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AMREP CORP
Form 10-K/A
August 14, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A-1
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended April 30, 2001 Commission File Number 1-4702

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

For the transition period from _____ to _____

AMREP CORPORATION

(Exact name of registrant as specified in its Charter)

Oklahoma 59-0936128

(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

641 Lexington Ave., 6th Floor 10022
New York, New York

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 705-4700

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

| Title of Each Class ----- | Name of Each Exchange on Which Registered ----- |
|------------------------------|---|
| Common Stock \$.10 par value | New York Stock Exchange |

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

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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the 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. [X]

Aggregate market value of Common Stock held by non-affiliates of the Registrant, computed by reference to the last sales price of such Common Stock on July 26, 2001, on the New York Stock Exchange Composite Tape - \$14,646,586.

Number of shares of Common Stock, par value \$.10 per share, outstanding at July 26, 2001 - 6,573,586.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents of the Registrant are incorporated by reference into the indicated parts of this report: Definitive Proxy Statement for 2001 Annual Meeting - Part III.

PART I

Item 1. Business

GENERAL

The Company* is primarily engaged in two unrelated businesses, each operated by a wholly-owned subsidiary: the Real Estate business operated by AMREP Southwest Inc., and the Fulfillment Services and Magazine Distribution business operated by Kable News Company, Inc. ("Kable"). The Company's foreign sales and activities are not significant.

Data concerning Industry Segments is set forth in Note 14 of Notes to Consolidated Financial Statements. The Company's foreign sales and activities are not significant.

REAL ESTATE OPERATIONS

Recent Developments

For many years, the Company was both a real estate developer and a builder of single-family homes, originally in Rio Rancho, New Mexico and more recently in the Denver, Colorado, Sacramento, California and Portland, Oregon metro areas. In the early 1960s, the Company established the community that now is the City of Rio Rancho, New Mexico, and until 1999 was the predominant builder of housing there. Rio Rancho, which adjoins Albuquerque, now has a population of over 50,000. The Company entered the Denver market in 1993, and in 1997 it purchased the assets of a land developer and homebuilder with operations in the Sacramento and Portland markets. However, two years ago the Company decided to (i) cease all homebuilding operations and (ii) sell its landholdings in California, Colorado and Oregon. It now is out of the homebuilding business and, as noted below, has sold, entered into agreements of sale or is offering for sale all of its landholdings outside of New Mexico.

Land Development Operations

Prior to fiscal 1999, the Company developed both residential and commercial sites at Rio Rancho and from time to time bought acreage in Colorado, California and Oregon for its own homebuilding operations and to develop for sale to other builders. As discussed above, the Company currently is performing development work only at Rio Rancho.

Rio Rancho (including the City) consists of 91,049 contiguous acres in Sandoval County, New Mexico, near Albuquerque, of which some 72,700 acres have been platted into approximately 112,100 homesite and commercial lots and 16,300 acres are dedicated to community facilities, roads and drainage with the remainder consisting of unplatted land. At April 30, 2001, a total of approximately 82,100 of the lots had been sold. The Company currently owns approximately 22,000 acres in Rio Rancho, of which approximately 7,000 acres are in contiguous blocks suitable for development. The balance is in scattered lots which may require the

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purchase of a sufficient number of adjoining lots to create tracts suitable for development or which may be sold individually or in small groups.

* As used herein, "Company" includes the Registrant and its subsidiaries unless the context requires or indicates otherwise.

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The development activity includes the obtaining of necessary governmental approvals ("entitlements"), installation of utilities and necessary storm drains, and building or improving of roads. At Rio Rancho, the Company is developing both residential lots and sites for commercial and industrial use as the demand warrants, and also is securing entitlements for large development tracts for sale to homebuilders. The engineering work at Rio Rancho is performed by both Company employees and outside firms, but development work is performed by outside contractors. Land at Rio Rancho is marketed by Company personnel, both directly and through brokers. The Company competes with other owners of land in the Albuquerque area who offer for sale developed residential lots and sites for commercial and industrial use.

The commercial areas in Rio Rancho presently include more than 500 businesses and professional offices, as well as 15 shopping centers with approximately 1.25 million square feet of retail space and office space, including a 55,000 square foot office building owned by the Company. The industrial areas have approximately 80 buildings with over 3.2 million square feet, including a manufacturing facility containing approximately 2.1 million square feet which is owned and occupied by Intel Corporation. Intel, Rio Rancho's largest employer, has recently started construction on a 1 million square foot expansion of its plant which is expected to create 2,000 construction jobs over the next two years and employ an additional 1,000 people after completion of the project in late 2002 or early 2003.

Since early 1977, no individual lots without homes at Rio Rancho have been sold by the Company to consumers. Over 50,000 lots were sold prior to 1977, and most of these are in areas where utilities have not yet been installed. However, under certain of the contracts pursuant to which the lots were sold, if utilities have not reached the respective lot when the purchaser is ready to build a home, the Company is obligated to exchange a lot in an area then serviced by water, telephone and electric utilities for the lot of the purchaser, without cost to the purchaser. The Company has not incurred significant costs related to such exchanges.

At April 30, 2001, the Company owned two tracts of land in Colorado, consisting of approximately 335 acres planned for approximately 900 homes. One of these tracts, consisting of approximately 170 acres planned for approximately 534 homes, was under contract for sale and subsequently closed in August 2001. The Company is in process of obtaining entitlements for the other tract, which is being offered for sale subject to obtaining all necessary approvals. In California, it owned one tract of land in the Sacramento area zoned for approximately 420 units of multi-family residential housing, which was under contract for sale and subsequently closed in July 2001.

Home Building Operations

In fiscal 2001, the Company substantially completed all homebuilding activities.

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The Company closed a total of 18 homes in the Portland area in fiscal 2001 at an average selling price of approximately \$256,000 per home. At April 30, 2001, the Company owned 3 lots in the Portland area on which homes were built. Of this total, 2 were under contract for sale. The Company expects all to be sold in fiscal 2002. Although the Company has no present plans to do any further homebuilding, the decision to change its real estate focus to emphasize land development operations in New Mexico and wind-down homebuilding operations is not considered to be a permanent change of strategy.

Other Real Estate Projects

The Company developed the Eldorado at Santa Fe, New Mexico subdivision which had approximately 2,400 homes as of April 30, 2001. The Company sold 20 lots there in fiscal 2001, and 31 lots remained to be sold at the end of fiscal 2001. The Company also owns and operates a water utility company which serves the subdivision.

The Company also owns approximately 14 acres in the Orlando, Florida area which is being offered for sale.

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FULFILLMENT SERVICES AND MAGAZINE DISTRIBUTION OPERATIONS

Through its wholly-owned subsidiary, Kable News Company, Inc., the Company (i) performs fulfillment and related services for publishers and other customers and (ii) distributes periodicals nationally and in Canada and, to a small degree, in other foreign countries. As of July 1, 2001, Kable employed approximately 900 persons, of whom approximately 740 were involved in its fulfillment activities and 160 in distribution activities.

Fulfillment Services

Kable's Fulfillment Services division performs a number of fulfillment and fulfillment-related activities, principally magazine subscription fulfillment services, list services and product fulfillment services. The division accounted for 71% of Kable's total revenues in 2001, 70% in 2000 and 64% in 1999.

In the magazine subscription fulfillment service operation, Kable processes new orders, receives and accounts for payments, prepares and sends to each publisher printer labels or tapes containing the names and addresses of subscribers for mailing each issue, handles subscriber telephone inquiries and correspondence, prepares and mails renewal and statement notifications, maintains subscriber lists and databases, generates marketing and statistical reports, processes Internet orders and prints forms and promotional materials. Kable performs all of these services for many clients, but some clients utilize only certain of them. Although by far the largest number of magazine titles for which Kable performs fulfillment services are consumer publications, Kable also performs services for a number of trade (business) publications, membership organizations and government agencies which utilize the broad capabilities of Kable's extensive database system.

List services clients are primarily publishers. In this activity, Kable maintains client customer lists, selects names for client's who rent their lists, merges rented lists with a client's list to eliminate duplication for the client's promotional mailings, and sorts and sequences mailing labels to provide optimum postal discounts for clients.

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Product fulfillment services are provided for Kable's publisher clients and other direct marketers. In this activity, the division receives, warehouses, processes and ships merchandise.

Kable plans to expand these ancillary services, including lettershop, list services and product fulfillment services, to other, non-publisher clients.

Kable now performs fulfillment services for approximately 630 different magazine titles for approximately 240 clients and maintains almost 14 million active subscriber names for its client publishers. In a typical month, Kable produces over 15 million mailing labels for its client publishers and also produces and mails approximately 4.1 million billing and renewal statements.

There are a large number of companies that perform fulfillment services for publishers and with which Kable competes, two of which are much larger than Kable. Since publishers often utilize only a single fulfillment company for a particular publication, there is intense competition to obtain fulfillment contracts with publishers. Competition for non-publisher clients is also intense. Kable has a staff whose primary task is to solicit fulfillment business.

Distribution Services

In its distribution operation, Kable distributes magazines for over 180 publishers. Among the titles are many special interest magazines, including automotive, crossword puzzles, men's sophisticates, comics, romance and sports. In a typical month, Kable distributes to wholesalers over 26.5 million copies of various titles. Kable purchases the publications from its publishers and sells them to approximately 56 independent wholesalers. The wholesalers in turn sell the publications to individual retail outlets. All parties generally have full return rights for unsold copies. For reasons set forth below, Distribution

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revenues have been declining for several years and accounted for 29% of Kable's revenues in fiscal 2001, 30% in fiscal 2000 and 36% in fiscal 1999.

While the Kable Distribution division does not handle all publications of all of its publisher clients, it usually is the exclusive distributor for the publications it distributes. Kable has a distribution sales and marketing force that works with wholesalers and retailers to promote product sales and assist in determining the number of copies of product to be delivered to each retailer. Kable generally does not physically handle any product. It determines, in consultation with the wholesalers and publishers, the number of copies of each issue to be distributed, and generates and delivers to each publisher's printer shipping instructions with the addresses of the wholesalers and the number of copies of product to be shipped to each. All magazines have an "off sale" date (generally the on-sale date of the next issue) following which the retailers return unsold copies to the wholesalers, who destroy them after accounting for returned merchandise in a manner satisfactory to Kable.

A realignment of industry relationships in the distribution of magazines started during fiscal 1996 and rapidly grew to major proportions. It was triggered by the decision of certain major retailers with multiple outlets to sharply reduce the number of wholesalers with whom the retailers would deal. This action has led to the erosion of wholesaler profit margins and to a substantial continuing reduction in the number of wholesalers through the merger of certain wholesalers, the formation by certain other wholesalers of cooperatives to bid for the business of such retailers, and the complete retirement from the business by a number of wholesalers. The consolidation has reduced the number of

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Kable's wholesale customers by approximately 60% since fiscal 1995, which has increased the concentration of its revenue source and trade accounts receivable; at April 30, 2001, approximately 56% of Kable's distribution accounts receivable was due from three customers. These changes also contributed to demands by most remaining wholesalers to purchase magazines at lower prices which many publishers, including some of Kable's, have accepted. In addition, many wholesalers have instituted programs to eliminate low volume titles and reduce circulation volume retail outlets. The objective of wholesalers was to reduce their handling costs and improve sales. Kable feels these programs have had limited success.

Financial pressures on wholesalers and publishers arising from these adverse business conditions continued in fiscal 2001. Consequently, Kable increased its accounts receivable reserves during 2001 by approximately \$2.3 million in anticipation of uncollectible balances from certain publisher and wholesaler customers. Management believes that industry changes will continue with the potential for further adverse consequences for publishers and their national distributors, including Kable.

Kable generally makes substantial cash advances to publishers against future sales, which publishers may use to help pay for printing, paper and production costs prior to the product going on sale. Kable is usually not paid by wholesalers for product until some time after the product has gone on sale, and is therefore exposed to potential credit risks with both the publishers and the wholesalers. Its ability to make a profit is dependent in part on its skill in estimating the number of copies of an issue which should be printed and distributed and on limiting its advances to the publisher accordingly.

Kable competes primarily with four national distributors, all of whom are substantially larger than Kable. Each of these large competitors is owned by or affiliated with a magazine publishing company. Such companies publish a substantial portion of all magazines published in the United States, and the competition for the distribution rights to the remaining publications is intense.

COMPANY OFFICES

The Company's principal executive offices are in New York City. Kable has an executive and sales office in New York City, and its operations are centered in both owned and leased facilities in Mt. Morris, Illinois and Marion, Ohio. Real estate operations are headquartered in Rio Rancho, New Mexico in a modern office building owned by the Company.

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EMPLOYEES

The Company has approximately 925 employees as of July 1, 2001. The Company provides retirement, health and other benefits to its employees and considers its employee relations to be good.

Item 2. Properties

The information contained in Item 1 of this report with respect to properties owned by the Company is hereby incorporated herein by reference.

Item 3. Legal Proceedings

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In the civil action entitled United Magazine Company, Inc., et al. v. Murdoch Magazines Distribution, Inc., et al., reported in the Registrant's Report on Form 10-Q for the quarterly period ended October 31, 2000, motions by the defendants to dismiss the Amended Complaint were granted, with leave to the plaintiffs to replead specified claims. On or about June 21, 2001, a Second Amended Complaint was filed which includes two claims against Kable (i) violation of the Robinson-Patman Act, which generally prohibits discriminatory pricing, and (ii) breach of fiduciary duty. The defendants have moved to dismiss the Second Amended Complaint with the exception of claims by three plaintiffs under one section of the Robinson-Patman Act. Those motions are pending.

The Registrant and/or its subsidiaries are involved in various other claims and legal actions incident to their operations, which in the opinion of management, based in part upon advice of counsel, will not materially affect the consolidated financial position or results of operations of the Registrant and its subsidiaries.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable.

Executive Officers of the Registrant

Set forth below is certain information concerning persons who are the executive officers of the Company.

| Name | Office Held/Principal Occupation for Past Five Years | Age |
|------------------|--|-----|
| James Wall | Senior Vice President of the Company since 1991; Chief Executive Officer of AMREP Southwest Inc., a wholly-owned subsidiary of the Company, since 1991. | 64 |
| Peter M. Pizza | Vice President-Chief Financial Officer since May 2001; Controller of the Company since 1995; Vice President-Controller of the Company from 1997 to 2001. | 50 |
| Michael P. Duloc | President and Chief Operating Officer of Kable News Company, Inc. since November 2000; President and Chief Operating Officer of Kable Distribution Services from 1996 to November 2000. | 45 |

The executive officers are elected or appointed by the Board of Directors of the Company or its appropriate subsidiary to serve until the appointment or election and qualification of their successors or their earlier death, resignation or removal.

PART II

Item 5. Market for Registrant's Common Equity and ----- Related Stockholder Matters -----

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The Company's common stock is traded on the New York Stock Exchange under the symbol "AXR". On July 26, 2001, there were approximately 2,250 holders of record of the common stock. The Company has historically not paid cash dividends. The range of high and low closing prices for the last two fiscal years by quarter is presented below:

| | FIRST | | SECOND | | THIRD | | FOURTH | |
|------|---------|---------|---------|---------|---------|---------|---------|---------|
| | HIGH | LOW | HIGH | LOW | HIGH | LOW | HIGH | LOW |
| 2001 | \$ 7.37 | \$ 4.94 | \$ 5.50 | \$ 4.56 | \$ 4.75 | \$ 4.00 | \$ 4.00 | \$ 3.60 |
| 2000 | \$ 7.25 | \$ 5.37 | \$ 6.56 | \$ 4.44 | \$ 5.12 | \$ 3.06 | \$ 5.94 | \$ 4.50 |

Item 6. Selected Financial Data

The following selected consolidated financial data of the Company is qualified by reference to and should be read in conjunction with the consolidated financial statements, related notes thereto and other financial data elsewhere herein. These historical results are not necessarily indicative of the results to be expected in the future.

(In thousands of dollars except per share amounts)
Year Ended April 30,

| | 2001 (a) | 2000 | 1999 (b) | 1998 |
|---|------------|------------|------------|------------|
| Revenues | \$ 73,209 | \$ 119,833 | \$ 190,291 | \$ 171,368 |
| Net Income | \$ 2,557 | \$ 1,169 | \$ 7,537 | \$ 8,206 |
| Earnings Per Share - Basic and Diluted | \$ 0.38 | \$ 0.16 | \$ 1.02 | \$ 1.11 |
| Total Assets | \$ 164,844 | \$ 172,436 | \$ 217,777 | \$ 229,768 |
| Notes Payable | \$ 44,260 | \$ 46,911 | \$ 74,665 | \$ 84,248 |
| Shareholders' Equity | \$ 89,781 | \$ 91,981 | \$ 91,577 | \$ 84,040 |
| Cash Dividends | \$ - | \$ - | \$ - | \$ - |

(a) Includes a tax benefit in the amount of \$3,500,000 (the equivalent of \$.52 per share) to reflect the settlement of 1993 and 1994 IRS tax examinations.

(b) Includes a tax benefit in the amount of \$2,400,000 (the equivalent of \$.33 per share) to reflect the settlement of 1990 through 1992 IRS tax examinations.

(c) Includes a tax benefit in the amount of \$6,250,000 (the equivalent of \$.85 per share) to reflect the settlement of 1984 through 1989 IRS tax examinations.

Item 7. Management's Discussion and Analysis of Financial

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Condition and Results of Operations

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives may from time to time make written or oral statements that are "forward-looking," including statements contained in this report and other filings with the Securities and Exchange Commission and in reports to the Company's shareholders and news releases. All statements that express expectations, estimates, forecasts and projections are forward-looking statements within the meaning of the Act. In addition, other written or oral statements which constitute forward-looking statements may be made by or on behalf of the Company. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "projects," "forecasts," "may," "should," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in or suggested by such forward-looking statements. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

A wide range of factors could materially affect the Company's future performance and financial and competitive position, including the following: (i) the level of demand for land in Rio Rancho and the other markets in which the Company sells land; (ii) the possibility of further adverse changes in the magazine distribution system for magazines which the Company distributes; (iii) possible future litigation and governmental proceedings; (iv) the availability of financing and financial resources in the amounts, at the times and on the terms required to support the Company's future business, including possible acquisitions; (v) changes in U.S. financial markets, including significant interest rate fluctuations; (vi) the failure to carry out marketing and sales plans; (vii) the failure to successfully integrate acquired business, if any, into the Company without substantial costs, delays or other operational or financial problems; and (viii) changes in economic or business conditions, including general economic and business conditions that are less favorable than expected.

This list of factors that may affect the Company's future performance and its financial and competitive position and also the accuracy of forward-looking statements is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

RESULTS OF OPERATIONS

Year Ended April 30, 2001 ("2001") Compared to Year Ended April 30, 2000 ("2000")

Consolidated revenues for the year ended April 30, 2001 were \$73.2 million compared to \$119.8 million for the year ended April 30, 2000. This reduction in consolidated revenues in 2001 was principally due to the decrease in total real estate revenues from \$62.7 million in 2000 to \$21.0 million in 2001, resulting from the previously announced restructuring of the Company's real estate operations, including the completion of the wind-down of homebuilding activities.

Revenues from home and condominium sales decreased from \$30.1 million in 2000

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(representing 193 homes delivered) to \$4.6 million in 2001 (representing 18 homes delivered) as the Company completed delivery of nearly all homes available for sale. In addition, results for 2001 and 2000 include approximately \$1.1 million and \$3.2 million, respectively, of impairment and other charges associated with the wind-down of homebuilding projects. There was no other significant effect on net income resulting from the withdrawal from homebuilding between these periods, however, as the decline in homebuilding revenues and related gross profits in 2001 was offset by a moderately higher decrease in homebuilding-related commissions, selling and general and administrative expenses.

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Revenues from land sales decreased from \$32.6 million in 2000 to \$16.4 million in 2001, primarily as a result of decreased sales of residential lots to homebuilders in markets outside of New Mexico as well as a decrease of commercial and industrial property sales in New Mexico. During 2000, as part of its restructuring plan to sell its landholdings outside of New Mexico, the Company closed several transactions in Colorado involving approximately 650 lots at an aggregate sales price of \$10.2 million, to other homebuilders, whereas there were no similar transactions outside of New Mexico in 2001. In addition, revenues from commercial and industrial property sales declined from \$6.7 million in fiscal 2000 to \$1.0 million in fiscal 2001 due in part to the availability of competing commercial sites. The average gross profit percentage on land sales increased from 36% in 2000 to 47% in 2001, primarily because substantially all of the current year land sales were from the New Mexico market, where gross profits have historically been higher than in other markets. In addition, results for 2001 and 2000 include approximately \$1.0 million and \$.6 million, respectively, of impairment and other charges associated with the restructuring of real estate operations. Revenues and related gross profits from land sales can vary from period to period as a result of many factors, including the nature and timing of specific transactions, and thus prior results are not necessarily an indication of amounts that may be expected to occur in future periods.

Total revenues from magazine circulation operations decreased approximately \$4.0 million (8%) in 2001. Revenues from Fulfillment Services decreased approximately \$2.0 million (5%) due primarily to the loss of sweepstakes processing business for one customer, which was partly offset by increased revenues from core fulfillment and other continuing services to other customers. Revenues from Distribution Services also decreased approximately \$2.0 million (13%) in 2001, primarily as the result of customer losses and decreased magazine sales for existing customers, which reflects a continuation of adverse business conditions within the wholesaler and publisher ranks that has existed for the past several years. Industry sales decreased approximately 7% in the 12 month period ended December 2000, and certain publishers, including clients of Kable, have either vacated newsstand distribution or discontinued the production of a number of titles, thus adversely affecting overall sales. In addition, Kable determined that certain wholesaler and publisher customers had been impacted by these industry changes and were encountering financial difficulties and, accordingly, provided additional allowances for doubtful accounts of approximately \$2.3 million in 2001 and \$1.8 million in 2000.

Magazine circulation operating expenses decreased approximately \$3.1 million (7%) in 2001 compared to the prior year, with such decrease being directly related to lower revenues. Real estate commissions and selling expenses decreased \$2.5 million (67%) as a direct result of the wind-down of homebuilding operations. Real estate and corporate general and administrative expenses also decreased \$1.9 million (32%) due to the effects of the Company's real estate restructuring and related downsizing of administrative functions. General and administrative costs of magazine circulation operations increased approximately

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\$300,000 (4%) over the prior year due to increased technology staffing costs and legal and consulting fees incurred in connection with the modification of Kable's credit arrangement. Interest expense-net decreased \$200,000 (6%) as a result of lower borrowing requirements in the real estate business which saved \$300,000, while interest related to magazine circulation operations increased by \$100,000 due to higher interest rates during the earlier months of 2000.

During the quarter ended January 31, 2001, the Company received final notification from the Internal Revenue Service ("IRS") of the amount due with respect to certain outstanding tax issues related to IRS examinations of the Company's 1993 and 1994 tax returns. The Company paid approximately \$700,000 in March 2001 representing all Federal taxes and interest related to this matter, which is less than the amount which the Company had previously accrued on account thereof. At the same time the Company received final notification from the IRS that the outstanding tax issues related to IRS examinations of the Company's 1995 and 1996 tax returns were resolved. As a result, the Company recognized a tax benefit of \$3.5 million in the quarter ended January 31, 2001. In addition, the Company has reclassified the remaining liability balance of "Taxes Payable-Amounts subsequently due," which principally represents an estimate of additional state taxes and interest due resulting from adjustments on IRS audits, to "Taxes Payable-Amounts due within one year."

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Year Ended April 30, 2000 ("2000") Compared to Year Ended April 30, 1999

("1999")

Consolidated revenues for the year ended April 30, 2000 decreased to \$119.8 million from \$190.3 million in 1999, principally reflecting the effects of the restructuring of real estate operations begun in the fourth quarter of 1999 and continuing into 2000.

Revenues from real estate operations decreased to \$62.7 million in 2000 from \$127.0 million in 1999, principally due to decreased housing sale revenues. This revenue reduction reflected the decision made by the Company in 1999 to wind-down homebuilding operations in all of its markets, to sell its landholdings in Colorado and California, and to concentrate on more rapidly developing its substantial land holdings in Rio Rancho, New Mexico.

Revenues from housing sales decreased to \$30.1 million in 2000 from \$90.9 million in 1999 which resulted from the decision to wind-down homebuilding operations in all markets, as evidenced by the decrease in the number of home deliveries from 711 in 1999 to 193 in 2000. Revenues and related gross profit from land sales decreased by approximately \$3.4 million and \$2.6 million, respectively, in 2000 from 1999, primarily due to a decrease in commercial and industrial property land sales. The average gross profit percentage on land sales decreased from 39% in 1999 to 36% in 2000 because certain sales of residential land to builders in 2000 were from different projects and at lower gross profit percentages than sales in the prior year. In addition, the results for 2000 and 1999 include impairment and other restructuring-related charges of approximately \$3.8 million and \$3.3 million, respectively, associated with the wind-down of homebuilding activities and the restructuring of real estate operations.

Revenues from magazine circulation operations, consisting of both magazine distribution and fulfillment operations, decreased approximately \$4.8 million (8%) from 1999 to 2000. Revenues from the Fulfillment Services division decreased approximately \$400,000 (1%) from 1999 due primarily to a lower volume

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of business in sweepstakes processing for one large customer. Revenues from Distribution Services decreased approximately \$4.4 million (22%) in the same period as a result of decreased newsstand magazine sales as well as a reduction in gross billings due to the loss of certain publisher clients. In addition, Kable continued to feel the effects of the realignment of industry relationships in the distribution of magazines which started in 1996 and which subsequently led to a substantial reduction in the number of wholesalers. In many cases, this situation adversely impacted wholesaler profits and liquidity, which resulted in wholesaler consolidations and sometimes bankruptcies. Due to concerns about the financial strength of certain customers, Kable increased its reserve for uncollectible accounts by approximately \$1.8 million in 2000 and \$5.0 million in 1999. In addition, Kable's operating expenses in 2000 included a charge of approximately \$735,000 resulting from the impairment of assets no longer required due to the impending loss of sweepstakes processing business for a large fulfillment client. As a result of these factors, magazine circulation operating expenses decreased \$4.0 million (8%) in fiscal 2000 compared to the prior year, primarily due to the effect of the reduced bad debt reserve offset in part by the impairment charge in the sweepstakes processing business.

Revenues from "Interest and other operations" decreased from 1999 to 2000 principally because the prior year included amounts recorded as management fees and equity income from several joint ventures in which the Company participated.

Real estate commissions and selling expenses decreased by \$4.0 million (52%) and real estate and corporate general and administrative expenses decreased by \$1.6 million (21%) from 1999 to 2000, principally as a result of the restructuring of the real estate operations. General and administrative costs of magazine circulation operations increased by approximately \$300,000 (4%) in the same period, reflecting increased legal costs associated with the investigation of new business opportunities.

Interest expense - net decreased from approximately \$4.7 million in 1999 to approximately \$2.9 million in 2000. Interest related to real estate operations decreased as a result of the reduction of real estate debt through the use of proceeds generated from land sales, while interest related to magazine

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circulation operations decreased due to lower borrowing requirements associated with lower revenues and related accounts receivable balances in the Newsstand division.

LIQUIDITY AND CAPITAL RESOURCES

During the past several years the Company has financed its operations from internally generated funds and from borrowings under its various lines-of-credit and other loan agreements.

Cash Flows from Financing Activities

The Company's subsidiaries have several line of credit arrangements with several financial institutions, which are collateralized by various assets. Based upon collateral availability, the Company had an aggregate borrowing availability of \$40.7 million at April 30, 2001 against which \$37.8 million was borrowed.

Kable had a \$40 million line-of-credit with a group of banks which, as a result of a modification agreement entered into in March 2001, was reduced to \$30 million and was fully borrowed at April 30, 2001. At April 30, 2001, Kable was

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not in compliance with a financial covenant of the modified agreement and subsequently agreed to another modification in June 2001, which provided for a further reduction of the commitment amount to \$25.6 million on July 31, 2001, increased the interest rate from prime plus 1/2% to prime plus 1% and extended the maturity date until September 30, 2001. In addition, subject to the Company repaying \$4.4 million of intercompany debt due to Kable by September 30, 2001 the loan would be automatically extended to May 1, 2002 with the commitment amount reduced to \$23.5 million at December 31, 2001. This condition was satisfied in August 2001 and the loan extended until May 1, 2002. The loan is collateralized 125% or more by certain Kable accounts receivable (increasing to 142% at December 31, 2001) and prohibits the payment of dividends by, and the making of loans from, Kable to the Company. The Registrant has guaranteed Kable's repayment obligations under this arrangement. Management believes that the line-of-credit, as modified, is sufficient for Kable's requirements through May 1, 2002.

Kable has been advised by its lending group that participants representing approximately 50% of the committed credit do not wish to participate in an extension beyond May 1, 2002. The Company has initiated discussions with the lead bank to explore a modification and/or reformulation of the lending group, and is also in discussions with other potential lenders; however, no agreements have been reached at this time and there are no assurances that Kable will be able to renegotiate or extend the terms of the credit agreement or find replacement lenders beyond May 1, 2002.

The Company has several loans with one financial institution to support real estate operations. These loans had a total maximum amount available of approximately \$10.7 million, at April 30, 2001, of which borrowings of approximately \$7.8 million were outstanding. These borrowings, which have maturities ranging from 2001 through 2003, bear interest at the prime rate (7.5% at April 30, 2001), are collateralized by certain real estate assets and are subject to certain financial performance and other covenants. The Chief Executive Officer of the real estate subsidiary, who is also a member of the Board of Directors of the Company, serves as a member of the board of directors of the financial institution from which these loans were obtained. Management believes that its real estate borrowings are sufficient for its requirements.

Cash Flows From Operating Activities

Real estate inventories amounted to \$71.2 million at April 30, 2001 compared to \$70.5 million at April 30, 2000. This change is net of a \$4.4 million decrease in inventories outside of New Mexico, where the Company is winding-down its activities, and a \$5.1 million increase in New Mexico, where several sites are presently under development.

Receivables from magazine circulation operations decreased by approximately \$7.8 million compared to the prior year primarily as the result of a reduction in the level of activity of newsstand operations.

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Cash Flows From Investing Activities

Capital expenditures have remained comparable on a year to year basis. The Company believes that it has adequate financing capability to provide for anticipated capital expenditures.

The Company has from time to time reacquired its shares to be held as treasury stock as part of a stock repurchase program. During fiscal 2000, the Company

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reacquired 143,000 of its common shares at a cost of approximately \$857,000. During fiscal 2001, the Board of Directors authorized an additional repurchase of stock by means of a self-tender "Dutch Auction" for 725,000 shares of the Company's stock at a price not to exceed \$7.00 per share and not lower than \$5.25 per share. As a result of this program and other repurchases, the Company reacquired a total of approximately 668,000 shares in fiscal 2001, at an aggregate cost of approximately \$4.8 million.

As discussed in Note 8 to the consolidated financial statements, during 2001 the Company reached an agreement with the IRS to resolve all issues resulting from the IRS's examination of tax years 1993 through 1996, and paid all tax liabilities due. In previous years, the Company had established a liability for Taxes Payable (including anticipated interest thereon through the expected date of payment) to cover the expected amount due for this matter, as well as other IRS examinations for tax years 1984 through 1992 (which have all since been resolved). This examination resulted in an amount of tax payable that was less than the Company had believed would be required and accrued, and accordingly the Company reduced the amount of Taxes Payable during the third quarter of 2001 by \$3.5 million. In addition, the Company has reclassified the remaining liability balance of "Taxes Payable-Amounts subsequently due," which represents an estimate of state taxes and interest due resulting from adjustments to the aforementioned IRS audits, to "Taxes Payable - Amounts due within one year." For tax years beginning in 1996, the Company believes its taxes have been calculated in a manner consistent with IRS regulations and in the manner in which tax examinations for the years 1984 through 1995 have been completed.

SEGMENT INFORMATION

Information by industry segment is presented in Note 14 to the consolidated financial statements. This information has been prepared in accordance with Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Disclosures", which requires that industry segment information be prepared in a manner consistent with the manner in which financial information is prepared and evaluated by management for making operating decisions. A number of assumptions and estimations are required to be made in the determination of segment data, including the need to make certain allocations of common costs and expenses among segments. On an annual basis, management has evaluated the basis upon which costs are allocated, and has periodically made revisions to these methods of allocation. Accordingly, the determination of "pretax income (loss) contribution" of each segment as summarized in Note 14 to the consolidated financial statements is presented for informational purposes, and is not necessarily the amount that would be reported if the segment were an independent company.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. The Company adopted SFAS No. 133 in fiscal 2001. The Company does not engage in investments or activity of this nature, and thus SFAS No. 133 had no effect on its consolidated financial statements.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) 101, "Revenue Recognition," which outlines the basic criteria

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that must be met to recognize revenue and provides guidance for presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with the Securities and Exchange Commission. The Company conformed to the guidelines of this pronouncement in 2001, and there was no effect on the financial position or results of operations of the Company.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" ("SFAS No. 141") and SFAS No. 142 "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 141 requires that the purchase method is used for all business combinations initiated after June 30, 2001 and prohibits the use of the pooling of interest method. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment approach. The Company will be required to adopt SFAS No. 142 on May 1, 2002, however, early adoption as of May 1, 2001 is permitted. The Company has not amortized goodwill because it arose in connection with an acquisition made prior to the effective date of ABP No. 17 for which, in the opinion of management, there has been no diminution of value. The Company has not yet evaluated the effect of SFAS No. 142 on its consolidated financial statements.

IMPACT OF INFLATION

Operations of the Company can be impacted by inflation. Within the industries in which the Company operates, inflation can cause increases in the cost of materials, services, interest and labor. Unless such increased costs are recovered through increased sale prices, operating margins will decrease. Within the land development industry, the Company encounters particular risks. A large part of the Company's real estate sales are to homebuilders who face their own inflationary concerns that rising housing costs, including interest costs, may substantially outpace increases in the income of potential purchasers and make it difficult for them to finance the purchase of a new home or sell their existing home. If this situation were to exist, the demand for the Company's land by these homebuilder customers could decrease. In general, in prior years, interest and price increases have been commensurate with the general rate of inflation in the Company's markets, and the Company has not found the inflation risk to be a significant problem in its real estate or magazine circulation operations.

Item 7(A). Quantitative and Qualitative Disclosures About Market Risk

The primary market risk facing the Company is interest rate risk on its long-term debt. The Company does not hedge interest rate risk using financial instruments. The Company is also subject to foreign currency risk, but this risk is not material. The following table sets forth as of April 30, 2001 the Company's long term debt obligations by scheduled maturity, weighted average interest rate and estimated Fair Market Value ("FMV") (amounts in thousands):

| | Year ended April 30, | | | | | | Total | FMV @ 4/30/01 |
|-----------------------------------|----------------------|----------|--------|--------|--------|-----------------|----------|------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | There- after | | |
| Fixed rate debt | \$3,285 | \$ 327 | \$ 777 | \$ 175 | \$ 147 | \$ 1,452 | \$ 6,163 | \$ 6,284 |
| Weighted average interest rate | 10.5% | 8.7% | 7.9% | 8.3% | 7.9% | 7.9% | 9.3% | - |
| Variable rate debt | \$6,205 | \$31,892 | \$ - | \$ - | \$ - | \$ - | \$38,097 | \$38,097 |

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| | | | | | | | | |
|--------------------------------|------|------|---|---|---|---|------|---|
| Weighted average interest rate | 8.3% | 7.5% | - | - | - | - | 8.3% | - |
|--------------------------------|------|------|---|---|---|---|------|---|

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Item 8. Financial Statements and Supplementary Data

Report of Independent Public Accountants

To AMREP Corporation:

We have audited the accompanying consolidated balance sheets of AMREP Corporation (an Oklahoma corporation) and subsidiaries as of April 30, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended April 30, 2001. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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. 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, the financial statements referred to above present fairly, in all material respects, the financial position of AMREP Corporation and subsidiaries as of April 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 2001 in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule II accompanying the consolidated financial statements is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

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Albuquerque, New Mexico
August 13, 2001

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AMREP CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Page 1 of 2)

APRIL 30, 2001 AND 2000

(Dollar amounts in thousands)

| ASSETS ----- | 2001 ----- | 2000 ----- |
|---|---------------------|--------------------|
| CASH AND CASH EQUIVALENTS | \$ 15,941 | \$ 12,934 |
| RECEIVABLES, net: | | |
| Real estate operations | 7,070 | 9,108 |
| Magazine circulation operations | 37,533 | 45,366 |
| | ----- | ----- |
| | 44,603 | 54,474 |
| REAL ESTATE INVENTORY | 71,194 | 70,548 |
| PROPERTY, PLANT AND EQUIPMENT, at historical cost, net of accumulated depreciation and amortization | 16,467 | 17,852 |
| OTHER ASSETS, net of accumulated amortization | 11,448 | 11,437 |
| EXCESS OF COST OF SUBSIDIARY OVER NET ASSETS ACQUIRED | 5,191 | 5,191 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 164,844 ===== | \$ 72,436 ===== |

The accompanying notes to consolidated financial statements are an integral part of these consolidated balance sheets.

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AMREP CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Page 2 of 2)

APRIL 30, 2001 AND 2000

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(Dollar amounts in thousands, except par value)

| LIABILITIES AND SHAREHOLDERS' EQUITY | 2001 | 2000 |
|--|------------|------------|
| ACCOUNTS PAYABLE, DEPOSITS AND ACCRUED EXPENSES | \$ 27,326 | \$ 25,920 |
| NOTES PAYABLE: | | |
| Amounts due within one year | 9,490 | 15,599 |
| Amounts subsequently due | 34,770 | 31,312 |
| | 44,260 | 46,911 |
| TAXES PAYABLE: | | |
| Amounts due (receivable) within one year | 1,595 | (1,002) |
| Amounts subsequently due (including interest) | - | 5,999 |
| | 1,595 | 4,997 |
| DEFERRED INCOME TAXES | 1,882 | 2,627 |
| TOTAL LIABILITIES | 75,063 | 80,455 |
| COMMITMENTS AND CONTINGENCIES (Notes 11 and 12) | | |
| SHAREHOLDERS' EQUITY: | | |
| Common stock, \$.10 par value; shares authorized--20,000,000; shares issued - 7,399,677 in 2001 and 7,398,677 in 2000 | 740 | 740 |
| Capital contributed in excess of par value | 44,935 | 44,930 |
| Retained earnings | 49,815 | 47,258 |
| Treasury stock, at cost; 826,091 shares at April 30, 2001 and 158,327 shares at April 30, 2000 | (5,709) | (947) |
| TOTAL SHAREHOLDERS' EQUITY | 89,781 | 91,981 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 164,844 | \$ 172,436 |

The accompanying notes to consolidated financial statements are an integral part of these consolidated balance sheets.

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| ----- CONSOLIDATED STATEMENTS OF INCOME ----- | | | |
|--|-----------|-----------|-----------|
| (Amounts in thousands, except per share amounts) Year Ended April 30, | | | |
| | 2001 | 2000 | 1999 |
| | ----- | ----- | ----- |
| REVENUES: | | | |
| Magazine circulation operations | \$ 48,570 | \$ 52,548 | \$ 57,354 |
| Real estate operations- | | | |
| Home and condominium sales | 4,611 | 30,079 | 90,947 |
| Land sales | 16,386 | 32,637 | 36,033 |
| | ----- | ----- | ----- |
| | 20,997 | 62,716 | 126,980 |
| | | | |
| Interest and other operations | 3,642 | 4,569 | 5,957 |
| | ----- | ----- | ----- |
| | 73,209 | 119,833 | 190,291 |
| | ----- | ----- | ----- |
| COSTS AND EXPENSES: | | | |
| Real estate cost of sales- | | | |
| Home and condominium sales | 6,083 | 28,735 | 79,494 |
| Land sales | 9,588 | 21,084 | 21,869 |
| Operating expenses- | | | |
| Magazine circulation operations | 41,128 | 44,184 | 48,181 |
| Real estate commissions and selling | 1,218 | 3,670 | 7,689 |
| Other operations | 2,836 | 4,560 | 3,960 |
| General and administrative- | | | |
| Real estate operations and corporate | 4,121 | 6,026 | 7,643 |
| Magazine circulation operations | 6,934 | 6,680 | 6,408 |
| Interest, net | 2,771 | 2,946 | 4,743 |
| Restructuring costs | - | - | 2,108 |
| | ----- | ----- | ----- |
| | 74,679 | 117,885 | 182,095 |
| | ----- | ----- | ----- |
| INCOME (LOSS) BEFORE INCOME TAXES | (1,470) | 1,948 | 8,196 |
| | | | |
| BENEFIT (PROVISION) FOR INCOME TAXES | 4,027 | (779) | (659) |
| | ----- | ----- | ----- |
| NET INCOME | \$ 2,557 | \$ 1,169 | \$ 7,537 |
| | ===== | ===== | ===== |
| | | | |
| EARNINGS PER SHARE - BASIC AND DILUTED | \$.38 | \$.16 | \$ 1.02 |
| | ===== | ===== | ===== |
| | | | |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 6,681 | 7,285 | 7,369 |
| | ===== | ===== | ===== |

The accompanying notes to consolidated financial statements are an integral part of these consolidated balance sheets.

AMREP CORPORATION AND SUBSIDIARIES

 CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in thousands)

| | Common Shares | Stock Amount | Capital Contributed In Excess of Par Value | Retained Earnings | Treasury Stock at Cost |
|----------------------------|------------------|-----------------|--|----------------------|------------------------------|
| | ----- | ----- | ----- | ----- | ----- |
| BALANCE, April 30, 1998 | 7,399 | \$ 740 | \$ 44,928 | \$ 38,552 | \$ (180) |
| Net income | - | - | - | 7,537 | - |
| BALANCE, April 30, 1999 | 7,399 | 740 | 44,928 | 46,089 | (180) |
| Net income | - | - | - | 1,169 | - |
| Purchase of treasury stock | - | - | - | - | (857) |
| Issuance of treasury stock | - | - | 2 | - | 90 |
| BALANCE, April 30, 2000 | 7,399 | 740 | 44,930 | 47,258 | (947) |
| Net income | - | - | - | 2,557 | - |
| Purchase of treasury stock | - | - | - | - | (4,762) |
| Exercise of stock options | 1 | - | 5 | - | - |
| BALANCE, April 30, 2001 | 7,400 | \$ 740 | \$ 44,935 | \$ 49,815 | \$ (5,709) |

The accompanying notes to consolidated financial statements are an
 integral part of these consolidated statements.

AMREP CORPORATION AND SUBSIDIARIES

 CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

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| | Year Ended April 30, | | |
|---|----------------------|-----------|-----------|
| | 2001 | 2000 | 1999 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | \$ 2,557 | \$ 1,169 | \$ 7,537 |
| Adjustments to reconcile net income to net cash provided by operating activities- | | | |
| Depreciation and amortization | 3,033 | 4,104 | 4,830 |
| Non-cash credits and charges: | | | |
| Loss (gain) on disposition of fixed assets | (211) | 167 | 218 |
| Provision for doubtful accounts | 2,265 | 1,806 | 5,025 |
| Impairment of long-lived assets | 2,265 | 4,543 | 1,213 |
| Pension benefit accrual | (603) | (573) | (487) |
| Issuance of treasury stock charged to expense | - | 92 | - |
| Changes in assets and liabilities, excluding the effect of acquisition- | | | |
| Receivables | 7,606 | 8,388 | (1,178) |
| Real estate inventory | (2,085) | 19,164 | 8,968 |
| Other real estate investments | - | 1,089 | (150) |
| Other assets | (634) | 1,145 | (385) |
| Accounts payable, deposits and accrued expenses | 1,406 | (11,708) | (3,019) |
| Taxes payable | (3,402) | (9,341) | (5,352) |
| Deferred income taxes | (745) | 1,612 | (1,573) |
| Net cash provided by operating activities | 11,443 | 21,657 | 15,647 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures | (2,045) | (2,659) | (3,305) |
| Proceeds from disposition of property, plant and equipment | 1,017 | 227 | 277 |
| Amount received for acquisition | - | 873 | - |
| Net cash used by investing activities | (1,028) | (1,559) | (3,028) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from debt financing | 24,843 | 25,424 | 61,647 |
| Principal debt payments | (27,494) | (55,284) | (71,230) |
| Exercise of Stock Option | 5 | - | - |
| Purchase of treasury stock | (4,762) | (857) | - |
| Net cash used by financing activities | (7,408) | (30,717) | (9,583) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,007 | (10,619) | 3,036 |
| CASH AND CASH EQUIVALENTS, beginning of year | 12,934 | 23,553 | 20,517 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 15,941 | \$ 12,934 | \$ 23,553 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | | |
| Interest paid - net of amounts capitalized | \$ 4,354 | \$ 3,759 | \$ 4,802 |
| Income taxes paid | \$ 1,173 | \$ 8,403 | \$ 7,716 |
| Income taxes received | \$ 1,073 | \$ 40 | \$ 60 |
| Non Cash Transaction | | | |
| Transfer to Inventory from Fixed Assets | \$ 317 | \$ - | \$ - |

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Acquisition of real estate assets:

| | | | | | | |
|--|----|---|----|-------|----|-------|
| Identifiable assets acquired | \$ | - | \$ | 1,408 | \$ | - |
| Liabilities assumed | | - | | 2,281 | | - |
| | | | | ----- | | ----- |
| Net cash (received) paid for acquisition | \$ | - | \$ | (873) | \$ | - |
| | | | | ===== | | ===== |

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

AMREP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES:

Organization and principles of consolidation

The consolidated financial statements include the accounts of AMREP Corporation, an Oklahoma corporation, and its subsidiaries (individually and collectively, as the context requires, the "Company"). The Company, through its principal subsidiaries, is engaged in two unrelated businesses. Kable News Company, Inc. ("Kable") operates in the magazine distribution and fulfillment services industries, and AMREP Southwest Inc. operates predominately in the real estate industry, principally in New Mexico.

The Company's investments in partnerships (and similar entities), in which the Company's interest is 50% or less, or in which the Company does not effectively control the joint venture, are accounted for by the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated balance sheets are presented in an unclassified format, since the Company has substantial operations in the real estate industry and its operating cycle is greater than one year.

Revenue recognition

Revenues from magazine circulation operations include revenues from the distribution of periodicals and subscription fulfillment activities. Distribution revenues represent commissions earned from the distribution of publications for client publishers which are recorded at the time the publications go on sale. The publications generally are sold on a fully returnable basis, which is in accordance with prevailing trade practice. Accordingly, the Company provides for estimated returns by charges to income which are based on experience. Revenues from subscription fulfillment activities represent fees earned from the maintenance of computer files for customers, which are billed and earned monthly, and other fulfillment activities including sweepstakes mail processing, customer telephone support, product fulfillment, and graphic arts and lettershop services, all of which are billed and earned as the services are provided.

Land sales are recognized when the parties are bound by the terms of the

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contract, all consideration (including adequate cash) has been exchanged and title and other attributes of ownership have been conveyed to the buyer by means of a closing. Profit is recorded either in its entirety or on the installment method depending upon, among other things, the ability to estimate the collectibility of the unpaid sales price. In the event the buyer defaults on the obligation, the property is taken back and recorded as inventory at the unpaid receivable balance, net of any deferred profit, but not in excess of fair market value less estimated costs to sell.

Sales of homes and condominiums are recognized when title and other attributes of ownership have been conveyed to the buyer by means of a closing.

Cash and cash equivalents

Cash equivalents consist of short term, highly liquid investments which have an original maturity of ninety days or less, and that are readily convertible into cash.

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Real estate inventory

Land and improvements for completed real estate projects, as well as those held for future development or sale, are stated at the lower of accumulated cost (except in certain instances where property is repossessed as discussed above under "Revenue recognition") which includes the development cost, certain amenities, capitalized interest and capitalized real estate taxes, or fair market value less estimated costs to sell.

Homes and condominiums completed or under construction are stated at the lower of accumulated cost, including interest costs capitalized during construction, or fair market value less estimated costs to sell.

Property, plant and equipment

Items capitalized as part of property, plant and equipment are recorded at cost. Expenditures for maintenance and repair and minor renewals are charged to expense as incurred, while those expenditures which improve or extend the useful life of existing assets are capitalized. Upon sale or other disposition of assets, their cost and the related accumulated depreciation or amortization are removed from the accounts and the resulting gain or loss, if any, is reflected in operations.

Depreciation and amortization of property, plant and equipment are provided principally by the straight-line method at various rates calculated to amortize the book values of the respective assets over their estimated useful lives which range from 5 to 50 years for utility plant and equipment and 3 to 40 years for all other property, plant and equipment.

Excess of cost of subsidiaries over net assets acquired

The excess of amounts paid for business acquisitions over the net fair value of the assets acquired and liabilities assumed ("goodwill") is carried as an asset. Goodwill arose in connection with the acquisition of Kable during 1969 and is not being amortized to operations, since this acquisition was made prior to the effective date of Accounting Principles Board Opinion ("APB") No. 17 and management is of the opinion that there has been no diminution of value.

Long-lived assets

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Long-lived assets, including real estate inventory and goodwill, are evaluated when indicators of impairment are present. Provisions for possible losses are recorded when undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. See Notes 3 and 4.

Income taxes

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured by using currently enacted tax rates expected to apply to taxable income in the years in which those differences are expected to reverse.

Earnings per share

Basic earnings per share is based on the weighted average number of common shares outstanding during each year. Diluted earnings per share is computed assuming the issuance of common shares for all dilutive stock options outstanding (using the treasury stock method) during the reporting period.

Stock options

The Company accounts for stock option grants in accordance with APB No. 25, "Accounting for Stock Issued to Employees." The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" (see Note 7).

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Comprehensive income

The Company is required to report components of comprehensive income in an annual financial statement that is displayed with the same prominence as other financial statements. The Company's comprehensive income and net income are the same.

Management's estimates and assumptions

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The significant estimates that affect the financial statements include, but are not limited to, inventory valuation, magazine returns, the recoverability of long-term assets and amortization periods. Actual results could differ from those estimates.

New accounting pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. The Company adopted SFAS No. 133 in fiscal 2001. The Company does not engage in investments or activity of this nature, and thus SFAS No. 133 had no effect on its consolidated financial statements.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) 101, "Revenue Recognition," which outlines the basic criteria that must be met to recognize revenue and provides guidance for presentation of revenue and for disclosure related to revenue recognition policies in financial

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statements filed with the Securities and Exchange Commission. The Company conformed to the guidelines of this pronouncement in fiscal 2001, and there was no effect on the financial position or results of operations of the Company.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" ("SFAS No. 141") and SFAS No. 142 "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 141 requires that the purchase method is used for all business combinations initiated after June 30, 2001 and prohibits the use of the pooling of interest method. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment approach. The Company will be required to adopt SFAS No. 142 on May 1, 2002, however, early adoption as of May 1, 2001 is permitted. The Company has not amortized goodwill because it arose in connection with an acquisition made prior to the effective date of ABP No. 17 for which, in the opinion of management, there has been no diminution of value. The Company has not yet evaluated the effect of SFAS No. 142 on its consolidated financial statements.

Financial statement presentation

Certain prior year amounts in the consolidated financial statements have been reclassified to conform with the 2001 presentation.

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(2) RECEIVABLES:

Receivables consist of:

| | April 30, | |
|--|-------------|------------|
| | 2001 | 2000 |
| | (Thousands) | |
| Real estate operations- | | |
| Mortgage and other receivables | \$ 7,243 | \$ 9,469 |
| Allowance for doubtful accounts | (173) | (361) |
| | \$ 7,070 | \$ 9,108 |
| Magazine circulation operations- | | |
| Accounts receivable (maturing within one year) | \$ 87,946 | \$ 109,994 |
| Allowances for- | | |
| Estimated returns | (49,201) | (62,978) |
| Doubtful accounts | (1,212) | (1,650) |
| | \$ 37,533 | \$ 45,366 |

Mortgage and other receivables bear interest at rates ranging from 8.0% to 12.0% and result primarily from land sales. Magazine circulation operations receivables collateralize a general purpose line-of-credit utilized for the magazine circulation operations (see Note 6).

The Company extends credit to various companies in the real estate and magazine circulation industries which may be affected by changes in economic or other external conditions. Financial instruments that may potentially subject the Company to a significant concentration of risk primarily consist of trade accounts receivable from wholesalers in the magazine distribution industry. As industry practices allow, the Company's policy is to manage its exposure to credit risk through credit approvals and limits and, where appropriate, to be secured by collateral. The Company also provides an allowance for doubtful accounts for potential losses based upon factors surrounding the credit risk of

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specific customers, historical trends and other financial and non-financial information. In recent years, as a result of changes within the magazine distribution industry there has been a major consolidation and reduction in the number of wholesalers to whom Kable distributes magazines and, as a result, at April 30, 2001 approximately 40% of Kable's accounts receivable were due from three customers. In addition, Kable determined that certain wholesaler and publisher customers had been impacted by these industry changes and were encountering financial difficulties and, accordingly, provided additional allowances for doubtful accounts of approximately \$2.3 million in 2001 and \$1.8 million in 2000.

Maturities of principal on real estate receivables at April 30, 2001 are as follows (in thousands): 2002 - \$2,963; 2003 - \$2,824; 2004 - \$632; 2005 - \$268; 2006 - \$4; 2007 and thereafter - \$552.

(3) REAL ESTATE INVENTORY:

Real estate inventory consists of:

| | April 30, | |
|--|-------------|-----------|
| | 2001 | 2000 |
| | (Thousands) | |
| Land and improvements held for sale or development | \$ 70,501 | \$ 64,571 |
| Homes and condominiums - land and construction costs | 693 | 5,694 |
| Other | - | 283 |
| | ----- | ----- |
| | \$ 71,194 | \$ 70,548 |
| | ===== | ===== |

Accumulated capitalized interest costs included in real estate inventory at April 30, 2001 and 2000 were \$4,867,000 and \$3,934,000, respectively. Interest costs capitalized during 2001, 2000 and 1999 were \$1,533,000, \$1,371,000 and

\$3,348,000, respectively. Accumulated capitalized real estate taxes included in the inventory of land and improvements at April 30, 2001 and 2000 were \$4,751,000 and \$4,501,000, respectively. Real estate taxes capitalized during 2001, 2000 and 1999 were \$425,000, \$182,000 and \$217,000, respectively. Previously capitalized interest costs and real estate taxes charged to real estate cost of sales were \$775,000, \$2,375,000 and \$4,903,000 in 2001, 2000 and 1999, respectively.

During 2001, 2000 and 1999, the Company determined that certain real estate assets were impaired primarily due to conditions associated with the restructuring of real estate operations. The Company recognized an impairment for long-lived assets of approximately \$1,750,000, \$3,800,000 and \$1,200,000 based upon an estimate of the future cash flows to be generated by those assets compared to the remaining carrying value of those assets.

In prior years the Company had participated in a number of real estate joint ventures in which it did not have management control. Condensed financial information concerning these unconsolidated joint venture activities for the year ended April 30, 2000 is as follows: total assets - \$429,000; total liabilities - \$146,000; equity of the Company - \$283,000; revenues - \$27,661,000; expenses - \$26,779,000; income - \$882,000 of which the Company's

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share was \$353,000 (including management fees). As part of the restructuring of its real estate operations, the Company substantially completed the development, construction and sales for those joint ventures in which it had participated during 2000, and, accordingly, there were no significant operations during 2001 and no significant assets or liabilities remained in these joint ventures at April 30, 2001.

Substantially all of the Company's real estate assets are located in New Mexico. As a result of this geographic concentration, the Company could be affected by economic conditions in this region.

(4) PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consists of:

| | April 30, | |
|---|-------------|-----------|
| | 2001 | 2000 |
| | (Thousands) | |
| Land, buildings and improvements | \$ 9,588 | \$ 10,907 |
| Furniture and fixtures | 12,170 | 11,140 |
| Utility plant and equipment | 9,859 | 9,020 |
| Other | 136 | 817 |
| | ----- | ----- |
| | 31,753 | 31,884 |
| Accumulated depreciation and amortization | (15,286) | (14,032) |
| | ----- | ----- |
| | \$ 16,467 | \$ 17,852 |
| | ===== | ===== |

During 2000, the Company determined that certain property and specialized equipment utilized in its fulfillment operations would no longer be utilized due to the impending loss of a large customer, and the Company recognized an impairment for long-lived assets of approximately \$735,000 based upon an estimate of the future cash flows to be generated by those assets compared to the remaining carrying value of those assets. During 2001 the Company provided an impairment reserve of \$500,000 for the potential loss on the sale of certain property, plant and equipment.

Depreciation charged to operations amounted to \$1,807,000, \$2,230,000, and \$2,109,000 in 2001, 2000, and 1999, respectively.

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(5) OTHER ASSETS:

Other assets consist of:

| | April 30, | |
|--|-------------|----------|
| | 2001 | 2000 |
| | (Thousands) | |
| Prepaid expenses and other deferred charges, net | \$ 5,118 | \$ 5,274 |

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| | | |
|--|-----------|-----------|
| Purchased magazine distribution contracts, net of accumulated amortization of \$3,316 and \$2,889 in 2001 and 2000, respectively | 963 | 1,390 |
| Security and other deposits | 2,635 | 2,301 |
| Prepaid pension (Note 7) | 2,623 | 2,020 |
| Other | 109 | 452 |
| | ----- | ----- |
| | \$ 11,448 | \$ 11,437 |
| | ===== | ===== |

Included in other assets at April 30, 2001 is Kable's 50% interest of \$400,000 in a joint venture accounted for the equity method. Total assets of the joint venture at April 30, 2001 were \$880,000, and Kable's share of the joint venture's start-up losses of \$234,000 in 2001 was \$117,000, which is included in Operating expenses.

Amortization related to deferred charges and distribution contracts was \$1,226,000, \$1,874,000, and \$1,622,000 for the years ended April 30, 2001, 2000 and 1999, respectively.

(6) DEBT FINANCING:

Debt financing consists of:

| | | |
|----------------------------------|-------------|-----------|
| | April 30, | |
| | ----- | ----- |
| | 2001 | 2000 |
| | ----- | ----- |
| | (Thousands) | |
| Notes payable - | | |
| Line-of-credit borrowings - | | |
| Real estate operations and other | \$ 7,758 | \$ 9,991 |
| Magazine circulation operations | 29,975 | 27,713 |
| Other | 105 | 521 |
| | ----- | ----- |
| | \$ 44,260 | \$ 46,911 |
| | ===== | ===== |

Maturities of principal on notes outstanding at April 30, 2001 are as follows (in thousands): 2002 - \$9,490; 2003 - \$32,219; 2004 - \$777; 2005 - \$175; 2006 - \$147; 2007 and thereafter - \$1,452.

Line-of-credit borrowings

The Company has several loans with one financial institution to support real estate operations. These loans have a total maximum amount available of approximately \$10.7 million, of which borrowings of approximately \$7.8 million were outstanding as of April 30, 2001. These borrowings, which have maturities ranging from 2002 through 2007, bear interest at the prime rate (7.5% at April 30, 2001), are collateralized by certain real estate assets and are subject to certain financial performance and other covenants. The Chief Executive Officer of the real estate subsidiary, who is also a member of the Board of Directors of the Company, serves as a member of the board of directors of the financial institution from which these loans were obtained.

Kable had a \$40 million line-of-credit with a group of banks which, as a result of a modification of the agreement entered into in March 2001, was reduced to

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\$30 million and which was fully borrowed at April 30, 2001. At April 30, 2001, Kable was not in compliance with a financial covenant of the modified agreement and subsequently agreed to another modification, which provided for a further reduction of the commitment amount to \$25.6 million at July 31, 2001, increased the interest rate from prime plus 1/2% to prime plus 1% and extended the maturity date until September 30, 2001. In addition, subject to the Company repaying \$4.4 million of intercompany debt due to Kable by September 30, 2001, the loan would automatically be extended to May 1, 2002 with the commitment amount reduced to \$23.5 million at December 31, 2001. This condition was satisfied in August 2001 and the loan extended until May 1, 2002. The loan is collateralized 125% or more by certain Kable accounts receivable (increasing to 142% at December 31, 2001) and prohibits the payment of dividends by, and the making of loans from, Kable to the Company. The Registrant has guaranteed Kable's repayment obligations under this arrangement.

Kable has been advised by its lending group that participants representing approximately 50% of the committed credit do not wish to participate in an extension beyond May 1, 2002. The Company has initiated discussions with the lead bank to explore a modification and/or reformulation of the lending group, and is also in discussions with other potential lenders; however, no agreements have been reached at this time and there are no assurances that Kable will be able to renegotiate or extend the terms of the credit agreement or find replacement lenders beyond May 1, 2002.

In connection with the restructuring of its real estate operations and to facilitate the wind-down of its California operation, a subsidiary of the Company has guaranteed a \$6.4 million line-of-credit for an unaffiliated entity for the ongoing development of a project in which the subsidiary had been a joint venture participant, of which approximately \$5.1 million was outstanding at April 30, 2001.

Mortgages and other notes payable

Mortgages and other notes payable had interest rates ranging from 7.5% to 12% at April 30, 2001, and are primarily collateralized by property, plant and equipment and certain land inventory. These borrowings mature through fiscal 2013.

(7) BENEFIT PLANS:

Stock option plans

Under the Company's 1992 Stock Option Plan, 311,750 shares are reserved for issuance to officers and other key employees. Options may be granted in such amounts, at such times, and with such exercise prices as the stock option committee may determine. The Non-Employee Directors Option Plan has 36,000 shares reserved for issuance and provides for an automatic issuance of options to purchase 500 shares of common stock to each non-employee director annually at the fair market value at the date of grant. The options are exercisable in one year and expire five years after the date of grant.

A summary of activity in the Company's stock option plans is as follows:

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| | Year Ended April 30, | | | | |
|---|------------------------|--|------------------------|--|------------------------|
| | 2001 | | 2000 | | |
| | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price | Number of Shares |
| Options outstanding at beginning of year | 12,000 | \$ 6.27 | 43,500 | \$ 6.20 | 50,500 |
| Granted | 2,500 | 5.88 | 2,500 | 5.84 | 2,500 |
| Exercised | (1,000) | 5.53 | - | - | - |
| Expired or canceled | (1,500) | 5.88 | (34,000) | 7.50 | (9,500) |
| Options outstanding at end of year | 12,000 | 6.30 | 12,000 | 6.27 | 43,500 |
| Available for grant at end of year | 335,750 | | 337,750 | | 308,750 |
| Options exercisable at end of year | 8,250 | | 8,250 | | 18,417 |
| Range of exercise prices for options exercisable at end of year | \$5.19 to \$7.75 | | \$5.19 to \$7.75 | | \$5.19 to \$7.75 |

Options outstanding at April 30, 2001 are exercisable over a four year period beginning one year from date of grant. The weighted average remaining contractual life of options outstanding at April 30, 2001, 2000, and 1999 is 3.1, 3.1, and 2.4 respectively. The weighted average fair value of options granted during the year was \$1.08 in 2001, \$.97 in 2000, \$1.48 in 1999. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1999, 2000 and 2001, respectively: expected volatility of 38%, 41%, and 34% risk-free interest rates of 5.5%, 6.6%, and 4.4% and expected lives of 3 years.

Stock options granted have been issued with an exercise price at the fair market value of the Company's stock at the date of grant. Accordingly, no compensation expense has been recognized with respect to the stock option plans. Further, the amount of additional compensation disclosable under the disclosure-only provisions of SFAS No. 123 is immaterial for all periods presented.

Savings plan

The Company has a savings plan to which the Company makes contributions. The plan provides for standard contributions of 33.3% of eligible employees' defined contributions up to a maximum of 2% of such employees' compensation. Additional amounts may be contributed with the approval of the Company's Board of Directors. The Company's contribution to the plan amounted to approximately

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\$252,000, \$254,000 and \$216,000 in 2001, 2000 and 1999, respectively.

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Retirement plan

 The Company has a retirement plan which covers substantially all full-time employees and which provides benefits based upon a percentage of the employee's annual salary. No contribution to the plan was required in 2001 and 2000; \$12,000 was contributed in 1999. Assets are invested primarily in United States Treasury obligations, equity and debt securities and money market funds.

Net periodic pension cost for 2001, 2000 and 1999 was comprised of the following components:

| | Year Ended April 30, | | |
|--|----------------------|----------|------|
| | 2001 | 2000 | 1999 |
| | (Thousands) | | |
| Service cost - benefits earned during the period | \$ 571 | \$ 656 | \$ |
| Interest cost on projected benefit obligation | 1,738 | 1,611 | |
| Expected return on assets | (2,560) | (2,464) | |
| Amortization of prior service cost | (352) | (352) | |
| Recognized net actuarial loss | - | (24) | |
| Net periodic pension cost (income) | \$ (603) | \$ (573) | \$ |

Assumptions used in determining net periodic pension cost were:

| | Year Ended April 30, | | |
|---|----------------------|-------|------|
| | 2001 | 2000 | 1999 |
| Discount rates | 7.5% | 7.25% | |
| Rates of increase in compensation levels | 4.5% | 4.5% | |
| Expected long-term rate of return on assets | 9.0% | 9.0% | 8.0% |

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The following table sets forth changes in the plans' benefit obligations and assets, and summarizes components of amounts recognized in the Company's consolidated balance sheets:

| | April 30, | |
|--|-------------|-----------|
| | 2001 | 2000 |
| | (Thousands) | |
| Change in benefit obligations: | | |
| Benefit obligation at beginning of year | \$ 21,437 | \$ 23,641 |
| Service cost (excluding expense component) | 441 | 485 |
| Interest cost | 1,738 | 1,611 |
| Actuarial (gain) loss | 2,749 | (2,891) |
| Benefits paid | (1,744) | (1,409) |
| | ----- | ----- |
| Benefit obligation at end of year | \$ 24,621 | \$ 21,437 |
| | ===== | ===== |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | \$ 29,240 | \$ 28,068 |
| Actual return on plan assets | 1,052 | 2,691 |
| Employer contribution | - | - |
| Benefits paid | (1,744) | (1,409) |
| Expenses | (137) | (110) |
| | ----- | ----- |
| Fair value of plan assets at end of year | \$ 28,411 | \$ 29,240 |
| | ===== | ===== |
| Funded status | \$ 3,790 | \$ 7,803 |
| Unrecognized net actuarial (gain) loss | 1,516 | (2,748) |
| Unrecognized prior service cost | (2,683) | (3,035) |
| | ----- | ----- |
| Prepaid pension cost | \$ 2,623 | \$ 2,020 |
| | ===== | ===== |

(8) INCOME TAXES:

The provision (benefit) for income taxes consists of the following:
Year Ended April 30,

| | 2001 | 2000 | 1999 |
|--|-------------|----------|----------|
| | (Thousands) | | |
| Current: | | | |
| Federal | \$ (833) | \$ 1,946 | \$ 6,925 |
| Current: | | | |
| Federal | \$ (3,290) | \$ (833) | \$ 1,946 |
| State and local | 8 | - | 286 |
| | ----- | ----- | ----- |
| | (3,282) | (833) | 2,232 |
| | ----- | ----- | ----- |
| Deferred: | | | |
| Federal | (847) | 1,341 | (1,397) |
| State and local | 102 | 271 | (176) |
| | ----- | ----- | ----- |
| | (745) | 1,612 | (1,573) |
| | ----- | ----- | ----- |
| Total provision (benefit) for income taxes | \$ (4,027) | \$ 779 | \$ 659 |

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The components of the net deferred income tax liability are as follows:

| | April 30, | |
|--|-------------|------------|
| | 2001 | 2000 |
| | (Thousands) | |
| Deferred income tax assets- | | |
| State tax loss carryforwards | \$ 4,732 | \$ 5,022 |
| Real estate inventory valuation | 623 | 1,037 |
| Interest payable on tax settlements | 622 | 1,614 |
| Other | 1,323 | - |
| Total deferred income tax assets | 7,300 | 7,673 |
| Deferred income tax liabilities- | | |
| Real estate basis differences | (683) | 448 |
| Reserve for periodicals and paperbacks | (709) | (964) |
| Gain on partnership restructuring | - | (473) |
| Depreciable assets | (1,675) | (2,791) |
| Differences related to timing of partnership income | (142) | 1,176 |
| Capitalized costs for financial reporting purposes, expensed for tax | (1,358) | (2,003) |
| Other | - | (1,034) |
| Total deferred income tax liabilities | (4,567) | (5,641) |
| Valuation allowance for realization of state tax loss carryforwards | (4,615) | (4,659) |
| Net deferred income tax liability | \$ (1,882) | \$ (2,627) |

The following table reconciles taxes computed at the U.S. federal statutory income tax rate to the Company's actual tax provision (benefit):

| | Year Ended April 30, | | |
|--|----------------------|--------|----------|
| | 2001 | 2000 | 1999 |
| | (Thousands) | | |
| Computed tax provision at statutory rate | \$ (500) | \$ 662 | \$ 2,787 |
| Increase (reduction) in tax resulting from: | | | |
| State income taxes, net of federal income tax effect | 73 | 126 | 491 |
| Net reduction in tax liability as a result of IRS settlement | (3,500) | - | (2,401) |
| Nondeductible meals and entertainment | 57 | 71 | 90 |

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| Other | (157) | (80) | (308) |
|--------------------------------|------------|--------|--------|
| | ----- | ----- | ----- |
| Actual tax provision (benefit) | \$ (4,027) | \$ 779 | \$ 659 |
| | ===== | ===== | ===== |

For many years, the Company has been involved in an ongoing process of audits of its federal tax returns by the Internal Revenue Service ("IRS") for fiscal years 1984 through 1996. In prior years, the Company has reached various agreements with the IRS for the years 1984 through 1992. During the year ended April 30,

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1999, the Company recorded a tax benefit of approximately \$2.4 million representing the settlement of IRS examinations for the years 1990 through 1992 at an amount less than that which the Company believed would be required. During the year ended April 30, 2000, the Company made a payment of \$4.3 million of taxes and interest in connection with the interim resolution of certain matters related to the examination of the Company's tax returns for the years 1993 through 1996. During the year ended April 30, 2001, the Company received final notification from the IRS of the amount due with respect to certain outstanding tax issues related to IRS audits of the Company's 1993 and 1994 tax returns. In March 1, 2001, the Company made a payment of approximately \$700,000 for all federal taxes and interest related to this matter, which is less than the amount which the Company had previously accrued on account thereof. At the same time the Company received final notification from the IRS that the outstanding tax issues related to the IRS examinations of the Company's 1995 and 1996 tax returns were resolved and as a result of the resolution of these matters, the Company recognized a tax benefit of \$3.5 million in the quarter ended January 31, 2001. In addition, the Company has reclassified the remaining liability balance of "Taxes payable - Amounts subsequently due," which principally represents an estimate of additional state taxes and interest due resulting from adjustments on IRS audits, to "Taxes payable - Amounts due within one year."

(9) SHAREHOLDERS' EQUITY:

 The Company has from time to time reacquired its shares to be held as treasury stock as part of a stock repurchase program. During fiscal 2000 the Company reacquired 143,000 of its common shares at a cost of approximately \$857,000. During fiscal 2001, the Board of Directors authorized an additional repurchase of stock by means of a self-tender "Dutch Auction" for 725,000 shares of the Company's stock at a price not to exceed \$7.00 per share and not lower than \$5.25 per share. As a result of this program and other repurchases, the Company reacquired a total of approximately 668,000 shares at an aggregate cost of approximately \$4.8 million.

(10) RESTRUCTURING COSTS:

 During the fourth quarter of 1999, the Company implemented a plan to wind-down its homebuilding operations, to sell all of its landholdings in Colorado and California, and to concentrate its real estate activities on developing and marketing its landholdings at Rio Rancho, New Mexico. As a result, the Company incurred restructuring-related charges of approximately \$1.1 million, including severance and lease termination payments, and wrote-off unamortized goodwill and acquisition-related costs of approximately \$1.0 million incurred in connection with its acquisition of certain real estate assets in California.

During 2001 and 2000, the Company recorded additional charges of approximately \$2.1 million and \$3.8 million to provide for reserves and write-downs related to the continuing wind-down of real estate projects in California and Colorado,

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which was charged to cost of sales and other operations.

The Company's decision to change its real estate focus to emphasize land development operations in New Mexico and wind-down homebuilding operations is not considered to be a permanent change of strategy, and accordingly, the Company has presented the results of operations for homebuilding activities in continuing operations.

(11) COMMITMENTS AND CONTINGENCIES:

Land sale contracts

The Company has entered into several conditional sales contracts for the sale of approximately 1,300 lots in Rio Rancho and Colorado which would close at varying times over the next several years; however, since each of the contracts permits the purchaser to terminate its obligations by forfeiture of a relatively modest deposit, there are no assurances that all, or even a substantial portion, of the lots subject to the contracts will be sold pursuant to the contracts.

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Non-cancelable leases

The Company is obligated under long-term non-cancelable leases for equipment and various real estate properties. Certain real estate leases provide that the Company will pay for taxes, maintenance and insurance costs and include renewal options. Rental expense (in thousands) for 2001, 2000 and 1999 was approximately \$3,767, \$4,667 and \$5,477, respectively.

The approximate minimum rental commitments for years subsequent to April 30, 2001, are as follows (in thousands): 2002 - \$2,019; 2003 - \$1,104; 2004 - \$962; 2005 - \$917; 2006 - \$493; and the total future minimum rental payments - \$4,015.

Rio Rancho lot exchanges

In connection with homesite sales at Rio Rancho, New Mexico, made prior to 1977, if water, electric and telephone utilities have not reached the lot site when a purchaser is ready to build a home, the Company is obligated to exchange a lot in an area then serviced by such utilities for a lot of the purchaser, without cost to the purchaser. The Company has not incurred significant costs related to the exchange of lots.

(12) LITIGATION:

The Company and/or its subsidiaries are involved in various claims and legal actions incident to their operations, which in the opinion of management, based upon advice of counsel, will not materially affect the consolidated financial position or results of operations of the Company and its subsidiaries.

(13) FAIR VALUE OF FINANCIAL INSTRUMENTS:

The estimated fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The carrying amounts of cash and cash equivalents and trade payables approximate fair value because of the short maturity of these financial instruments. Debt that bears variable interest rates indexed to prime or LIBOR also approximates fair value as it reprices when market interest rates changes. The estimated fair value of the Company's long-term, fixed-rate mortgage receivables is \$5.0 million, versus

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a carrying amount of \$5.2 million, and \$6.8 million versus \$6.9 million, respectively, at April 30, 2001 and April 30, 2000. The estimated fair value of the Company's long-term, fixed-rate notes payable is \$6.3 million versus a carrying amount of \$6.2 million as of April 30, 2001 and \$7.5 million versus \$7.6 million as of April 30, 2000.

(14) INFORMATION ABOUT THE COMPANY'S OPERATIONS IN DIFFERENT

INDUSTRY SEGMENTS:

The Company has identified four segments in which it operates under the definition established by this standard. The Company's real estate subsidiary has two identified segments, Land Sale operations and Homebuilding operations. Land Sale operations involve the obtaining of approvals, and development of large tracts of land for sale to builders, commercial users and others, and Homebuilding operations involve the construction and sale of single-family homes and other projects. Magazine circulation operations also has two identified segments, Distribution and Fulfillment operations. Distribution operations involve the national and international distribution and sale of periodicals and paperbacks to wholesalers, and Fulfillment operations involve the performance of subscription and product fulfillment and other related activities on behalf of various publishers and other clients. Corporate and other miscellaneous revenues and expenses not identifiable with a specific segment are grouped together in this presentation. Certain expenses are allocated among industry segments based upon management's estimate of each segment's absorption.

Identifiable assets by industry are those assets that are used in the Company's operations in each industry segment, which also is based upon certain estimates and allocations among segments.

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The following schedules set forth summarized data relative to the industry segments (amounts in thousands):

| | Land Sales ----- | Home Building ----- | Distribution ----- | Fulfillment ----- | |
|-----------------------------------|------------------------|---------------------------|-----------------------|----------------------|-------|
| Year ended April 30, 2001: | | | | | |
| Revenues | \$ 17,914 | \$ 4,805 | \$ 13,899 | \$ 34,671 | \$ |
| Operating expenses | 12,808 | 6,900 | 15,963 | 32,099 | \$ |
| Interest expense, net | 350 | 42 | 1,740 | 472 | \$ |
| | ----- | ----- | ----- | ----- | ----- |
| Pretax income (loss) contribution | \$ 4,756 | \$ (2,137) | \$ (3,804) | \$ 2,100 | \$ |
| | ===== | ===== | ===== | ===== | ===== |
| Depreciation and amortization | \$ 106 | \$ 150 | \$ 1,093 | \$ 1,311 | \$ |
| Identifiable assets | \$ 79,032 | \$ 4,194 | \$ 42,937 | \$ 19,540 | \$ |
| Capital expenditures | \$ - | \$ - | \$ 295 | \$ 1,020 | \$ |
| ----- | | | | | |
| Year ended April 30, 2000: | | | | | |
| Revenues | \$ 33,629 | \$ 30,674 | \$ 15,927 | \$ 36,621 | \$ |
| Operating expenses | 24,851 | 34,218 | 15,858 | 35,006 | \$ |
| Interest expense, net | 370 | 241 | 1,558 | 553 | \$ |
| | ----- | ----- | ----- | ----- | ----- |

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| | | | | | |
|-----------------------------------|-----------|------------|------------|-----------|----|
| Pretax income (loss) contribution | \$ 8,408 | \$ (3,785) | \$ (1,489) | \$ 1,062 | \$ |
| Depreciation and amortization | \$ 361 | \$ 860 | \$ 1,076 | \$ 1,585 | \$ |
| Identifiable assets | \$ 77,808 | \$ 10,247 | \$ 43,157 | \$ 16,778 | \$ |
| Capital expenditures | \$ 905 | \$ - | \$ 592 | \$ 1,159 | \$ |
| ----- | | | | | |
| Year ended April 30, 1999: | | | | | |
| Revenues | \$ 36,846 | \$ 92,637 | \$ 20,377 | \$ 36,977 | \$ |
| Operating expenses | 24,847 | 91,151 | 19,103 | 35,486 | |
| Restructuring costs | - | 2,108 | - | - | |
| Interest expense, net | 459 | 1,394 | 1,954 | 731 | |
| Pretax income (loss) contribution | \$ 11,540 | \$ 2,016) | \$ (680) | \$ 760 | \$ |
| Depreciation and amortization | \$ 362 | \$ 1,857 | \$ 891 | \$ 1,512 | \$ |
| Identifiable assets | \$ 62,207 | \$ 55,310 | \$ 61,791 | \$ 18,528 | \$ |
| Capital expenditures | \$ 1,043 | \$ 679 | \$ 168 | \$ 970 | \$ |
| ----- | | | | | |

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Selected Quarterly Financial Data (Unaudited):

| | (In thousands of dollars, except per share amounts) | | | |
|--|---|---------------------|-------------------------|-------------------|
| | Quarter Ended | | | |
| | July 31, 2000 | October 31, 2000 | January 31, 2001 (a) | April 30, 2001 |
| Revenues | \$ 18,210 | \$ 17,391 | \$ 16,031 | \$ |
| Gross Profit | 3,892 | 4,566 | (31) | |
| Net Income (Loss) | \$ (214) | \$ 554 | \$ 1,326 | \$ |
| Earnings (Loss) Per Share - Basic and Diluted (b) | \$ (0.03) | \$ 0.08 | \$ 0.20 | \$ |
| ----- | | | | |
| | Quarter Ended | | | |
| | July 31, 1999 | October 31, 1999 | January 31, 2000 | April 30, 2000 |
| | July 31, 1999 | October 31, 1999 | January 31, 2000 | April 30, 2000 |
| Revenues | \$ 42,035 | \$ 34,313 | \$ 21,154 | \$ |
| Gross Profit | 8,202 | 6,252 | 2,265 | |

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| | | | | | | | |
|-----------------------------|----|-------|----|-------|----|---------|-------|
| Net Income (Loss) | \$ | 1,313 | \$ | 642 | \$ | (1,145) | \$ |
| | | ===== | | ===== | | ===== | ===== |
| Earnings (Loss) Per Share - | | | | | | | |
| Basic and Diluted | \$ | 0.18 | \$ | 0.09 | \$ | (0.16) | \$ |
| | | ===== | | ===== | | ===== | ===== |

- (a) Includes a tax benefit of \$3.5 million to reflect the settlement of IRS tax examinations. See Note 8.
- (b) The sum of the quarters does not equal the year-to-date earnings per share, due to the changes of average shares outstanding during the year.

Item 9. Changes in and Disagreements with Accountants on Accounting

 and Financial Disclosure.

Not Applicable.

PART III

The information called for by Part III is hereby incorporated by reference from the information set forth and under the headings "Common Stock Ownership of Certain Beneficial Owners and Management", "Election of Directors", and "Executive Compensation" in Registrant's definitive proxy statement for the 2001 Annual Meeting of Shareholders, which meeting involves the election of directors, such definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K. In addition, information on Registrant's executive officers has been included in Part I above under the caption "Executive Officers of the Registrant".

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

- (a) 1. The following financial statements and supplementary financial information are filed as part of this report:

AMREP Corporation and Subsidiaries:

- o Report of Independent Public Accountants - Arthur Andersen LLP
- o Consolidated Balance Sheets - April 30, 2001 and 2000
- o Consolidated Statements of Operations for the Three Years Ended April 30, 2001

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- o Consolidated Statements of Shareholders' Equity for the Three Years Ended April 30, 2001
- o Consolidated Statements of Cash Flows for the Three Years Ended April 30, 2001
- o Notes to Consolidated Financial Statements
- o Selected Quarterly Financial Data

2. The following financial statement schedules are filed as part of this report:

AMREP Corporation and Subsidiaries:

- o Schedule II - Valuation and Qualifying Accounts

Financial statement schedules not included in this Annual Report on Form 10-K have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3. Exhibits:

The exhibits filed in this report are listed in the Exhibit Index.

The Registrant agrees, upon request of the Securities and Exchange Commission, to file as an exhibit each instrument defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries which has not been filed for the reason that the total amount of securities authorized thereunder does not exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis.

(b) During the quarter ended April 30, 2001, Registrant filed no Current Report on Form 8-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Registrant has duly caused this amendment to its report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

AMREP CORPORATION
(Registrant)

Dated: August 13, 2001

By /s/Peter M. Pizza
Peter M. Pizza
Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this amendment has been signed below by the following persons on behalf of Registrant and in the capacities and on the dates indicated.

/s/Peter M. Pizza

/s/Nicholas G. Karabots

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Peter M. Pizza
 Vice President,
 Principal Financial Officer
 and Principal Accounting Officer*
 Dated: August 13, 2001

Nicholas G. Karabots
 Director
 Dated: August 13, 2001

/s/Jerome Belson
 Jerome Belson
 Director
 Dated: August 13, 2001

/s/Albert V. Russo
 Albert V. Russo
 Director
 Dated: August 13, 2001

/s/Edward B. Cloues, II
 Edward B. Cloues, II
 Director
 Dated: August 13, 2001

/s/Samuel N. Seidman
 Samuel N. Seidman
 Director
 Dated: August 13, 2001

/s/Lonnie A. Coombs
 Lonnie A. Coombs
 Director
 Dated: August 13, 2001

/s/James Wall
 James Wall
 Director
 Dated: August 13, 2001

*Also acting as Principal Executive Officer in the absence of a Chief Executive Officer, solely for the purpose of signing this Annual Report.

AMREP CORPORATION AND SUBSIDIARIES

 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

 (Thousands)

| Description ----- | Balance at Beginning of Period ----- | Additions | | Deductions ----- | Balanc of ----- |
|----------------------|---|---|--|---------------------|-----------------------|
| | | Charges (Credits) to Costs and Expenses ----- | Charged (Credited) to Other Accounts ----- | | |

FOR THE YEAR ENDED
 APRIL 30, 2001:
 Allowance for doubtful

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| | | | | | |
|--|-----------|-------------|------|---------------|----|
| accounts (included in receivables - real estate operations on the consolidated balance sheet) | \$ 361 | \$ (21) | \$ - | \$ 167 | \$ |
| returns and doubtful accounts (included in receivables - magazine circulation operations on the consolidated balance sheet) | \$ 64,628 | \$ (11,509) | \$ - | \$ 2,706 (A) | \$ |
| FOR THE YEAR ENDED | | | | | |
| APRIL 30, 2000: | | | | | |
| Allowance for doubtful accounts (included in receivables - real estate operations on the consolidated balance sheet) | \$ 255 | \$ 106 | \$ - | \$ - | \$ |
| Allowance for estimated returns and doubtful accounts (included in receivables - magazine circulation operations on the consolidated balance sheet) | \$ 44,357 | \$ 41,387 | \$ - | \$ 21,116 (A) | \$ |
| FOR THE YEAR ENDED | | | | | |
| APRIL 30, 1999: | | | | | |
| Allowance for doubtful accounts (included in receivables - real estate operations on the consolidated balance sheet) | \$ 291 | \$ 74 | \$ - | \$ 110 (A) | \$ |
| Allowance for estimated returns and doubtful accounts (included in receivables - magazine circulation operations on the consolidated balance sheet) | \$ 51,895 | \$ (3,528) | \$ - | \$ 4,010 (A) | \$ |

NOTE: (A) Uncollectible accounts written off.

EXHIBIT INDEX

- 3 (a) (i) Articles of Incorporation, as amended - Incorporated by reference to Exhibit (3) (a) (i) to Registrant's Annual Report on Form 10-K for the fiscal year ended April 30, 1998.
- 3 (a) (ii) Certificate of Merger - Incorporated by reference to Exhibit (3) (a) (ii) to Registrant's Annual Report on Form 10-K for the fiscal year ended April 30, 1998.

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- 3 (b) By-Laws as restated September 24, 1997 - Incorporated by reference to Exhibit 3 (c) to Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1997.
- 4 (a) Loan Agreement dated as of September 15, 1998 between Kable News Company, Inc., and American National Bank and Trust Company of Chicago as Agent and the Lenders defined therein (the "Kable Loan Agreement") - Incorporated by reference to Exhibit 4 (a) to Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1998.
- 4 (b) Modification Agreement dated as of July 7, 1999 to the Kable Loan Agreement - Incorporated by reference to Exhibit 4(b) to Registrant's Annual Report on Form 10-K for the fiscal year ended April 30, 2000.
- 4 (c) Second Modification Agreement dated as of June 29, 2000 to the Kable Loan Agreement - Incorporated by reference to Exhibit 4(a) to Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2000.
- 4 (d) Third Modification Agreement dated as of December 15, 2000 to the Kable Loan Agreement - Incorporated by reference to Exhibit 4(a) to Registrant's Quarterly Report on Form 10-Q for the quarterly period ended January 31, 2001.
- 4 (e) Fourth Modification Agreement dated as of March 16, 2001 to the Kable Loan Agreement - Incorporated by reference to Exhibit 4(e) to Registrant's Annual Report on Form 10-K for fiscal year ended April 20, 2001.
- 4 (f) Fifth Modification Agreement dated as of June 11, 2001 to the Kable Loan Agreement - Incorporated by reference to Exhibit 4(f) to Registrant's Annual Report on Form 10-K for fiscal year ended April 20, 2001.
- 4 (g) Master Loan Agreement dated July 31, 2000 between Amrep Southwest, Inc. and Wells Fargo Bank New Mexico, N.A. and First Amendment dated January 5, 2001 and Second Amendment dated June 15, 2001 thereto - Incorporated by reference to Exhibit 4(g) to Registrant's Annual Report on Form 10-K for fiscal year ended April 20, 2001.
- 10 (a) 1992 Stock Option Plan - Incorporated by reference to Exhibit 10 (h) to Registrant's Annual Report on Form 10-K for the fiscal year ended April 30, 1997.*
- 10 (b) Non-Employee Directors Option Plan, as amended - Incorporated by reference to Exhibit 10 (i) to Registrant's Annual Report on Form 10-K for the fiscal year ended April 30, 1997.*
- 10 (c) Employment Termination and Consulting Agreement and General Release dated July 28, 2000 between registrant and Kable News Company, Inc. and Daniel Friedman - Incorporated by reference to Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2000.*
- 10 (d) Employment Termination and Consulting Agreement and General Release dated January 17, 2001 between Registrant and Mohan Vachani - Incorporated by reference to Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the quarterly period ended January 31, 2001.*

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- 21 Subsidiaries of Registrant - Incorporated by reference to Exhibit 21 to Registrant's Annual Report on Form 10-K for fiscal year ended April 20, 2001.
- 23 Consent of Arthur Andersen LLP - Filed herewith.

* Management contract or compensatory plan or arrangement in which directors or officers participate.