 2009.

The Publishing Division's discounts and allowances are a much larger percentage of gross sales than discounts and allowances in the UBAM Division due to the different customer markets that each division targets. The Publishing Division's discounts and allowances were \$10,111,300 in fiscal year 2010 and \$8,679,200 in fiscal year 2009. To be

competitive with other wholesale book distributors, the Publishing Division sells at discounts between 48% and 55% of the retail price, based upon the quantity of books ordered and the dollar amount of the order. The Publishing Division's discounts and allowances were 51.7% of Publishing's gross sales in fiscal year 2010 and 51.8% in fiscal year 2009.

The UBAM Division's discounts and allowances were \$3,098,400 in fiscal year 2010 and \$3,783,000 in fiscal year 2009. Most sales in the UBAM Division are at retail. As a part of the UBAM Division's marketing programs, discounts between 40% and 50% of retail are offered on selected items at various times throughout the year. The discounts and allowances in the UBAM Division will vary from year to year depending upon the marketing programs in place during any given year. The UBAM Division's discounts and allowances were 14.8% of UBAM's gross sales in fiscal year 2010 and 16.1% in fiscal year 2009.

Transportation revenues decreased \$147,900 in fiscal year 2010, primarily due to the decrease in sales during the year.

	<u>Expenses</u>		<u>\$ Increase/ (decrease)</u>
	<u>FY 2010</u>	<u>FY 2009</u>	
Cost of sales	\$ 10,538,300	\$ 10,581,600	\$ (43,300)
Operating and selling	7,032,400	7,358,300	(325,900)
Sales commissions	6,130,500	6,645,100	(514,600)
General and administrative	2,042,400	1,849,300	193,100
Total	<u>\$ 25,743,600</u>	<u>\$ 26,434,300</u>	<u>\$ (690,700)</u>

Cost of sales decreased less than 0.5% in fiscal year 2010 when compared with fiscal year 2009. Our cost of products is 25% to 34% of the gross sales price, depending upon the product. In comparing the percentage change in gross sales with the percentage change in cost of goods, consideration must be given to the mix of products sold. Approximately 75% of our products come from one vendor, where the cost of the products is a fixed percentage of the retail price.

Cost of sales is the inventory cost of product sold (including the cost of the product itself and inbound freight charges). Operating and selling expenses include purchasing and receiving, inspection, warehousing, and other costs of our distribution network. These costs totaled \$1,162,100 in FY2010 and \$1,114,300 in FY2009. When comparing our gross margins with the gross margins of other companies, note that we do not include the costs of our distribution network in our cost of sales.

In addition to costs associated with our distribution network (noted above), operating and selling costs include expenses of the Publishing Division, the UBAM Division and the order entry and customer service functions. Operating and selling expenses as a percentage of gross sales were 17.4% for fiscal year 2010 and 18.3% for fiscal year 2009.

Sales commissions in the Publishing Division increased \$34,000 for the fiscal year ended 2010. Sales commissions for this division fluctuate depending upon the amount of sales made to our "house accounts," which are our largest customers and do not have any commission expense associated with them, and sales made by the Company's outside sales representatives. Publishing Division sales commissions are paid on net sales and were 1.8% in fiscal year 2010 and 1.7% of net sales in fiscal year 2009.

Sales commissions in the UBAM Division decreased \$548,600. UBAM Division sales commissions are paid on retail sales and were 39.2% for fiscal year 2010 and 35.3% for fiscal year 2009. The fluctuation in the percentages of commission expense to retail sales is the result of the type of sale. Home shows, book fairs, school and library sales and direct sales have different commission rates. Also contributing to the fluctuations in the percentages is the payment of

overrides and bonuses, both dependent on consultants' monthly sales and downline sales. The decrease in sales commissions is the result of lower sales in the UBAM Division.

General and administrative expenses include the executive department, accounting department, information services department, general office management and building facilities management. General and administrative expenses as a percentage of gross sales were 5.0% for fiscal year 2010 and 4.6% for fiscal year 2009.

The tax provision for fiscal year 2010 was \$1,138,800. The effective rate for fiscal year 2010 was 37.3% and for fiscal year 2009 was 39.1%. Our effective tax rate is higher than the Federal statutory rate due to state income taxes.

Contractual Obligations

We are a smaller reporting company and are not required to provide this information.

Critical Accounting Policies

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

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

Stock-Based Compensation

We account for stock-based compensation whereby share-based payment transactions with employees, such as stock options and restricted stock, are measured at estimated fair value at date of grant and recognized as compensation expense.

Revenue Recognition

Sales are recognized and recorded when products are shipped. Products are shipped FOB shipping point. The UBAM Division's sales are paid before the product is shipped. These sales accounted for 67% of net revenues in fiscal year 2010 and 72% of net revenues in fiscal year 2009.

Estimated allowances for sales returns are recorded as sales are recognized and recorded. Management uses a moving average calculation to estimate the allowance for sales returns. We are not responsible for product damaged in transit. Damaged returns are primarily from the retail stores. The damages occur in the stores, not in shipping to the stores. It is industry practice to accept returns from wholesale customers. Transportation revenue, the amount billed to the customer for shipping the product, is recorded when products are shipped. Management has estimated and included a reserve for sales returns of \$100,000 and \$84,000 as of February 28, 2010 and 2009, respectively.

Allowance for Doubtful Accounts

We maintain an allowance for estimated losses resulting from the inability of our customers to make required payments. An estimate of uncollectable 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 allowance for doubtful accounts of \$131,300 and \$92,900 as of February 28, 2010 and 2009, respectively.

Inventory

Management continually estimates and calculates the amount of non-current inventory. The inventory arises due to occasional purchases of book inventory in quantities in excess of what will be sold within the normal operating cycle due to minimum order requirements of our primary supplier. Noncurrent inventory was estimated by management using the current year turnover ratio by title. All inventory in excess of 2 ½ years of anticipated sales was classified as noncurrent inventory. Noncurrent inventory balances were \$989,000 and \$913,000 at February 28, 2010 and 2009, respectively.

Inventories are presented net of a valuation allowance. Management has estimated and included a valuation allowance for both current and noncurrent inventory. This allowance is based on management's identification of slow moving inventory on hand. Management has estimated a valuation allowance for both current and noncurrent inventory of \$355,000 and \$370,000 as of February 28, 2010 and 2009, respectively.

Our product line contains approximately 1,500 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 books are not topical in nature and remain current in content today as well as in the future. Most of our products are printed in Europe, China, Singapore, India, Malaysia and Dubai resulting in a three to four-month lead-time to have a title reprinted and delivered to us.

Our principal supplier, based in England, imposes minimum order requirements before reprinting a title. At the current time we must reorder 7,500 or more of a title in order to get a solo print run. If we order less than 7,500 of a title, then we normally share a print run with the supplier's other customers, which can result in more lengthy delays to receive the ordered title. Anticipating customer preferences and purchasing habits requires historical analysis of similar titles in the same series. We then place the initial order or re-order based upon this analysis.

These factors and historical analysis have led Management to determine that 2 ½ years represents a reasonable estimate of the normal operating cycle for our products.

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 that the following new accounting standards are applicable to us.

In February 2010, the FASB amended its authoritative guidance related to subsequent events to alleviate potential conflicts with current United States Securities and Exchange Commission ("SEC") guidance. Effective immediately, these amendments remove the requirement that an SEC filer disclose the date through which it has evaluated subsequent events. The adoption of this guidance did not have a material impact on our financial statements.

In January 2010, the FASB issued ASU No. 2010-06, which provides amendments to ASC Topic 820, "Fair Value Measurements and Disclosures." ASU No. 2010-06 requires new fair value disclosures and clarifies certain existing disclosure requirements. ASU No. 2010-06 is effective for fiscal periods beginning after December 15, 2010 for the requirement to provide information on purchases, sales, issuances and settlements in the Level 3 rollforward on a gross basis. All other disclosure requirements under ASU No. 2010-06 are effective for interim and annual reporting periods beginning after December 15, 2009. We are currently assessing the impact ASU No. 2010-06 will have on our

financial statements.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company and are not required to provide this information.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 begins at page 23.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS
ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

Item 9A(T). CONTROLS AND PROCEDURES

An evaluation was performed of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) and 15d-15(e) as of February 28, 2010. This evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and our Controller/Corporate Secretary (Principal Financial and Accounting Officer).

Based on that evaluation, these officers concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to them, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported in accordance within the time periods specified in Securities and Exchange Commission 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.

During the fourth fiscal quarter of the fiscal year covered by this report on Form 10-K, 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.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934 (the "Exchange Act"). Under the supervision and with the participation of our management, including our President and our Controller, we evaluated the effectiveness of our internal control over financial reporting based on the framework in INTERNAL CONTROL-INTEGRATED FRAMEWORK issued by the Committee of Sponsoring Organizations of the Treadway Commission. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under that framework and applicable SEC rules, our management concluded that our internal control over financial reporting was effective as of February 28, 2010.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public

accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Item 9B. OTHER INFORMATION

None

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Identification of Directors

The information required by this Item 10 is furnished by incorporation by reference to the information under the caption "Election of Directors" in our definitive Proxy Statement to be filed in connection with the Annual Meeting of Shareholders to be held on July 29, 2010.

(b) Identification of Executive Officers

Information regarding our executive officers required by Item 401 of Regulation S-K is presented in Item 1 hereof under the subcaption "Executive Officers" as permitted by General Instruction G (3) to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K.

(c) Compliance with Section 16 (a) of the Exchange Act

The information required by this Item 10 is furnished by incorporation by reference to the information under the caption "Section 16 (a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement to be filed in connection with the Annual Meeting of Shareholders to be held on July 29, 2010.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is furnished by incorporation by reference to the information under the caption "Executive Compensation" in our definitive Proxy Statement to be filed in connection with the Annual Meeting of Shareholders to be held on July 29, 2010.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is furnished by incorporation by reference to the information under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Compensation Plans" in our definitive Proxy Statement to be filed in connection with the Annual Meeting of Shareholders to be held on July 29, 2010.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

Item 14. PRINCIPAL ACCOUNTANT'S FEES AND SERVICES

The information required by this Item 14 is furnished by incorporation by reference to the information under the caption "Independent Registered Public Accountants" in our definitive Proxy Statement to be filed in connection with the Annual Meeting of Shareholders to be held on July 29, 2010.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	28
<u>Balance Sheets - February 28, 2010 and 2009</u>	29
<u>Statements of Earnings - Years ended February 28, 2010 and 2009</u>	30
<u>Statements of Shareholders' Equity -Years ended February 28, 2010 and 2009</u>	31
<u>Statements of Cash Flows - Years ended February 28, 2010 and 2009</u>	32
<u>Notes to Financial Statements</u>	33-41

Schedules have been omitted as such information is either not required or is included in the financial statements.

2. 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. 0-4957).
- 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. 0-4957).
- 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. 0-4957).
- 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. 0-4957).
- 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. 0-4957).
- 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. 0-4957).
- 4.1 Specimens of Common Stock Certificates are incorporated herein by reference to Exhibits 3.1 and 3.2 to Registration Statement on Form 10-K (File No. 0-4957) filed June 29, 1970.
- 10.1 Usborne Agreement-Contractual agreement by and between the Company and Usborne Publishing Limited dated November 25, 1988 is incorporated herein by reference to Exhibit 10.12 to Form 10-K dated February 28, 1989 (File No. 0-4957).
- 10.2 Party Plan-Contractual agreement by and between the Company and Usborne Publishing Limited dated March 14, 1989 is incorporated herein by reference to Exhibit 10.13 to Form 10-K dated February 28, 1989 (File No. 0-4957).
- 10.3 Amendment dated January 1, 1992 to Usborne Agreement - Contractual agreement by and between the Company and Usborne Publishing Limited is incorporated herein by reference to Exhibit 10.13 to Form 10-K dated February 29, 1992 (File No. 0-4957).
- 10.4 Educational Development Corporation 1992 Incentive Stock Option Plan is incorporated herein by reference to Exhibit 4(c) to Registration Statement on Form S-8 (File No. 33-60188).
- 10.5 Restated Loan Agreement dated June 30, 1999 between the Company and State Bank & Trust, N.A., Tulsa, OK, is incorporated herein by reference to Exhibit 10.24 to Form 10-K dated February 29, 2000 (File No. 0-4957).

- 10.6 Educational Development Corporation 2002 Incentive Stock Option Plan is incorporated herein by reference to Exhibit A to definitive proxy statement on Schedule 14A dated May 23, 2002 (File No. 0-4957).
- 10.7 Amendment dated November 12, 2002 to Usborne Agreement – Contractual agreement by and between we and Usborne Publishing Limited is incorporated herein by reference to Exhibit 10.24 to Form 10-K dated February 28, 2003 (File No. 0-4957).
- 10.8 Employment Agreement between Randall W. White and the Company dated February 28, 2004.
- 10.9 Fifth Amendment dated June 30, 2004 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
- 10.10 Sixth Amendment dated June 30, 2005 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
- 10.11 Seventh Amendment dated September 2, 2005 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
- 10.12 Eighth Amendment dated June 30, 2006 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
- 10.13 Ninth Amendment dated June 30, 2007 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
- 10.14 Tenth Amendment dated June 30, 2008 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
- 10.15 Eleventh Amendment dated June 30, 2009 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
- *23.1 Consent of Independent Registered Public Accounting Firm.
- *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 the Controller and Corporate Secretary (Principal Financial and Accounting Officer) of Educational Development Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- *32.1 Certification pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Filed Herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(b) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EDUCATIONAL DEVELOPMENT CORPORATION

Date: May 28, 2010 By /s/ Marilyn Pinney
Marilyn Pinney
Controller and Corporate Secretary
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Date: May 28, 2010 /s/ Randall W. White
Randall W. White
Chairman of the Board
President, Treasurer and
Director

May 28, 2010 /s/ John A. Clerico
John A. Clerico, Director

May 28, 2010 /s/ Dean Cosgrove
G. Dean Cosgrove, Director

May 28, 2010 /s/ James F. Lewis
James F. Lewis, Director

May 28, 2010 /s/ Marilyn Pinney
Marilyn Pinney
Controller and Corporate Secretary
(Principal Financial and Accounting Officer)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Educational Development Corporation

We have audited the accompanying balance sheets of Educational Development Corporation as of February 28, 2010 and 2009, and the related statements of earnings, stockholders' equity and cash flows for each of the two years in the period ended February 28, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educational Development Corporation as of February 28, 2010 and 2009, and the results of its operations and its cash flows for each of the two years in the period ended February 28, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ HOGANTAYLOR LLP
Tulsa, Oklahoma
May 28, 2010

EDUCATIONAL DEVELOPMENT CORPORATION

BALANCE SHEETS

AS OF FEBRUARY 28,

ASSETS	2010	2009
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,196,900	\$ 2,896,200
Accounts receivable, less allowance for doubtful accounts and sales returns \$231,300 (2010) and \$176,900 (2009)	3,305,500	3,253,000
Inventories—Net	11,285,300	10,302,600
Prepaid expenses and other assets	268,400	306,800
Income tax receivable	8,000	-
Deferred income taxes	256,900	225,500
Total current assets	16,321,000	16,984,100
INVENTORIES—Net	659,000	568,000
PROPERTY, PLANT AND EQUIPMENT—Net	2,147,500	2,278,400
OTHER ASSETS	172,500	60,400
DEFERRED INCOME TAXES	<u>60,400</u>	<u>50,500</u>
TOTAL	<u>\$ 19,360,400</u>	<u>\$ 19,941,400</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,259,100	\$ 2,653,200
Accrued salaries and commissions	531,600	504,500
Current maturities of long-term debt	75,000	150,000
Income taxes payable	-	102,200
Dividends payable	466,400	-
Other current liabilities	<u>531,200</u>	<u>486,200</u>
Total current liabilities	3,863,300	3,896,100
LONG-TERM NOTES PAYABLE, net of current maturities	75,000	150,000
COMMITMENTS (Note 7)		
SHAREHOLDERS' EQUITY:		
Common stock, \$0.20 par value; Authorized 8,000,000 shares; Issued 6,039,040 (2010 and 2009) shares;		
Outstanding 3,887,030 (2010) and 3,838,461 (2009) shares	1,207,800	1,207,800
Capital in excess of par value	8,544,000	8,508,400
Retained earnings	<u>17,391,700</u>	<u>18,062,800</u>
	27,143,500	27,779,000
Less treasury stock, at cost	(11,721,400)	(11,883,700)
	15,422,100	15,895,300
TOTAL	<u>\$ 19,360,400</u>	<u>\$ 19,941,400</u>

See notes to financial statements.

EDUCATIONAL DEVELOPMENT CORPORATION
STATEMENTS OF EARNINGS
FOR THE YEARS ENDED FEBRUARY 28,

	<u>2010</u>	<u>2009</u>
GROSS SALES	\$ 40,451,300	\$ 40,283,500
Less discounts and allowances	(13,209,700)	(12,462,200)
Transportation revenue	<u>1,429,200</u>	<u>1,577,100</u>
NET REVENUES	28,670,800	29,398,400
COST OF SALES	10,538,300	10,581,600
Gross margin	18,132,500	18,816,800
OPERATING EXPENSES:		
Operating and selling	7,032,400	7,358,300
Sales commissions	6,130,500	6,645,100
General and administrative	<u>2,042,400</u>	<u>1,849,300</u>
	<u>15,205,300</u>	<u>15,852,700</u>
OTHER INCOME	125,200	174,800
EARNINGS BEFORE INCOME TAXES	3,052,400	3,138,900
INCOME TAXES	1,138,800	1,226,300
NET EARNINGS	\$ 1,913,600	\$ 1,912,600
BASIC AND DILUTED EARNINGS PER SHARE:		
Basic	<u>\$ 0.49</u>	<u>\$ 0.50</u>
Diluted	<u>\$ 0.49</u>	<u>\$ 0.50</u>
WEIGHTED AVERAGE NUMBER OF COMMON AND EQUIVALENT SHARES OUTSTANDING:		
Basic	<u>3,866,510</u>	<u>3,796,709</u>
Diluted	<u>3,868,082</u>	<u>3,797,785</u>

See notes to financial statements.

EDUCATIONAL DEVELOPMENT CORPORATION
STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED FEBRUARY 28,

	Common Stock (par value \$0.20 per share)		Capital in Excess of Par Value	Retained Earnings	Treasury Stock		Shareholders' Equity
	Number of Shares Issued	Amount			Number of Shares	Amount	
BALANCE—March 1, 2008	5,806,840	\$ 1,161,400	\$ 7,706,100	\$ 19,206,100	2,100,095	\$ (11,276,500)	\$ 16,797,100
Purchases of treasury stock					144,848	(802,800)	(802,800)
Sales of treasury stock					(44,364)	195,600	195,600
Exercise of options (\$3.66/share)	232,200	46,400	802,300				848,700
Dividends paid (\$0.80/share)				(3,055,900)			(3,055,900)
Net earnings				1,912,600			1,912,600
BALANCE—February 28, 2009	<u>6,039,040</u>	<u>1,207,800</u>	<u>8,508,400</u>	<u>18,062,800</u>	<u>2,200,579</u>	<u>(11,883,700)</u>	<u>15,895,300</u>
Purchases of treasury stock					7,919	(46,400)	(46,400)
Sales of treasury stock					(56,488)	208,700	208,700
Dividends declared (\$0.12/share)				(466,400)			(466,400)
Dividends paid (\$0.55/share)				(2,118,300)			(2,118,300)
Stock-based compensation			35,600				35,600
Net earnings				1,913,600			1,913,600
BALANCE—February 28, 2010	<u>6,039,040</u>	<u>\$ 1,207,800</u>	<u>\$ 8,544,000</u>	<u>\$ 17,391,700</u>	<u>2,152,010</u>	<u>\$ (11,721,400)</u>	<u>\$ 15,422,100</u>

EDUCATIONAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED FEBRUARY 28,

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 1,913,600	\$ 1,912,600
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	136,500	139,800
Deferred income taxes	(41,300)	(35,600)
Stock-based compensation	35,600	-
Provision for doubtful accounts and sales returns	1,207,400	1,070,600
Changes in assets and liabilities:		
Accounts receivable	(1,259,900)	(1,174,700)
Inventories, net	(1,073,700)	2,095,700
Prepaid expenses and other assets	(73,700)	(148,800)
Accounts payable, accrued salaries and commissions, and other current liabilities	(322,000)	105,000
Income tax payable/receivable, net	(110,200)	46,000
Total adjustments	<u>(1,501,300)</u>	<u>2,098,000</u>
Net cash provided by operating activities	<u>412,300</u>	<u>4,010,600</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment to acquire Kane/Miller	-	(50,000)
Kane/Miller Obligation at closing, net of cash received	-	(659,800)
Purchases of property and equipment	<u>(5,600)</u>	<u>(30,500)</u>
Net cash used in investing activities	<u>(5,600)</u>	<u>(740,300)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(150,000)	-
Cash received from exercise of stock options	-	848,700
Cash received from sale of treasury stock	208,700	195,600
Cash paid to acquire treasury stock	(46,400)	(802,800)
Borrowings under revolving credit agreement	2,200,000	-
Payments under revolving credit agreement	(2,200,000)	-
Dividends paid	(2,118,300)	(3,055,900)
Net cash used in financing activities	<u>(2,106,000)</u>	<u>(2,814,400)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVA	<u>(1,699,300)</u>	<u>455,900</u>
CASH AND CASH EQUIVALENTS—BEGINNING OF YEAR	<u>2,896,200</u>	<u>2,440,300</u>
CASH AND CASH EQUIVALENTS—END OF YEAR	<u>\$ 1,196,900</u>	<u>\$ 2,896,200</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	<u>\$ 1,290,400</u>	<u>\$ 1,215,100</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING & FINANCING ACTIVITIES:		
Promissory note to former shareholders of Kane/Miller	<u>\$ -</u>	<u>\$ 300,000</u>

See notes to financial statements.

EDUCATIONAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 28, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business—We distribute books and publications through our Publishing and Usborne Books and More (“UBAM”) Divisions to book, toy and gift stores, libraries and home educators located throughout the United States (“U.S.”). We are the sole U.S. distributor of books and related items, which are published by an England-based publishing company, Usborne, our primary supplier. We are also in the direct publishing market through our ownership of Kane/Miller Publishers.

Estimates—Our financial statements were prepared in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Actual results could differ from these estimates.

Business Concentration—A significant portion of our inventory purchases are concentrated with an England-based publishing company. Purchases from this company were approximately \$10.0 million for the year ended February 28, 2010 and \$7.3 million for the year ended February 28, 2009. Total inventory purchases for those same periods were approximately \$13.5 million and \$10.6 million, respectively.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand and cash on deposit in banks. We maintain bank accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, cash balances may be in excess of the FDIC insurance limit. The majority of payments due from banks for third party credit card transactions process within two business days. Amounts due are classified as cash and cash equivalents at February 28, 2010 and 2009.

Accounts Receivable—Accounts receivable are uncollateralized customer obligations due under normal trade terms generally requiring payment within thirty days from the invoice date. Trade accounts are stated at the amount management expects to collect from outstanding balances. Delinquency fees are not assessed. Payments of accounts receivable are allocated to the specific invoices identified on the customers’ remittance advice. Accounts receivable are carried at original invoice amount less an estimated reserve made for returns and discounts based on quarterly review of historical rates of returns and expected discounts to be taken. The carrying amount of accounts receivable is reduced, if needed, by a valuation allowance that reflects management’s best estimate of the amounts that will not be collected.

Management periodically reviews accounts receivable balances and, based on an assessment of historical bad debts, current customer receivable balances, age of customer receivable balances, customers’ financial conditions and current economic trends, estimates the portion, if any, of the balance that will not be collected. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation account based on its assessment of the current status of the individual accounts. Balances which remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Recoveries of trade receivables previously written off are recorded when received.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined using the FIFO method. We present a portion of our inventory as a noncurrent asset. Occasionally we purchase book inventory in quantities in excess of what will be sold within the normal operating cycle due to minimum order requirements of our primary supplier. These excess quantities are included in noncurrent inventory.

We estimate noncurrent inventory using the current year turnover ratio by title. All inventory in excess of 2½ years of anticipated sales is classified as noncurrent inventory.

Inventories are presented net of a valuation allowance. Management has estimated and included an allowance for slow moving inventory for both current and noncurrent inventory. This allowance is based on management's analysis of inventory on hand at February 28, 2010 and February 28, 2009.

Property, Plant and Equipment—Property, plant and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful lives, as follows:

Building	30 years
Machinery & equipment	3 - 10 years
Furniture & fixtures	3 years

Income Taxes—The Company accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and the tax bases of assets and liabilities using the current tax laws and rates. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts more likely than not expected to be realized.

Revenue Recognition—Sales are recognized and recorded when products are shipped. Products are shipped FOB shipping point. The UBAM Division's sales are paid before the product is shipped. These sales accounted for 67% of net revenues in FY 2010 and 72% of net revenues in FY 2009.

Estimated allowances for sales returns are recorded as sales are recognized and recorded. Management uses a moving average calculation to estimate the allowance for sales returns. We are not responsible for product damaged in transit. Damaged returns are primarily from the retail stores related to damages which occur in the stores, not in shipping to the stores. It is industry practice to accept returns from wholesale customers. Management has estimated and included a reserve for sales returns of \$100,000 and \$84,000 as of February 28, 2010 and 2009, respectively.

Transportation revenue, the amount billed to the customer for shipping the product, is recorded when products are shipped.

Advertising Costs—Advertising costs are expensed as incurred. Advertising expenses, included in selling and operating expenses in the statements of earnings, were \$149,200 and \$106,200 for the years ending February 28, 2010 and 2009, respectively.

Shipping and Handling Costs—We classify shipping and handling costs as operating and selling expenses in the statements of earnings. Shipping and handling costs were \$2,268,600 and \$2,438,800 for the years ending February 28, 2010 and 2009, respectively.

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

The following reconciles the diluted earnings per share:

	Year Ended February 28,	
	<u>2010</u>	<u>2009</u>
Diluted Earnings Per Share:		
Net earnings applicable to common shareholders	<u>\$ 1,913,600</u>	<u>\$ 1,912,600</u>
Shares:		
Weighted average shares outstanding—basic	3,866,510	3,796,709
Assumed exercise of options	<u>1,572</u>	<u>1,076</u>
Weighted average shares outstanding—diluted	<u>3,868,082</u>	<u>3,797,785</u>
Diluted Earnings Per Share	<u>\$ 0.49</u>	<u>\$ 0.50</u>

There were no stock options for the fiscal years ended February 28, 2010 and February 28, 2009 excluded from the diluted earnings per share calculation.

Fair Value of Financial Instruments—For cash and cash equivalents, accounts receivable, and accounts payable, the carrying amount approximates fair value because of the short maturity of those instruments.

Long-Lived Asset Impairment— We review the value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable based on estimated future cash flows. No impairment was noted as a result of such review during the years ended February 28, 2010 and 2009.

Stock-Based Compensation—Share-based payment transactions with employees, such as stock options and restricted stock, are measured at estimated fair value at date of grant and recognized as compensation expense.

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 that the following new accounting standards are applicable to us.

In February 2010, the FASB amended its authoritative guidance related to subsequent events to alleviate potential conflicts with current United States Securities and Exchange commission (“SEC”) guidance. Effective immediately, these amendments remove the requirement that an SEC filer disclose the date through which it has evaluated subsequent events. The adoption of this guidance did not have a material impact on our financial statements.

In January 2010, the FASB issued ASU No. 2010-06, which provides amendments to ASC Topic 820, “Fair Value Measurements and Disclosures.” ASU No. 2010-06 requires new fair value disclosures and clarifies certain existing disclosure requirements. ASU No. 2010-06 is effective for fiscal periods beginning after December 15, 2010 for the requirement to provide information on purchases, sales, issuances and settlements in the Level 3 rollforward on a gross basis. All other disclosure requirements under ASU No. 2010-06 are effective for interim and annual reporting periods beginning after December 15, 2009. We are currently assessing the impact ASU No. 2010-06 will have on our financial statements.

2. INVENTORIES

Inventories consist of the following:

	February 28,	
	<u>2010</u>	<u>2009</u>
Current:		
Book inventory	\$ 11,310,300	\$ 10,327,600
Inventory valuation allowance	<u>(25,000)</u>	<u>(25,000)</u>
Inventories net—current	<u>\$ 11,285,300</u>	<u>\$ 10,302,600</u>
Noncurrent:		
Book inventory	\$ 989,000	\$ 913,000
Inventory valuation allowance	(330,000)	(345,000)
Inventories net—noncurrent	<u>\$ 659,000</u>	<u>\$ 568,000</u>

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	February 28,	
	<u>2010</u>	<u>2009</u>
Land	\$ 250,000	\$ 250,000
Building	2,124,700	2,124,700
Machinery and equipment	2,162,900	2,157,300
Furniture and fixtures	<u>74,100</u>	<u>74,100</u>
	4,611,700	4,606,100
Less accumulated depreciation	<u>(2,464,200)</u>	<u>(2,327,700)</u>
	<u><u>\$ 2,147,500</u></u>	<u><u>\$ 2,278,400</u></u>

4. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects of significant items comprising our net deferred tax assets and liabilities as of February 28 are as follows:

	2010	2009
Current:		
Deferred tax assets:		
Allowance for doubtful accounts	\$ 50,500	\$ 35,300
Inventory overhead capitalization	87,100	79,200
Allowance for slow moving inventory	9,500	9,500
Allowance for sales returns	38,000	31,900
Accruals	<u>71,800</u>	<u>69,600</u>
Deferred tax assets	<u>256,900</u>	<u>225,500</u>
Deferred tax asset–Net	\$ 256,900	\$ 225,500
Noncurrent:		
Deferred tax assets:		
Allowance for slow moving inventory	<u>\$ 125,400</u>	<u>\$ 131,800</u>
Deferred tax assets	<u>125,400</u>	<u>131,800</u>
Deferred tax liabilities:		
Property and equipment	(65,000)	(81,300)
Deferred tax liabilities	(65,000)	(81,300)
Deferred tax asset–Net	\$ 60,400	\$ 50,500

Management has determined that no valuation allowance is necessary to reduce the carrying value of deferred tax assets as it is more likely than not that such assets are realizable.

The components of income tax expense are as follows:

	February 28,	
	2010	2009
Current:		
Federal	\$ 990,700	\$ 1,066,500
State	189,400	195,400
	1,180,100	1,261,900
Deferred:		
Federal	(36,800)	(30,000)
State	<u>(4,500)</u>	<u>(5,600)</u>
	<u>(41,300)</u>	<u>(35,600)</u>
Total income tax expense	\$ 1,138,800	\$ 1,226,300

The following reconciles our expected income tax expense utilizing statutory tax rates to the actual tax expense:

	February 28,	
	2010	2009
Tax expense at federal statutory rate	\$ 1,037,800	\$ 1,067,600
State income tax—net of federal tax benefit	120,500	124,000
Other	(19,500)	34,700
Total income tax expense	<u>\$ 1,138,800</u>	<u>\$ 1,226,300</u>

We file our tax returns in the US and certain state jurisdictions. We are no longer subject to income tax examinations by tax authorities for fiscal years before 2007. Our year ended February 28, 2009 is currently pending review by the Internal Revenue Service. We are not currently the subject of any other income tax examinations by any tax authorities.

Based upon a review of our income tax filing positions, we believe that our positions would be sustained upon an audit and do not anticipate any adjustments that would result in a material change to our financial position. Therefore, no reserves for uncertain income tax positions have been recorded. We classify interest and penalties associated with income taxes as a component of income tax expense on the statement of earnings.

5. EMPLOYEE BENEFIT PLAN

We have a profit sharing plan that incorporates the provisions of Section 401(k) of the Internal Revenue Code. The 401(k) plan covers substantially all employees meeting specific age and length of service requirements. Matching contributions are discretionary and amounted to \$67,900 and \$80,700 in the fiscal years ended February 28, 2010 and 2009, respectively.

6. DEBT

We have a \$2,500,000 revolving credit agreement, reduced from \$5,000,000 in 2009, with interest payable monthly at the greater of (a) prime rate minus 0.75% or (b) 5%. At February 28, 2010, the rate in effect was 5.00%, collateralized by substantially all of our assets and maturing on June 30, 2010. Available credit under the revolving credit agreement was \$2,500,000 at February 28, 2010. This agreement also contains a provision for our use of the Bank's letters of credit. The Bank agrees to issue, or obtain issuance of commercial or stand-by letters of credit provided that no letters of credit will have an expiry date later than June 30, 2010 and that the sum of the line of credit plus the letters of credit would not exceed the borrowing base in effect at the time. The agreement contains provisions that require us to maintain specified financial ratios, restrict transactions with related parties, prohibit mergers or consolidation, disallow additional debt, and limit the amount of compensation, salaries, investments, capital expenditures and leasing transactions. We intend to renew the bank agreement or obtain other financing upon maturity.

We had no borrowings outstanding on the above revolving credit agreement at February 28, 2010 and 2009.

The following table provides a summary of our notes payable as of February 28:

	<u>2010</u>	<u>2009</u>
Notes payable to former Kane/Miller shareholders, payments due annually, maturing 2011	\$ 150,000	\$ 300,000
Less current maturities	(75,000)	(150,000)
Long-term notes payable, less current maturities	\$ 75,000	\$ 150,000

7. COMMITMENTS

At February 28, 2010, we had outstanding purchase commitments for inventory totaling approximately \$1,122,400.

Rent expense for the year ended February 28, 2010 was \$85,800. The following table provides a summary of our future lease obligations as of February 28, 2010:

	<u>Total</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total lease payments due	\$ 137,100	\$ 61,100	\$ 57,300	\$ 8,500	\$ 5,100	\$ 5,100

8. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

The Board of Directors adopted the 1992 Incentive Stock Option Plan (the "1992 Plan") in June of 1992, which authorized us to grant up to 1,000,000 stock options. The 1992 Plan expired in June of 2002 upon which the Board of Directors adopted the 2002 Stock Option Plan (the "2002 Plan"). The 2002 Plan also authorized us to grant up to 1,000,000 stock options.

Options granted under the 1992 Plan and 2002 Plan (collectively the "Incentive Plans") vest at date of grant and are exercisable up to ten years from the date of grant. The exercise price on options granted is equal to the market price at the date of grant. Options outstanding at February 28, 2010 expire beginning in July 2010 through March 2014.

A summary of the status of our Incentive Plans as of February 28, 2010 and 2009, and changes during the years then ended is presented below:

	<u>February 28, 2010</u>		<u>February 28, 2009</u>	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at Beginning of Year	3,000	\$ 4.79	235,200	\$ 3.67
Granted	15,000	5.25	-	-
Exercised/canceled	-	-	(232,200)	(3.66)
Outstanding at End of Year	<u>18,000</u>	<u>\$ 5.17</u>	<u>3,000</u>	<u>\$ 4.79</u>

The following table summarizes information about stock options outstanding at February 28, 2010:

<u>Weighted Average Exercise Price</u>	<u>Number Outstanding at February 28, 2010</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>
\$ 2.19	2,000	0.4
\$ 5.25	15,000	9.8
\$ 10.00	1,000	4.0
	18,000	

All options outstanding are exercisable at February 28, 2010.

9. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended February 28, 2010 and 2009.

	<u>Net Revenues</u>	<u>Gross Margin</u>	<u>Net Earnings</u>	<u>Basic Earnings Per Share</u>	<u>Diluted Earnings Per Share</u>
2010					
First quarter	\$ 6,390,600	\$ 4,090,400	\$ 415,400	\$ 0.11	\$ 0.11
Second quarter	6,005,900	3,553,300	225,400	0.06	0.06
Third quarter	10,016,400	6,481,600	925,100	0.24	0.24
Fourth quarter	6,257,900	4,007,200	347,700	0.08	0.08
Total year	<u>\$ 28,670,800</u>	<u>\$ 18,132,500</u>	<u>\$ 1,913,600</u>	<u>\$ 0.49</u>	<u>\$ 0.49</u>
2009					
First quarter	\$ 7,374,800	\$ 4,703,700	\$ 479,700	\$ 0.13	\$ 0.13
Second quarter	6,367,500	3,881,000	323,000	0.08	0.08
Third quarter	9,388,200	5,964,200	649,500	0.17	0.17
Fourth quarter	6,267,900	4,267,900	460,400	0.12	0.12
Total year	<u>\$ 29,398,400</u>	<u>\$ 18,816,800</u>	<u>\$ 1,912,600</u>	<u>\$ 0.50</u>	<u>\$ 0.50</u>

10. BUSINESS SEGMENTS

We have two reportable segments: Publishing and Usborne Books and More (“UBAM”) which 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.

- The Publishing Division markets its products to retail accounts, which include book, toy and gift stores, school supply stores and museums, through commissioned sales representatives, trade and specialty wholesalers and an internal telesales group.
- UBAM markets its product line through a nationwide network of independent sales consultants using a combination of direct sales, home shows and book fairs. The UBAM Division also distributes to school and public libraries.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We evaluate segment performance based on earnings (loss) before income taxes of the

segments, which is defined as segment net sales reduced by direct 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" column. Corporate expenses include the executive department, accounting department, information services department, general office management and building facilities management. Our assets and liabilities are not allocated on a segment basis.

Information by industry segment for the years ended February 28, 2010 and 2009 is set forth below:

NET REVENUES

	<u>2010</u>	<u>2009</u>
Publishing	\$ 9,502,700	\$ 8,126,000
UBAM	\$ 19,168,100	\$ 21,272,400
Other	\$ -	\$ -
Total	<u>\$ 28,670,800</u>	<u>\$ 29,398,400</u>

EARNINGS (LOSS) BEFORE INCOME TAXES

	<u>2010</u>	<u>2009</u>
Publishing	\$ 3,263,100	\$ 2,609,700
UBAM	\$ 3,842,200	\$ 4,277,100
Other	\$ (4,052,900)	\$ (3,747,900)
Total	<u>\$ 3,052,400</u>	<u>\$ 3,138,900</u>

11. STOCK REPURCHASE PLAN

In April 2008, the Board of Directors authorized us to purchase up to an additional 500,000 shares of our common stock under the plan initiated in 1998. This plan has no expiration date. During fiscal year 2010, we purchased 7,919 shares of common stock at an average price of \$5.86 per share totaling approximately \$46,400. The maximum number of shares that may be repurchased in the future is 426,233.

12. SUBSEQUENT EVENT

On March 19, 2010, we paid the previously declared \$0.12 dividend per share to shareholders of record as of March 12, 2010.

* * * * *

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statements No. 33-60188 and 333-100659 of Educational Development Corporation on Form S-8 of our report dated May 28, 2010, appearing in this Annual Report on Form 10-K of Educational Development Corporation for the year ended February 28, 2010.

/s/ HoganTaylor LLP

Tulsa, Oklahoma
May 28, 2010

CERTIFICATION

I, Randall W. White, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: May 28, 2010

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

CERTIFICATION

I, Marilyn Pinney, certify that:

1. I have reviewed this Annual Report on Form 10-K 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:
 - c. 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;
 - d. 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;
 - e. 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
 - f. 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):
 - g. 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
 - h. 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: May 28, 2010

/s/ Marilyn Pinney

Controller and Corporate Secretary

(Principal Financial and Accounting Officer)

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 Annual Report of Educational Development Corporation (the "Company") on Form 10-K for the period ending February 28, 2010, 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: May 28, 2010

By /s/ Randall W. White
Randall W. White
President and Chief Executive Officer

Date: May 28, 2010

By /s/ Marilyn Pinney
Marilyn Pinney
Controller and Corporate Secretary
(Principal Financial and Accounting Officer)

DIRECTORS

John A. Clerico

Co-founder and Chairman
ChartMark Investments, Inc.

G. Dean Cosgrove

Retired Financial V.P. and Treasurer
Mapco Inc.

James F. Lewis

Retired CEO
The Lewis Companies

Randall W. White

Chairman, President and
Chief Executive Officer – EDC

OFFICERS

Randall W. White

Chairman, President and
Chief Executive Officer

Marilyn Pinney

Controller and Corporate Secretary

Craig M. White

Vice President - Information Systems

CORPORATE DATA

Notice of Annual Meeting

July 29, 2010, 10:00 a.m.
Educational Development Corporation
Executive Conference Room
10302 E. 55th Place
Tulsa, Oklahoma

Form 10-K

Educational Development Corporation's
Form 10-K filed with the Securities and
Exchange Commission is available upon
request. Write to:

Randall W. White, President
Educational Development Corporation
10302 E. 55th Place
Tulsa, Oklahoma 74146-6515

Transfer Agent

American Stock Transfer and Trust Company
New York, New York

Auditors

HoganTaylor LLP
Tulsa, Oklahoma

Corporate Offices

10302 E. 55th Place
Tulsa, Oklahoma 74146-6515
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