CITRIX SYSTEMS INC
Form S-8 POS
February 16, 2018

As filed with the Securities and Exchange Commission on February 16, 2018.

Registration No. 333-183120

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 1 TO

FORM S-8

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Citrix Systems, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**72-2275152**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**

851 West Cypress Creek Road

Fort Lauderdale, Florida 33309

(Address of principal executive offices) (Zip code)

Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (As Amended)

(Full title of the plans)

Antonio G. Gomes

Senior Vice President, General Counsel and Secretary

Citrix Systems, Inc.

851 West Cypress Creek Road

Fort Lauderdale, Florida 33309

(Name and address of agent for service)

(954) 267-3000

(Telephone Number, Including area code, of Agent for Service)

Copy to:

Stuart M. Cable, Esq.

Goodwin Procter LLP

100 Northern Avenue

Boston, Massachusetts 02210

Tel: (617) 570-1000

Fax: (617) 523-1231

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

EXPLANATORY NOTE

Citrix Systems, Inc., a Delaware corporation (the Company or the Registrant) is filing this Post-Effective Amendment No. 1 to Form S-8 Registration Statement to deregister certain shares of the Registrant s common stock, par value $.001 per share (the Common Stock), originally registered by the Registrant pursuant to its Registration Statement on Form S-8 (Commission File No. 333-183120 and referred to herein as the Registration Statement) filed with the Securities and Exchange Commission on August 7, 2012 to be offered and sold pursuant to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan, as amended (the Prior Plan). A total of 48,600,000 shares of Common Stock were registered for issuance under the Prior Plan, including 5,500,000 shares of Common Stock initially registered pursuant to the Registration Statement.

Pursuant to the Citrix Systems, Inc. Amended and Restated 2014 Equity Incentive Plan (the 2014 Plan), any shares of Common Stock underlying any awards granted under the Prior Plan that are forfeited, canceled or otherwise terminated (other than by exercise) after May 22, 2014, the date that the 2014 Plan was originally approved by the Company s stockholders, are made available for awards under the 2014 Plan. Accordingly, an aggregate of 2,710,927 additional shares of Common Stock (the 2005 Shares) have been included in the shares reserved for issuance under the 2014 Plan as a result of the forfeiture, cancellation or other termination of previously made awards under the Prior Plan during the period between May 22, 2014 and December 31, 2017. The 2005 Shares were registered under the Registration Statement and are hereby deregistered. The Registration Statement otherwise remains in effect as to the shares of Common Stock remaining available for offer and sale pursuant thereto.

Contemporaneously with the filing of this Post-Effective Amendment No. 1 to the Registration Statement, the Registrant is filing a Registration Statement on Form S-8 to register the 2005 Shares for issuance pursuant to the 2014 Plan.

To the extent any additional shares of Common Stock that remain subject to outstanding awards under the Prior Plan otherwise would have been returned to the Prior Plan after May 22, 2014 on account of the forfeiture, cancellation or other termination without a delivery of shares of such outstanding awards, those shares of Common Stock instead will be included in the reserve of shares of Common Stock for issuance under the 2014 Plan. Accordingly, the Registrant may periodically file additional post-effective amendment(s) to the Registration Statement and additional Registration Statement(s) on Form S-8 in order to carry forward such shares of Common Stock from the Prior Plan to the 2014 Plan for issuance thereunder.

INDEX TO EXHIBITS

Exhibit No.	Description of Exhibit
Exhibit 23.1*	Consent of Independent Registered Certified Public Accounting Firm

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fort Lauderdale, in the State of Florida, on February 16, 2018.

CITRIX SYSTEMS, INC.

By: /s/ David J. Henshall
Name: David J. Henshall
Title: President and Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned officers and directors of Citrix Systems, Inc., hereby severally constitute and appoint David J. Henshall and Jessica Soisson, and each of them singly, our true and lawful attorneys, with full power to sign for us in our names in the capacities indicated below, any amendments to this Registration Statement on Form S-8 (including post-effective amendments), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, and generally to do all things in our names and on our behalf in our capacities as officers and directors to enable Citrix Systems, Inc., to comply with the provisions of the Securities Act of 1933, as amended, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Registration Statement and all amendments thereto.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities indicated on February 16, 2018.

Signature	Title(s)
/s/ David J. Henshall David J. Henshall	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Mark M. Coyle Mark M. Coyle	Senior Vice President, Finance and Interim Chief Financial Officer (Principal Financial Officer)
/s/ Jessica Soisson Jessica Soisson	Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)
/s/ Robert M. Calderoni Robert M. Calderoni	Executive Chairman of the Board of Directors
/s/ Nanci E. Caldwell Nanci E. Caldwell	Director
/s/ Jesse A. Cohn Jesse A. Cohn	Director

/s/ Robert D. Daleo Robert D. Daleo	Director
/s/ Murray J. Demo Murray J. Demo	Director
/s/ Ajei S. Gopal Ajei S. Gopal	Director
/s/ Peter J. Sacripanti Peter J. Sacripanti	Director
/s/ Graham V. Smith Graham V. Smith	Director
/s/ Godfrey R. Sullivan Godfrey R. Sullivan	Director

s of employee stock options, to be recognized in the financial statements based on their grant-date fair values in fiscal years beginning after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. The Company is required to adopt SFAS No. 123R in the first quarter of fiscal 2007 which will begin May 1, 2006. SFAS No. 123R allows for either prospective recognition of compensation expense or retroactive recognition, which may date back to the original issuance of SFAS No.123 in the year of adoption. The Company is currently evaluating these transition methods, and does not believe that the implementation of this standard will have a material impact on its financial position or results of operations; however, the total expense recorded in future periods will depend on several variables, including the number of share-based awards that vest and the fair value of those vested awards. In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - an Amendment of APB No. 129" ("SFAS No. 153). The amendments made by SFAS No.153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have "commercial substance". This standard is effective for nonmonetary asset exchanges occurring after July 1, 2005. The adoption of this standard is not expected to impact the Company's financial position or results of operations. 7 SEGMENT INFORMATION ------------------- Information by industry segment is presented in note 16 to the consolidated financial statements. This information has been prepared in accordance with 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 16 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. 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 sales prices or improved operating efficiencies, 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 concern 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 recent years interest rates have been at historically low levels and other price increases have been commensurate with the general rate of inflation in the Company's markets, and as a result the Company has not found the inflation risk to be a significant problem in its real estate or magazine operations businesses.

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, New Mexico, the principal market in which the Company's real estate subsidiary sells land; (ii) the possibility of further adverse changes in the magazine distribution system for magazines that the Company's Kable distribution subsidiary distributes, including the financial failure of a major wholesaler; (iii) the existing United Magazine lawsuit described in Item 3 of this Form 10-K and 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 effect of or the failure to successfully complete various internal computer system enhancements in process and intended to integrate the systems of the subscription fulfillment 8 business acquired in April 2003 and described in note 12 to the consolidated financial statements, or other acquired businesses, if any, into the Company without substantial costs, delays or other operational or financial problems; (viii) the ability to renew customer contracts within the magazine service operations business segments on favorable terms and conditions; and (ix) 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. 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 and fixed rate receivables. 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, 2005 the Company's long term debt obligations and receivables (excluding trade accounts) by scheduled maturity, weighted average interest rate and estimated Fair Market Value ("FMV") (amounts in thousands): There- FMV @ 2006 2007 2008 2009 2010 after Total 4/30/05 ---- ---- ---- ---- ---- ----- ----- ------- Fixed rate receivables $ 1,419 $ 1,156 $ 1,697 $ - $ - $ - $ 4,272 $ 3,944 Weighted average interest rate 8.2% 8.1% 8.1% - - - 8.2% - Fixed rate debt $ 2,099 $ 1,387 $ 1,063 $ - $ - $ - $ 4,549 $ 4,495 Weighted average interest rate 5.1% 4.9% 4.0% - - - 4.8% - Variable rate debt $ - $ - $ - $ - $ 7,505 $ - $ 7,505 $ 7,505 Weighted average interest rate - - - - 4.9% - 4.9% - 9 Item 8. Financial Statements and Supplementary Data ------- --- Report of Independent Registered Public Accounting Firm --- To the Shareholders AMREP Corporation New York, New York We have audited the accompanying consolidated balance sheets of AMREP Corporation and subsidiaries as of April 30, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended April 30, 2005. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMREP Corporation and subsidiaries as of April 30, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 2005, in conformity with U.S. generally accepted accounting principles. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. Schedule II accompanying the consolidated financial statements is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole. /s/ McGladrey & Pullen, LLP Davenport, Iowa June 10, 2005 10 AMREP CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS APRIL 30, 2005 AND 2004 (Dollar amounts in thousands) ASSETS 2005 2004 ------ --------------- ---------------- CASH AND CASH EQUIVALENTS $ 37,743 $ 26,805 RECEIVABLES, net: Magazine service operations 51,348 42,768 Real estate operations 6,277 6,297 --------------- ---------------- 57,625 49,065 REAL ESTATE INVENTORY 52,906 51,648 INVESTMENT ASSETS, net 11,356 9,611 PROPERTY, PLANT AND EQUIPMENT, net 11,600 18,261 OTHER ASSETS, net 12,347 10,584 ASSETS OF DISCONTINUED OPERATIONS 5,541 - GOODWILL 5,191 5,191 --------------- ---------------- TOTAL ASSETS $ 194,309 $ 171,165 =============== ================ LIABILITIES AND SHAREHOLDERS' EQUITY ----------------------------------- ACCOUNTS PAYABLE AND ACCRUED EXPENSES $ 50,720 $ 41,931 LIABILITIES OF DISCONTINUED OPERATIONS 13 - NOTES PAYABLE: Amounts due within one year 2,099 1,830 Amounts subsequently due 9,955 10,813 --------------- ---------------- 12,054 12,643 TAXES PAYABLE 2,220 1,867 DEFERRED INCOME TAXES 6,117 5,996 ACCRUED PENSION COST 5,780 3,206 --------------- ---------------- TOTAL LIABILITIES 76,904 65,643 --------------- ---------------- SHAREHOLDERS' EQUITY: Common stock, $.10 par value; shares authorized - 20,000,000; shares issued - 7,414,704 at April 30, 2005 and 7,409,204 at April 30, 2004 741 741 Capital contributed in excess of par value 45,395 45,133 Retained earnings 82,695 69,815 Accumulated other comprehensive loss, net (5,976) (4,614) Treasury stock, at cost (5,450) (5,553) --------------- ---------------- TOTAL SHAREHOLDERS' EQUITY 117,405 105,522 --------------- ---------------- TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY $ 194,309 $ 171,165 =============== ================ The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements. 11 AMREP CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME (Amounts in thousands, except per share amounts) Year Ended April 30, --- 2005 2004 2003 --------------- -------------- --------------- REVENUES: Magazine service operations $ 96,913 $ 99,791 $ 54,058 Real estate operations- Land sales 36,154 28,012 15,965 Interest and other 1,439 1,488 2,166 -------------- -------------- --------------- 134,506 129,291 72,189 -------------- -------------- --------------- COSTS AND EXPENSES: Operating expenses- Magazine service operations 79,324 83,020 42,527 Real estate commissions and selling 1,863 923 836 Other 1,453 1,140 1,023 Real estate cost of sales- Land sales 16,105 13,634 7,365 General and administrative- Magazine Service operations 8,507 8,801 6,962 Real estate operations and corporate 3,680 2,894 3,114 Interest, net 660 944 582 -------------- -------------- --------------- 111,592 111,356 62,409 -------------- -------------- --------------- INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES 22,914 17,935 9,780 PROVISION FOR INCOME TAXES FROM CONTINUING OPERATIONS 7,326 6,638 3,553 -------------- -------------- --------------- INCOME FROM CONTINUING OPERATIONS 15,588 11,297 6,227 INCOME (LOSS) FROM OPERATIONS OF DISCONTINUED BUSINESS (NET OF INCOME TAXES) (63) 380 46 -------------- -------------- --------------- NET INCOME $ 15,525 $ 11,677 $ 6,273 ============== ============== =============== EARNINGS PER SHARE FROM CONTINUING OPERATIONS $ 2.36 $ 1.71 $ 0.94 EARNINGS (LOSS) PER SHARE FROM DISCONTINUED OPERATIONS (0.01) 0.06 0.01 -------------- -------------- --------------- EARNINGS PER SHARE - BASIC AND DILUTED $ 2.35 $ 1.77 $ 0.95 ============== ============== =============== WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING 6,616 6,595 6,580 ============== ============== =============== The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements. 12 AMREP CORPORATION AND SUBSIDIARIES CONSOLIDATED

STATEMENTS OF SHAREHOLDERS' EQUITY (Amounts in thousands) Capital Accumulated Treasury Common Stock Contributed in Other Stock, ------------------- Excess of Retained Comprehensive at Shares Amount Par Value Earnings Loss Cost Total ------- -------- -------------- -------- ------------ ---------- ---------- BALANCE, April 30, 2002 7,400 $ 740 $ 44,935 $ 53,513 $ - $ (5,709) $ 93,479 Net income - - - 6,273 - - 6,273 Other comprehensive loss - - - - (6,034) - (6,034) ---------- Total comprehensive income 239 ---------- Issuance of stock under Directors' Plan - - 14 - - 52 66 Exercise of stock options 7 1 43 - - - 44 ------- -------- -------------- -------- ------------ ---------- ---------- BALANCE, April 30, 2003 7,407 741 44,992 59,786 (6,034) (5,657) 93,828 Net income - - - 11,677 - - 11,677 Other comprehensive income - - - - 1,420 - 1,420 ---------- Total comprehensive income 13,097 ---------- Cash dividends - - - (1,648) - - (1,648) Issuance of stock under Directors' Plan - - 126 - - 104 230 Exercise of stock options 2 - 15 - - - 15 ------- -------- -------------- -------- ------------ ---------- ---------- BALANCE, April 30, 2004 7,409 741 45,133 69,815 (4,614) (5,553) 105,522 Net income - - - 15,525 - - 15,525 Other comprehensive loss - - - - (1,362) - (1,362) ---------- Total comprehensive income 14,163 ---------- Cash dividends - - - (2,645) - - (2,645) Issuance of stock under Directors' Plan - - 159 - - 103 262 Exercise of stock options 6 - 103 - - - 103 ------- -------- -------------- -------- ------------ ---------- ---------- BALANCE, April 30, 2005 7,415 $ 741 $ 45,395 $ 82,695 $ (5,976) $ (5,450) $ 117,405 ======= ======== ============== ======== ============ ========= ========= The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements. 13 AMREP CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (Amounts in thousands) Year Ended April 30, -- 2005 2004 2003 ----------- ------------- ------------ CASH FLOWS FROM OPERATING ACTIVITIES: Net income $ 15,525 $ 11,677 $ 6,273 Adjustments to reconcile net income to net cash provided by operating activities- Depreciation and amortization 5,343 5,015 3,071 Non-cash credits and charges: (Gain) loss on disposition of property plant and equipment - 619 (109) Provision for doubtful accounts (172) 680 237 Pension (benefit) accrual 303 (485) 160 Stock based compensation - Directors' Plan 262 230 66 Changes in assets and liabilities, excluding the effect of acquisitions: Receivables (8,388) (7,311) (1,024) Real estate inventory (1,258) 4,863 (788) Other assets (2,876) (1,451) (246) Accounts payable and accrued expenses 1,499 2,806 (1,112) Taxes payable` 353 1,262 (522) Deferred income taxes 1,333 3,542 933 ----------- ------------- ------------ Net cash provided by operating activities 11,924 21,447 6,939 ----------- ------------- ------------ CASH FLOWS FROM INVESTING ACTIVITIES: Capital expenditures - property, plant, and equipment (3,060) (3,402) (1,873) Capital expenditures - investment assets (1,885) (266) (43) Deposit from condemnation of Utility Company 7,000 - - Proceeds from disposition of property, plant and equipment 190 - 404 Acquisitions, net (100) - (6,580) ----------- ------------- ------------ Net cash provided (used) by investing activities 2,145 (3,668) (8,092) ----------- ------------- ------------ CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from debt financing 25,596 27,831 28,098 Principal debt payments (26,185) (33,615) (26,290) Exercise of stock options 103 15 44 Cash dividends (2,645) (1,648) - ----------- ------------- ------------ Net cash provided (used) by financing activities (3,131) (7,417) 1,852 ----------- ------------- ------------ INCREASE IN CASH AND CASH EQUIVALENTS 10,938 10,362 699 CASH AND CASH EQUIVALENTS, beginning of year 26,805 16,443 15,744 ----------- ------------- ------------ CASH AND CASH EQUIVALENTS, end of year $ 37,743 $ 26,805 $ 16,443 =========== ============= ============ SUPPLEMENTAL CASH FLOW INFORMATION: Interest paid - net of amounts capitalized $ 568 $ 822 $ 918 =========== ============= ============ Income taxes paid - net of refunds $ 6,817 $ 2,049 $ 3,173 =========== ============= ============ Non-cash transaction: Note payable for acquisition of Distribution contracts $ 1,170 $ - $ - =========== ============= ============ The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements. 14 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 primarily engaged in three business segments. Kable Media Services, Inc. ("Kable") operates in the fulfillment services and magazine distribution services businesses (collectively, "magazine service operations"), and AMREP Southwest Inc. ("AMREP Southwest") operates in the real estate industry, principally in New Mexico. 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. Fiscal Year ----------- The Company's fiscal year ends on April 30. All references to 2005, 2004 and 2003 mean the fiscal years ended April 30, 2005, 2004 and 2003, respectively, unless the context otherwise indicates. Revenue recognition ------------------- Revenues from magazine service operations include revenues from the distribution of periodicals and subscription fulfillment and other 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 in accordance with Statement of Financial Accounting Standards ("SFAS") No. 48, "Revenue Recognition When Right of Return Exists". 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 customer telephone support, product fulfillment, and graphic arts and lettershop services, all of which are billed and earned as the services are provided. In accordance with Emerging Issues Task Force Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent", reimbursed postage costs are accounted for on a net basis. Land sales are recognized when all elements of SFAS No. 66, "Accounting for Sales of Real Estate", are met, including when the parties are bound by the terms of the 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. 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. Receivables ----------- Receivables are carried at original invoice or closing statement amount less estimates made for doubtful receivables and, in the case of distribution receivables, return allowances. Management determines the allowances for doubtful accounts by reviewing and identifying troubled accounts on a monthly basis and by using historical experience applied to an aging of accounts. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management determines the estimated returns for magazines on an issue by issue basis utilizing historical sales information and other relevant information, including publisher and like-title history. 15 Real estate inventory --------------------- Land and improvements on land 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. Investment assets ----------------- Investment assets consist of investment land and commercial rental properties. Investment land represents vacant, undeveloped land not held for development or sale in the normal course of business and which is stated at the lower of cost or fair market value less the estimated costs to sell. Commercial rental properties are recorded at cost less accumulated depreciation. Depreciation of commercial rental properties is provided by the straight line basis over the estimated useful lives, which generally are 10 years or less for leasehold improvements and 40 years for buildings. 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 generally are 10 years or less for furniture and fixtures (including equipment) and 25 to 40 years for buildings. Goodwill -------- 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 in 1969 and, since this acquisition was made prior to the effective date of Accounting Principles Board Opinion ("APB") No. 17, was not amortized. Effective May 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets". Under SFAS No. 142, goodwill and intangible assets with an indefinite life are no longer subject to amortization and are reviewed for impairment at least annually. An impairment charge is recognized only when the calculated fair value of a reporting unit, including goodwill, is less than its carrying amount. Based on a review completed in April 2005, the Company believes that no goodwill impairment existed at April 30, 2005. Long-lived assets ---------------- Long-lived assets, including real estate inventory, investment assets and property, plant and equipment, are evaluated in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", and reviewed for impairment when events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Provisions for impairment are recorded when undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of the assets. The amount of impairment would be equal to the difference between the assets' carrying value and the discounted cash flows. 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. 16 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 issues stock options to non-employee directors under the Non-Employee Directors Option Plan (see note 9). The Company accounts for stock option grants in accordance with APB No. 25, "Accounting for Stock Issued to Employees", and has adopted the disclosure-only provisions of SFAS No. 123 as amended by SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure". 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 plan. Further, the amount of additional compensation disclosable under the disclosure-only provisions of SFAS No. 123 is immaterial for all periods presented. Comprehensive income (loss) -------------------------- Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events from non-owner sources. Comprehensive income (loss) is the total of net income and other comprehensive income (loss) which, for the Company, is comprised entirely of the minimum pension liability net of the related deferred income taxes. 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, allowances for magazine returns, the recoverability of long-term assets and amortization periods, pension plan assumptions and legal contingencies. Actual results could differ from those estimates. Recent accounting pronouncements ------------------------------- In December 2004, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation" and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees", and its related implementation guidance. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their grant-date fair values in fiscal years beginning after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. The Company is required to adopt SFAS No. 123R in the first quarter of fiscal 2007, which will begin on May 1, 2006. SFAS No. 123R allows for either prospective recognition of compensation expense or retroactive recognition, which may date back to the original issuance of SFAS No. 123 in the year of adoption. The Company is currently evaluating these transition methods, and does not believe that the implementation of this standard will have a material impact on its financial position or results of operations; however, the total expense recorded in future periods will depend on several variables, including the number of share-based awards that vest and the fair value of those vested awards. In December 2004, the FASB issued SFAS No. 153, "Exchanges on Nonmonetary Assets - an Amendment of APB No. 129" ("SFAS No. 153"). The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have "commercial substance". This standard is effective for nonmonetary asset exchanges occurring after July 1, 2005. The adoption of this standard is not expected to impact the Company's financial position or results of operations. 17

Reclassifications ---------------- The Company began to account for the operations of its El Dorado, New Mexico water utility subsidiary as a "Discontinued Operation" during the third quarter of 2005 and has reclassified prior periods to conform to this presentation (see note 2). Certain other prior year amounts in the consolidated financial statements have been reclassified to conform with the 2005 presentation with no effects on net income or shareholders' equity. (2) DISCONTINUED OPERATIONS: ----------------------- In September 2004, a jury verdict was reached in court proceedings in connection with the condemnation of the Company's El Dorado water utility subsidiary (the "Utility") in Santa Fe, New Mexico which valued the Utility at $11,000,000. The condemning authority, the Eldorado Water & Sanitation District (the "District"), had proposed a $6,200,000 valuation, which the Company had contested. On November 9, 2004, the Court entered its judgment confirming the jury verdict in the condemnation case, and required the District to deposit $7,000,000 into the Court's account by December 1, 2004. The Court granted the District possession of the Utility fifteen days after the date of the deposit, and required that the remaining balance of the verdict be deposited with 6% interest no later than June 1, 2005 or the property would be returned to the Company and the $7,000,000 deposit refunded. The District made the initial required $7,000,000 deposit on November 15, 2004 and took possession of the Utility's assets on December 1, 2004, at which time the Company began to account for the operations of the Utility as a "Discontinued Operation" and reclassified prior periods to conform to this presentation. On May 27, 2005, the $4,000,000 balance of the condemnation award was paid with interest. The Company estimates that the after-tax net gain from the condemnation (including interest, and net of expenses) will be approximately $3.5 million, or $0.53 per share. The results of the transaction, which will be reported as a Gain from the Sale of Discontinued Operations, will be recorded in the Company's financial statements for its fiscal 2006 first quarter which ends on July 31, 2005. (3) RECEIVABLES: ------------ Receivables consist of: April 30, ------------------------------------ 2005 2004 --------------- ---------------- (Thousands) Magazine service operations- Accounts receivable (maturing within one year) $ 110,513 $ 98,388 Allowances for- Estimated returns (57,524) (53,808) Doubtful accounts (1,641) (1,812) --------------- ---------------- $ 51,348 $ 42,768 ================ ================ Real estate operations- Mortgage and other receivables $ 6,373 $ 6,489 Allowance for doubtful accounts (96) (192) --------------- ---------------- $ 6,277 $ 6,297 ================ ================ Magazine service operations receivables collateralize line-of-credit arrangements utilized for the magazine service operations (see note 8). Mortgage receivables bear interest at rates ranging from 8.0% to 12.0% and result primarily from land sales. The Company extends credit to various companies in the real estate and magazine operations 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, on occasion (particularly in connection with real estate land sales), the taking of collateral. The Company also provides an allowance for doubtful accounts for potential losses based upon factors surrounding the credit risk of 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, approximately 44% and 45% of Kable's accounts receivable were due from three customers at April 30, 2005 and 2004, respectively. 18 Kable performs fulfillment services for and purchases magazines for resale to wholesalers from publishing companies owned or controlled by a major shareholder and member of the Board of Directors. Commissions and other revenues earned on these transactions represented approximately 2%, 2% and 4% of consolidated revenues in 2005, 2004 and 2003, respectively. Maturities of principal on real estate receivables at April 30, 2005 were as follows: 2006 - $3,503,000; 2007 - $1,156,000; 2008 - $1,714,000. (4) REAL ESTATE INVENTORY: --------------------- Real estate inventory consists of land and improvements held for sale or development. Accumulated capitalized interest costs included in real estate inventory at April 30, 2005 and 2004 were $2,825,000 and $3,208,000, respectively. Interest costs capitalized during 2005, 2004 and 2003 were $65,000, $126,000 and $287,000, respectively. Accumulated capitalized real estate taxes included in the inventory of land and improvements at April 30, 2005 and 2004 were $2,635,000 and $3,116,000, respectively. Real estate taxes capitalized during 2005, 2004 and 2003 were $18,000, $42,000 and $72,000, respectively. Previously capitalized interest costs and real estate taxes charged to real estate cost of sales were $883,000, $608,000 and $319,000 in 2005, 2004 and 2003, respectively, and $64,000 was charged to commercial rental properties in 2005. Substantially all of the Company's real estate assets are located in Rio Rancho, New Mexico. As a result of this geographic concentration, the Company could be affected by changes in economic conditions in this region. (5) INVESTMENT ASSETS: ------------------ Investment assets consist of: April 30, ------------------------------------ 2005 2004 ---------------- ----------------- (Thousands) Land held for long-term investment $ 6,573 $ 6,573 ---------------- ----------------- Commercial rental properties - Land, buildings and improvements 6,839 4,957 Furniture and fixtures 216 213 ---------------- ----------------- 7,055 5,170 Accumulated depreciation (2,272) (2,132) ---------------- ----------------- 4,783 3,038 ---------------- ----------------- $ 11,356 $ 9,611 ================ ================= Land held for long-term investment represents property located in areas that will not be developed in the near term and thus has not been offered for sale. Depreciation charged to operations amounted to $140,000, $137,000 and $138,000 in 2005, 2004 and 2003, respectively. (6) PROPERTY, PLANT AND EQUIPMENT: ------------------------------ Property, plant and equipment consists of: April 30, ------------------------------------ 2005 2004 ---------------- ----------------- (Thousands) Land, buildings and improvements $ 4,139 $ 4,392 Furniture and equipment 27,317 24,299 Utility plant and equipment - 8,308 Other 116 139 ---------------- ----------------- 31,572 37,138 Accumulated depreciation and amortization (19,972) (18,877) ---------------- ----------------- $ 11,600 $ 18,261 ================ ================= 19 Depreciation charged to operations amounted to $4,001,000, $4,100,000 and $1,943,000 in 2005, 2004 and 2003, respectively. As a result of the condemnation of the Utility, the Company began accounting for this subsidiary as a "discontinued operation" during the quarter ended January 31, 2005 (see note 2). (7) OTHER ASSETS: ------------- Other assets consist of: April 30, ------------------------------------ 2005 2004 ---------------- ----------------- (Thousands) Prepaid expenses $ 1,587 $ 1,235 Deferred charges, net 9,105 8,836 Security and other deposits 325 266 Other 1,330 247 ---------------- ----------------- $ 12,347 $ 10,584 ================ ================= Amortization related to deferred charges was $1,202,000, $778,000 and $990,000 in 2005, 2004 and 2003, respectively. (8) DEBT FINANCING: -------------- Debt financing consists of: April 30, ------------------------------------ 2005 2004 ---------------- ----------------- (Thousands) Notes payable - Line-of-credit borrowings - Real estate operations and other $ - $ 200 Magazine service operations 7,505 8,618 Other notes payable 4,549 3,825 ---------------- ----------------- $ 12,054 $ 12,643 ================ ================= Maturities of principal on notes outstanding at April 30, 2005 are as follows 2006 - $2,099,000; 2007 - $1,387,000; 2008 - $1,063,000; 2009 - $0; 2010 - $7,505,000. Lines-of-credit and other borrowings ----------------------------------- In April 2005, various of Kable's subsidiaries comprising its Fulfillment Services and Newsstand Distribution Services businesses entered into a credit arrangement with a bank which allows separate revolving credit borrowings for each business of up to $11,000,000 for Fulfillment Services and up to $9,000,000 for Newsstand Distribution Services based upon a prescribed percentage of each borrower's eligible accounts receivable, as defined. The individual credit lines are collateralized by substantially all of each borrower's assets (consisting principally of accounts receivable and machinery and equipment) and bear interest at the bank's prime rate (5.75% at April 30, 2005) or, at the borrower's option, a reserve adjusted overnight or 30-day LIBOR-based interest rate plus a margin established quarterly of from 1.75% to 2.50% dependent upon the borrower's funded debt to EBITDA ratio, as defined. At April 30, 2005, the interest rate was based on the overnight LIBOR rate option (3.0%), the borrowing availability of the Fulfillment Services business was $11,000,000 against which $5,981,000 was outstanding with interest at a rate of 4.94%, and the borrowing availability of the Newsstand Distribution Services business was $9,000,000 against which $1,524,000 was outstanding with interest at a rate of 4.69%. The credit arrangement requires the maintenance or achievement of certain financial ratios and contains certain financial restrictions, the most significant of which limit the amount of dividends and other payments that may be made by the borrowers to their parent or other affiliates, as well as capital expenditures and other borrowings. This credit arrangement matures in May 2010. An additional $3,000,000 is available under this credit arrangement for capital expenditures. AMREP Southwest has a loan agreement with a bank with a maximum borrowing capacity of $10,000,000 that may be used to support real estate development in New Mexico. The loan is uncollateralized and bears interest at the bank's prime 20 rate less 0.75% or, at the borrower's option, a LIBOR-based interest rate plus 2.0%. At April 30, 2005, there were no balances outstanding under this arrangement. The credit agreement contains certain financial restrictions, the most significant of which limit other borrowings and require the maintenance of a minimum tangible net worth (as defined) and a certain level of unencumbered inventory. This credit arrangement matures in October 2008. Other notes payable consist of equipment financing loans and, in 2005, a note payable related to the acquisition of distribution contracts, with a weighted average interest rate of 4.8% in 2005 and 5.4% in 2004. (9) BENEFIT PLANS: ------------- Retirement plan -------------- The Company has a retirement plan which, prior to March 1, 2004, covered substantially all full-time employees and provided benefits based upon a percentage of the employee's annual salary. Effective March 1, 2004, accumulated benefits were frozen and future service credits were curtailed. The following tables summarize the balance sheet impact as well as the benefit obligations, assets, funded status and assumptions associated with the retirement plan. Net periodic pension cost (income) for 2005, 2004 and 2003 was comprised of the following components: Year Ended April 30, -- 2005 2004 2003 --------------- --------------- --------------- (Thousands) Service cost (including plan expenses) $ 124 $ 784 $ 568 Interest cost on projected benefit obligation 1,817 1,762 1,804 Expected return on assets (2,064) (1,793) (2,049) Amortization of prior service cost - (293) (352) Recognized net actuarial loss 426 741 189 --------------- --------------- --------------- Pension cost for normal activity 303 1,201 160 (Gain) on curtailment - (1,686) - --------------- --------------- --------------- Total cost (benefit) recognized in pretax income 303 (485) 160 Cost (benefit) recognized in pretax other comprehensive income 2,271 (2,368) 10,057 --------------- --------------- --------------- $ 2,574 $ (2,853) $ 10,217 =============== =============== =============== Assumptions used in determining net periodic pension cost were: Year Ended April 30, --- 2005 2004 2003 ---------------- ---------------- ----------------- Discount rates 5.75% 6.25% 6.25% Expected long-term rate of return on assets 8.0% 8.0% 8.0% 21 The following table sets forth changes in the plan's benefit obligations and assets, and summarizes components of amounts recognized in the Company's consolidated balance sheets: April 30, ------------------------------ 2005 2004 ------------- ------------- (Thousands) Change in benefit obligation: Benefit obligation at beginning of year $ 30,048 $ 29,483 Service cost (excluding expense component) - 684 Interest cost 1,817 1,762 Actuarial (gain) loss 1,821 (123) Benefits paid (1,878) (1,758) ------------- ------------- Benefit obligation at end of year $ 31,808 $ 30,048 ------------- ------------- Change in plan assets: Fair value of plan assets at beginning of year $ 26,842 $ 22,400 Actual return on plan assets 1,277 5,299 Employer contribution - 1,025 Benefits paid (1,878) (1,758) Expenses paid (212) (124) ------------- ------------- Fair value of plan assets at end of year $ 26,029 $ 26,842 ------------- ------------- Funded status $ (5,780) $ (3,206) Unrecognized net actuarial loss 9,961 7,689 ------------- ------------- Net amount recognized in the balance sheets $ 4,181 $ 4,483 ============= ============= Amounts recognized on the balance sheets: Accrued pension costs $ (5,780) $ (3,206) Pre-tax accumulated comprehensive loss 9,961 7,689 ------------- ------------- $ 4,181 $ 4,483 ============= ============= The average asset allocation for the retirement plan was as follows: April 30, ------------------------------ 2005 2004 ------------- ------------- Equity securities 75 % 70 % Fixed income securities 22 27 Other (principally cash and cash equivalents) 3 3 ------------- ------------- Total 100 % 100 % ============= ============= The Company recorded other comprehensive income (loss) of ($1,362,000) in 2005, $1,420,000 in 2004 and ($6,034,000) in 2003 to account for the net effect of changes to the unfunded pension liability. The investment mix between equity securities and fixed income securities is based upon achieving a desired return by balancing higher return, more volatile equity securities and lower return, less volatile fixed income securities. Plan assets are invested in portfolios of diversified public-market equity and fixed income securities. Investment allocations are made across a range of markets, industry sectors, capitalization sizes, and, in the case of fixed income securities, maturities and credit quality. The plan holds no securities of the Company. The plan's expected return on assets, as shown above, is based on management's expectation of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected returns for the asset classes in which the plan is invested, as well as current economic and market conditions. The Company funds the retirement plan according to IRS funding limitations. In 2004, $1,025,000 was paid by the Company to the plan. No contributions were required in 2005 and 2003. No contribution is expected to be required in 2006. The amount of future annual benefit payments is expected to be between $1.9 million and $2.1 million in 2006 through 2010, and an aggregate of approximately $11.2 million is expected to be paid in the five year period 2011-2015. 22 Savings and Salary Deferral Plan ------------------------------ The Company has a Savings and Salary Deferral Plan, commonly referred to as a 401(k) plan, in which all full-time employees with more than one year of service are eligible to participate and contribute to through salary deductions. The Company may make discretionary matching contributions, subject to the approval of its Board of Directors. As of March 1, 2004, the Company matches 66.67% of eligible employees' defined contributions up to a maximum of 4% of such employees' compensation. Prior to March 1, 2004, the matching contribution was 33.33% of each employee's defined contribution up to a maximum of 2% of compensation. The Company's contribution to the plan amounted to approximately $841,000, $389,000 and $251,000 in 2005, 2004 and 2003, respectively. Directors' Stock Plan --------------------

During 2003, the Company adopted the AMREP Corporation 2002 Non-Employee Directors' Stock Plan and reserved 65,000 shares of common stock for issuance to non-employee directors. Under the plan, each non-employee director receives 1,250 shares of stock on each March 15 and September 15 as partial payment for services rendered. The expense recorded based upon the fair market value of the stock at time of issuance under this plan was $262,000 in 2005 (15,000 shares issued), $230,000 in 2004 (15,000 shares issued) and $66,000 in 2003 (7,500 shares issued), and 27,500 shares remain available for grant at April 30, 2005. Stock option plans ----------------- The Company has a Non-Employee Directors Option Plan which has 19,000 shares reserved for issuance at April 30, 2005 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 plan is as follows: Year Ended April 30, --- 2005 2004 2003 ------------------- ---------------------- ---------------------- Weighted Weighted Weighted Number Average Number Average Number Average of Exercise of Exercise of Exercise of Exercise Shares Price Shares Price Shares Price ------ ----- ------ ----- ------ ----- Options outstanding at beginning of year 9,500 $ 9.12 9,000 $ 6.30 13,000 $ 5.92 Granted 3,000 17.55 3,000 15.19 3,000 8.45 Exercised (5,500) 6.34 (2,500) 6.23 (7,000) 6.53 Expired or canceled - - - - - - ------------------ ------------------ ----------------- Options outstanding at end of year 7,000 14.92 9,500 9.12 9,000 6.30 =================== ================== ================= Available for grant at end of year 12,000 15,000 18,000 ================== =================== ================== Options exercisable at end of year 4,000 6,500 6,000 =================== ================== ================== Range of exercise prices for options exercisable at end of year $3.95 to $17.55 $3.95 to $8.45 $3.95 to $7.75 =================== ================== ================== Options outstanding at April 30, 2005 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, 2005, 2004 and 2003 was 3.6, 3.2, and 3.1 years, respectively. The weighted average fair value of options granted during the year was $5.57 in 2005, $4.82 in 2004 and $2.84 in 23 2003. 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 2005, 2004 and 2003, respectively: expected volatility of 42%, 44% and 46%; risk-free interest rates of 2.8%, 2.0% and 2.6%; 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. (10) INCOME TAXES: ------------- The provision for income taxes consists of the following: Year Ended April 30, -- 2005 2004 2003 ---------------- -------------- -------------- (Thousands) Current: Federal $ 5,770 $ 2,961 $ 2,335 State and local 488 350 316 ---------------- --------------- -------------- 6,258 3,311 2,651 ---------------- -------------- -------------- Deferred: Federal 928 3,011 793 State and local 103 531 140 ---------------- -------------- -------------- 1,031 3,542 933 ---------------- -------------- -------------- Total provision for income taxes $ 7,289 $ 6,853 $ 3,584 ================ =============== =============== The provision for income taxes has been allocated as follows: Year Ended April 30, -- 2005 2004 2003 ---------------- --------------- -------------- (Thousands) Continuing operations $ 7,326 $ 6,638 $ 3,553 Discontinued operations (37) 215 31 ---------------- --------------- -------------- Total provision for income taxes $ 7,289 $ 6,853 $ 3,584 ================ =============== =============== The components of the net deferred income tax liability are as follows: April 30, ------------------------------------ 2005 2004 -------------- ---------------- (Thousands) Deferred income tax assets- State tax loss carryforwards $ 4,902 $ 5,009 Accrued pension costs 2,316 1,282 Real estate inventory valuation - 566 Other 1,562 1,573 -------------- ---------------- Total deferred income tax assets 8,780 8,430 -------------- ---------------- Deferred income tax liabilities- Real estate basis differences (2,022) (2,149) Reserve for periodical returns (1,470) (1,177) Depreciable assets (3,369) (3,270) Capitalized costs for financial reporting purposes, expensed for tax (3,281) (2,968) -------------- ---------------- Total deferred income tax liabilities (10,142) (9,564) -------------- ---------------- Valuation allowance for realization of state tax loss carry forwards (4,755) (4,862) -------------- ---------------- Net deferred income tax liability $ (6,117) $ (5,996) ============== ================ 24 The following table reconciles taxes computed at the U.S. federal statutory income tax rate from continuing operations to the Company's actual tax provision (benefit): Year Ended April 30, -- 2005 2004 2003

--------------- -------------- -------------- (Thousands) Computed tax provision at statutory rate $ 8,020 $ 6,098 $ 3,325 Increase (reduction) in tax resulting from: State income taxes, net of federal income tax effect 395 717 391 Other, primarily permanent differences related to real estate land contributions (1,089) (177) (163) --------------- -------------- --------------- Actual tax provision $ 7,326 $ 6,638 $ 3,553 =============== =============== =============== (11) SHAREHOLDERS' EQUITY: -------------------- The Company recorded other comprehensive income (loss) of ($1,362,000) in 2005, $1,420,000 in 2004 and ($6,034,000) in 2003 to account for the net effect of changes to the unfunded pension liability (see note 9). In connection with the 2002 Non-Employee Directors' Stock Plan, 15,000 shares of common stock were issued from treasury stock in each of 2005 and 2004 to members of the Board of Directors as partial compensation for services. As a result, there were 788,592 and 803,592 shares held in the treasury at April 30, 2005 and 2004, respectively. (12) ACQUISITIONS: ------------ In November 2004, Kable's Distribution Services subsidiary purchased a portfolio of magazine distribution contracts for a total purchase price of approximately $1,270,000, consisting of cash ($100,000) and a $1,170,000 note payable. The purchase price was capitalized and is included in Other Assets on the accompanying consolidated balance sheet. In April 2003, Kable's Fulfillment Services subsidiary acquired certain tangible and intangible assets and assumed certain liabilities constituting the subscription fulfillment business of Electronic Data Systems Corporation and various subsidiaries in order to expand its fulfillment operations. The purchase price for these assets was approximately $10,000,000 and consisted of cash and the assumption of certain customer deposit liabilities. The transaction has been accounted for as a purchase in accordance with SFAS No. 141, "Business Combinations", and the results of operations since the date of acquisition are included in the consolidated financial statements. The purchase price was allocated to the acquired assets based upon an appraisal and other studies. The purchase price allocation was as follows: Property, plant and equipment - $7,486,000; Other assets - $4,296,000; Accrued expenses - $5,202,000; Total cash price - $6,580,000. (13) COMMITMENTS AND CONTINGENCIES: ---------------------------- Land sale contracts ------------------ The Company has entered into several conditional sales contracts for the sale of approximately 1,180 lots in Rio Rancho, New Mexico which would close at varying times throughout fiscal 2006 and 2007; 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. 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 for 2005, 2004 and 2003 was approximately $9,359,000, $12,075,000 and $4,378,000 respectively. 25 The total minimum rental commitments for years subsequent to April 30, 2005 of $9,788,000 are due as follows: 2006 - $7,246,000; 2007 - $2,105,000; 2008 - $359,000; 2009 - $61,000; 2010 - $17,000; thereafter - none. Lot exchanges ------------ In connection with certain individual homesite sales made prior to 1977 at Rio Rancho, New Mexico, 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 the lot of the purchaser, without cost to the purchaser. The Company has not incurred significant costs related to the exchange of lots. (14) LITIGATION: ---------- A subsidiary of Kable is a defendant in a lawsuit in which the plaintiff is a former wholesaler no longer in business who alleges that the company and other national magazine distributors and wholesalers engaged in violations of the Robinson-Patman Act (which generally prohibits discriminatory pricing) that caused it to go out of business. The plaintiff is seeking damages from the Kable defendant of approximately $15.2 million; any damages awarded would be trebled. Kable's subsidiary is vigorously defending itself, but the outcome of this matter is unknown. Pretrial discovery has been completed, and it is unlikely that a trial will commence prior to calendar 2006. No provision has been made in the financial statements for this contingency. The Company and its subsidiaries are involved in various other claims and legal actions incident to their operations which, in the opinion of management and based upon advice of counsel, will not materially affect the consolidated financial position or results of operations of the Company and its subsidiaries. (15) 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, magazine service trade receivables 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 change. The estimated fair value of the Company's long-term, fixed-rate mortgage receivables was $3.9 million and $4.2 million versus carrying amounts of $4.3 million and $4.1 million at April 30, 2005 and April 30, 2004, respectively. The estimated fair value of the Company's long-term, fixed-rate notes payable was $4.5 million versus a carrying amount of $4.5 million as of April 30, 2005 and $3.9 million versus $3.8 million as of April 30, 2004. (16) INFORMATION ABOUT THE COMPANY'S OPERATIONS IN DIFFERENT --- INDUSTRY SEGMENTS: ------------------ The Company has identified three segments in which it currently operates under the definition established by SFAS No. 131. The Company's magazine service operations subsidiary has two identified segments, Newsstand Distribution Services and Fulfillment Services. Newsstand Distribution Services operations involve the national and, to a small degree, international distribution and sale of periodicals to wholesalers, and Fulfillment Services operations involve the performance of subscription and product fulfillment and other related activities on behalf of various publishers and other clients. Real Estate operations primarily include land sales activities, which involve the obtaining of approvals and development of large tracts of land for sales to homebuilders, commercial users and others, as well as investments in commercial and investment properties. Corporate revenues and expenses not identifiable with a specific segment are grouped together in this presentation. Certain revenues and expenses which in prior years had been included with Corporate have been reclassified to conform to the current year presentation and included in Real Estate Operations. In addition, the operations of the Company's Utility subsidiary, which previously had been included in Corporate, are presented as "Discontinued Operations" within the accompanying financial statements, and therefore its revenues and expenses are excluded from the segment information. Certain common expenses as well as identifiable assets are allocated among industry segments based upon management's estimate of each segment's absorption. 26 Summarized data relative to the industry segments in which the Company has operations is as follows (amounts in thousands): Newsstand Distribution Fulfillment Real Estate Services Services Operations Corporate Consolidated -------- -------- ---------- --------- ------------ Year ended April 30, 2005: Revenues $ 13,017 $ 83,896 $ 37,385 $ 208 $ 134,506 Expenses 11,603 76,228 20,995 2,106 110,932 Management fee (income) 116 784 900 (1,800) - Interest expense, net 47 555 5 53 660 --------------- ------------- ------------- ------------ -------------- Pretax income (loss) contribution from continuing operations $ 1,251 $ 6,329 $ 15,485 $ (151) $ 22,914 =============== ============= ============= ============ ============== Depreciation and amortization $ 575 $ 4,403 $ 188 $ 177 $ 5,343 Identifiable assets $ 38,681 $ 41,918 $ 75,571 $ 32,948 $ 189,118 Intangible assets $ 3,893 $ 1,298 $ - $ - $ 5,191 Capital expenditures $ - $ 3,018 $ 1,913 $ 14 $ 4,945 --- Year ended April 30, 2004: Revenues $ 12,162 $ 87,629 $ 29,415 $ 85 $ 129,291 Expenses 11,036 80,786 17,022 1,568 110,412 Management fee (income) 141 592 770 (1,503) - Interest expense, net 30 615 213 86 944 --------------- ------------- ------------- ------------ -------------- Pretax income (loss) contribution from continuing operations $ 955 $ 5,636 $ 11,410 $ (66) $ 17,935 =============== ============= ============= ============ ============== Depreciation and amortization $ 459 $ 4,087 $ 225 $ 244 $ 5,015 Identifiable assets $ 33,917 $ 38,983 $ 76,934 $ 16,140 $ 165,974 Intangible assets $ 3,893 $ 1,298 $ - $ - $ 5,191 Capital expenditures $ 218 $ 3,069 $ 266 $ 115 $ 3,668 --- Year ended April 30, 2003: Revenues $ 14,832 $ 39,226 $ 17,738 $ 393 $ 72,189 Expenses 12,147 37,342 10,932 1,406 61,827 Management fee (income) 182 518 700 (1,400) - Interest expense, net 190 162 137 93 582 --------------- ------------- ------------- ------------ -------------- Pretax income contribution from continuing operations $ 2,313 $ 1,204 $ 5,969 $ 294 $ 9,780 =============== ============= ============= ============ ============== Depreciation and amortization $ 763 $ 1,848 $ 227 $ 233 $ 3,071 Identifiable assets $ 31,962 $ 34,970 $ 73,991 $ 13,436 $ 154,359 Intangible assets $ 3,893 $ 1,298 $ - $ - $ 5,191 Capital expenditures $ 66 $ 1,263 $ 65 $ 522 $ 1,916 --- 27 (17) SELECTED QUARTERLY FINANCIAL DATA (Unaudited): -- (In thousands of dollars, except per share amounts) Quarter Ended --- Year ended April 30, 2005: July 31, October 31, January 31, April 30, 2004 2004 2005 2005 -------------- --------------- ------------- ------------- Revenues $ 33,638 $ 33,230 $ 31,486 $ 36,152 Gross Profit 9,967 9,465 7,120 11,072 Income from continuing operations, net of taxes 3,941 4,370 2,511 4,766 -------------- --------------- -------------- ------------- Income (loss) from operations of discontinued business, net of taxes 85 (175) 50 (23) -------------- --------------- ------------- ------------- Net income $ 4,026 $ 4,195 $ 2,561 $ 4,743 ==============

============== ============== ============== Earnings (loss) per share - Basic and Diluted: Continuing Operations $ 0.60 $ 0.66 $ 0.38 $ 0.72 Discontinued Operations 0.01 (0.03) 0.01 - -------------- -------------- -------------- -------------- Total $ 0.61 $ 0.63 $ 0.39 $ 0.72 ============== ============== ============== ============== Year ended April 30, 2004: July 31, October 31, January 31, April 30, 2003 2003 2004 2004 -------------- -------------- -------------- -------------- Revenues $ 33,061 $ 32,173 $ 32,969 $ 31,088 Gross Profit 9,416 7,604 6,933 7,544 Income from continuing operations, net of taxes 3,375 2,564 3,341 2,017 -------------- -------------- -------------- -------------- Income from operations of discontinued business, net of taxes 156 152 42 30 -------------- -------------- -------------- -------------- Net income $ 3,531 $ 2,716 $ 3,383 $ 2,047 ============== ============== ============== ============== Earnings per share - Basic and Diluted: Continuing Operations $ 0.51 $ 0.39 $ 0.50 $ 0.31 Discontinued Operations 0.03 0.02 0.01 - -------------- -------------- -------------- -------------- Total $ 0.54 $ 0.41 $ 0.51 $ 0.31 ============== ============== ============== ============== 28 SIGNATURES Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. AMREP CORPORATION (Registrant) Dated: August 3, 2005 By /s/Peter M. Pizza ---------------- Peter M. Pizza Vice President and Chief Financial Officer 29 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. 3 (b) By-Laws as restated July 13, 2004 - Incorporated by reference to Exhibit 3 (b) to Registrant's Annual Report on Form 10-K for the fiscal year ended April 30, 2004. 4 (a) Amended and Restated Loan and Security Agreement dated as of April 28, 2005 among Kable News Company, Inc., Kable Distribution Services, Inc., Kable News Export, Ltd., Kable News International, Inc., Kable Fulfillment Services, Inc. and Kable Fulfillment Services of Ohio, Inc. and LaSalle Bank National Association. - Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed May 3, 2005. 4 (b) Credit Agreement dated as of April 1, 2005 between AMREP Southwest Inc. and Wells Fargo Bank, National Association - Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed May 11, 2005. 4 (c) Revolving Line of Credit Note dated April 1, 2005 from AMREP Southwest Inc. to Wells Fargo Bank, National Association - Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed May 11, 2005. 10 (a) 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 (b) 2002 Non-Employee Directors' Stock Plan - Incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarterly period ended January 31, 2003.* 10 (c) Offer letter dated June 2, 2005 from Registrant to Joseph S. Moran - Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed June 8, 2005.* 21 Subsidiaries of Registrant - Incorporated by reference to Exhibit 21 to Registrant's Annual Report on Form 10-K for the fiscal year ended April 30, 2005 filed July 28, 2005. 23 Consent of McGladrey & Pullen, LLP - Filed herewith. 31.1 Certification required by Rule 13a - 14 (a) under the Securities Exchange Act of 1934. 31.2 Certification required by Rule 13a - 14 (a) under the Securities Exchange Act of 1934. 31.3 Certification required by Rule 13a - 14 (a) under the Securities Exchange Act of 1934. 32 Certification required by Rule 13a - 14 (b) under the Securities Exchange Act of 1934. ------------- * Management contract or compensatory plan or arrangement in which directors or officers participate. 30