Educational Development Corporation

2013

Annual Report

Financial Highlights
Fiscal Years ended February 28 (29)

Financial Information	**2013**	**2012**
Net revenues	$ 25,487,500	$ 26,273,300
Earnings before income taxes	$ 1,282,000	$ 2,277,700
Net earnings	$ 802,900	$ 1,420,900
Earnings per share:		
Basic	$ 0.20	$ 0.36
Diluted	$ 0.20	$ 0.36
Capital expenditures	$ 29,300	$ 76,100
Total assets	$ 17,900,800	$ 18,011,400
Shareholders' equity	$ 13,451,800	$ 14,217,600
Common Stock		
Shares outstanding at year end	3,960,812	3,913,183
Cash dividends paid	$ 0.48	$ 0.48
Book value at year end	$ 3.40	$ 3.63
Market price range		
High	$ 5.00	$ 6.90
Low	$ 3.79	$ 3.80
Market price at year end	$ 3.91	$ 4.96
Business Segments		
Net Revenues		
Publishing	$ 10,811,600	$ 10,981,100
Usborne Books & More	$ 14,675,900	$ 15,292,200
Total	$ 25,487,500	$ 26,273,300

Letter From The President

Dear Shareholders,

Our fiscal year started with making the bold, but difficult decision to discontinue sales to Amazon, which represented approximately 20% of the Publishing Division annual revenue. This decision was the culmination of realizing that Amazon sales were negatively impacting all other aspects of our Company - from retail stores, online sales and our direct selling division, Usborne Books & More. I am somewhat relieved to report that our retail customers rallied around our decision with unprecedented support which allowed the Publishing Division to replace the loss of Amazon's sales and finish the year with a small revenue decline of 2%. I am very appreciative of our loyal customers whose support reinforced our decision.

It has been a somewhat controversial year in the Publishing industry with litigation over e-book pricing, debate and pending legislation over the "fair tax provision" which would allow states to enforce sales tax provisions on Internet sales, and many other issues which revolve around one company becoming the dominant outlet for book sales. Many publishing executives in the industry feel this concentration of power is "dangerous", however, the consumer will ultimately decide where their purchases will be made. Our position is definitely in favor of the "fair tax provision" which levels the playing field by not favoring Internet sales over local retail outlets.

How this affects EDC has been significant this year. Industry experts estimate that over $20 BILLION a year in state sales tax goes uncollected on Internet sales which prompts many states to look for additional revenue, several which are near bankruptcy. EDC collects and files sales tax returns for over 1,000 taxing entities and strives to be compliant in all areas; however, this year we have had audits that reversed previous rulings and then made the new rulings retroactive for the five previous years. This is in addition to several taxing entities assessing franchise tax obligations not previously known, and again, retroactive for five years plus penalty. The cumulative effect of these issues resulted in a $250,000 pretax provision in our fiscal year earnings. We are protesting these new provisions, but are somewhat limited in resources to battle multiple state and local government taxing authorities. Hopefully the "fair tax provision" discrepancy will be corrected very soon as it puts our retail outlets and direct sales force at a disadvantage in the ultimate retail pricing.

I have never wavered from the philosophy that our products are better served when presented to the consumer by someone knowledgeable, whether it is one of our loyal retail outlets or our direct sales division. During this year, we committed additional incentives to the Direct Selling Division to support their efforts to be competitive in the marketplace and will continue this practice in the future. In addition, we have recently added several products in the e-book format and also enhanced apps for the iPad. We will continually add additional products to these formats.

While we were able to overcome the loss of revenue from Amazon, the issues mentioned above impacted our net earnings more significantly; hopefully next year will produce more of a normal year without incurring the retroactive tax provisions and the additional marketing expenses.

We have an excellent leadership team in place, a loyal customer base and award winning product lines and we are excited about the prospects for fiscal year 2014.

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

Cordially yours,

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

About Us

Since 1965, Educational Development Corporation has been committed to literacy, learning, and innovation. From the development of curriculum materials in the early years, to the creation of the Publishing Division in 1978, the Home Business Division launch in 1989, the acquisition of Kane Miller Book Publishers in 2008, and the 2011 investment in Demibooks, this commitment has fueled company growth and development.

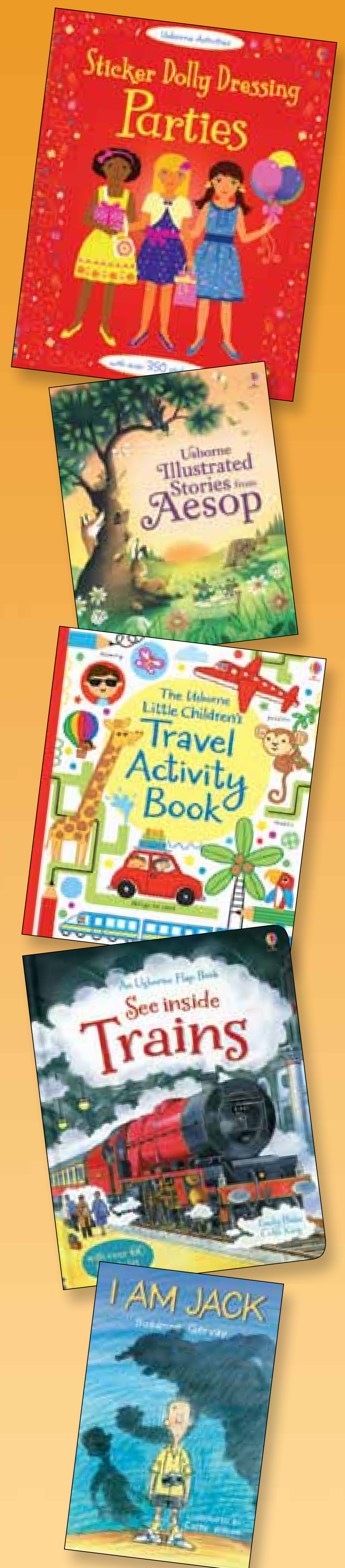
EDC is proud to be the United States publisher of Usborne Books. Originating in the United Kingdom, and celebrating its 40th anniversary, Usborne Books offers over 1,400 of the best non-fiction books for children and young adults. Kane Miller's line of international picture books and fiction is a perfect complement, and with Demibooks enhanced picture book apps and Storytime reader, the market is covered – past, present and future.

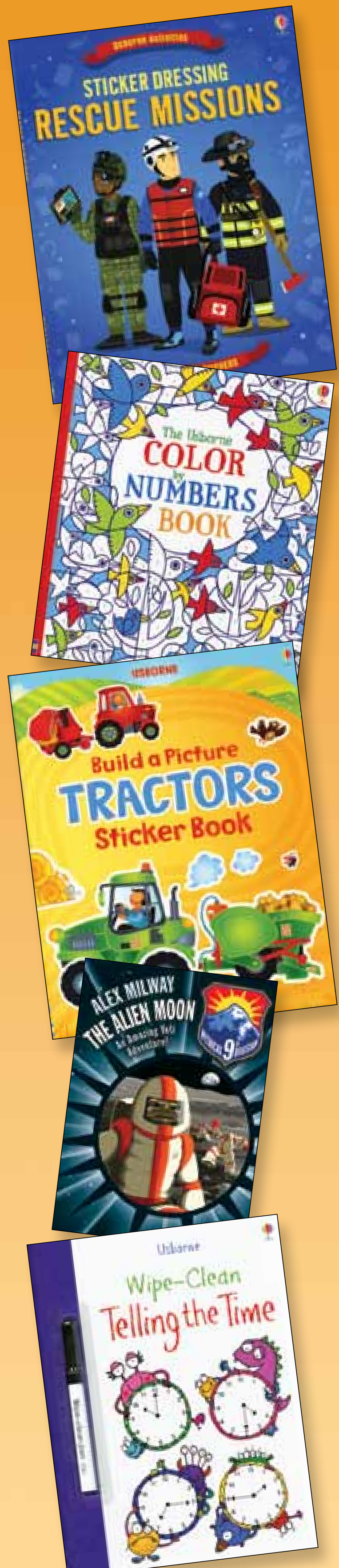
EDC's Home Business Division's independent sales consultants represent Usborne Books, Kane Miller Books and Storytime (together, Usborne Books & More) at home parties and book fairs, and through direct and online sales. In addition, they represent all three lines to schools and libraries, offering one-on-one sales opportunities, fundraisers, matching grant programs and more, reinforcing the company's support of literacy and education. EDC's Publishing Division markets and sells to book stores, toy stores, gift stores, museum stores and specialty outlets throughout the United States, solidifying EDC's strong presence in the marketplace.

Operations

Headquartered in Tulsa, Oklahoma, the EDC home office and adjacent 100,000 square foot warehouse provide for a streamlined operational and management workflow. The warehouse's six hundred-foot-long flow-rack system expedites order fulfillment and delivery, with over 95% of orders receiving same-day turnaround.

Personalized consultant websites and IMN weekly newsletters, together with OrderPro (our proprietary software), e-commerce site, and a strong and growing social media presence, add to the success and sustainability of the Usborne Books & More Home Business Division.





Our Product Lines

Usborne Books are produced and created in the United Kingdom by Usborne Publishing Limited. Sold in over 85 countries in more than 75 languages, Usborne Books have long been recognized as the benchmark of non-fiction children's books. As the United States publisher of Usborne Books, EDC offers a wide-range of titles and subjects to customers, and with the nationwide implementation of Common Core standards, is more than ready to meet the opportunities in the changing school market. Kane Miller Books, an award-winning publisher of children's picture books and fiction from around the world, is based in San Diego, California. Kane Miller Books offers EDC the flexibility to respond to market needs, publishing books that meet the demands of the sales force and its customers. Together with Demibooks Storytime, those books can now be published and delivered in e-book form as well as traditional print, serving the needs of all customers.

Usborne Books

With subjects ranging from history to art, horses to ballet, sticker books to pop-ups, math dictionaries to first readers and baby bath books, every child's age, stage, subject and interest can be matched with an Usborne Book. Highly illustrated, easy to pore over and dip into and written with humor, drama and intelligence, Usborne books enrich children's interests, helping them discover a myriad of subjects with ease and success. There are internet linked reference books, stroller books, encyclopedias, historical fiction and more, all with accessible, vibrant, distinctive design and mass commercial appeal.

Kane Miller Books

Kane Miller searches the world for great picture books and fiction that enrich the lives and imagination of the children who read them. With art and text that combine to bring the world closer to children, sharing stories and ideas while exploring differences, Kane Miller Books offer a window to other countries, cultures and communities – including those in the U.S.

Recognitions

EDC is pleased and proud to announce that Usborne Publishing was named the UK 2012 Children's Publisher of the Year. Among past awards, Usborne Books were Parents Choice Recommended Award winners, and Kane Miller books were recognized with a *Boston Globe - Horn Book* honor and were named to the *USBBY Best International Booklist* and the *Bank Street College of Education Best Books of the Year* list.

The Home Business Division

Usborne Books & More (UBAM), our Home Business Division, markets our product lines through a network of over 7,000 independent sales consultants.

The sales consultants offer our products in various venues including home shows, direct sales, book fairs, Internet sales, fundraisers, and sales to schools and public libraries. EDC Educational Services, a sub-division of UBAM, markets the product line to schools and libraries through independent Educational Consultants. This allows additional opportunities for the sales consultants. Although there are several ways to sell, home shows continue to be the base of our business, providing a source of constant income and business growth, increasing the networking base and providing sales opportunity leads for additional marketing avenues.

Consultants have individual UBAM websites available to market their business and to set up home shows and book fairs via the Internet. In this technological age, UBAM is also using Facebook, LinkedIn and Twitter to promote the business opportunity. Reach for the Stars!!, a pledge-based reading incentive program, has proven its success with hundreds of thousands of dollars in cash and books distributed to the participating schools and organizations. This last year, we continued our reach with the immensely successful Cards for a Cause Fundraisers program.

Usborne Books & More strives for excellence and creativity in training, recognition and incentive programs to encourage growth. UBAM will hold its 17th National Convention in June, 2013, 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 at all levels. It also allows the Home Office to award and recognize national achievement. The Home Office also sponsors an Advanced Leadership Retreat for UBAM Leaders, providing the tools to build their business quickly and efficiently.

Independent consultants also have the opportunity to earn additional prizes and incentives throughout the year, including an incentive travel trip which can be earned working part-time on a steady basis. Recent trips include a Western Mediterranean Cruise in May, 2013, and a trip to British Columbia in April, 2012. Our upcoming trip is to Atlantis in the Bahamas in May, 2014.

Heather Cobb
Director
National Sales

Todd R. White
Manager
Educational Services

Pat Wright
Manager
Consultant Services

Jeanie Crone
Vice President
Publishing

Kira Lynn
Editor
Kane/Miller

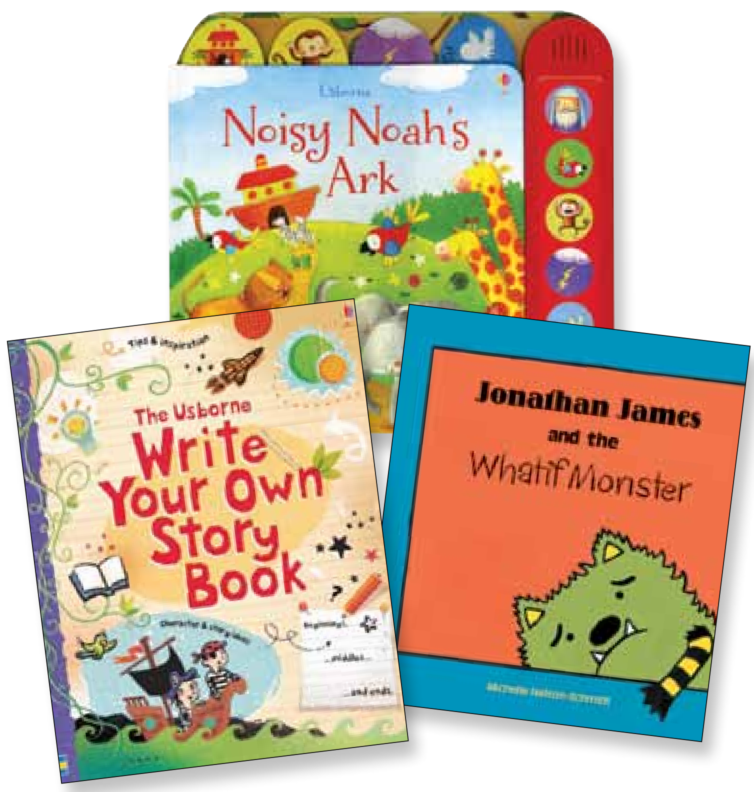
The Publishing Division

In Fiscal 2013 EDC posted a minor decrease of 2.1% in net sales in the Publishing Division. Net sales were recorded at ten million, eight hundred eight thousand dollars. The corporate decision, taken in February 2012, to cease supplying internet retailers impacted the Publishing Division's sales, resulting in a loss of two million, two hundred thousand dollars in that sector. Sales to the large national chains increased by 56.7%, due in large part, to the ongoing increased penetration of some of our bestselling series, such as *Sticker Dolly Dressing* and other activity books. This increase offset some of the losses from internet retail sales, resulting in a net loss of one million, four-hundred thousand dollars.

The independent brick-and-mortar retailers reacted positively to the corporate decision to cease supplying internet retailers, resulting in an increase in that sector of 35%, buoying up overall sales by adding five hundred seventy-two thousand dollars of volume.

The toy and gift markets continue their growth trend. In fiscal 2012 the segment grew to 62% % of the Publishing Division's total net sales. In fiscal 2013, the segment grew again to 62.7%. EDC maintains a continued presence at important national trade shows such as Toy Fair, New York Gift Show, San Francisco Gift Show, Los Angeles Gift Show, Atlanta Gift Show, ASTRA and the Museum Store Association Show.

Moving forward, the focus will be to continue the growth of the national chain sector, and the independent retail sector, while maintaining the growth of the toy and gift markets. The Publishing Division will continue to maintain the marketing efforts that have proven successful in the past, in all areas of our business.



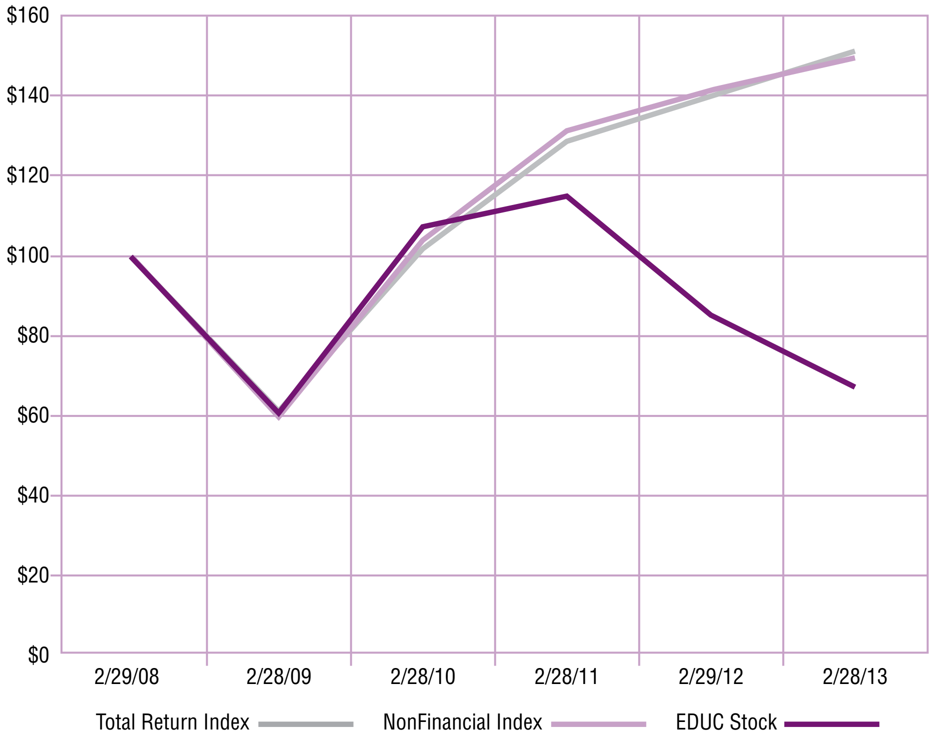
STOCK PRICES AND DIVIDENDS PAID

Fiscal Year	Stock Prices		Cash Dividend Paid
	High	Low	
2013	$ 5.00	$ 3.79	$ 0.48
2012	$ 6.90	$ 3.80	$ 0.48
2011	$ 7.00	$ 5.15	$ 0.54
2010	$ 6.48	$ 3.10	$ 0.67
2009	$ 6.80	$ 3.11	$ 0.80

PERFORMANCE GRAPH COMPARISON OF THE FIVE-YEAR CUMULATIVE RETURN

Among the Company, Nasdaq Stock Market Total Return Index and Nasdaq Non-Financial Stock Index

The following graph compares the cumulative total return of our common stock for the 5-year period ending February 28, 2013, against the cumulative total return of the Nasdaq Stock Market Total Return Index and the Nasdaq Non-Financial Stock Index. The graph and table assume $100 was invested on February 29, 2008, and that all dividends were reinvested.



CUMULATIVE TOTAL RETURN
Cumulative Value of $100 Investment, through February 28 (29),

	2008	2009	2010	2011	2012	2013
EDC Stock:	100.00	62.81	107.02	114.04	85.96	68.60
Nasdaq Stock Market Total Return Index:	100.00	62.36	101.29	127.80	139.70	152.13
Nasdaq Non-Financial Stock Index:	100.00	61.68	102.49	129.78	140.88	150.99

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, 2013

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	**73-0750007**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10302 East 55th Place, Tulsa, Oklahoma	**74146-6515**
(Address of principal executive offices)	(Zip Code)

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

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

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 ☒

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 ☒ 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 ☒ 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 ☐ (Do not check if a smaller reporting company)	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, 2012, on the NASDAQ Stock Market, LLC was $15,528,300.

As of May 23, 2013, 3,969,866 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for fiscal year 2013 relating to our Annual Meeting of Shareholders to be held on July 18, 2013 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 (29).

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

	2013	**2012**
Publishing	42%	42%
UBAM	58%	58%
Total revenues	100%	100%

(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. 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 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 4,700 consultants in 50 states at February 28, 2013.

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 28% of the Publishing Division’s sales have been received from major book chains.

Key Customers

No customer represents more than 10% of our net sales.

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 represent less than 1.0% of industry sales of juvenile paperbacks.

Employees

As of April 1, 2013, 75 full-time and 1 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. MINE SAFETY DISCLOSURES

None

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 quarterly common stock quotations for fiscal years 2013 and 2012, as reported by the National Association of Securities Dealers, Inc., were as follows:

	2013		2012	
Period	**High**	**Low**	**High**	**Low**
1st Qtr	5.00	4.25	6.90	4.18
2nd Qtr	4.64	3.85	5.81	5.00
3rd Qtr	4.13	3.79	5.70	3.80
4th Qtr	4.12	3.80	5.40	4.75

The number of shareholders of record of EDC's common stock at February 28, 2013 was 663.

During fiscal year 2013, we paid quarterly dividends totaling $0.48 per share as follows: $0.12 per share dividend on March 16, 2012, $0.12 per share dividend on June 22, 2012, $0.12 per share dividend on September 21, 2012, and $0.12 per share dividend on December 21, 2012. An additional $0.08 per share dividend was declared on February 28, 2013 and was paid during fiscal year 2014 to shareholders of record on March 8, 2013.

The following table shows repurchases of our common stock which we made during the fourth quarter of fiscal year 2013.

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, 2012	0	$ 0.00	0	348,649
January 1 - 31, 2013	646	$ 3.92	646	348,003
February 1 - 28, 2013	0	$ 0.00	0	348,003
Total	646	$ 3.92	646	

(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.

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 (29).

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. 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 inside sales group located in our headquarters. The Vice President of the Publishing Division manages sales to the national chains.

Publishing Division Sales by Market Type

	FY 2013	FY 2012
National chain stores	28%	40%
All other	72%	60%
Total net sales	100%	100%

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

	FY 2013	FY 2012
Net Revenues	$ 10,811,600	$ 10,981,100

Publishing Division's net revenues decreased $169,500 in fiscal year 2013 from fiscal year 2012, or 1.5%. Net revenues were down 31.0% for national chain stores, offset by an increase of 25.0% for smaller retail stores, and 13.6% 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. UBAM provides an extensive handbook that is a valuable tool in explaining the various programs to the new recruit.

Consultants During Year

	FY 2013	**FY 2012**
New Sales Representatives	2,700	4,300
Active Sales Representatives End of Fiscal Year	4,700	6,100

The UBAM Division presently has six levels of sales representatives:

- Consultants
- Team Leaders
- Senior Team Leaders
- Executive Team Leaders
- Senior Executive Team Leaders
- 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 team leaders. Upon reaching this level, they receive monthly override payments based upon the sales of their downline groups.

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

Percent of Net Sales by UBAM Marketing Program

	FY 2013	**FY 2012**
Home Shows	27%	32%
Direct Sales	2%	2%
School & Library	46%	43%
Internet	12%	12%
Fund Raisers	5%	3%
Transportation Revenues	8%	8%
Totals	100%	100%

Number of Orders by UBAM Marketing Program

	FY 2013	FY 2012
Home Shows	17,100	19,200
Direct Sales	3,100	3,300
School & Library	11,000	11,000
Internet	33,800	34,600
Fund Raisers	1,400	900
	66,400	69,000

Net revenues, after commissions, from home shows declined 14% or $449,500 during fiscal year 2013. This was primarily due to 11% fewer orders placed during the period and a 3% decrease in average order size. 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, after commissions, from direct sales decreased 5% or $11,500 during fiscal year 2013. This resulted from a 6% decrease in the number of orders placed during the year. Direct sales are sales without a hostess being involved.

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, after commissions, including book fairs, increased 2% or $86,200 during fiscal year 2013, primarily due to the per-order average increase of 2%.

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 sponsoring organization and books for the children.

Internet sales, after commissions, were down 10% or $129,700 during fiscal year 2013. Consultants utilize in-house-developed and hosted web sites in their businesses for a nominal annual 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.

Our fund-raising program, after commissions, Cards for a Cause, which was added during the second quarter of the prior fiscal year, increased 39% or $136,100 in sales over its inaugural year. Organizations sell variety boxes of greeting-type cards and keep a portion of the proceeds to help support themselves and their related causes.

Transportation revenues decreased 11% or $101,900 during fiscal year 2013. Transportation revenues are based on order sales, with minimums per order depending on order type.

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

While there are many, UBAM continues to be the only multi-level company in the United States exclusively selling books. We believe this is a fertile market with opportunities for 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. Outside of cash used in operating activities, generally our primary uses of cash are to pay dividends and acquire treasury stock. During fiscal year 2013, we have utilized our bank credit facility to meet some short-term cash requirements.

We expect our ongoing cash flow to continue to exceed cash required to operate the business. Consequently, we expect to pay down our short-term borrowings during fiscal year 2014.

During fiscal year 2013, we experienced a positive cash flow from operations of $639,000. Cash flow from net earnings of $802,900 was increased due to the provision for doubtful accounts and sales returns of $1,508,700, a decrease in inventories of $118,300 and depreciation expense of $114,200, offset by an increase in accounts receivable of $1,352,800, a $293,500 increase in net income tax receivable, a decrease in deferred income taxes of $12,600, a decrease in current liabilities of $128,900, and a $117,300 increase in prepaid expenses and other assets.

Cash used in investing activities was $209,600 due to an additional $180,300 investment in Demibooks and $29,300 for capital expenditures. We estimate that cash used in investing activities for fiscal year 2014 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 $720,400 which was primarily due to dividend payments of $1,884,800, $1,185,000 payments under our revolving credit agreement, and $56,700 paid to acquire treasury stock. These were offset by cash received of $2,185,000 from borrowings under our revolving credit agreement and $221,100 from the sale of treasury stock. In September 2002, the Board of Directors authorized a minimum annual cash dividend of 20% of net earnings. In fiscal years 2013 and 2012, we declared dividends equal to 216% and 132%, respectively, of net earnings.

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

	FY 2013	FY 2012
Net revenues	100.0%	100.0%
Cost of sales	41.2%	40.2%
Gross margin	58.8%	59.8%
Operating expenses:		
Operating and selling	26.3%	25.5%
Sales commissions	18.7%	18.5%
General and administrative	9.0%	7.5%
Total operating expenses	54.0%	51.5%
Other income	0.2%	0.4%
Earnings before income taxes	5.0%	8.7%
Income taxes	1.9%	3.3%
Net earnings	3.1%	5.4%

Fiscal Year 2013 Compared with Fiscal Year 2012

The following presents an overview of our results of operations for years ended February 28, 2013 and February 29, 2012. We had earnings before income taxes of $1,282,000 for fiscal year 2013 compared with $2,277,700 for fiscal year 2012.

Revenues

	FY 2013	FY 2012	$ Change
Gross sales	$ 39,215,300	$ 40,906,200	$ (1,690,900)
Less discounts & allowances	(14,585,800)	(15,592,000)	1,006,200
Transportation revenue	858,000	959,100	(101,100)
Net revenues	$ 25,487,500	$ 26,273,300	$ (785,800)

The UBAM Division's gross sales decreased 6.9% or $1,243,700 during fiscal year 2013 when compared with fiscal year 2012. This decrease is attributable to lower sales in the home party, direct sales, and internet markets, offset by an increase in fund raisers and school and library/book fair sales. Average sales per order for this division were down 0.3% and the overall number of orders was down 3.8% due to reductions in each of those markets, except fund raisers which were up.

The Publishing Division's gross sales decreased 2.0% or $447,200 during fiscal year 2013 when compared with fiscal year 2012. Sales to national chain stores decreased 31%, offset by increases of 25% in sales to smaller retail stores and 14% in inside sales.

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 $11,679,500 in fiscal year 2013 and $11,956,400 in fiscal year 2012. 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 52.0% of Publishing's gross sales in fiscal year 2013 and 52.2% in fiscal year 2012.

The UBAM Division's discounts and allowances were $2,906,300 in fiscal year 2013 and $3,635,600 in fiscal year 2012. 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 17.3% of UBAM's gross sales in fiscal year 2013 and 20.2% in fiscal year 2012.

Transportation revenues decreased $101,100 in fiscal year 2013, primarily due to the decrease in UBAM sales during the year.

Expenses

	FY 2013	FY 2012	$ Change
Cost of sales	$ 10,494,200	$ 10,549,000	$ (54,800)
Operating and selling	6,714,600	6,710,400	4,200
Sales commissions	4,764,900	4,855,200	(90,300)
General and administrative	2,285,700	1,972,500	313,200
Total	$ 24,259,400	$ 24,087,100	$ 172,300

Cost of sales decreased 0.5% in fiscal year 2013 when compared with fiscal year 2012. 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 76% 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 $1,283,900 in fiscal year 2013 and $1,274,100 in fiscal year 2012. 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 17.1% for fiscal year 2013 and 16.4% for fiscal year 2012.

Sales commissions in the Publishing Division increased $55,900 for the fiscal year ended 2013. 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 our outside sales representatives. Publishing Division sales commissions are paid on net sales and were 2.7% for fiscal year 2013 and 2.1% for fiscal year 2012.

Sales commissions in the UBAM Division decreased $146,200. UBAM Division sales commissions are paid based on the retail price of non-promotional products sold and were 26.7% of gross sales for fiscal year 2013 and 25.7% for fiscal year 2012. The fluctuation in the percentages of commission expense to gross 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 gross 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 5.8% for fiscal year 2013 and 4.8% for fiscal year 2012.

The tax provision for fiscal year 2013 was $479,100. The effective rate for fiscal year 2013 was 37.4% and for fiscal year 2012 was 37.6%. 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 our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to our valuation of inventory, allowance for 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 at the time the product is shipped. These sales accounted for 58% of net revenues in both fiscal years 2013 and 2012.

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 as of both February 28, 2013 and February 29, 2012.

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 $471,900 and $456,300 as of February 28, 2013 and February 29, 2012, 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 S years of anticipated sales was classified as noncurrent inventory. Noncurrent inventory balances were $934,000 and $888,000 at February 28, 2013 and February 29, 2012, 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 $400,000 and $365,000 as of February 28, 2013 and
February 29, 2012, 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, generally requires a minimum reorder of 6,500 or more of a title in order to get a solo print run. Smaller orders would require a shared print run with the supplier's other customers, which can result in 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 S 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 recently issued accounting standards are not applicable to us.

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 21.

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

None

Item 9A. 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, 2013. 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, 2013.

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 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 18, 2013.

(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 18, 2013.

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 18, 2013.

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 18, 2013.

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 18, 2013.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

1. Financial Statements

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.

10.16 Twelfth Amendment dated June 30, 2010 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.

10.17 Thirteenth Amendment dated June 30, 2011 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.

10.18 Fourteenth Amendment dated June 30, 2012 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.

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*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, 2013 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, 2013 /s/ Randall W. White
Randall W. White
Chairman of the Board
President, Treasurer and
Director

May 28, 2013 /s/ John A. Clerico
John A. Clerico, Director

May 28, 2013 /s/ Ronald McDaniel
Ronald McDaniel, Director

May 28, 2013 /s/ Kara Gae Neal
Kara Gae Neal, Director

May 28, 2013 /s/ Betsy Rickert
Betsy Rickert, Director

May 28, 2013 /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 Shareholders of
Educational Development Corporation

We have audited the accompanying balance sheets of Educational Development Corporation as of February 28, 2013 and February 29, 2012, and the related statements of earnings, shareholders' equity and cash flows for the years then ended. 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. The Company is not required to have, nor were we engaged to perform, an audit of its 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, as well as 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, 2013 and February 29, 2012, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ HOGANTAYLOR LLP
Tulsa, Oklahoma
May 28, 2013

EDUCATIONAL DEVELOPMENT CORPORATION
BALANCE SHEETS
AS OF FEBRUARY 28 (29),

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 469,100	$ 760,100
Accounts receivable, less allowance for doubtful accounts and sales returns $571,900 (2013) and $556,300 (2012)	3,419,100	3,575,000
Inventories—Net	9,724,700	9,854,000
Prepaid expenses and other assets	438,800	277,100
Income tax receivable	229,300	-
Deferred income taxes	381,400	379,800
Total current assets	14,662,400	14,846,000
INVENTORIES—Net	559,000	548,000
PROPERTY, PLANT AND EQUIPMENT—Net	1,915,500	2,000,400
INVESTMENT IN NONMARETABLE EQUITY SECURITIES	430,300	250,000
OTHER ASSETS	256,700	301,100
DEFERRED INCOME TAXES	76,900	65,900
TOTAL	$ 17,900,800	$ 18,011,400
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,862,100	$ 1,793,900
Line of credit, current portion	1,250,000	250,000
Accrued salaries and commissions	439,300	436,700
Income taxes payable	-	64,200
Dividends payable	317,900	469,600
Other current liabilities	579,700	779,400
Total current liabilities	4,449,000	3,793,800
COMMITMENTS (Note 7)		
SHAREHOLDERS' EQUITY:		
Common stock, $0.20 par value; Authorized 8,000,000 shares; Issued 6,041,040 Outstanding 3,960,812 (2013) and 3,913,183 (2012) shares	1,208,200	1,208,200
Capital in excess of par value	8,548,000	8,548,000
Retained earnings	15,194,700	16,124,900
	24,950,900	25,881,100
Less treasury stock, at cost	(11,499,100)	(11,663,500)
	13,451,800	14,217,600
TOTAL	$ 17,900,800	$ 18,011,400

See notes to financial statements.

EDUCATIONAL DEVELOPMENT CORPORATION
STATEMENTS OF EARNINGS
FOR THE YEARS ENDED FEBRUARY 28 (29),

	2013	2012
GROSS SALES	$ 39,215,300	$ 40,906,200
Less discounts and allowances	(14,585,800)	(15,592,000)
Transportation revenue	858,000	959,100
NET REVENUES	25,487,500	26,273,300
COST OF SALES	10,494,200	10,549,000
Gross margin	14,993,300	15,724,300
OPERATING EXPENSES:		
Operating and selling	6,714,600	6,710,400
Sales commissions	4,764,900	4,855,200
General and administrative	2,285,700	1,972,500
Total operating expenses	13,765,200	13,538,100
OTHER INCOME	53,900	91,500
EARNINGS BEFORE INCOME TAXES	1,282,000	2,277,700
INCOME TAXES	479,100	856,800
NET EARNINGS	$ 802,900	$ 1,420,900
BASIC AND DILUTED EARNINGS PER SHARE:		
Basic	$ 0.20	$ 0.36
Diluted	$ 0.20	$ 0.36
WEIGHTED AVERAGE NUMBER OF COMMON AND EQUIVALENT SHARES OUTSTANDING:		
Basic	3,934,352	3,898,145
Diluted	3,934,352	3,898,793
Dividends per share	$ 0.42	$ 0.48

See notes to financial statements.

EDUCATIONAL DEVELOPMENT CORPORATION
STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED FEBRUARY 28 (29),

	Common Stock (par value $0.20 per share)				Treasury Stock		
	Number of Shares Issued	Amount	Capital in Excess of Par Value	Retained Earnings	Number of Shares	Amount	Shareholders' Equity
BALANCE—March 1, 2011	6,041,040	$ 1,208,200	$ 8,548,000	$ 16,575,100	2,135,141	$ (11,672,800)	$ 14,658,500
Purchases of treasury stock	-	-	-	-	36,731	(214,300)	(214,300)
Sales of treasury stock	-	-	-	-	(44,015)	223,600	223,600
Dividends declared ($0.12/share)	-	-	-	(469,600)	-	-	(469,600)
Dividends paid ($0.36/share)	-	-	-	(1,401,500)	-	-	(1,401,500)
Net earnings	-	-	-	1,420,900	-	-	1,420,900
BALANCE—February 29, 2012	6,041,040	$ 1,208,200	$ 8,548,000	$ 16,124,900	2,127,857	$ (11,663,500)	$ 14,217,600
Purchases of treasury stock	-	-	-	-	12,106	(56,700)	(56,700)
Sales of treasury stock	-	-	-	-	(59,735)	221,100	221,100
Dividends declared ($0.08/share)	-	-	-	(317,900)	-	-	(317,900)
Dividends paid ($0.36/share)	-	-	-	(1,415,200)	-	-	(1,415,200)
Net earnings	-	-	-	802,900	-	-	802,900
BALANCE—February 28, 2013	6,041,040	$ 1,208,200	$ 8,548,000	$ 15,194,700	2,080,228	$ (11,499,100)	$ 13,451,800

See notes to financial statements.

EDUCATIONAL DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED FEBRUARY 28 (29),

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 802,900	$ 1,420,900
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	114,200	118,100
Deferred income taxes	(12,600)	(22,700)
Provision for doubtful accounts and sales returns	1,508,700	874,800
Changes in assets and liabilities:		
Accounts receivable	(1,352,800)	(1,373,500)
Inventories, net	118,300	201,100
Prepaid expenses and other assets	(117,300)	(6,200)
Accounts payable, accrued salaries and commissions, and other current liabilities	(128,900)	(469,000)
Income tax payable/receivable	(293,500)	40,400
Total adjustments	(163,900)	(637,000)
Net cash provided by operating activities	639,000	783,900
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in nonmarketable equity securities	(180,300)	(250,000)
Purchases of property, plant and equipment	(29,300)	(76,100)
Net cash used in investing activities	(209,600)	(326,100)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	-	(75,000)
Cash received from sale of treasury stock	221,100	223,600
Cash paid to acquire treasury stock	(56,700)	(214,300)
Borrowings under revolving credit agreement	2,185,000	250,000
Payments under revolving credit agreement	(1,185,000)	-
Dividends paid	(1,884,800)	(1,870,200)
Net cash used in financing activities	(720,400)	(1,685,900)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(291,000)	(1,228,100)
CASH AND CASH EQUIVALENTS—BEGINNING OF YEAR	760,100	1,988,200
CASH AND CASH EQUIVALENTS—END OF YEAR	$ 469,100	$ 760,100
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 24,300	$ 3,700
Cash paid for income taxes	$ 785,100	$ 839,100

See notes to financial statements.

EDUCATIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED FEBRUARY 28, 2013 AND FEBRUARY 29, 2012

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 $8.6 million for the year ended February 28, 2013 and $8.3 million for the year ended February 29, 2012. Total inventory purchases for those same periods were approximately $11.3 million and $11.4 million, respectively.

Cash and Cash Equivalents—Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. We have never experienced any losses related to these balances. Effective January 1, 2013, insurance coverage on our non-interest bearing cash balances reverted to $250,000 and our non-interest bearing cash balances exceed federally insured limits. The majority of payments due from banks for third party credit card transactions process within two business days. These amounts due are classified as cash and cash equivalents.

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, 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, 2013 and February 29, 2012.

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 and equipment	3 - 10 years
Furniture and fixtures	3 years

Income Taxes—We account 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 basis 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 at the time the product is shipped. These sales accounted for 58% of net revenues in both fiscal years 2013 and 2012.

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 as of February 28, 2013 and February 29, 2012.

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 $222,600 and $219,900 for the years ending February 28, 2013 and February 29, 2012, 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 $2,348,900 and $2,289,700 for the years ending February 28, 2013 and February 29, 2012, 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 (29),	
	2013	2012
Diluted Earnings Per Share:		
Net earnings applicable to common shareholders	$ 802,900	$ 1,420,900
Shares:		
Weighted average shares outstanding–basic	3,934,352	3,898,145
Assumed exercise of options	-	648
Weighted average shares outstanding–diluted	3,934,352	3,898,793
Diluted Earnings Per Share	$ 0.20	$ 0.36

There were no stock options for the fiscal year ended February 28, 2013 included in the diluted earnings per share calculation as they were all anti-dilutive. At February 29, 2012 no options were excluded from the diluted earnings per share calculation.

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, 2013 and February 29, 2012.

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 recently issued accounting standards are not applicable to us.

2. INVENTORIES

Inventories consist of the following:

	February 28 (29),	
	2013	2012
Current:		
Book inventory	$ 9,749,700	$ 9,879,000
Inventory valuation allowance	(25,000)	(25,000)
Inventories net–current	$ 9,724,700	$ 9,854,000
Noncurrent:		
Book inventory	$ 934,000	$ 888,000
Inventory valuation allowance	(375,000)	(340,000)
Inventories net–noncurrent	$ 559,000	$ 548,000

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	February 28 (29), 2013	February 28 (29), 2012
Land	$ 250,000	$ 250,000
Building	2,124,700	2,124,700
Machinery and equipment	2,287,900	2,258,600
Furniture and fixtures	74,100	74,100
	4,736,700	4,707,400
Less accumulated depreciation	(2,821,200)	(2,707,000)
	$ 1,915,500	$ 2,000,400

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 (29) are as follows:

	2013	2012
Current:		
Deferred tax assets:		
Allowance for doubtful accounts	$ 175,900	$ 173,600
Inventory overhead capitalization	77,800	78,500
Allowance for slow moving inventory	9,500	9,500
Allowance for sales returns	38,000	38,000
Accruals	80,200	80,200
Deferred tax assets	381,400	379,800
Noncurrent:		
Deferred tax assets:		
Allowance for slow moving inventory	$ 140,600	$ 129,200
Deferred tax assets	140,600	129,200
Deferred tax liabilities:		
Property and equipment	(63,700)	(63,300)
Deferred tax liabilities	(63,700)	(63,300)
Deferred tax asset–Net	$ 76,900	$ 65,900

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 (29), 2013	February 28 (29), 2012
Current:		
Federal	$ 411,000	$ 737,500
State	80,700	142,000
	491,700	879,500
Deferred:		
Federal	(10,600)	(19,100)
State	(2,000)	(3,600)
	(12,600)	(22,700)
Total income tax expense	$ 479,100	$ 856,800

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

	February 28 (29), 2013	February 28 (29), 2012
Tax expense at federal statutory rate	$ 435,900	$ 774,400
State income tax–net of federal tax benefit	50,400	89,800
Other	(7,200)	(7,400)
Total income tax expense	$ 479,100	$ 856,800

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 2010. We are not currently the subject of any 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 $67,500 and $74,400 in the fiscal years ended February 28, 2013 and February 29, 2012, respectively. The 401(k) plan includes an option for employees to invest in our stock, which is purchased from our Treasury stock shares. Shares purchased for the 401(k) plan from Treasury stock amounted to 57,367 net shares and 41,689 net shares in the fiscal years ended February 28, 2013 and February 29, 2012, respectively.

6. DEBT

We have a $2,500,000 revolving credit agreement, with interest payable monthly at the greater of (a) prime rate minus 0.75% or (b) 4.00%. At February 28, 2013, the rate in effect was 4.00%, collateralized by substantially all of our assets and maturing on June 30, 2013.

We had $1,250,000 in borrowings outstanding on the above revolving credit agreement at February 28, 2013 and $250,000 in borrowings at February 29, 2012. Available credit under the revolving credit agreement was $1,250,000 at February 28, 2013. 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, 2013 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.

7. COMMITMENTS

At February 28, 2013, we had outstanding purchase commitments for inventory totaling approximately $3,128,200 and outstanding payment commitments for contracts related to custom sports stories totaling approximately $80,000.

Rent expense for the year ended February 28, 2013 was $81,000. The following table provides a summary of our future lease obligations as of February 28, 2013:

	Total	2014	2015
Total lease payments due	$ 20,500	$ 11,500	$ 9,000

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, 2013 expire beginning in March 2014 through December 2019.

A summary of the status of our Incentive Plans as of February 28, 2013 and February 29, 2012, and changes during the years then ended is presented below:

	February 28, 2013		February 29, 2012	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at Beginning of Year	16,000	$ 5.55	16,000	$ 5.55
Exercised/canceled	-	-	-	-
Outstanding at End of Year	16,000	$ 5.55	16,000	$ 5.55

All options outstanding are exercisable at February 28, 2013.

9. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended February 28, 2013 and February 29, 2012.

	Net Revenues	Gross Margin	Net Earnings	Basic Earnings Per Share	Diluted Earnings Per Share
2013					
First quarter	$ 6,594,600	$ 4,118,700	$ 350,200	$ 0.09	$ 0.09
Second quarter	5,464,400	3,024,200	138,200	0.04	0.04
Third quarter	7,864,400	4,813,200	525,700	0.13	0.13
Fourth quarter	5,564,100	3,037,200	(211,200)	(0.06)	(0.06)
Total year	$ 25,487,500	$ 14,993,300	$ 802,900	$ 0.20	$ 0.20
2012					
First quarter	$ 6,264,400	$ 3,824,000	$ 300,200	$ 0.08	$ 0.08
Second quarter	5,437,100	3,036,700	126,200	0.03	0.03
Third quarter	8,690,400	5,283,600	724,900	0.19	0.19
Fourth quarter	5,881,400	3,580,000	269,600	0.06	0.06
Total year	$ 26,273,300	$ 15,724,300	$ 1,420,900	$ 0.36	$ 0.36

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, 2013 and February 29, 2012 is set forth below:

NET REVENUES

	2013	2012
Publishing	$ 10,811,600	$ 10,981,100
UBAM	$ 14,675,900	$ 15,292,200
Other	$ -	$ -
Total	$ 25,487,500	$ 26,273,300

EARNINGS (LOSS) BEFORE INCOME TAXES

	2013	2012
Publishing	$ 3,457,900	$ 3,635,100
UBAM	$ 2,105,800	$ 2,582,500
Other	$ (4,281,700)	$ (3,939,900)
Total	$ 1,282,000	$ 2,277,700

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 2013, we purchased 12,106 shares of common stock at an average price of $4.68 per share totaling approximately $56,700. The maximum number of shares that may be repurchased in the future is 348,003.

12. RECEIVABLE FROM CUSTOMER IN BANKRUPTCY

At February 28, 2013, we had a receivable in the amount of $364,500 due from a customer who has filed for protection from its creditors under Chapter 11 of the Bankruptcy Reform Act of 1978 ("Act"). It had been unable to secure further financing to satisfy the claims of its creditors. At February 28, 2013, this receivable remains $364,500, of which, $340,000 is reserved.

13. STOCK PURCHASE AGREEMENT

During fiscal year 2012, we signed a Stock Purchase Agreement to acquire an 11% position with Demibooks, Inc. for an initial investment of $250,000. We have accounted for this investment using the cost method, as reflected on the balance sheet under 'investment in nonmarketable equity securities'. Demibooks provides a publishing platform, Composer, which is a code-free way for publishers and self-published authors and illustrators to create interactive books for the iPad on the device itself. We utilize the Composer platform to create proprietary interactive products. The Stock Purchase Agreement allowed for an additional $250,000 investment, of which we have invested an additional $180,300 during fiscal year 2013, resulting in a total position of 15.6%. Our investment in Demibooks is subject to a high degree of risk because such securities are illiquid and the value of such securities could decline causing us to write-down or write-off the value of our investment, which would result in a negative impact to our earnings.

14. FAIR VALUE MEASUREMENTS

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

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

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

Level 3 - Unobservable inputs for the asset or liability.

We do not report any assets or liabilities at fair value in the financial statements. However, the estimated fair value of our line of credit is estimated by management to approximate the carrying value of $1,250,000 and $250,000 at February 28, 2013 and February 29, 2012, respectively. Management's estimates are based on the obligations' characteristics, including floating interest rate, maturity, and collateral. Such valuation inputs are considered a Level 2 measurement in the fair value valuation hierarchy.

It was not practicable to estimate the fair value of an investment representing 15.6% of the issued common stock of an untraded company; that investment is carried at its original cost of $430,300 and $250,000 at February 28, 2013, and February 29, 2012, respectively.

There were no transfers among Level 1, Level 2 or Level 3 assets during the years ended February 28, 2013 and February 29, 2012.

15. SUBSEQUENT EVENT

On March 22, 2013, we paid the previously declared $0.08 dividend per share to shareholders of record as of March 15, 2013.

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Exhibit 23.1

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, 2013, appearing in this Annual Report on Form 10-K of Educational Development Corporation for the year ended February 28, 2013.

/s/ HoganTaylor LLP

Tulsa, Oklahoma
May 28, 2013

Exhibit 31.1

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, 2013

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

Exhibit 31.2

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:

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):

e. 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

f. 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, 2013

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

Exhibit 32.1

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

In connection with the Annual Report of Educational Development Corporation (the "Company") on Form 10-K for the period ending February 28, 2013, 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, 2013

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

Date: May 28, 2013

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

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DIRECTORS

John A. Clerico
Co-founder and Chairman
ChartMark Investments, Inc.

Ronald T. McDaniel
Retired V.P. Sales
Educational Development Corporation

Kara Gae Neal
Director, School of Urban Education
The University of Tulsa

Betsy Richert
Media Specialist,
Tulsa Public Schools

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 18, 2013, 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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