

EDUCATIONAL DEVELOPMENT CORPORATION

DIRECTOR INDEPENDENCE STANDARDS (Adopted September 1, 2004)

Director independence

An "independent" director is a director whom the Board of Directors has determined has no material relationship with the Company, either directly, or as a partner, stockholder or officer of an organization that has a relationship with the Company.

A relationship is "material" if, in the judgment of the Board of Directors, the relationship would interfere with the exercise of the director's independent judgment. The Board of Directors has established standards for determining when a relationship between a director (or an organization with which a director is associated) and the Company is sufficiently material that it would be viewed as interfering with the director's independent judgment. In determining whether a particular relationship would be viewed as interfering with a director's independent judgment, the Board applies the standards set forth below. Under these standards:

- A director is presumed not to be independent if the director, or a member of the director's immediate family, receives more than \$100,000 per year in direct compensation from the Company, other than Board fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), until three years after the director or the director's immediate family member ceases to receive more than \$100,000 per year in direct compensation from the Company. Compensation received by an immediate family member for service as a non-executive employee of the Company is not counted for purposes of this standard.
- A director is presumed not to be independent if the director is an executive officer or an employee, or has an immediate family member who is an executive officer, of another company that makes payments to, or receives payment from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of the other company's consolidated gross annual revenues, until three years after the amount of any such payments falls below the relevant numerical threshold.
- A director is presumed not to be independent if the director or an immediate family member of the director is an executive officer of a company which is indebted to the Company, or to which the Company is indebted, and the total amount of either company's indebtedness to the other is at least 2% of the total consolidated assets of such company as of the last completed fiscal year.
- A director who is an employee, or whose immediate family member is an executive officer, of the Company is not independent until three years after the end of the employment relationship.
- A director is not independent if the director is affiliated with or employed by, or a member of the director's immediate family is affiliated with or employed in a professional capacity by, the Company' present or former outside auditor until three years after the end of the affiliation or the employment or auditing relationship.
- A director is not independent if the director is employed, or has an immediate family member who is employed, as an executive officer of another company where any of the Company' present executive officers serve on the compensation committee until three years after the end of the compensation committee service or the employment relationship.

An "immediate family" member includes a director's spouse, parents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than a domestic employee) who shares the director's home.

The Nominating and Corporate Governance Committee is responsible for assessing compliance with these standards on an annual basis. Any director who does not meet these standards will be referred to the Board, and the Board will review the relationship or transaction that prevents such director from meeting these standards and make a determination of whether such relationship or transaction is a material relationship.