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AMREP CORP
Form 8-K/A
July 18, 2003

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

AMENDMENT NO. 1 TO CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): July 15, 2003

AMREP CORPORATION

(Exact name of registrant as specified in its Charter)

Oklahoma	1-4702	59-0936128
-----	-----	-----
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification No.)

641 Lexington Avenue, New York, New York 10022

(Address of principal executive offices) (Zip Code)

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

Not Applicable

(Former Name or Former Address, if
Changed Since Last Report)

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The undersigned Registrant hereby amends the following items: Financial Statements and Exhibits of their Form 8-K dated April 15, 2003, as set forth in the pages attached hereto.

Item 7 of the Current Report on Form 8-K dated April 15, 2003 filed by AMREP Corporation is hereby amended to read in its entirety as follows:

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Financial statements of Business Acquired:

Financial Statements and Independent Auditor's Report on the financial statements of the Subscription Fulfillment Business of Electronic Data Systems Corporation as of December 31, 2002 and 2001

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and for each of the three years in the period ending December 31, 2002

(b) Pro Forma Financial Information:

Unaudited Pro Forma Consolidated balance sheet as of January 31, 2003

Unaudited Pro Forma consolidated statements of income for the fiscal year ended April 30, 2002 and for the nine month period ended January 31, 2003

Notes to unaudited Pro Forma financial statements

(c) The following Exhibits are filed with this Report:

Exhibit No. -----	Exhibit -----
10.1	Asset Purchase Agreement dated as of March 31, 2003 by and among Kable Fulfillment Services, Inc. and Electronic Data Systems Corporation, EDS Information Services LLC and EDS Resource Management Corporation *
10.2	Amendment to Loan Agreement dated as of March 31, 2003 by and among Kable News Company, Inc., Kable Fulfillment Services of Ohio, Inc., Kable Distribution Services, Inc. and Kable Fulfillment Services, Inc., and U.S. Bank National Association *
23.1	Consent of McGladrey & Pullen LLP

* Previously filed.

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Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 18, 2003

AMREP Corporation
 By: /s/ Peter M. Pizza

 Peter M. Pizza
 Vice President and
 Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
AMREP Corporation
New York, New York

We have audited the accompanying special purpose statements of assets acquired and liabilities assumed of the Subscription Fulfillment Business, a division of Electronic Data Systems Corporation located in Louisville, Colorado (not a legal entity, see Note 1) (the Business) as of December 31, 2002 and 2001, and the related statements of revenues and direct operating expenses and certain cash flows for the years ended December 31, 2002, 2001, and 2000. These financial statements are the responsibility of the management of the Subscription Fulfillment Business. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, these special purpose financial statements are prepared to reflect the assets acquired and liabilities assumed by AMREP Corporation in its acquisition of the Business, as well as the Business' revenues and direct operating expenses and cash flows. The special purpose financial statements are not intended to be a complete presentation of Electronic Data Systems Corporation's assets and liabilities or results of its operations, and accordingly, these special purpose financial statements are not intended to be a presentation in accordance with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Subscription Fulfillment Business of Electronic Data Systems Corporation as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years ended December 31, 2002, 2001, and 2000 in conformity with the basis of accounting described in Note 1.

/s/ McGladrey & Pullen, LLP

Davenport, Iowa
June 13, 2003

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SUBSCRIPTION FULFILLMENT BUSINESS
OF ELECTRONIC DATA SYSTEMS CORPORATION

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STATEMENTS OF ASSETS ACQUIRED AND LIABILITIES ASSUMED
December 31, 2002 and 2001
(In Thousands)

Assets	2002	2001

Current Assets:		
Cash	\$ 127	\$ 33
Accounts receivable, less allowance for doubtful accounts	18,629	32,020
2002 \$995; 2001 \$897		
Prepaid expenses and other	2,345	1,851
	-----	-----
Total current assets	21,101	33,904
	-----	-----
Long-Term Assets:		
Property and equipment, at historical cost, net of accumulated depreciation and amortization	2,866	5,575
Intangibles	--	33,900
	-----	-----
Total long-term assets	2,866	39,475
	-----	-----
Total assets	\$23,967	\$73,379
	=====	=====
Liabilities and Excess of Assets Acquired Over Liabilities Assumed		

Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,530	\$ 3,980
Customer postage deposits	6,291	8,370
	-----	-----
Total current liabilities	8,821	12,350
	-----	-----
Excess of assets acquired over liabilities assumed	15,146	61,029
	-----	-----
	\$23,967	\$73,379
	=====	=====

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

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SUBSCRIPTION FULFILLMENT BUSINESS
OF ELECTRONIC DATA SYSTEMS CORPORATION

STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES
Years Ended December 31, 2002, 2001, and 2000
(In Thousands)

	2002	2001	2000

Revenues	\$ 123,711	\$ 172,352	\$ 192,054
	-----	-----	-----

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Cost and Expenses:			
Operating expenses	106,537	145,311	160,812
General and administrative	9,723	9,936	12,336
Amortization expense	5,400	7,300	7,300
Impairment of intangibles	28,500	--	--
	-----	-----	-----
	150,160	162,547	180,448
	-----	-----	-----
Excess (deficiency) of revenues over direct operating expenses	\$ (26,449)	\$ 9,805	\$ 11,606
	=====	=====	=====

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

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SUBSCRIPTION FULFILLMENT BUSINESS
OF ELECTRONIC DATA SYSTEMS CORPORATION

STATEMENTS OF CERTAIN CASH FLOWS Years Ended December 31, 2002,
2001, and 2000
(In Thousands)

	2002	2001	2000

Cash Flows from Operating Activities:			
Excess (deficiency) of revenues over direct operating expenses	\$ (26,449)	\$ 9,805	\$ 11,606
Adjustments to reconcile net excess (deficiency) of revenues over direct operating expenses to net cash provided by operating activities:			
Depreciation	2,447	2,921	5,410
Loss on disposal of property and equipment, including restructuring charges	245	1,037	251
Amortization of intangibles	5,400	7,300	7,300
Impairment of intangibles	28,500	--	--
Changes in assets and liabilities:			
Receivables	13,391	7,837	(2,655)
Prepaid and other assets	(494)	(175)	1,641
Accounts payable and accrued expenses	(1,450)	131	(2,731)
Customer postage deposits	(2,079)	(290)	(558)
	-----	-----	-----
Net cash provided by operating activities	19,511	28,566	20,264

Cash Flows from Investing Activities:			
Proceeds from sale of property and equipment	50	37	--
Purchase of property and equipment	(33)	(711)	(1,081)
	-----	-----	-----
Net cash provided by (used in) investing activities	17	(674)	(1,081)

Cash Flows used in Financing Activities,			
transfers to parent company, net	(19,434)	(27,864)	(19,178)
	-----	-----	-----
Increase in cash	94	28	5

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Cash, beginning of year	33	5	--
	-----	-----	-----
Cash, end of year	\$ 127	\$ 33	\$ 5
	=====	=====	=====

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

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SUBSCRIPTION FULFILLMENT BUSINESS
OF ELECTRONIC DATA SYSTEMS CORPORATION

NOTES TO FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS)

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

a. Nature of Business:

The Subscription Fulfillment Business (the "Business") of Electronic Data Systems Corporation (the "Parent") provides magazine subscription fulfillment and related activities, including list services, data base management, and lettershop activities for various publishers, trade and membership organizations, and others. In the magazine subscription fulfillment services operation, the Business processes new orders, receives and accounts for payments, prepares and sends to publisher's printers labels or tapes containing mailing information for each issue, handles subscriber telephone inquiries and correspondence, prepares and mails renewal and statement notifications, and maintains subscriber lists.

b. Basis of Presentation:

The accompanying statements of assets acquired and liabilities assumed as of December 31, 2002 and 2001 and the related statements of revenue and direct operating expenses and certain cash flows for each of the years in the three year period ended December 31, 2002 have been prepared for the purpose of complying with rules and regulations of the Securities and Exchange Commission.

The Business was acquired by a subsidiary of AMREP Corporation on April 15, 2003. The financial statements represent the acquired assets and liabilities as specified in the Asset Purchase Agreement dated March 31, 2003 plus accounts receivable, accounts payable and accrued expenses and associated revenues, direct expenses, and certain cash flows of the Business, for all periods presented. Even though the purchase agreement excluded the accounts receivable and current liabilities other than customer deposits, they are being included in order to be more reflective of the actual business acquired.

The statements of revenues and direct operating expenses and certain cash flows include only those revenues and operating expenses directly related to the Business. As more fully explained in Note 4, various non-direct expense allocations have been excluded. Therefore, the financial information included herein may not necessarily reflect the results of operations, financial position, and cash flows that would have resulted had the Business been a separate, stand-alone entity during the periods presented. The overall financial statement presentation is not intended to be a complete presentation in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); however, all amounts have been determined in accordance with U.S. GAAP using the significant accounting policies of the parent.

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c. Accounting Estimates:

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

d. Revenue Recognition:

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, all of which are billed and earned as the services are provided.

e. Customer Postage Reimbursement:

The Business reflects billings related to reimbursed postage expenses in revenue. Billings related to reimbursed postage expense were approximately \$41,218, \$58,944 and \$65,101 for the years ended December 31, 2002, 2001 and 2000, respectively.

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f. Accounts Receivable:

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on an annual basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivables previously written off are recorded when received. The provision (recovery) for bad debts was approximately \$960, \$(96), and \$1,092 for the years ended December 1, 2002, 2001, and 2000, respectively.

A receivable is considered to be past due if any portion of the receivable balance is past due according to the customer's agreed upon terms. The customers' sales terms vary from one customer to another. The Business charges interest on trade receivables only under certain conditions.

g. Property and Equipment:

Property and equipment is recorded at cost. Depreciation is calculated under the straight-line method over the estimated useful lives which range from 3 to 7 years.

h. Intangible Assets:

Intangibles consisted of acquired customer lists and are amortized by the straight-line method over nine years, subject to review for impairment each year based on undiscounted cash flows estimated to be generated by these lists.

i. Long-Lived Assets:

Long-lived assets and intangibles 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'

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carrying amount.

j. Net Assets:

The Business participates in the Parent's cash management system. Under the system, all cash generated by the Business is transferred to the Parent and all cash requirements of the Business are funded by the Parent. These transfers of funds are reflected in the net asset balance.

k. Income Taxes:

The Business represents a business unit of the Parent and as such does not file separate income tax returns. All income taxes are reflected at the parent level and not allocated to the Business.

NOTE 2. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows (in thousands):

	December 31,	
	2002	2001
Land improvements	\$ 267	\$ 267
Buildings improvements	1,034	821
Equipment	11,639	12,548
Other, primarily software	10,505	11,012
	23,445	24,648
Less accumulated depreciation	(20,579)	(19,073)
	\$ 2,866	\$ 5,575

NOTE 3. INTANGIBLE ASSETS

During the year ended December 31, 2002, based upon the Parent's decision to sell the Business, it had been determined that the intangible assets had been impaired resulting in an impairment charge of \$28,500. The total accumulated amortization at December 31, 2001 was \$31,600.

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NOTE 4. RELATED PARTY TRANSACTIONS

The Business has utilized various services provided by the Parent. These services included, among others, certain investor relations, executive, human resources, legal, finance, information management, tax preparation and treasury. Many of these indirect services are included as corporate overhead and have not been allocated to the Business. Allocated charges for direct expenses that are included in the financial statements are operating expenses of \$19,035, \$23,384 and \$22,614 for the years ended December 31, 2002, 2001 and 2000, respectively.

Because all indirect Parent overhead expenses have not been allocated to the Business, the financial information included herein may not necessarily reflect the results of operations, financial position, and cash flows in the future or what they would have been had it been a separate, stand-alone entity during the periods presented.

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The Business utilizes a facility that is subject to a lease between the Parent and the lessor. Total rent expense included in operating expense related to this facility was \$3,106, \$3,023 and \$2,875 for the years ended December 31, 2002, 2001 and 2000, respectively. In connection with the purchase agreement, a new lease was signed (see Note 7).

NOTE 5. RESTRUCTURING CHARGES

The Business relocated certain of its operations and closed various facilities. Operating expenses include \$1,027 and \$222 in the years ended December 31, 2001 and 2000, respectively, of losses related to the abandonment of equipment and leasehold improvements all of which had been incurred by December 31, 2001.

NOTE 6. MAJOR CUSTOMERS

Net sales to major customers (in excess of 10% of net sales) for the years ended December 31, 2002, 2001 and 2000, along with the respective year-end accounts receivable balances, are as follows:

	Revenues for the Year Ended December 31,			Accounts Receivable at December 31,	
	2002	2001	2002	2002	2001
Customer A	\$ --	\$11,114	\$15,263	\$ --	\$ 1,640
Customer B	8,332	6,351	7,311	1,566	1,519

NOTE 7. SUBSEQUENT EVENT

On April 15, 2003, the Parent sold the Business to Kable Fulfillment Services, Inc., a wholly-owned subsidiary of Kable News Company, Inc., a wholly-owned subsidiary of AMREP Corporation. The purchase price was approximately \$10 million, adjusted by certain working capital components, and excluded the accounts receivable and current liabilities other than the customer deposits.

In connection with the purchase agreement, AMREP Corporation entered into a three year lease agreement which provides for monthly rental payments of \$193 plus taxes, maintenance, and insurance costs.

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AMREP CORPORATION

UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS

The unaudited pro forma financial statements presented on the following pages are based on the historical financial statements of AMREP Corporation (the Parent) and reflect the pro forma effects of the acquisition of the Subscription Fulfillment Business (the "Business") of Electronic Data Systems Corporation. The acquisition was accounted for under the purchase method.

For purposes of the pro forma statements, the purchase price of the assets of the Business has been allocated to the acquired net assets based on information currently available with regard to the values of such net assets. Pro forma adjustments have been made only for those assets and liabilities, which based solely on preliminary estimates, may have fair values significantly different from historical amounts. As such, final adjustments to recorded amounts may differ significantly from the pro forma adjustments presented herein.

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The unaudited pro forma balance sheet as of January 31, 2003 and statements of income for the year ended April 30, 2002 and the nine months ended January 31, 2003 were prepared as if the acquisition had occurred as of the beginning of the respective periods for the purposes of the statements of income and as if such acquisition had occurred at the end of the period for purposes of the consolidated balance sheet.

These pro forma financial statements are not necessarily indicative of the results of operations that might have occurred had the acquisition taken place at the beginning of the period, or to project the Parent's results of operations at any future date or for any future period. The pro forma statements should be read in connection with the notes thereto. Because of significant lost accounts of the Business that occurred prior to the acquisition, it is anticipated that the revenues from the acquired Business for the year ended April 30, 2004 will be substantially reduced from historical levels.

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AMREP CORPORATION

UNAUDITED PRO FORMA BALANCE SHEET
(In Thousands, except per share data)

	Amrep Corporation and Subsidiaries 1/31/03	Subscription Fulfillment Business 12/31/02	Pro Forma Adjustments	Adjust Fo
ASSETS				
Cash and cash equivalents	\$ 16,688	\$ 127	\$ (127) (a)	\$ 1
Receivables, net:				
Real estate operations	5,898	--	--	
Magazine circulation operations	32,524	18,629 (i)	--	5
Real estate inventory	63,434	--	--	6
Property, plant and equipment, at cost, net of accumulated depreciation and amortization of \$15,895 as of January 31, 2003 and \$20,579 as of December 31, 2002	9,680	2,866	4,620 (a)	1
Assets held-for-sale, net	5,984	--	--	
Prepaid and other assets	9,712	2,345	2,376 (a)	1
Excess of cost of subsidiary over net assets acquired	5,191	--	--	
	<u>\$ 149,111</u>	<u>\$ 23,967</u>	<u>\$ 6,869</u>	<u>\$ 17</u>
LIABILITIES AND SHAREHOLDERS'				
EQUITY				
Accounts payable	\$ 24,362	\$ 2,530	\$ --	\$ 2
Accrued expenses	7,896	--	--	
Customer postage deposits	--	6,291	--	
Notes payable:				
Amounts due within one year	4,902	--	--	
Amounts subsequently due	6,843	--	22,015 (b) (i)	2

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	11,745	--	22,015	3
Taxes payable	2,265	--	--	
Deferred income taxes	4,596	--	--	
	50,864	8,821	22,015	8
Commitments and contingencies				
Shareholders' equity:				
Common stock, \$.10 par value; shares authorized - 20,000,000; 7,406,704 shares issued - as of 1/31/03	740	--	--	
Capital contributed in excess of par value	44,982	--	--	4
Retained earnings	58,234	--	--	5
Treasury stock, at cost; 826,092 shares as of 1/31/03	(5,709)	--	--	(
Excess assets acquired over liabilities assumed	--	15,146	(15,146) (c)	
	98,247	15,146	(15,146)	9
	\$ 149,111	\$ 23,967	\$ 6,869	\$ 17

See Notes to Unaudited Pro Forma Financial Statements.

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AMREP CORPORATION

UNAUDITED PRO FORMA STATEMENTS OF INCOME
Year Ended April 30, 2002
(In Thousands, except per share data)

	Amrep Corporation and Subsidiaries 4/30/02	Subscription Fulfillment Business 3/31/02	Pro Forma Adjustments	Adjustment For
Revenues:				
Magazine circulation operations	\$ 49,248	\$ 158,791	\$ (54,836) (h)	\$ 15
Real estate operations:				
Land sales	30,228	--	--	3
Home sales	635	--	--	
	30,863	--	--	3
Interest and other operations	3,294	--	--	
	83,405	158,791	(54,836)	18
Costs and Expenses:				
Operating expenses:				
Magazine circulation operations ..	38,643	133,917	(1,424) (d)	
			(54,836) (h)	11
Real estate commissions and selling	978	--	--	
Other operations	2,635	--	--	

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Real estate cost of sales:				
Land sales	22,894	--	--	2
Home sales	704	--	--	
General and administrative:				
Magazine circulation operations ..	6,914	10,284	--	1
Real estate operations and corporate	3,209	--	--	
Amortization expense	--	7,300	(7,300) (d)	
Interest, net	1,265	--	1,101 (f)	
	77,242	151,501	(62,459)	16

Income before income taxes	6,163	7,290	7,623	2
Provision for income taxes	2,465	--	5,667 (g)	
Net income	\$ 3,698	\$ 7,290	\$ 1,956	\$ 1
=====				
Earnings per share, basic and diluted	\$ 0.56	\$ --	\$ --	\$
=====				
Weighted average number of common shares outstanding	6,574	--	--	
=====				

See Notes to Unaudited Pro Forma Financial Statements.

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AMREP CORPORATION

UNAUDITED PRO FORMA STATEMENTS OF INCOME
Nine Months Ended January 31, 2003
(In Thousands, except per share data)

	Amrep Corporation and Subsidiaries 1/31/03	Subscription Fulfillment Business 12/31/02	Pro Forma Adjustments	Adjust Fo

Revenues:				
Magazine circulation operations	\$ 38,657	\$ 90,542	\$ (29,767) (h)	\$ 9
Real estate operations	11,483	--	--	1
Interest and other operations	3,064	--	--	
	53,204	90,542	(29,767)	11

Costs and Expenses:				
Operating expenses:				
Magazine circulation operations ...	29,871	77,690	(712) (c) (29,767) (h)	77
Real estate commissions and	--	--	--	
selling	617	--	--	
Other operations	1,888	--	--	1

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Real estate cost of sales	5,134	--	--	5
General and administrative:	--			
Magazine circulation operations ...	5,086	6,179	--	11
Real estate operations and corporate	2,290	--	--	2
Amortization of customer list intangible	--	3,600	(3,600)	(d)
Impairment of customer list intangible	--	28,500	(28,500)	(e)
Interest and amortization, net	450	--	826	(f)
	-----	-----	-----	-----
	45,336	115,969	(61,753)	99
	-----	-----	-----	-----
Income (loss) before income taxes	7,868	(25,427)	31,986	14
Provision for income taxes	3,147	--	2,492	(g)
	-----	-----	-----	-----
Net income (loss)	\$ 4,721	\$ (25,427)	\$ 29,494	\$ 8
	=====	=====	=====	=====
Net income per share, basic and diluted	\$ 0.72	\$ --	\$ --	\$
	=====	=====	=====	=====
Weighted average number of common shares outstanding	6,579	--	--	6
	=====	=====	=====	=====

See Notes to Unaudited Pro Forma Financial Statements.

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AMREP CORPORATION

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS)

- (a) The purchase price will be allocated to acquired assets and liabilities based on their relative fair values as of the closing date, determined using valuations and other studies which are not yet complete. The purchase price and preliminary allocation of such cost is as follows, assuming the acquisition occurred on January 31, 2003:

Base purchase price per contract	\$ 9,700
Working capital adjustment	(4,222)
Related acquisition costs	438

Total purchase price	5,916
Working capital necessary to fund the replenishing of accounts receivable and accounts payable which were not part of the purchase agreement	16,099

Total financing requirement	22,015
Book value per historical financial statements	15,146

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Excess of purchase price over net book value
of assets acquired \$ 6,869
=====

Allocated to:

Cash retained by seller \$ (127)
Other assets 2,376
Equipment (1) 4,620

\$ 6,869
=====

(1) The recorded value of acquired equipment will be ... \$ 7,486
=====

(b) Reflect the financing plan after the accounts receivable and accounts payable return to their historical levels.

(c) Eliminate the historical net asset balance.

	Year Ended April 30, 2002	Nine-Month Period Ended January 31, 2003

(d) Adjust depreciation as follows:		
Record depreciation upon fair values assigned to acquired assets	\$ 1,497	\$ 1,123
Less previous depreciation	2,803	1,835

	\$ (1,306)	\$ (712)
	=====	
Remove previous intangible amortization	\$ (7,300)	\$ (3,600)
	=====	
(e) Remove intangible impairment charge	\$ --	\$ (28,500)
	=====	
(f) Adjust interest expense related to the \$22,015 of additional borrowings at an average rate of 5%	\$ 1,101	\$ 826
	=====	
(g) Adjust income taxes as follows:		
Pro forma adjustment to taxable income	\$ 14,913	\$ 6,559
Effective tax rate	38%	38%

	\$ 5,667	\$ 2,492
	=====	

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(h) In accordance with EITF Issue No. 99-19, Reporting Revenue Gross as a Principal Versus Net as an Agent, AMREP Corporation has the accounting policy of netting reimbursed postage against the related postage expense. The pro forma adjustment is being made to reduce revenue and the related operating expense for the reimbursed postage.

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- (i) Due to the substantial reduction in revenues from historical levels expected for the year ended April 30, 2004 for the acquired Business, earnings per share, receivables and corresponding debt will be proportionately reduced.

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