2016 ANNUAL REPORT

Educational Development Corporation

Financial Highlights
Fiscal Years ended February 29 (28)

Financial Information	2016	2015
Net revenues	$ 63,618,300	$ 32,548,300
Earnings before income taxes	$ 3,545,900	$ 1,402,500
Net earnings	$ 2,119,300	$ 859,200

Business Segments		
Net Revenues		
EDC Publishing	$ 10,831,400	$ 11,532,500
Usborne Books & More	$ 52,786,900	$ 21,015,800
Total	$ 63,618,300	$ 32,548,300
Earnings per share:		
Basic and Diluted	$ 0.52	$ 0.21
Capital expenditures	$ 24,911,600	$ 325,000
Total assets	$ 49,695,000	$ 18,013,200
Shareholders' equity	$ 13,229,500	$ 12,328,300

Common Stock		
Shares outstanding at year end	4,064,610	4,024,539
Cash dividends paid	$ 0.34	$ 0.32
Book value at year end	$ 3.25	$ 3.06
Market price range:		
High Close	$ 16.97	$ 5.80
Low Close	$ 3.97	$ 3.57
Market price at year end	$ 11.34	$ 4.31

Letter From The President

Dear Shareholders,

Fiscal Year 2016 has been a record-breaking one for EDC in many respects with net revenues increasing by 95%. This incredible growth necessitated that we find larger warehouse and office space ideally in one location. A thorough local search resulted in the purchase of the 401,000 sq. ft. Hilti complex in Tulsa in December of 2015. With Hilti leasing a portion of the building back from us for the next 15 years, the transaction was a win-win both operationally and financially. The purchase increased our warehouse space by 100%, which is already jam-packed with inventory. Sales are so strong in fact that we are using our old premises for additional storage.

In order to accommodate the increase in orders, we have made significant upgrades in our new warehouse to utilize the latest technology such as adding two new pick lines, a new, more efficient distribution system and updated software. We have also added new administrative positions to assist with the increased workload.

Several factors have attributed to our exponential growth. The decision to discontinue sales to Amazon in 2012 bolstered the confidence of our dedicated direct sales force to the extent that they are recruiting and promoting in record numbers. During June of 2015 we had 7,000 active sales consultants and currently we have over 21,000. If current trends continue, we will have nearly 50,000 by year end. Heather Cobb, Vice President of Usborne Books & More and her staff have created amazing incentives that have inspired new and seasoned Consultants to meet higher sales goals. Branding has made our incredible products even more appealing and recognizable to customers. Operational improvements and lower shipping rates have increased both our efficiency and our profit margin.

The Publishing Division, which sells to retail outlets, experienced a 6% decline in net revenues compared to a national industry-wide decline of 3%. This decline was primarily due to delayed shipments caused by the heavy influx of orders from the Direct Sales Division.

Above all, we offer award-winning products with an important role to play in shaping the future. Early literacy is the foundation stone for learning, and even in our digital culture there is no substitute for reading a book with a child. Today's readers are tomorrow's leaders, and everyone who sells, buys or invests with us is making an investment in the future.

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

2016

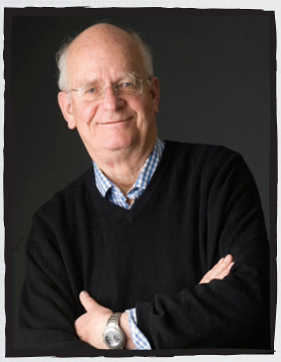
DISTRIBUTES

Educational Development Corporation

OWNS

Tulsa, OK
CEO: Randall White

USBORNE



London, UK
CEO: Peter Usborne

Kane Miller
EDC PUBLISHING

San Diego, CA
Publisher: Kira Lynn

SALES

USBORNE
BOOKS & MORE

Tulsa, OK
VP: Heather Cobb

Sells to:
Individuals
Schools
Libraries

EDC Publishing

Sells to:
Retail Stores

Tulsa, OK
VP: Jeanie Crone

About EDC

Educational Development Corporation (EDC) is a publishing company specializing in books for children. EDC is the sole American distributor of the UK-based Usborne Books and owns Kane Miller Books, which publishes children's literature from around the world. EDC's current catalog contains over 1,800 titles, with new additions semi-annually. Both Usborne and Kane Miller products are sold via 5,000 retail outlets and by over 21,000 direct sales consultants nationally.

EDC History

1965 EDC founded to develop supplemental curriculum material for schools

1978 EDC acquires the rights to publish Usborne books in North America

1983 Randall White joins company as Controller

1986 Randall White named company CEO

1989 EDC launches the Direct Sales Division, focusing exclusively on Usborne books

1997 Direct Sales Division holds first annual convention in Tulsa

2008 EDC acquires Kane Miller, renames the Direct Sales Division "Usborne Books & More" (UBAM)

2010 Jeanie Crone named Vice President of the Publishing Division

2011 EDC hires Heather Cobb as UBAM National Sales Manager

2012 EDC President & CEO Randall White makes the decision to stop selling through Amazon

2014 EDC promotes Heather Cobb to Vice President of UBAM

2015 EDC purchases Hilti complex in Tulsa

Usborne Books

Usborne Publishing was created in 1973 and is now the leading UK independent publishing company. Founder Peter Usborne pioneered a new generation of vividly illustrated books created with the assumption that children are intelligent and deserve compelling books that are visually and intellectually stimulating. This vision has been extended to incorporate over 2,000 titles for children of every age, from infants to teenagers, in a variety of topics and formats. Usborne books are currently published globally in over 100 languages.

Kane Miller Books

For over 25 years, Kane Miller has been publishing award-winning children's books from around the world. Kane Miller books transport the reader to places that are simultaneously different and familiar. Kane Miller titles foster global awareness, good citizenship, appreciation for diversity, kindness and perseverance. Like Usborne, Kane Miller offers books in a variety of formats for every age from babies to adults.

Industry Awards

2015

Usborne Publishing named UK Private Business of the Year

2014

Usborne Publishing named Independent Publisher of the Year and Children's Publisher of the Year by the UK's Independent Publisher's Guild (IPG)

News from Our Two Sales Divisions

Usborne Books & More (UBAM) Division

Usborne Books & More is EDC's Direct Sales Division, representing **83%** of EDC net revenues for FY2016. This has been a record-breaking year, with net revenues up **over 150%** from FY2015, totaling $52,786,900.

FY2016 Key Performance Indicators:

- New Consultants: 11,800 ↑151%
- New Team Leaders: 713 ↑287.5%
- Incentive Trip Earners: 322 ↑175%
- Leadership Training Attendance: 450 ↑80%
- Convention Registration: 1,248 ↑86%

EDC Publishing (Retail) Division

Our Publishing Division, also known as the Retail Division, sells to large national chains and independent retailers nationwide.

FY2016 Key Performance Indicators:

- The retail business has traditionally been very lucrative for EDC Publishing, especially in the Toy and Gift sectors, which has been enjoying growth of 5% per year.
- Net revenues for FY2016 were $10,831,400, a decrease of 6% from FY2015. Net revenues in the Publishing Division decreased in FY2016 due to a shift in business between the two divisions of the corporation.
- The Publishing Division's remaining wholesale business has been discontinued in order to allow the UBAM Division's Educational Consultants to pursue school and library business without direct competition from wholesalers.
- The Publishing Division will henceforward operate solely as a supplier to retail businesses and will no longer supply wholesale accounts. Focus will be placed on continuing to grow this sector in the future, both by increasing business in current accounts, as well as prospecting new customers.
- Successful marketing efforts will continue, including print advertising and presence at prominent national trade shows such as Toy Fair, New York NOW, San Francisco Gift Show, Los Angeles Gift Show, Atlanta Gift Show, Las Vegas Gift Show, ASTRA and the Museum Store Association Show.

Stock Prices & Dividends Paid

STOCK PRICES AND DIVIDENDS PAID

Fiscal Year	Stock Prices		Cash Dividend Paid
	High	Low	
2016	$ 16.97	$ 3.97	$ 0.34
2015	$ 5.80	$ 3.57	$ 0.32
2014	$ 3.95	$ 2.49	$ 0.32
2013	$ 5.00	$ 3.79	$ 0.44
2012	$ 6.90	$ 3.80	$ 0.48
2011	$ 7.00	$ 5.15	$ 0.54

Operations

EDC has installed new software, two new pick lines and over half a mile of conveyor to support the order fulfillment process.

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 29, 2016

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: 000-04957

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.)
5402 South 122nd East Avenue, Tulsa, Oklahoma	**74146**
(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 outstanding shares of common stock held by non-affiliates of the registrant at the price at which the common stock was last sold on August 31, 2015, on the NASDAQ Stock Market, LLC was $24,498,500.

As of May 26, 2016, 4,069,669 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for fiscal year 2016 relating to our Annual Meeting of Shareholders to be held on July 19, 2016 are incorporated by reference into Part III of this Report on Form 10-K.

TABLE OF CONTENTS

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. 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, in the State of Delaware. Our fiscal years end on February 29(28).

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

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

(b) Financial Information about Industry Segments

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

- Home Business Division ("Usborne Books & More" or "UBAM") - This division distributes books nationwide through independent consultants, who hold book showings in individual homes, through social media, book fairs, direct sales and internet sales. The UBAM consultants also distribute these titles to school and public libraries.

- Publishing Division ("EDC 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

	2016	2015
UBAM	83%	65%
Publishing	17%	35%
Total net 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 2,000 different titles. Many are interactive in nature, including our Touchy-Feely board 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 19,600 consultants in 50 states at February 29, 2016.

EDC Publishing markets through commissioned trade representatives who call on book, toy, and specialty stores along with other retail outlets. We also do in-house marketing by telephone to these customers and potential customers. This division markets to approximately 5,000 book, toy and specialty stores. Significant orders, totaling 22% of the Publishing division’s net 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

While we have the exclusive U.S. rights to sell Usborne Books, we face competition for UBAM from several other larger direct selling companies - for sales and consultants. Our school and library market faces competition from Scholastic Books for the book fair market.

EDC Publishing faces competition from large U.S. and international publishing companies.

Employees

As of April 1, 2016, 150 full-time employees worked at our Tulsa and San Diego facilities; almost 60% of those are in the 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 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 5402 S 122nd E Ave, Tulsa, Oklahoma. This facility is owned by us and contains approximately 400,000 square feet of office and warehouse space, of which 219,000 is utilized by us and 181,000 is occupied by a third-party tenant. All product distributions are made from this 170,000 square foot warehouse using multiple flow-rack systems, known as “the lines,” to expedite order fulfillment, packaging, and shipment. A facility located at 10302 E. 55th Pl., Tulsa, Oklahoma is also owned by us and contains approximately 95,000 square feet of warehouse space which is used to store our overflow inventory, along with approximately 10,000 square feet of office space that is currently vacant. We also lease a small office in San Diego, California which houses Kane Miller Book Publishers. We believe that our operating facilities meet both present and future capacity needs.

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 NASDAQ (symbol--EDUC). The high and low quarterly common stock quotations for fiscal years 2016 and 2015, as reported by the NASDAQ, were as follows:

	2016		2015	
Period	**High**	**Low**	**High**	**Low**
1st Qtr	5.00	3.97	3.92	3.57
2nd Qtr	6.05	4.58	4.95	3.71
3rd Qtr	14.27	6.30	4.88	4.04
4th Qtr	16.97	8.98	5.80	4.12

The number of shareholders of record of EDC's common stock at February 29, 2016 was 576.

During fiscal year 2016, we paid quarterly dividends totaling $0.35 per share as follows: $0.08 per share dividend on March 20, 2015, $0.09 per share dividend on June 19, 2015, $0.09 per share dividend on September 18, 2015, and $0.09 per share dividend on December 18, 2015. An additional $0.09 per share dividend was declared on February 26, 2016 and was paid during fiscal year 2017 on March 18, 2016.

We had no repurchases of our common stock during the fourth quarter of fiscal year 2016 and a maximum number of shares that may be repurchased totaling 303,152.

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, 2015	-	-	-	303,152
January 1 - 31, 2016	-	-	-	303,152
February 1 - 29, 2016	-	-	-	303,152
Total	-	$ -	-	

(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

Management's discussion and analysis 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 29(28).

Management Summary

Educational Development Corporation is the sole distributor in the United States of the Usborne line of children's books and is the owner of Kane Miller Book Publishers. We operate two separate divisions, EDC Publishing and Usborne Books & 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. EDC Publishing markets its products on a wholesale basis to various retail accounts. UBAM markets its products to individual consumers as well as to school and public libraries through direct-selling consultants.

Publishing Division

EDC Publishing 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 chain customers.

Publishing Division Net Revenues by Market Type

	FY 2016	FY 2015
National chain stores	22%	26%
All other	78%	74%
Total net revenues	100%	100%

EDC Publishing 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.

EDC Publishing'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 2016	FY 2015
Net Revenues	$ 10,831,400	$ 11,532,500

Publishing division's net revenues decreased $701,100 in fiscal year 2016 from fiscal year 2015, or 6.1%. Net revenues were up 5.0% for smaller retail stores and down 14.4% for national chain stores.

Usborne Books & More ("UBAM") Division

UBAM 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 internet sales, home shows, book fairs and contracts with school and public libraries. This past fiscal year continued a significant shift toward online home shows via social media outlets, such as Facebook.

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 (defined as those with sales during the past six months) recruit new sales consultants. UBAM makes it easy to recruit by providing signing kits for which new consultants can earn partial or full reimbursement based on established sales criteria. UBAM provides an extensive handbook that is a valuable tool in explaining the various programs to the new recruit.

Consultants During Year

	FY 2016	FY 2015
New Sales Representatives	18,000	6,500
Active Sales Representatives End of Fiscal Year	19,600	7,800

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 is 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 downline groups. 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.

During fiscal year 2016, a significant shift, which began during the prior fiscal year, continued in our home party sales model from our traditional, in-person home parties. With the increased use of social media, online venues such as Facebook, have become a popular outlet for these events. This allows customers to ‘attend’ online from any location. While we had marked growth in both home party net revenues, after commissions, and in internet net revenues, after commissions, this shift is most evident in the proportion of internet and home show orders to the total net revenues, after commissions.

Net Revenues, after Commissions, for UBAM Division

	FY 2016	FY 2015
Net Revenues	$ 52,786,900	$ 21,015,800
Less commissions	(17,710,800)	(6,491,500)
Net Revenues, after commissions	$ 35,076,100	$ 14,524,300

Percent of Net Revenues, after Commissions, by UBAM Marketing Program

	FY 2016	FY 2015
Internet	54%	23%
School & Library	20%	41%
Home Shows	12%	25%
Fund Raisers	2%	2%
Transportation Revenues	12%	9%
Totals	100%	100%

Number of Orders by UBAM Marketing Program

	FY 2016	FY 2015
Internet	561,000	91,700
School & Library	21,400	14,000
Home Shows	98,800	30,200
Fund Raisers	1,300	1,000
	682,500	136,900

This increase in net revenues, after commissions, resulted from increases in the following:

- 598% in internet sales
- 50% in school and library sales
- 42% in home party sales
- 135% in fundraiser sales

The increase in net revenues, after commissions, is greatly attributed to a 151% increase in the number of active consultants at the end of fiscal year 2016.

The increase in internet net revenues, after commissions, is attributed to 512% more orders placed during the period, along with a 15% increase in average order size. Customers order via the consultants' UBAM-hosted web sites, which have been customized to their own preferences. Orders are processed through a shopping cart and the consultant receives sales credit and commission on the sales. Much of the increase in internet sales resulted from the use of social media to host virtual parties, frequently referred to as "Facebook Parties" and from the increase in the number of sales consultants.

The school and library marketing program increase is attributed to a 53% increase in the number of orders, offset by the average order size decreased of 2% over the prior fiscal year. Much of this change is a result of the increase in the number of sales consultants.

School and library sales are made by 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 most of our titles. They are not available through school supply distribution companies.

This program includes book fairs which are held with an 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.

The increase in home party sales, including the discontinued category of "direct sales", after commissions, is attributed to a 227% increase in the total number of orders, offset by a 56% decrease in average order size. Much of this change is a result of the increase in the number of sales consultants. 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, including online orders. These online orders are reported as internet sales, which has resulted in smaller average home show order sizes. Customer specials are available for customers when they order a selected amount. Additionally, home shows provide an excellent opportunity for recruiting new consultants.

Our fund-raising program, *Cards for a Cause*, increased 135% in sales, after commissions, over the prior year. This resulted from a 30% increase in the number of orders and a 71% increase in the average size of these orders over the prior fiscal 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 increased 270% during fiscal year 2016. Transportation revenues are based on sales order size, with minimums per order depending on order type. This increase is partially due to the increase in the number of smaller orders for which a standard minimum is applied, along with a full year benefit of a 20% increase in that minimum which occurred halfway through fiscal year 2015.

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

(1-2) Liquidity and Capital Resources

EDC has a history of profitability and positive cash flow. Typically, our primary source of cash is generated from our operations. Outside of cash used in operating activities, generally our primary uses of cash are to pay down our outstanding bank credit facility loan balance, for capital expenditures, to pay dividends, and to acquire treasury stock. During fiscal year 2016, we utilized our bank credit facility to meet some cash requirements. At fiscal year end, our revolving bank credit facility loan balance was $3,331,800.

During fiscal year 2016, we experienced positive cash flow from our operations of $6,650,600. Cash flow resulted from the following:

· an increase in accounts payable, accrued salaries and commissions, and other current liabilities of $6,837,000,
· an increase in deferred revenue of $2,925,200
· net earnings of $2,119,300,
· the provision for doubtful accounts and sales returns of $1,239,600,
· an increase in net income tax payable/receivable of $739,500, and
· depreciation expense of $274,500.

Offset by:
· an increase in inventories of $6,048,600,
· an increase in prepaid expenses and other assets of $672,500,
· an increase in accounts receivable of $676,200,
· provision for inventory valuation allowance of $68,100, and
· deferred income tax benefit of $19,100.

The significant increase in accounts payable, accrued salaries and commissions, and other current liabilities is primarily a result of the current payments owed to our suppliers for our increased inventory stock required to sustain our sales increase.

The increase in deferred revenue is primarily a result of orders received for the UBAM division, but not shipped by the end of fiscal year 2016.

Cash used in investing activities was $24,911,600 for capital expenditures. On December 1, 2015, we closed on a new facility which has allowed us to expand to accommodate our growth over the past year.

Our capital expenditures included:

· Purchase of new facility of $23,213,600
· Warehouse rack system for new facility of $1,074,000
· Additional investment in accounting and UBAM software systems of $410,400
· Warehouse equipment of $95,400
· Other improvements to new facility of $94,800

Cash provided by financing activities was $19,060,800, which was primarily due to $18,400,000 in long-term debt related to the purchase of our new facility, offset by long-term debt payments of $97,200. Also, $4,881,800 in borrowings were provided under our revolving credit agreement, offset by $2,950,000 in payments against this agreement. Additionally, $202,500 was provided from the sale of treasury stock, offset by $1,600 paid to acquire treasury stock. Cash was also used for dividend payments of $1,374,700.

In September 2002, the Board of Directors authorized a minimum annual cash dividend of 20% of net earnings. In fiscal years 2016 and 2015, we declared dividends equal to 67% and 149%, respectively, of net income after taxes.

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. When 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 shareholders 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 2016	FY 2015
Net revenues	100.0%	100.0%
Cost of sales	32.2%	39.2%
Gross margin	67.8%	60.8%
Operating expenses:		
Operating and selling	30.5%	29.2%
Sales commissions	28.4%	21.0%
General and administrative	3.7%	6.3%
Total operating expenses	62.6%	56.5%
Other income, net	0.4%	0.0%
Earnings before income taxes	5.6%	4.3%
Income taxes	2.3%	1.7%
Net earnings	3.3%	2.6%

Fiscal Year 2016 Compared with Fiscal Year 2015

The following presents an overview of our results of operations for years ended February 29, 2016 and February 28, 2015. We had earnings before income taxes of $3,545,900 for fiscal year 2016 compared with $1,402,500 for fiscal year 2015.

Revenues

	FY 2016	FY 2015	$ Change
Gross sales	$ 80,319,400	$ 48,345,400	$ 31,974,000
Less discounts & allowances	(22,061,500)	(17,273,100)	(4,788,400)
Transportation revenue	5,360,400	1,476,000	3,884,400
Net revenues	$ 63,618,300	$ 32,548,300	$ 31,070,000

UBAM's gross sales increased 138.0% or $33,274,800 during fiscal year 2016 to $57,385,300 when compared with fiscal year 2015. This increase is attributable to a 151% increase in the number of independent sales consultants, with resulting increases in all types of sales, including internet, school and library/book fair, home parties, and fund raisers. The overall number of orders was up 398% due to increases in internet, home show, school and library, and fund raiser orders. Average sales per order for this division were down 48%, primarily due to a shift from larger home party orders to multiple individual online orders per internet-based party.

EDC Publishing's gross sales decreased 5.4% or $1,300,800 during fiscal year 2016 when compared with fiscal year 2015. Sales increased by 5.0% to smaller retail stores and decreased by 14.4% to national chain stores.

UBAM's discounts and allowances were $9,927,900 in fiscal year 2016 and $4,533,600 in fiscal year 2015. Most sales by UBAM are at retail. As a part of UBAM'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. UBAM's discounts and allowances were 17.3% of UBAM's gross sales in fiscal year 2016 and 18.8% in fiscal year 2015.

EDC Publishing'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 $12,133,600 in fiscal year 2016 and $12,739,500 in fiscal year 2015. To be competitive with other wholesale book distributors, EDC Publishing 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. EDC Publishing's discounts and allowances were 52.9% of their gross sales in fiscal year 2016 and 52.6% in fiscal year 2015.

Transportation revenues increased $3,884,400 or 263.2% in fiscal year 2016, due primarily to the increase in UBAM gross sales during the year and the shift in sales to more, smaller internet-based orders, which each are subject to a flat minimum shipping charge. Also, we realized the benefit of a full year with a 20% increase in the minimum shipping charge made during fiscal year 2015.

Expenses

	FY 2016	FY 2015	$ Change
Cost of sales	$ 20,494,200	$ 12,763,900	$ 7,730,300
Operating and selling	19,419,400	9,515,400	9,904,000
Sales commissions	18,062,800	6,842,700	11,220,100
General and administrative	2,328,500	2,039,900	288,600
Total	$ 60,304,900	$ 31,161,900	$ 29,143,000

Cost of sales increased 60.6% in fiscal year 2016 when compared with fiscal year 2015. Our cost of products is 22% to 28% of the gross sales price, depending upon the product. The percentage change in gross sales to the percentage change in cost of sales, depends largely on the mix of products sold. Approximately 67% 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), along with royalties accrued for sales of Kane Miller titles for which we have royalty payment contracts. The costs of our distribution network are not included in our cost of sales, but rather in our operating and selling expenses.

Operating and selling expenses include purchasing and receiving, inspection, warehousing, and other costs of our distribution network. These costs totaled $2,865,700 in fiscal year 2016 and $1,259,500 in fiscal year 2015. In addition to costs associated with our distribution network (noted above), operating and selling costs include expenses of the Publishing and UBAM divisions, along with the order entry and customer service functions. Operating and selling expenses as a percentage of gross sales were 24.2% for fiscal year 2016 and 19.7% for fiscal year 2015.

Sales commissions for EDC Publishing increased $800 for the fiscal year ended 2016. 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 3.2% for fiscal year 2016 and 3.0% for fiscal year 2015.

Sales commissions for UBAM increased $11,219,300. UBAM division sales commissions are paid based on the retail price of non-promotional products sold and were 30.9% of UBAM gross sales for fiscal year 2016 and 26.9% for fiscal year 2015. The fluctuation in the percentages of commission expense to gross sales is the result of the type of sale. Internet sales, home shows, book fairs, school and library sales and fundraiser sales have different commission rates. Also, another factor contributing to the fluctuations in the percentages is the payment of overrides and bonuses, both dependent on consultants' monthly sales and downline sales. The increase in sales commissions is the result of higher 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 2.9% for fiscal year 2016 and 4.2% for fiscal year 2015.

The tax provision for fiscal year 2016 was $1,426,600. The effective rate for fiscal year 2016 was 40.2% and for fiscal year 2015 was 38.7%. Our effective tax rate is higher than the Federal statutory rate due to an IRS audit settlement for $67,800 of our 2012 tax year, state income and franchise 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 uncollectible 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. UBAM's sales are paid at the time the product is ordered. These sales accounted for 83% and 65% of net revenues in fiscal years 2016 and 2015, respectively.

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 represents the amount billed to the customer for shipping the product and is recorded when the product is shipped. Management has estimated and included a reserve for sales returns of $100,000 for the years ended February 29, 2016 and February 28, 2015.

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 uncollectible 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 an allowance for doubtful accounts of $401,900 and $234,500 as of February 29, 2016 and February 28, 2015, respectively.

Inventory

Management continually estimates and calculates the amount of noncurrent inventory. The inventory arises due to occasional purchases of book inventory in quantities in excess of what will be sold within the normal operating cycle due to minimum order requirements of our primary supplier. Noncurrent inventory was estimated by management using the current year turnover ratio by title. All inventory in excess of 2 ½ years of anticipated sales was classified as noncurrent inventory. Noncurrent inventory balances prior to valuation allowances were $469,000 and $718,900 at February 29, 2016 and February 28, 2015, 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 $325,000 and $393,100 as of February 29, 2016 and 2015, respectively.

Our product line contains approximately 2,000 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 ½ years represents a reasonable estimate of the normal operating cycle for our products.

New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") periodically issues new accounting standards in a continuing effort to improve standards of financial accounting and reporting. We have reviewed the recently issued pronouncements and concluded that the following recently issued accounting standards apply to us.

In May 2014, FASB issued ASU No. 2014-09, and amended with ASU No. 2015-14 "Revenue from Contracts with Customers," which provides a single revenue recognition model which is intended to improve comparability over a range of industries, companies and geographical boundaries and will also result in enhanced disclosures. The changes are effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, which means the first quarter of our fiscal year 2019. We are currently reviewing the ASU and assessing the potential impact on our financial statements.

In August 2015, FASB issued ASU No. 2015-15 "Interest—Imputation of Interest," which modifies the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. These changes allow an entity to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The changes are effective for financial statements issued for annual periods beginning after December 15, 2015, and interim periods within those annual periods, which means the first quarter of our fiscal year 2017.We are currently reviewing the ASU and assessing the potential impact on our financial statements.

In November 2015, FASB issued ASU No. 2015-17, which is intended to improve how deferred taxes are classified on organizations' balance sheets by eliminating the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will now be required to classify all deferred tax assets and liabilities as noncurrent. The changes are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods, which means the first quarter of our fiscal year 2018. We anticipate this ASU having minimal impact on our financial statements.

In February 2016, FASB issued ASU No. 2016-02, "Leases," which is intended to establish a comprehensive new lease accounting model. The new standard clarifies the definition of a lease, requires a dual approach to lease classification similar to current lease classifications, and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset. The new standard is effective for interim and annual periods beginning after December 15, 2018, which means the first quarter of our fiscal year 2020. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements. We are currently reviewing the ASU and evaluating the potential impact on our financial statements.

In March 2016, FASB issued ASU No. 2016-09, "Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting," which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new standard is effective for interim and annual periods beginning after December 15, 2016, which means the first quarter of our fiscal year 2018. We are currently reviewing the ASU and evaluating the potential impact on our financial statements.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None

Item 9A. 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 29, 2016. 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 in 1992. 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 29, 2016. The original framework was updated with the issuance of the 2013 Internal Control – Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Commission. Our management has not yet implemented the 2013 Framework, but does not deem it impacting our effective assessment conclusion.

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 19, 2016.

(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 19, 2016.

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 19, 2016.

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 19, 2016.

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 19, 2016.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

1. Financial Statements

	Page
Report of Independent Registered Public Accounting Firm	21
Balance Sheets as of February 29, 2016 and February 28, 2015	22
Statements of Earnings for the Years ended February 29, 2016 and February 28, 2015	23
Statements of Shareholders' Equity for the Years ended February 29, 2016 and February 28, 2015	24
Statements of Cash Flows for the Years ended February 29, 2016 and February 28, 2015	25
Notes to Financial Statements	26-35

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 us 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	Eleventh Amendment dated June 30, 2009 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
10.10	Twelfth Amendment dated June 30, 2010 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
10.11	Thirteenth Amendment dated June 30, 2011 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
10.12	Fourteenth Amendment dated June 30, 2012 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
10.13	Fifteenth Amendment dated June 30, 2013 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
10.14	Sixteenth Amendment dated June 30, 2014 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
10.15	Seventeenth Amendment dated September 19, 2014 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
10.16	Eighteenth Amendment dated June 30, 2015 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
10.17	Nineteenth Amendment dated July 7, 2015 to Restated Loan Agreement between the Company and Arvest Bank, Tulsa, OK.
10.18	Loan Agreement dated December 1, 2015 by and between the Company and MidFirst Bank, Tulsa, OK.

10.19	Purchase and Sale Agreement dated October 1, 2015 by and between the Company and Hilti, Inc., Tulsa, OK.
10.20	Lease Agreement dated December 1, 2015 by and between the Company and Hilti, Inc., Tulsa, OK.
10.21	First Amendment Loan Agreement dated March 10, 2016 by and between the Company and MidFirst Bank, Tulsa, OK.
*23.1	Consent of Independent Registered Public Accounting Firm.
*31.1	Certification of the Chief Executive Officer of Educational Development Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of the Controller and Corporate Secretary (Principal Financial and Accounting Officer) of Educational Development Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Filed Herewith

SIGNATURES

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

Date: May 26, 2016 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 26, 2016	/s/ Randall W. White Randall W. White Chairman of the Board President, Treasurer and Director
	May 26, 2016	/s/ John A. Clerico John A. Clerico, Director
	May 26, 2016	/s/ Ronald McDaniel Ronald McDaniel, Director
	May 26, 2016	/s/ Kara Gae Neal Kara Gae Neal, Director
	May 26, 2016	/s/ Betsy Rickert Betsy Rickert, Director
	May 26, 2016	/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
Educational Development Corporation

We have audited the accompanying balance sheets of Educational Development Corporation as of February 29, 2016 and February 28, 2015, 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 29, 2016 and February 28, 2015, 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 26, 2016

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

ASSETS	2016	2015
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,183,700	$ 383,900
Accounts receivable, less allowance for doubtful accounts and sales returns $501,900 (2016) and $334,500 (2015)	2,513,300	3,076,700
Inventories—Net	17,479,500	11,181,000
Prepaid expenses and other assets	1,028,100	374,200
Deferred income taxes	298,200	249,800
Total current assets	22,502,800	15,265,600
INVENTORIES—Net	169,000	350,800
PROPERTY, PLANT AND EQUIPMENT—Net	26,710,300	2,073,200
OTHER ASSETS	262,000	243,400
DEFERRED INCOME TAXES	50,900	80,200
TOTAL ASSETS	$ 49,695,000	$ 18,013,200
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 7,801,300	$ 2,237,700
Line of credit	3,331,800	1,400,000
Deferred revenues	2,925,200	-
Current maturities of long-term debt	615,400	-
Accrued salaries and commissions	1,202,500	618,100
Income taxes payable	803,100	63,600
Dividends payable	366,300	322,000
Other current liabilities	1,732,500	1,043,500
Total current liabilities	18,778,100	5,684,900
LONG-TERM DEBT—Net of current maturities	17,687,400	-
Total liabilities	36,465,500	5,684,900
COMMITMENTS (Note 7)		
SHAREHOLDERS' EQUITY:		
Common stock, $0.20 par value; Authorized 8,000,000 shares; Issued 6,041,040 shares; Outstanding 4,064,610 (2016) and 4,024,539 (2015) shares	1,208,200	1,208,200
Capital in excess of par value	8,548,000	8,548,000
Retained earnings	14,557,500	13,857,200
	24,313,700	23,613,400
Less treasury stock, at cost	(11,084,200)	(11,285,100)
Total shareholders' equity	13,229,500	12,328,300
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 49,695,000	$ 18,013,200

See notes to financial statements.

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

	2016	2015
GROSS SALES	$ 80,319,400	$ 48,345,400
Less discounts and allowances	(22,061,500)	(17,273,100)
Transportation revenue	5,360,400	1,476,000
NET REVENUES	63,618,300	32,548,300
COST OF SALES	20,494,200	12,763,900
Gross margin	43,124,100	19,784,400
OPERATING EXPENSES:		
Operating and selling	19,419,400	9,515,400
Sales commissions	18,062,800	6,842,700
General and administrative	2,328,500	2,039,900
Total operating expenses	39,810,700	18,398,000
INTEREST EXPENSE	244,900	54,000
OTHER INCOME	(477,400)	(70,100)
EARNINGS BEFORE INCOME TAXES	3,545,900	1,402,500
INCOME TAXES	1,426,600	543,300
NET EARNINGS	$ 2,119,300	$ 859,200
BASIC AND DILUTED EARNINGS PER SHARE:		
Basic	$ 0.52	$ 0.21
Diluted	$ 0.52	$ 0.21
WEIGHTED AVERAGE NUMBER OF COMMON AND EQUIVALENT SHARES OUTSTANDING:		
Basic	4,049,154	4,003,702
Diluted	4,051,678	4,003,702
Dividends per share	$ 0.35	$ 0.32

See notes to financial statements.

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

	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, 2014	6,041,040	$ 1,208,200	$ 8,548,000	$ 14,280,500	2,063,097	$(11,454,300)	$ 12,582,400
Purchases of treasury stock	-	-	-	-	1,339	(5,200)	(5,200)
Sales of treasury stock	-	-	-	-	(47,935)	174,400	174,400
Dividends declared ($0.08/share)	-	-	-	(322,000)	-	-	(322,000)
Dividends paid ($0.24/share)	-	-	-	(960,500)	-	-	(960,500)
Net earnings	-	-	-	859,200	-	-	859,200
BALANCE—February 28, 2015	6,041,040	$ 1,208,200	$ 8,548,000	$ 13,857,200	2,016,501	$(11,285,100)	$ 12,328,300
Purchases of treasury stock	-	-	-	-	163	(1,600)	(1,600)
Sales of treasury stock	-	-	-	-	(40,234)	202,500	202,500
Dividends declared ($0.09/share)	-	-	-	(366,300)	-	-	(366,300)
Dividends paid ($0.26/share)	-	-	-	(1,052,700)	-	-	(1,052,700)
Net earnings	-	-	-	2,119,300	-	-	2,119,300
BALANCE—February 29, 2016	6,041,040	$ 1,208,200	$ 8,548,000	$ 14,557,500	1,976,430	$(11,084,200)	$ 13,229,500

See notes to financial statements.

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 2,119,300	$ 859,200
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation	274,500	129,400
Deferred income taxes	(19,100)	700
Provision for doubtful accounts and sales returns	1,239,600	1,281,000
Provision for inventory valuation allowance	(68,100)	-
Changes in assets and liabilities:		
Accounts receivable	(676,200)	(1,356,900)
Inventories, net	(6,048,600)	(1,192,200)
Prepaid expenses and other assets	(672,500)	(88,000)
Accounts payable, accrued salaries and commissions, and other current liabilities	6,837,000	182,500
Deferred revenue	2,925,200	-
Income tax payable	739,500	(77,300)
Total adjustments	4,531,300	(1,120,800)
Net cash provided by (used in) operating activities	6,650,600	(261,600)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(24,911,600)	(325,000)
Net cash used in investing activities	(24,911,600)	(325,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments—long-term debt	(97,200)	-
Proceeds from long-term debt	18,400,000	-
Cash received from sale of treasury stock	202,500	174,400
Cash paid to acquire treasury stock	(1,600)	(5,200)
Borrowings under line of credit	4,881,800	4,550,000
Payments under line of credit	(2,950,000)	(3,150,000)
Dividends paid	(1,374,700)	(1,278,700)
Net cash provided by financing activities	19,060,800	290,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	799,800	(296,100)
CASH AND CASH EQUIVALENTS—BEGINNING OF YEAR	383,900	680,000
CASH AND CASH EQUIVALENTS—END OF YEAR	$ 1,183,700	$ 383,900
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 179,800	$ 54,000
Cash paid for income taxes	$ 706,400	$ 619,900

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business—Educational Development Corporation ("we", "our", "us", or "the Company") distributes books and publications through our EDC Publishing and Usborne Books & 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 Book 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 Usborne. Purchases from them were approximately $20.0 million and $12.2 million for the years ended February 29, 2016 and February 28, 2015, respectively. Total inventory purchases for those same periods were approximately $29.8 million and $15.3 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. Insurance coverage on our cash balances was limited to $250,000 and our 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. Cash and cash equivalents also include demand and time deposits, money market funds and other marketable securities with maturities of three months or less when acquired.

Accounts Receivable— Accounts receivable are uncollateralized customer obligations due under normal trade terms generally requiring payment within thirty days from the invoice date. Extended, seasonal dating is frequently available for orders of minimum quantities or amounts. 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 as income when received.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined using the first-in-first-out 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 29, 2016 and February 28, 2015.

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
Building improvements	10 – 15 years
Machinery, equipment	3 – 15 years
Furniture and fixtures	3 years

Capitalized projects that are not placed in service are recorded as in progress and are not depreciated until the related assets are placed in service.

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 that are "more likely than not" 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 ordered. These sales accounted for 83% of net revenues in fiscal year 2016 and 65% in fiscal year 2015. Sales which have been paid but not shipped are classified as deferred revenue on the balance sheet.

Allowances for estimated 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 29, 2016 and February 28, 2015.

Transportation revenue represents the amount billed to the customer for shipping the product and is recorded when the product is shipped.

Advertising Costs—Advertising costs are expensed as incurred. Advertising expenses, included in selling and operating expenses in the statements of earnings, were $531,500 and $367,300 for the years ended February 29, 2016 and February 28, 2015, 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 $8,655,600 and $3,719,300 for the years ended February 29, 2016 and February 28, 2015, respectively.

Interest Expense—Interest related to our outstanding debt is recognized as incurred. Interest expense, classified separately in the statements of earnings, were $244,900 and $54,000 for the years ended February 29, 2016 and February 28, 2015, respectively.

Earnings per Share—Basic earnings per share ("EPS") is computed by dividing net earnings 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 computation of weighted average common and common equivalent shares used in the calculation of basic and diluted earnings per share ("EPS") is shown below.

	Year Ended February 29(28),	
	2016	2015
Earnings Per Share:		
Net earnings applicable to common shareholders	$ 2,119,300	$ 859,200
Shares:		
Weighted average shares outstanding–basic	4,049,154	4,003,702
Assumed exercise of options	2,524	-
Weighted average shares outstanding–diluted	4,051,678	4,003,702
Diluted Earnings Per Share		
Basic	$ 0.52	$ 0.21
Diluted	$ 0.52	$ 0.21
Stock options not considered above because they were antidilutive	-	10,000

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 29, 2016 and February 28, 2015.

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 over the requisite service period, net of estimated forfeitures.

New Accounting Pronouncements— The Financial Accounting Standards Board ("FASB") periodically issues new accounting standards in a continuing effort to improve standards of financial accounting and reporting. We have reviewed the recently issued pronouncements and concluded that the following recently issued accounting standards apply to us.

In May 2014, FASB issued ASU No. 2014-09, and amended with ASU No. 2015-14 "Revenue from Contracts with Customers," which provides a single revenue recognition model which is intended to improve comparability over a range of industries, companies and geographical boundaries and will also result in enhanced disclosures. The changes are effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, which means the first quarter of our fiscal year 2019. We are currently reviewing the ASU and assessing the potential impact on our financial statements.

In August 2015, FASB issued ASU No. 2015-15 "Interest—Imputation of Interest," which modifies the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. These changes allow an entity to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The changes are effective for financial statements issued for annual periods beginning after December 15, 2015, and interim periods within those annual periods, which means the first quarter of our fiscal year 2017. We are currently reviewing the ASU and assessing the potential impact on our financial statements.

In November 2015, FASB issued ASU No. 2015-17, which is intended to improve how deferred taxes are classified on organizations' balance sheets by eliminating the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will now be required to classify all deferred tax assets and liabilities as noncurrent. The changes are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods, which means the first quarter of our fiscal year 2018. We anticipate this ASU having minimal impact on our financial statements.

In February 2016, FASB issued ASU No. 2016-02, "Leases," which is intended to establish a comprehensive new lease accounting model. The new standard clarifies the definition of a lease, requires a dual approach to lease classification similar to current lease classifications, and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset. The new standard is effective for interim and annual periods beginning after December 15, 2018, which means the first quarter of our fiscal year 2020. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements. We are currently reviewing the ASU and evaluating the potential impact on our financial statements.

In March 2016, FASB issued ASU No. 2016-09, "Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting," which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new standard is effective for interim and annual periods beginning after December 15, 2016, which means the first quarter of our fiscal year 2018.We are currently reviewing the ASU and evaluating the potential impact on our financial statements.

2. INVENTORIES

Inventories consist of the following:

	February 29(28),	
	2016	**2015**
Current:		
Book inventory	$ 17,504,500	$ 11,206,000
Inventory valuation allowance	(25,000)	(25,000)
Inventories net–current	$ 17,479,500	$ 11,181,000
Noncurrent:		
Book inventory	$ 469,000	$ 718,900
Inventory valuation allowance	(300,000)	(368,100)
Inventories net–noncurrent	$ 169,000	$ 350,800

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	February 29(28),	
	2016	**2015**
Land	$ 4,107,200	$ 250,000
Building	20,321,800	2,124,700
Building improvements	2,735,800	781,600
Machinery and equipment	2,190,300	1,706,400
Furniture and fixtures	85,700	75,700
System installations in progress	610,000	200,800
	30,050,800	5,139,200
Less accumulated depreciation	(3,340,500)	(3,066,000)
	$ 26,710,300	$ 2,073,200

On December 1, 2015, we completed the purchase of a new facility to provide larger office and warehouse capacity which will accommodate the future growth of our operations. The land, building and equipment associated with the facility were purchased for $23,213,000, which includes $327,000 of transaction costs. Refer to Note 7 and Note 8 for additional information.

4. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	February 29(28), 2016	2015
Accrued royalties	$ 578,200	$ 368,200
Accrued UBAM trip incentives	705,200	323,700
Interest payable	65,000	-
Sales tax payable	145,700	181,000
Other	238,400	170,600
	$ 1,732,500	$ 1,043,500

5. 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 29(28) are as follows:

	2016	2015
Current:		
Deferred tax assets:		
Allowance for doubtful accounts	$ 40,000	$ 41,100
Inventory overhead capitalization	131,000	86,900
Inventory valuation allowance	9,500	9,500
Allowance for sales returns	38,000	38,000
Accruals	79,700	74,300
Deferred tax assets-current	298,200	249,800
Noncurrent:		
Deferred tax assets:		
Inventory valuation allowance	$ 114,000	$ 143,300
Capital loss carryforward	163,600	163,600
Subtotal deferred tax assets	277,600	306,900
Less valuation allowance	(163,600)	(163,600)
Total net deferred tax assets	114,000	143,300
Deferred tax liabilities:		
Property, plant and equipment	(63,100)	(63,100)
Deferred tax liabilities	(63,100)	(63,100)
Net deferred tax asset-noncurrent	$ 50,900	$ 80,200

Management has assessed the evidence to estimate whether sufficient future capital gains will be generated to utilize the existing capital loss carryforward. As no current expectation of capital gains exists, Management has determined that a valuation allowance is necessary to reduce the carrying value of deferred tax assets as it is “more likely than not” that such assets are unrealizable.

The amount of the deferred tax asset considered realizable, however, could be adjusted if future capital gains are generated during the carryforward period which ends February 28, 2019. Management has determined that no valuation allowance is necessary to reduce the carrying value of other deferred tax assets as it is "more likely than not" that such assets are realizable.

The amount of the deferred tax liability related to property, plant and equipment could be adjusted if a scheduled future cost segregation analysis, expected to be completed by the end of the second fiscal quarter 2017, results in changes which affect this liability.

The components of income tax expense are as follows:

	February 29(28),	
	2016	**2015**
Current:		
Federal	$ 1,210,900	$ 439,200
State	234,800	103,400
	1,445,700	542,600
Deferred:		
Federal	(16,100)	600
State	(3,000)	100
	(19,100)	700
Total income tax expense	$ 1,426,600	$ 543,300

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

	February 29(28),	
	2016	**2015**
Tax expense at federal statutory rate	$ 1,205,600	$ 476,800
Federal income tax audit expense for 2012	67,900	-
State income tax–net of federal tax benefit	158,200	73,300
Other	(5,100)	(6,800)
Total income tax expense	$ 1,426,600	$ 543,300

We file our tax returns in the U.S. and certain state jurisdictions. We are no longer subject to income tax examinations by tax authorities for fiscal years before 2013.

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.

6. 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 $51,400 and $44,900 in the fiscal years ended February 29, 2016 and February 28, 2015, 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 40,121 net shares and 47,935 net shares in the fiscal years ended February 29, 2016 and February 28, 2015, respectively.

7. COMMITMENTS

In connection with the purchase of the facility, disclosed in Note 3, we entered into a 15-year lease with the seller, a non-related third party, who will lease 181,300 square feet, or 45.3% of the facility. The lease is being accounted for as an operating lease.

The cost of the leased space upon acquisition was estimated as $10,159,000, which was also the carrying cost as of February 29, 2016. The accumulated depreciation associated with the leased assets as of February 29, 2016, was $88,000. Both the leased assets and accumulated depreciation are included in property, plant and equipment-net classification in the balance sheet.

The lessee will pay $105,800 per month, with a 2.0% annual increase adjustment on the anniversary of the lease. The lease terms allow for one five-year extension, which is not a bargain renewal option, at the expiration of the 15-year term. Revenue associated with the lease is being recorded on a straight-line basis and is reported in Other Income on the statement of earnings.

The following table reflects future minimum rental income payments under the non-cancellable portion of this lease as of February 29, 2016:

Year ending February 28(29),		
2017	$	1,275,400
2018		1,301,000
2019		1,327,000
2020		1,353,500
2021		1,380,600
Thereafter		14,992,400
Total	$	21,629,900

At February 29, 2016, we had outstanding purchase commitments for inventory totaling approximately $18,143,200, which is due during fiscal year 2017. Of these commitments, $14,370,300 were with Usborne, $3,550,000 with various Kane Miller publishers and the remaining $223,000 with other suppliers.

Rent expense for the year ended February 29, 2016 was $26,100. As of February 29, 2016, we did not have any lease commitments in excess of one year.

8. DEBT

Debt consists of the following:

	February 29(28),			
	2016		2015	
Line of credit	$	3,331,800	$	1,400,000
Long-term debt	$	18,302,800	$	-
Less current maturities		(615,400)		-
Total	$	17,687,400	$	-

In connection with our purchase of the new facility, disclosed in Note 3, and effective December 1, 2015, we signed a Loan Agreement with MidFirst Bank (the Bank) including a Term Loan comprised of Tranche A of $13.4 million and Tranche B of $5.0 million both with the maturity date of December 1, 2025. The Loan Agreement also provides a $4.0 million revolving loan ("line of credit") through December 1, 2016. Available credit under the line of credit agreement was $668,200 as of February 29, 2016. Tranche A has a fixed interest rate of 4.23% and interest is payable monthly. For Tranche B and the line of credit, interest is payable monthly at the lesser of the maximum interest rate permitted under the Governing law, or the bank adjusted LIBOR Index plus 2.75% (3.18% at February 29, 2016). Subsequent to year end, we executed the First amendment to the loan agreement in March 2016, which increased the line of credit to $6.0 million.

The Loan 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 December 1, 2016, 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 Loan 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. For the year ended February 29, 2016, we had no letters of credit outstanding.

Effective November 18, 2015, we paid off and terminated our previous Credit and Security Agreement with Arvest Bank which provided a $4.0 million line of credit. We had $1.4 million in borrowings outstanding on the line of credit at February 28, 2015.

The following table reflects aggregate future maturities of long-term debt during the next five fiscal years and thereafter as follows:

Year ending February 28(29),		
2017	$	615,400
2018		641,800
2019		667,300
2020		693,800
2021		719,700
Thereafter		14,964,800
	$	18,302,800

9. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

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

Options granted under the 2002 Plan 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 29, 2016 expire in December 2019.

A summary of the status of our 2002 Plan as of February 29, 2016 and February 28, 2015, and changes during the years then ended is presented below:

	February 29(28),					
	2016			2015		
	Shares		Weighted Average Exercise Price	Shares		Weighted Average Exercise Price
Outstanding at Beginning of Year	10,000	$	5.25	11,000	$	5.68
Exercised	-		-	-		-
Expired	-		-	(1,000)		(10.00)
Outstanding at End of Year	10,000		5.25	10,000		5.25

At February 29, 2016, all options outstanding are exercisable with an aggregate intrinsic value of $60,900 and weighted-average remaining contractual terms of options outstanding of 3.8 years.

10. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended February 29, 2016 and February 28, 2015.

	Net Revenues	Gross Margin	Net Earnings	Basic Earnings Per Share	Diluted Earnings Per Share
2016					
First quarter	$ 9,637,800	$ 6,064,000	$ 324,600	$ 0.08	$ 0.08
Second quarter	12,606,800	8,029,400	644,400	0.16	0.16
Third quarter	24,424,200	17,038,000	1,258,500	0.31	0.31
Fourth quarter	16,949,500	11,992,700	(108,200)	(0.03)	(0.03)
Total year	$ 63,618,300	$ 43,124,100	$ 2,119,300	$ 0.52	$ 0.52
2015					
First quarter	$ 7,178,300	$ 4,334,800	$ 239,700	$ 0.06	$ 0.06
Second quarter	6,808,200	3,795,100	(3,900)	(0.00)	(0.00)
Third quarter	10,936,500	6,821,700	526,400	0.13	0.13
Fourth quarter	7,625,300	4,832,800	97,000	0.02	0.02
Total year	$ 32,548,300	$ 19,784,400	$ 859,200	$ 0.21	$ 0.21

11. BUSINESS SEGMENTS

We have two reportable segments: EDC Publishing and Usborne Books & 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.

- EDC Publishing 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 home shows, internet 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, other income 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 29, 2016 and February 28, 2015 is set forth below:

NET REVENUES

	2016	2015
Publishing	$ 10,831,400	$ 11,532,500
UBAM	52,786,900	21,015,800
Other	-	-
Total	$ 63,618,300	$ 32,548,300

EARNINGS (LOSS) BEFORE INCOME TAXES

	2016	2015
Publishing	$ 3,305,300	$ 3,452,800
UBAM	7,336,200	2,456,300
Other	(7,095,600)	(4,506,600)
Total	$ 3,545,900	$ 1,402,500

12. 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 2016, we purchased 163 shares of common stock at an average price of $9.82 per share totaling approximately $1,600. The maximum number of shares that may be repurchased in the future is 303,152.

13. 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 $3,331,800 and $1,400,000 at February 29, 2016 and February 28, 2015, respectively, the estimated fair value of our term note payable is estimated by management to approximate $18,078,300 at February 29, 2016 and $0 February 28, 2015, 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.

14. SUBSEQUENT EVENT

On March 18, 2016, we paid the previously declared $0.09 dividend per share to shareholders of record as of March 11, 2016.

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 26, 2016, appearing in this Annual Report on Form 10-K of Educational Development Corporation for the year ended February 29, 2016.

/s/ HoganTaylor LLP

Tulsa, Oklahoma
May 26, 2016

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 26, 2016

/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):

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 26, 2016

/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 29, 2016, 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 26, 2016 By /s/ Randall W. White
Randall W. White
President and Chief Executive Officer

Date: May 26, 2016 By /s/ Marilyn Pinney
Marilyn Pinney
Controller and Corporate Secretary
(Principal Financial and Accounting Officer)

DIRECTORS

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

Ronald T. McDaniel
Retired Vice President - 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 19, 2016, 10:00 a.m.
Educational Development Corporation
Executive Conference Room
5402 E.122nd East Avenue
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
5402 E.122nd East Avenue
Tulsa, Oklahoma, 74146

Transfer Agent
American Stock Transfer and Trust Company
New York, New York

Auditors
HoganTaylor LLP
Tulsa, Oklahoma

Corporate Offices
5402 E.122nd East Avenue
Tulsa, Oklahoma, 74146-2230
Phone (918) 622-4522
Fax (918) 665-7919
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Listed on NASDAQ

OUR MISSION

THE FUTURE OF OUR WORLD DEPENDS ON THE EDUCATION OF OUR CHILDREN. WE DELIVER 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.

Educational Development Corporation
Usborne & Kane Miller Books

5402 S. 122nd East Avenue • Tulsa, Oklahoma 74146-2230