Dear Stockholders and Friends,

Adversity can bring out the best of people. EDC's executive team came together, and as a unit, built a strategic plan for the New Millennium. This plan is taking EDC where we all want sales and profits to go and has sent a shock wave of excitement through the Company.

It all started with our vision for the future. We had a major shift in how we see the business. This is succinctly said in our new Mission Statement. Since developing and distributing our Mission Statement to our employees and our consultants, magical things have happened.

We have received overwhelming support and endorsement from our consultants. Many have taken the Mission Statement and added it to their sales presentations at the home parties. This dynamic vision has inspired many people to join the Usborne team, fulfilling this mission. Most importantly, sales have increased.

We are currently developing a sales and marketing campaign to integrate this Mission Statement into all sales presentations, collateral materials, public relations events and marketing campaigns. To say EDC is excited is an understatement. When you read and contemplate EDC's Mission Statement, you will be excited too! ***"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."***

Fiscal Year 2000 was the start of a new beginning at EDC. We have stopped a two-year decline in sales, with the year ending in sales increases for January, February, and the fiscal year. The momentum we have seen already in Fiscal 2001 shows that this trend is continuing. ***WE ARE BACK!!!***

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

Our efforts in fiscal year 2000 were focused on regaining sales growth. We initiated a host of new recruiting ideas to increase the Home Business Division's sales force. Our 8 in 8 recruiting contest last April and May reinforced the knowledge that the sales force is enthusiastic about growing their business. This was quickly followed up by an increase in regional training clinics, providing the new recruits with the tools they need to become successful. We have strengthened our emphasis on training even further, by bringing the supervisor's of the Home Business Division to the home office for an advanced leadership skills seminar to help build their business. We are very pleased with the initial results and feel this will be a springboard for sales growth.

In an effort to build sales, marketing and promotion expense for the Publishing Division, which sells to retail stores, was increased significantly during the past year. We increased our trade show representation as well as in store promotions and allowances. While this does increase our overall costs, we feel the return will warrant the increased spending.

We continue to bring new products to expand our market share. In Fiscal Year 2000, we substantially increased the number of Spanish language books in our catalogs, and our June 2000 catalog has 12 additional new Spanish titles. June will also mark the launch of "Make Reading Fun!". This CD-ROM-based reading and phonics program is comprised of 12 interactive CD's and their companion books, which create a comprehensive program for early childhood. This program is very content rich and we expect a favorable reaction from the marketplace. Also in June we will launch a new program that will allow our sales consultants to generate sales on the Internet via their own personalized Web sites.

We recently announced a new product created for the Head First and Heads Up programs. It is a diagnostic and prescriptive program created to meet the requirements of the Head Start and Head First guidelines. We are very excited about the potential of this program.

It has been a very busy year at EDC. We are elated about the change in the sales trend, and are very optimistic about our future.

Cordially yours,

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

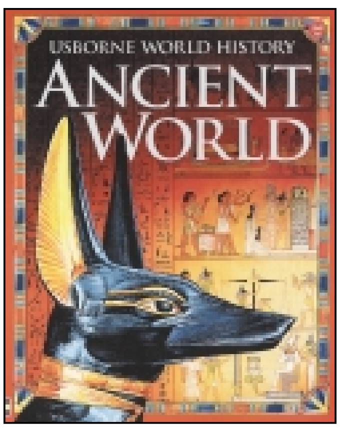
THE COMPANY

Educational Development Corporation, a Delaware corporation, was incorporated in 1965 to develop curriculum materials for schools. In 1978 the Publishing Division was created to distribute the Usborne line of children's books. The Home Business Division was started during 1989.

Educational Development Corporation is the exclusive United States trade publisher of a line of children's books produced in the United Kingdom by Usborne Publishing Limited. The Home Business Division distributes these books through independent sales consultants who hold book shows in individual homes and through book fairs and direct sales. This division also sells the books to school and public libraries. The Company's Publishing Division markets the books to retail book stores, toy stores, specialty stores and other retail outlets throughout the United States.

OUR PRODUCT LINE

USBORNE BOOKS



The principal product of the Company is a line of children's books produced in the United Kingdom by Usborne Publishing Limited. Usborne produces and distributes books in over 50 countries and in more than 50 languages. The Company is the United States trade publisher of these books and presently offers more than 1000 different titles.

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

The Company is always thrilled to receive recognition of our products. However, we are especially pleased to be identified by five new award programs. Various books and Kid Kits received awards from **The Children's Book Council, The Education Source, Informal Education Products, LifeWorks Magazine** and **Practical Homeschooling** magazine. In addition, the Company again received awards from **Teacher's Choice** and **Dr. Toy.**

USBORNE KID KITS

The Usborne Kid Kits are currently available in 61 different titles, with more in the planning stages. Each Kid Kit highlights an Usborne book by teaming it with specially selected age-appropriate items and/or toys which complement the information contained in the book, thereby reinforcing a child's overall learning experience. Kid Kits are available in a variety of themes including playtime, science, craft and hobby. They provide something for age groups from toddlers to teens. All Kid Kits are attractively packaged in a reusable vinyl bag with handle and Velcro closure.

CD-ROMS AND PUZZLES

The Company offers several different CD-ROMS, such as Puzzle Castle, Frog Prince, Noah's Ark, Counting Sticker Book, Letters Sticker Book, First Book of the Piano and Animated Children's Encyclopedia. Our product line also includes several jigsaw puzzles for children of all ages.

THE HOME BUSINESS DIVISION

Kathy Slemp
Vice President
Usborne Books at Home

The Company began the Home Business Division in March, 1989. This Division, operating as Usborne Books at Home, markets the entire Usborne product line through a network of independent sales consultants. These sales consultants sell through a combination of direct sales, home shows and book fairs. In July 1996, the Home Business Division began EDC Educational Services to enhance the marketing program to schools and libraries through the Division's independent sales consultants.

Usborne Books at Home was the first multilevel direct selling company in the United States to offer primarily nonfiction educational books for children. There are approximately 3,600 independent sales consultants selling our books in all fifty states. This Division has 181 exclusive titles. Consultants also market the rest of the Company's product line of books, Kid Kits, CD-ROMS and puzzles.

Usborne Books at Home will hold its Fourth National Convention in June 2000 in Tulsa, Oklahoma. This three-day event will offer training and motivational sessions for the consultants in attendance. It is a great opportunity for consultants to meet their peers and exchange ideas. The Home Business Division also participates in many training seminars held throughout the country and has also introduced a leadership skills program for supervisors. Usborne Books at Home has been featured in *Wealth Building Magazine* as one of the "142 Proven Direct Sales Firms." The Home Business Division has also been featured in "Better Parenting," a nationally aired television program.

THE PUBLISHING DIVISION

The Publishing Division began in 1978 when the Company became the United States publisher of the Usborne line of children's books. This Division currently markets its products through commissioned sales representatives, trade and specialty wholesalers as well as through our inside telesales team. Our inside sales team has been recognized as one of the most successful in the publishing industry. The Company produces a comprehensive product catalog twice a year.

The Publishing Division has approximately 12,000 retail accounts, which range from book, school supply and museum to toy and gift. Many of the Company's titles are carried by large retail chains as well as smaller independent stores.

The Publishing Division's net sales increased 2.1% in fiscal year 2000 compared with fiscal year 1999. Increased volumes and increased market penetration contributed to the increase in net sales. The Company has an aggressive in-house telephone sale force which maintains contact with over 12,000 customers. During fiscal year 2000 the telesales force opened 675 new accounts compared with 637 new accounts opened in fiscal year 1999.

National chains continue to dominate the bookstore market, resulting in fewer independent book stores. The closing of these independent bookstores, an important market to the Company, has a negative impact on sales. To counter this, the Company, in fiscal year 2000, restructured sales and marketing coverage on the national chains in order to increase market share. Independent toy retailers have also experienced increased competition from national chains, resulting in lower sales in this market segment.

The gift market has considerable potential for the Company and the Company continues to develop its presence in this segment of the book market. The Company attends many major national tradeshows throughout the country to further enhance product visibility.

Michael L. Puhl
Vice President - Operations

OPERATIONS

The Company's operations are located in Tulsa, Oklahoma. The Company leases approximately 9,000 square feet of office space and 71,000 square feet of adjoining warehouse space. On April 1, 2000 the Company had 62 full-time employees and 1 part-time employee.

Fiscal year 2000 continued to be a year of technological improvements. Our main focus was on the implementation of our Y2K improvements as well as Electronic Data Interchange with our Publishing Division customers. We also improved *OrderPro*, a software program developed internally for our Usborne Books At Home consultants. Through the use of a PC program, consultants are able to enter their orders and have them sent directly to our main frame computer. This has resulted in improved order throughput, reduced staffing requirements, as well as the elimination of errors due to human input.

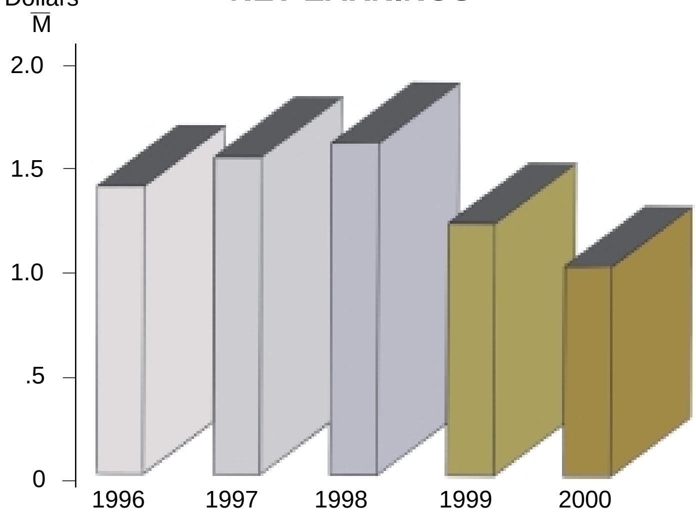
The Company continues to look towards the future and ways in which we can further develop in order to support future growth. With this in mind, we have recently added a help desk function to assist our consultants with computer-related problems they may have. Other improvements will continue to be assessed, with the goal to provide the best customer service in the industry.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

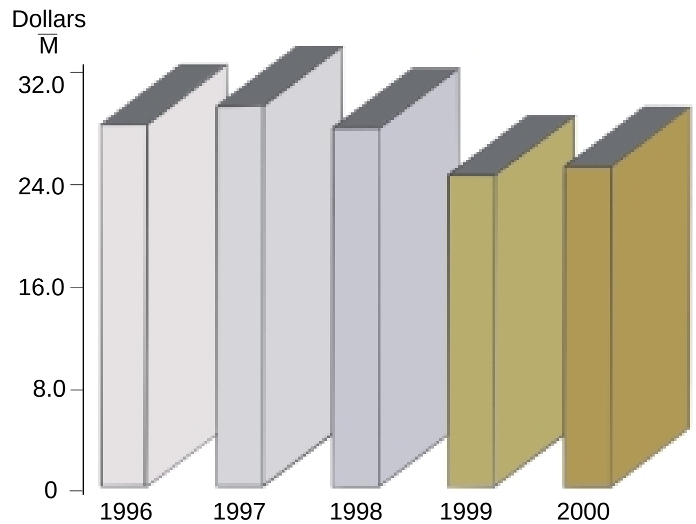
Certain statements contained in this Management's Discussion and Analysis are not based on historical facts, but are forward-looking statements that are based upon numerous assumptions about future conditions that may ultimately prove to be inaccurate. Actual events and results may materially differ from anticipated results described in such statements. The Company's ability to achieve such results is subject to certain risks and uncertainties. Such risks and uncertainties include but are not limited to product prices, continued availability of capital and financing, and other factors affecting the Company's business that may be beyond its control.

NET EARNINGS



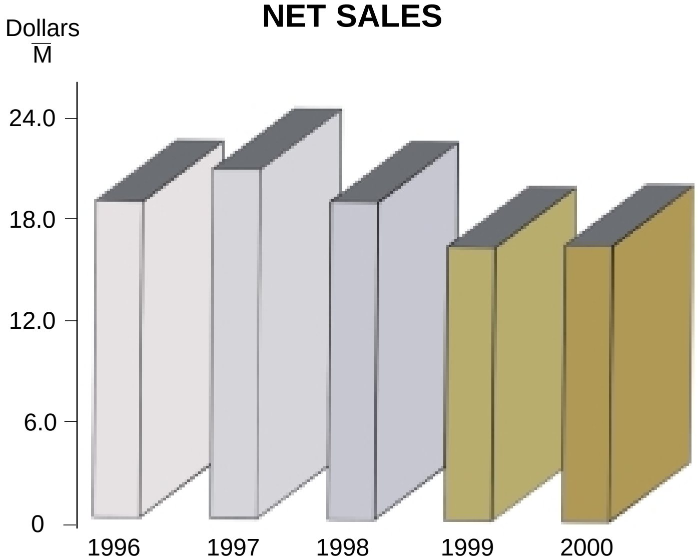
EDC had net earnings of $ 1,079,028 for fiscal year 2000 compared to $1,297,493 for fiscal year 1999, $1,704,568 for fiscal year 1998, $1,630,088 for fiscal year 1997 and $1,478,714 for fiscal year 1996.

GROSS SALES

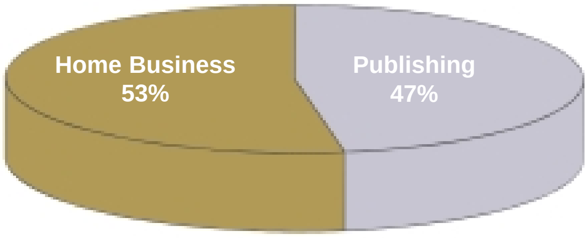


Gross sales for fiscal year 2000 were $26,613,943 compared to $25,889,212 in fiscal year 1999, $29,764,345 in fiscal year 1998, $31,547,007 in fiscal year 1997 and $30,039,963 in fiscal year 1996.

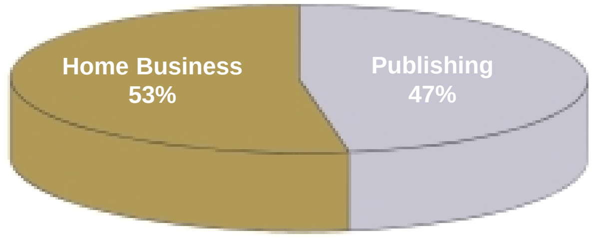
NET SALES



Net sales for fiscal year 2000 were $16,851,261 compared to $16,671,385 for fiscal year 1999, $19,343,362 in fiscal year 1998, $21,239,507 in fiscal year 1997 and $19,253,467 in fiscal year 1996.

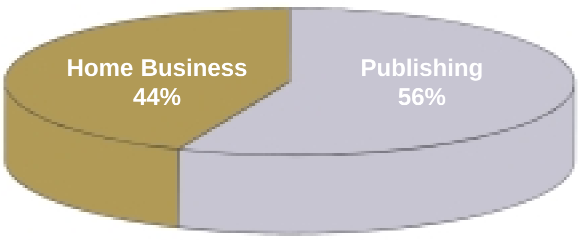


2000 NET SALES BY DIVISION

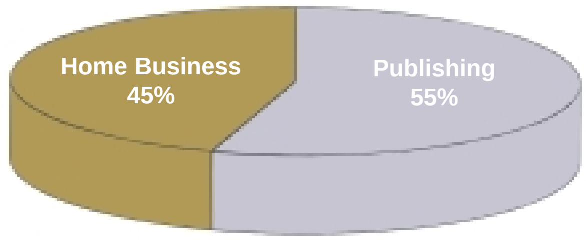


1999 NET SALES BY DIVISION

Net sales from the Company's Home Business Division were $8,890,370 in fiscal year 2000 compared to $8,876,683 in fiscal year 1999, and $10,739,266 in fiscal year 1998. Net sales from the Company's Publishing Division were $7,960,891 in fiscal year 2000 compared to $7,794,702 in fiscal year 1999, and $8,604,096 in fiscal year 1998.



2000 OPERATING PROFIT



1999 OPERATING PROFIT

The Company's cost of sales in fiscal year 2000 was $6,984,387 compared to $6,724,539 in fiscal year 1999, and $7,771,311 in fiscal year 1998. Cost of sales as a percentage of gross sales was 26.2% in fiscal year 2000 compared to 26.0% in fiscal year 1999 and 26.1% in fiscal year 1998. Cost of sales as a percentage of gross sales will fluctuate depending upon the product mix being sold.

Operating and selling expenses increased 3.4% during fiscal year 2000 when compared with fiscal year 1999. As a percentage of gross sales, these costs were 12.1% for fiscal year 2000 compared with 12.0% in fiscal year 1999. Higher freight costs, the result of increases in sales and an increase in rates by the delivery carrier, contributed to increased operating and selling costs for both the Publishing Division and the Home Business Division. Increased credit card fees in the Home Business Division, the direct result of increased sales, also contributed to the increase in operating and selling expenses.

Sales commissions declined 1.3% during fiscal year 2000 when compared with fiscal year 1999. As a percentage of gross sales, these costs were 12.3% in fiscal year 2000 compared to 12.8% for fiscal year 1999. Sales commissions as a percentage of gross sales is determined by the product mix sold and the division that makes the sale. While net sales in the Publishing Division increased during fiscal year 2000, the Division's commission expense decreased 45%, the result of the changing sales market from independent bookstores to national chains. Offsetting this decline in commission expense was an increase in sales commission expense in the Home Business Division, the result of an increase in sales and the higher commission structure in the Home Business Division.

General and administrative expenses increased less than 1.0% during fiscal year 2000 when compared with fiscal year 1999. As a percentage of gross sales, these expenses were 6.1% and 6.3% for fiscal year 2000 and fiscal year 1999 respectively. General and administrative expenses are not always directly affected by sales, so comparison of these expenses as a percentage of gross sales can be misleading. An increase in depreciation expense in the MIS department contributed to the increase in general and administrative expenses.

Interest expense declined 52.9% in fiscal year 2000 when compared with fiscal year 1999. As a percentage of gross sales, interest expense was 0.2% in fiscal year 2000 versus 0.4% for fiscal year 1999. The decrease in interest expense during fiscal year 2000 was the result of lower borrowing levels due to improved cash flows during the year.

FINANCIAL POSITION

W. Curtis Fossett
Controller & Corporate Secretary

Working capital was $7.6 million for fiscal year end 2000 and $8.7 million for fiscal year end 1999. Increases in payables and short-term bank debt contributed to the decrease in working capital at fiscal year end 2000. The Company pays interest on its bank promissory note monthly from current cash flows. Management expects its financial position to remain strong and to increase working capital during the next fiscal year.

Management believes the Company's liquidity at February 29, 2000 to be adequate. There are no known demands, commitments, events or uncertainties that would result in a material change in the Company's liquidity during fiscal year 2001. Capital expenditures are expected to be less than $750,000 in fiscal year 2001. These expenditures would consist primarily of software and hardware enhancements to the Company's existing data processing equipment, leasehold improvements and additions to the warehouse shipping system.

Effective June 30, 1999 the Company signed a Restated Credit and Security Agreement with State Bank which provides a $3,500,000 line of credit. The line of credit is evidenced by a promissory note in the amount of $3,500,000 payable June 30, 2000. The note bears interest at the Wall Street Journal prime floating rate minus 0.25% payable monthly (8.5% at February 29, 2000). The note is collateralized by substantially all of the assets of the Company. At February 29, 2000, the Company had $1,278,000 in borrowings. Available credit under the revolving credit agreement was $2,222,000 at February 29, 2000.

The Company obtained and uses the credit facility to fund routine operations. Payments are made from current cash flows. The Company plans to renew this facility when it matures June 30, 2000. The Company believes its borrowing capacity under this line to be adequate for the next several years.

The Company generated cash from operating activities during fiscal year 2000. Accounts receivable increased during fiscal year 2000, the result of higher sales in the Publishing Division. The Company plans to continue to maximize its collection efforts in order to maintain cash flows.

Inventory levels increased 1.0% from fiscal year end 1999 to fiscal year end 2000, the result of the Company's continued efforts of monitoring inventory levels to ensure that adequate inventory is on hand to support sales as well as to meet the six to eight month resupply requirements of its principal supplier. The Company expects inventory levels to increase moderately each year as new titles are added to the product line.

The major component of accounts payable is the amount due to the Company's principal supplier. Increases and decreases in inventory levels directly affect the level of accounts payable. Also the timing of the purchases and the payment terms offered by the suppliers affect the year end levels of accounts payable. As inventory levels increase moderately each year, the Company expects accounts payable will also increase moderately each year. Management anticipates cash flows from operating activities to increase in the foreseeable future.

Cash used in investing activities during fiscal year 2000 was primarily for additional computer equipment and software and additions to the warehouse flowrack shipping system.

The short-term bank loan increased during fiscal year 2000 as the Company continued its stock buyback program.

During the year the Company continued the stock buyback program by purchasing 874,087 shares of its common stock at a cost of $2,516,232. The Company paid a dividend of $0.02 per share or $86,311.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Educational Development Corporation:

We have audited the accompanying balance sheets of Educational Development Corporation as of February 29, 2000 and February 28, 1999, and the related statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended February 29, 2000. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, such financial statements present fairly, in all material respects, the financial position of the Company at February 29, 2000 and February 28, 1999, and the results of its operations and its cash flows for each of the three years in the period ended February 29, 2000 in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Tulsa, Oklahoma
April 4, 2000

EDUCATIONAL DEVELOPMENT CORPORATION
BALANCE SHEETS
FEBRUARY 29, 2000 AND FEBRUARY 28, 1999

ASSETS	**2000**	**1999**
CURRENT ASSETS:		
Cash and cash equivalents	$ 214,321	$ 210,931
Accounts receivable, less allowances for doubtful accounts and sales returns $209,466 (2000) and $189,556 (1999)	2,020,454	1,842,616
Inventories - Net	8,364,096	8,486,674
Prepaid expenses and other assets	220,381	220,032
Income taxes receivable	-	55,077
Deferred income taxes	137,700	121,800
Total current assets	10,956,952	10,937,130
INVENTORIES	1,280,000	1,060,000
PROPERTY AND EQUIPMENT - Net	85,270	342,464
DEFERRED INCOME TAXES	17,800	-
	$ 12,340,022	$ 12,339,594
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Note payable to bank	$ 1,278,000	$ 756,000
Accounts payable	1,681,601	1,095,771
Accrued salaries and commissions	258,123	243,030
Other current liabilities	102,966	149,115
Income tax payable	46,923	-
Total current liabilities	3,367,613	2,243,916
DEFERRED INCOME TAXES	-	56,300
COMMITMENTS		
SHAREHOLDERS' EQUITY:		
Common stock, $0.20 par value; Authorized 6,000,000 shares; Issued 5,429,240 shares;		
Outstanding 4,167,389 (2000) and 4,873,254 (1999) shares	1,085,848	1,085,848
Capital in excess of par value	4,410,066	4,410,066
Retained earnings	7,259,141	6,266,424
	12,755,055	11,762,338
Less treasury stock, at cost	(3,782,646)	(1,722,960)
	8,972,409	10,039,378
	$ 12,340,022	$ 12,339,594

See notes to financial statements.

EDUCATIONAL DEVELOPMENT CORPORATION

STATEMENTS OF EARNINGS

YEARS ENDED FEBRUARY 29, 2000, FEBRUARY 28, 1999 AND 1998

	2000	1999	1998
GROSS SALES	$ 26,613,943	$ 25,889,212	$ 29,764,345
Less discounts and allowances	(9,762,682)	(9,217,827)	(10,420,983)
Net sales	16,851,261	16,671,385	19,343,362
COST OF SALES	6,984,387	6,724,539	7,771,311
Gross margin	9,866,874	9,946,846	11,572,051
OPERATING EXPENSES:			
Operating and selling	3,224,442	3,118,179	3,389,317
Sales commissions	3,266,733	3,308,551	3,797,145
General and administrative	1,634,027	1,619,635	1,543,348
Interest	45,401	96,427	156,149
	8,170,603	8,142,792	8,885,959
OTHER INCOME	51,757	117,339	127,376
EARNINGS BEFORE INCOME TAXES	1,748,028	1,921,393	2,813,468
INCOME TAXES	669,000	623,900	1,108,900
NET EARNINGS	$ 1,079,028	$ 1,297,493	$ 1,704,568
BASIC AND DILUTED EARNINGS PER SHARE:			
Basic	$ 0.25	$ 0.26	$ 0.33
Diluted	$ 0.24	$ 0.26	$ 0.32
WEIGHTED AVERAGE NUMBER OF COMMON AND EQUIVALENT SHARES OUTSTANDING:			
Basic	4,364,608	5,036,574	5,216,076
Diluted	4,426,836	5,098,167	5,338,188

See notes to financial statements.

EDUCATIONAL DEVELOPMENT CORPORATION

STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED FEBRUARY 29, 2000, FEBRUARY 28, 1999, AND 1998

	Common Stock (par value $.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, 1997	5,424,240	$ 1,084,848	$ 4,403,242	$ 3,418,431	223,543	$ (633,476)	$ 8,273,045
Issuance of treasury stock	-	-	324	-	(700)	2,069	2,393
Purchases of treasury stock	-	-	-	-	15,900	(85,364)	(85,364)
Sales of treasury stock	-	-	-	-	(46,641)	223,739	223,739
Dividends paid ($0.01/share)	-	-	-	(52,176)	-	-	(52,176)
Net earnings	-	-	-	1,704,568	-	-	1,704,568
BALANCE, FEBRUARY 28, 1998	5,424,240	1,084,848	4,403,566	5,070,823	192,102	(493,032)	10,066,205
Exercise of options at $1.50/share	5,000	1,000	6,500	-	-	-	7,500
Issuance of treasury stock	-	-	-	-	(400)	1,240	1,240
Purchases of treasury stock	-	-	-	-	376,832	(1,277,186)	(1,277,186)
Sales of treasury stock	-	-	-	-	(12,548)	46,018	46,018
Dividends paid ($0.02/share)	-	-	-	(101,892)	-	-	(101,892)
Net earnings	-	-	-	1,297,493	-	-	1,297,493
BALANCE, FEBRUARY 28, 1999	5,429,240	1,085,848	4,410,066	6,266,424	555,986	(1,722,960)	10,039,378
Issuance of treasury stock	-	-	-	-	(200)	600	600
Purchases of treasury stock	-	-	-	-	874,087	(2,516,232)	(2,516,232)
Sales of treasury stock	-	-	-	-	(168,022)	455,946	455,946
Dividends paid ($0.02/share)	-	-	-	(86,311)	-	-	(86,311)
Net earnings	-	-	-	1,079,028	-	-	1,079,028
BALANCE, FEBRUARY 29, 2000	5,429,240	$1,085,848	$4,410,066	$7,259,141	1,261,851	$(3,782,646)	$ 8,972,409

See notes to financial statements.

EDUCATIONAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

YEARS ENDED FEBRUARY 29, 2000 AND FEBRUARY 28, 1999 AND 1998

	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 1,079,028	$ 1,297,493	$ 1,704,568
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	299,179	308,805	296,803
Loss on disposal	1,199	535	-
Deferred income taxes	(90,000)	(7,200)	100,900
Provision for doubtful accounts and sales returns	984,575	1,277,201	862,900
Recovery of obsolete inventory reserve	-	-	(150,913)
Stock issued for awards	600	1,240	2,393
Changes in assets and liabilities:			
Accounts and income taxes receivable	(1,107,336)	(995,790)	(885,224)
Inventories	(97,422)	855,556	(202,860)
Prepaid expenses and other assets	(349)	(124,353)	(25,378)
Accounts payable, accrued salaries and commissions, and other current liabilities	554,774	(1,072,379)	(522,029)
Income tax payable	46,923	-	-
Total adjustments	592,143	243,615	(523,408)
Net cash provided by operating activities	1,671,171	1,541,108	1,181,160
CASH FLOWS FROM INVESTING ACTIVITIES -			
Purchases of property and equipment	(43,184)	(56,166)	(43,963)
Net cash used in investing activities	(43,184)	(56,166)	(43,963)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under revolving credit agreement	6,899,000	7,000,000	8,484,900
Payments under revolving credit agreement	(6,377,000)	(7,120,000)	(9,618,900)
Cash received from exercise of stock options	-	7,500	-
Cash received from sale of stock	455,946	46,018	223,739
Cash paid to acquire treasury stock	(2,516,232)	(1,277,186)	(85,364)
Dividends paid	(86,311)	(101,892)	(52,176)
Net cash used in financing activities	(1,624,597)	(1,445,560)	(1,047,801)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,390	39,382	89,396
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	210,931	171,549	82,153
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 214,321	$ 210,931	$ 171,549
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 41,251	$ 98,482	$ 164,519
Cash paid for income taxes	$ 657,000	$ 779,000	$ 935,000

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business - Educational Development Corporation (the "Company") distributes books and publications through its Publishing and Usborne Books at Home Divisions. The Company is the United States ("U.S.") trade publisher of books and related matters, published primarily in England, to book, toy and gift stores, libraries and home educators. The Company is also involved in the production and publishing of new book titles. The English publishing company is the Company's primary supplier. The Company sells to its customers, located throughout the U.S., primarily on standard credit terms.

Estimates - The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand and cash on deposit in banks.

Accounts Receivable - Accounts receivable at February 29, 2000 and February 28, 1999, include approximately $151,000 and $148,000, respectively, due from directors of the Company.

Inventories - Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out ("FIFO") method.

Property and Equipment - Property and equipment are stated at cost and depreciated and amortized using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives range from two to five years.

During the fourth quarter of fiscal year 2000, the Company changed the estimated life on certain property and equipment. This resulted in an increase in depreciation expense in the fourth quarter of approximately $30,000. Management expects that the book value of the property and equipment on hand as of February 29, 2000 will be fully depreciated by the end of the first quarter of fiscal year 2001.

Income Taxes - The Company records deferred income taxes for temporary differences between the financial reporting and tax bases of the Company's assets and liabilities and for operating loss and tax credit carryforwards.

Income Recognition - Sales are recorded when products are shipped. At the time sales are recognized for certain products under specified conditions, allowances for returns are recorded based on prior experience.

Advertising Costs - The Company expenses advertising costs as incurred.

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

The following reconciles the diluted earnings per share:

	Year Ended February 29, 2000	Year Ended February 28, 1999	1998
Diluted Earnings Per Share:			
Net earnings applicable to common shareholders	$ 1,079,028	$ 1,297,493	$ 1,704,568
Shares:			
Weighted average shares outstanding - basic	4,364,608	5,036,574	5,216,076
Assumed exercise of options	62,228	61,593	122,112
Weighted average shares outstanding - diluted	4,426,836	5,098,167	5,338,188
Diluted Earnings Per Share	$ 0.24	$ 0.26	$ 0.32

Fair Value of Financial Instruments - For cash and cash equivalents, accounts receivable and accounts payable, the carrying amount approximates fair value because of the short maturity of those instruments. The fair value of the Company's note payable to bank is estimated to approximate carrying value based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities.

Long-Lived Asset Impairment - The Company reviews the value of long-lived assets and certain identifiable intangibles 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.

Stock-Based Compensation - The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Compensation cost for stock options, if any, is measured as the excess of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. The Company has adopted the disclosure requirements of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation."

New Accounting Standards - SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivatives be recognized as either assets or liabilities in the statement of financial position and be measured at fair value. SFAS No. 133 is effective for the Company beginning March 1, 2001. The Company is currently evaluating SFAS No. 133, but does not expect its adoption will have a material impact on its financial statements.

Reclassifications - Reclassifications were made to certain 1999 balances to conform with the 2000 presentation.

2. INVENTORIES

Inventories consist of the following:

	February 29, 2000	February 28, 1999
Current:		
Book inventory	$ 8,487,828	$ 8,610,406
Reserve for obsolescence	(123,732)	(123,732)
Inventories, net - current	$ 8,364,096	$ 8,486,674
Inventories - non-current	$ 1,280,000	$ 1,060,000

The Company occasionally purchases book inventory in quantities in excess of what will be sold within the normal operating cycle due to minimum order requirements of the Company's primary supplier. These amounts are included in non-current inventory.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	February 29, 2000	February 28, 1999
Computer equipment	$ 838,075	$ 802,899
Warehouse and office equipment	476,324	471,438
Furniture, fixtures and other	101,335	101,335
	1,415,734	1,375,672
Less accumulated depreciation and amortization	(1,330,464)	(1,033,208)
	$ 85,270	$ 342,464

4. NOTE PAYABLE

The note payable to bank is under a $3,500,000 revolving credit agreement, with interest payable monthly at prime minus .25% (8.5% and 7.75% at February 29, 2000 and February 28, 1999, respectively), collateralized by substantially all assets of the Company, maturing on June 30, 2000. At February 29, 2000 and February 28, 1999, the Company had $1,278,000 and $756,000, respectively, in borrowings under the revolving credit agreement. Available credit under the revolving credit agreement was $2,222,000 at February 29, 2000. The agreement contains provisions that require the maintenance of 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. The Company is in compliance with or has obtained waivers for all restrictive covenants. The Company intends to renew the bank agreement or obtain other financing upon maturity.

For each of the three years in the period ended February 29, 2000, the highest amount of short-term borrowings, the average amount of borrowings under these short-term notes, and the weighted average interest rates are as follows:

	Year Ended February 29,	Year Ended February 28,	
	2000	1999	1998
Note payable to bank:			
Largest amount borrowed	$1,369,000	$2,306,000	$2,860,000
Average amount borrowed	650,702	1,343,549	1,766,813
Weighted average interest rate	8.0%	8.3%	8.5%

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, and operating loss and tax credit carryforwards. The tax effects of significant items comprising the Company's net deferred tax assets and liabilities as of February 29, 2000 and February 28, 1999 are as follows:

	February 29, 2000	February 28, 1999
Current:		
Deferred tax assets:		
Allowance for doubtful accounts	$ 42,300	$ 34,600
Inventories	72,000	48,300
Expenses deducted on the cash basis for income tax purposes	23,400	23,400
Change in accounting method	-	15,500
Deferred tax asset	$ 137,700	$ 121,800
Noncurrent:		
Deferred tax asset - Property and equipment	$ 17,800	$ -
Deferred tax liability - Property and equipment	-	(56,300)
Deferred tax asset (liability)	$ 17,800	$ (56,300)

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

The components of income tax expense are as follows:

	February 29,	February 28,	
	2000	1999	1998
Current:			
Federal	$ 645,200	$ 536,500	$ 856,900
State	113,800	94,600	151,100
	759,000	631,100	1,008,000
Deferred:			
Federal	(76,500)	(6,100)	85,800
State	(13,500)	(1,100)	15,100
	(90,000)	(7,200)	100,900
Total income tax expense	$ 669,000	$ 623,900	$1,108,900

The following reconciles the Company's expected income tax expense utilizing statutory tax rates to the actual tax expense:

	Year Ended February 29,	February 28,	
	2000	1999	1998
Tax expense at federal statutory rate	$ 594,000	$ 653,000	$ 957,000
State income tax, net of federal tax benefit	70,000	66,000	116,000
Other	5,000	(95,100)	35,900
	$ 669,000	$ 623,900	$1,108,900

6. EMPLOYEE BENEFIT PLAN

The Company has a profit sharing plan which 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 from the Company are discretionary and amounted to $33,477, $27,291 and $27,113 in fiscal years 2000, 1999 and 1998, respectively.

7. COMMITMENTS

The Company leases its office and warehouse facilities under a noncancelable operating lease which expires in June 2004. Total rent expense related to these facilities was $232,980 in fiscal 2000 and $225,960, in both fiscal 1999 and 1998.

Future minimum lease payments are as follows:

Year Ending February 28,	
2001	$ 240,000
2002	240,000
2003	240,000
2004	240,000
2005	80,000
	$ 1,040,000

At February 29, 2000, the Company had outstanding commitments to purchase inventory from its primary vendor totaling approximately $1,868,000.

8. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

In June 1992, the Board of Directors adopted the 1992 Incentive Stock Option Plan "Incentive Plan." A total of 1,000,000 stock options are authorized to be granted under the 1992 Plan.

Options granted under the Incentive 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, 2000 expire in 2003 through 2009.

A summary of the status of the Company's Incentive Plan as of February 29, 2000 and February 28, 1999 and 1998 and changes during the years ended on those dates is presented below:

	2000		**1999**		**1998**	
	Shares	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**
Outstanding at Beginning of Year	490,000	$ 3.51	328,500	$ 3.06	309,800	$ 3.79
Granted	40,000	2.50	171,700	4.34	140,600	4.03
Exercised/canceled	(22,600)	(3.77)	(10,200)	(2.77)	(121,900)	(6.02)
Outstanding at End of Year	507,400	$ 3.42	490,000	$ 3.51	328,500	$ 3.06

The following table summarizes information about stock options outstanding at February 29, 2000:

Range of Exercise Prices	Number Outstanding at February 29, 2000	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$1.375 - $1.50	79,000	3	$ 1.41
$2.50	55,000	9	2.50
$3.13	100,000	4	3.13
$3.81	21,500	8	3.81
$4.00	116,700	7	4.00
$4.63	135,200	8	4.63
	507,400	6	$ 3.42

All options outstanding are exercisable at February 29, 2000.

The Company applies APB Opinion No. 25 and related interpretations in accounting for its Incentive Plan. Accordingly, no compensation cost has been recognized for its Incentive Plan. Had compensation cost for the Company's Incentive Plan been determined based on the fair value at the grant dates for awards under the Incentive Plan consistent with the method prescribed by SFAS No. 123, the Company's net earnings and earnings per share for the years ended February 29, 2000 and February 28, 1999 and 1998 would have been reduced to the pro forma amounts indicated below:

	2000	1999	1998
Net earnings - as reported	$ 1,079,028	$ 1,297,493	$ 1,704,568
Net earnings - pro forma	$ 1,038,582	$ 1,104,347	$ 1,636,618
Earnings per share - as reported:			
Basic	$ 0.25	$ 0.26	$ 0.33
Diluted	$ 0.24	$ 0.26	$ 0.32
Earnings per share - pro forma:			
Basic	$ 0.24	$ 0.22	$ 0.31
Diluted	$ 0.24	$ 0.22	$ 0.31

The fair value of options granted under the Incentive Plan was estimated on the date of grant using the Black-Scholes option-pricing model. The following assumptions were used for options granted in 2000; no dividend yield, expected volatility of 45%, risk free interest rate of 5.7% and expected lives of ten years; the following assumptions were used for options granted in 1999; no dividend yield, expected volatility of 50%, risk free interest rate of 5.06% and expected lives of four years; 1998, no dividend yield, expected volatility of 54%, risk free interest rate of 6.2% and expected lives of four years.

9. SUPPLEMENTARY INFORMATION

The activity in the allowances for doubtful accounts receivable, sales returns and inventory valuation for each of the three years in the period ended February 29, 2000 is as follows:

Doubtful accounts receivable:

Year	Balance at Beginning of Year	Amounts Charged to Expense	Amounts Charged to Reserve	Balance at End of Year
1998	$ 91,900	$ 60,000	$ (10,200)	$ 141,700
1999	141,700	66,000	(119,144)	88,556
2000	88,556	52,000	(32,090)	108,466

Sales returns:

Year	Balance at Beginning of Year	Amounts Charged to Expense	Amounts Charged to Reserve	Balance at End of Year
1998	$ 101,000	$ 802,900	$ (802,900)	$ 101,000
1999	101,000	1,211,201	(1,211,201)	101,000
2000	101,000	932,575	(932,575)	101,000

Inventory valuation:

Year	Balance at Beginning of Year	Amounts Charged to Expense	Amounts Charged to Reserve	Balance at End of Year
1998	$ 301,100	$ -	$ (150,913)	$ 150,187
1999	150,187	33,545	(60,000)	123,732
2000	123,732	-	-	123,732

Charges to certain expense accounts for each of the three years in the period ended February 29, 2000 are shown below:

	Year Ended February 29,	Year Ended February 28,	
	2000	1999	1998
Maintenance and repairs	$ 27,043	$ 33,515	$ 30,919
Taxes other than payroll and income taxes	30,110	31,079	30,093
Advertising costs	69,001	51,730	83,865

10. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended February 29, 2000 and February 28, 1999:

	Net Sales	Gross Margin	Net Earnings	Basic Earnings Per Share	Diluted Earnings Per Share
2000					
First quarter	$ 4,122,100	$ 2,395,600	$ 290,300	$ 0.06	$ 0.06
Second quarter	4,202,500	2,397,400	313,600	0.07	0.07
Third quarter	5,012,800	3,029,400	419,800	0.10	0.10
Fourth quarter	3,513,861	2,044,474	55,328	0.02	0.01
Total year	$16,851,261	$ 9,866,874	$ 1,079,028	$ 0.25	$ 0.24
1999					
First quarter	$ 4,160,700	$ 2,484,200	$ 350,000	$ 0.07	$ 0.07
Second quarter	3,950,400	2,253,900	307,000	0.06	0.06
Third quarter	5,453,700	3,391,000	537,600	0.11	0.11
Fourth quarter	3,106,585	1,817,746	102,893	0.02	0.02
Total year	$16,671,385	$ 9,946,846	$ 1,297,493	$ 0.26	$ 0.26

11. BUSINESS SEGMENTS

The Company has two reportable segments: Publishing and Usborne Books at Home ("UBAH"). These reportable segments are business units that offer different methods of distribution to different types of customers. They are managed separately based on the fundamental differences in their operations. The Publishing Division markets its products to retail accounts, which include book, school supply, toy and gift stores and museums, through commissioned sales representatives, trade and specialty wholesalers and an internal telesales group. The UBAH Division markets its product line through a network of independent sales consultants through a combination of direct sales, home shows and book fairs. The UBAH 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. The Company evaluates segment performance based on operating profits of the segments which is defined as segment net sales reduced by direct cost of sales and direct expenses. Corporate expenses, including interest and depreciation, and income taxes are not allocated to the segments. The Company's assets are not allocated on a segment basis.

Information by industry segment for the years ended February 29, 2000 and February 28, 1999 and 1998 is set forth below:

	Publishing	UBAH	Other	Total
2000				
Net sales to external customers	$ 7,960,891	$ 8,890,370	$ -	$ 16,851,261
Earnings before income taxes	2,811,887	2,181,300	(3,245,159)	1,748,028
1999				
Net sales to external customers	$ 7,794,702	$ 8,876,683	$ -	$ 16,671,385
Earnings before income taxes	2,848,749	2,365,204	(3,292,560)	1,921,393
1998				
Net sales to external customers	$8,604,096	$10,739,266	$ -	$ 19,343,362
Earnings before income taxes	3,309,603	2,894,612	(3,390,747)	2,813,468

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DIRECTORS

Robert D. Berryhill
Private Investor

G. Dean Cosgrove
Independent Consultant

John M. Lare
President – Pegasus Foods, Inc.

James F. Lewis
Chief Executive Officer – The Lewis Companies

Randall W. White
Chairman, President and
Chief Executive Officer – EDC

OFFICERS

Randall W. White
Chairman, President and
Chief Executive Officer

Michael L. Puhl
Vice President - Operations

W. Curtis Fossett
Controller and Corporate Secretary

CORPORATE DATA

Notice of Annual Meeting
June 22, 2000
Tulsa Marriott Southern Hills
1902 East 71st Street
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:

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