

EDUCATIONAL DEVELOPMENT CORP
Form 10-K
May 29, 2009
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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, 2009

OR

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

For the transition period from to .

Commission file number: 0-4957

EDUCATIONAL DEVELOPMENT CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

73-0750007
(I.R.S. Employer
Identification No.)

74146-6515
(Zip Code)

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

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

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

Common Stock, \$.20 par value

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

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).

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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, 2008, on the NASDAQ Stock Market, LLC was \$20,216,600.

As of May 22, 2009, 3,841,369 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for fiscal year 2009 relating to our Annual Meeting of Shareholders to be held on July 23, 2009 are incorporated by reference into Part III of this Report on Form 10-K.

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Part 1

FORWARD LOOKING STATEMENTS

This report contains statements that are forward-looking. You should read the following discussion in connection with our consolidated 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.

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).

In December 2008, we purchased Kane/Miller Book Publishers and integrated them into our existing distribution markets. They are 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:

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- 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

	2009	2008
Publishing	28%	27%
UBAM	72%	73%
Total revenues	100%	100%

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(c) Narrative Description of Business

Products

As the sole United States trade publisher of the Usborne line of books, we offer over 1,500 different titles. Many are interactive in nature, including our Touchy-Feely board books, jigsaw puzzle books, activity and flashcards, adventure and search books, art books, sticker books and foreign language books. Many titles are also published in Spanish. We also own the line of books originally published by Kane/Miller Book Publishers, having purchased them in December 2008. The majority of the titles in this line originally were published in other countries in their native languages.

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

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

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

UBAM markets the books through commissioned consultants using a combination of direct sales, home parties, book fairs and the Internet. The division had approximately 8,400 consultants in 50 states at February 28, 2009.

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 34% of the Publishing Division's sales have been received from major book chains. During fiscal year 2009, the division continued to expand into mass merchandising outlets such as drug, department and discount stores.

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 strong competition from Scholastic Books for the book fair market.

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

Employees

As of April 1, 2009, 76 full-time and 2 part-time employees worked at our Tulsa and LaJolla 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.

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Item 1A. RISK FACTORS

Not required by smaller reporting company.

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.

In 2009, we leased 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.

With the acquisition of Kane/Miller Book Publishers, we also lease a small office in LaJolla, California.

Item 3. LEGAL PROCEEDINGS

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

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

There were no matters submitted during the fourth quarter of fiscal year 2009 covered by this report to a vote of our security holders.

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

The common stock of EDC is traded on the NASDAQ Stock Market, LLC (symbol EDUC). The high and low closing quarterly common stock quotations for fiscal years 2009 and 2008, as reported by the National Association of Securities Dealers, Inc., were as follows:

Period	2009		2008	
	High	Low	High	Low
1st Qtr	6.80	5.26	8.58	7.18
2nd Qtr	6.36	4.85	8.44	5.85
3rd Qtr	5.68	3.13	7.28	5.30
4th Qtr	4.47	3.11	6.59	5.19

The number of shareholders of record of EDC's common stock at May 8, 2009 was 725.

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We paid two \$0.40 per share dividends during fiscal year 2009 on May 19, 2008 and December 19, 2008 and a \$0.22 per share annual dividend during fiscal year 2008. We paid a \$0.40 per share annual dividend on May 15, 2009 to shareholders of record as of May 8, 2009.

The following table shows repurchases of our Common Stock which we made during the fourth quarter of fiscal year 2009.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total # of Shares	Average Price	Total # of Shares Purchased as Part of Publicly	Maximum # of Shares that May be Repurchased
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