

AMREP CORP.
Form 10-Q
March 13, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended January 31, 2019

OR

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

For the transition period from _____ to _____

Commission File Number: 1-4702

AMREP Corporation

(Exact Name of Registrant as Specified in its Charter)

Oklahoma
State or Other Jurisdiction of

59-0936128
I.R.S. Employer Identification No.

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Incorporation or Organization

620 West Germantown Pike, Suite 175

19462

Plymouth Meeting, PA

Address of Principal Executive Offices Zip Code

(610) 487-0905

Registrant's Telephone Number, Including Area Code

Not Applicable

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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.

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☒ 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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Number of Shares of Common Stock, par value \$.10 per share, outstanding at March 8, 2019 – 8,127,904.

AMREP CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMREP CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(Amounts in thousands, except share and per share amounts)

	January 31,	April 30,
	2019	2018
	(Unaudited)	(Revised)
ASSETS		
Cash and cash equivalents	\$ 14,233	\$ 14,041
Receivables, net	5,661	5,901
Real estate inventory	58,749	58,874
Investment assets	9,706	9,714
Property, plant and equipment, net	8,965	9,745
Other assets, net	2,347	2,321
Taxes receivable, net	3	209
Deferred income taxes, net	4,846	4,865
TOTAL ASSETS	\$ 104,510	\$ 105,670
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 7,019	\$ 7,497
Notes payable, net	2,554	1,843
Other liabilities and deferred revenue	37	149
Accrued pension costs	6,929	9,051
TOTAL LIABILITIES	16,539	18,540
SHAREHOLDERS' EQUITY:		
Common stock, \$.10 par value; shares authorized – 20,000,000; shares issued – 8,353,154 at	835	832
January 31, 2019 and 8,323,954 at April 30, 2018		
Capital contributed in excess of par value	51,205	50,922
Retained earnings	47,609	47,525
Accumulated other comprehensive loss, net	(7,463)	(7,934)
Treasury stock, at cost; 225,250 shares at January 31, 2019 and April 30, 2018	(4,215)	(4,215)
TOTAL SHAREHOLDERS' EQUITY	87,971	87,130
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 104,510	\$ 105,670

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

AMREP CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations and Retained Earnings (Unaudited)

Three Months Ended January 31, 2019 and 2018

(Amounts in thousands, except per share amounts)

	2019	2018
REVENUES:		
Fulfillment services	\$6,916	\$7,676
Real estate land sales	2,376	2,510
Other	48	193
	9,340	10,379
COSTS AND EXPENSES:		
Real estate land sales	1,962	2,109
Operating and selling expenses:		
Fulfillment services	6,168	6,338
Real estate	258	470
General and administrative expenses:		
Fulfillment services	346	313
Real estate operations	111	156
Corporate operations	705	690
Interest expense	8	18
	9,558	10,094
(Loss) Income before income taxes	(218)	285
(Benefit) provision for income taxes	(186)	3,136
Net loss	(32)	(2,851)
Retained earnings, beginning of period (2018 Revised)	47,641	49,013
Retained earnings, end of period (2018 Revised)	\$47,609	\$46,162
Loss per share – basic and diluted	\$(0.00)	\$(0.35)
Weighted average number of common shares outstanding – basic	8,103	8,075
Weighted average number of common shares outstanding – diluted	8,103	8,075

The accompanying notes to consolidated financial statements are an

integral part of these consolidated financial statements.

AMREP CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations and Retained Earnings (Unaudited)

Nine Months Ended January 31, 2019 and 2018

(Amounts in thousands, except per share amounts)

	2019	2018
REVENUES:		
Fulfillment services	\$21,302	\$22,592
Real estate land sales	8,924	6,603
Other	437	1,685
	30,663	30,880
COSTS AND EXPENSES:		
Real estate land sales	7,855	4,471
Operating and selling expenses:		
Fulfillment services	18,480	18,415
Real estate	779	1,563
General and administrative expenses:		
Fulfillment services	1,026	970
Real estate operations	415	356
Corporate operations	2,289	2,194
Interest expense	20	49
	30,864	28,018
(Loss) income before income taxes	(201)	2,862
(Benefit) provision for income taxes	(285)	3,987
Net income (loss)	84	(1,125)
Retained earnings, beginning of period (Revised)	47,525	47,287
Retained earnings, end of period (2018 Revised)	\$47,609	\$46,162
Earnings (loss) per share – basic and diluted	\$0.01	\$(0.14)
Weighted average number of common shares outstanding – basic	8,095	8,070
Weighted average number of common shares outstanding – diluted	8,140	8,070

The accompanying notes to consolidated financial statements are an

integral part of these consolidated financial statements.

AMREP CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

Three and Nine Months Ended January 31, 2019 and 2018

(Amounts in thousands)

	Three Months Ended January 31,	
	2019	2018
Net loss	\$ (32)	\$ (2,851)
Other comprehensive income, net of tax:		
Decrease in pension liability, net of tax (\$69 in 2019 and \$98 in 2018)	157	225
Other comprehensive income	157	225
Total comprehensive income (loss)	\$ 125	\$ (2,626)
	Nine Months Ended January 31,	
	2019	2018
Net income (loss)	\$ 84	\$ (1,125)
Other comprehensive income, net of tax:		
Decrease in pension liability, net of tax (\$207 in 2019 and \$296 in 2018)	471	674
Other comprehensive income	471	674
Total comprehensive income (loss)	\$ 555	\$ (451)

The accompanying notes to consolidated financial statements are an

integral part of these consolidated financial statements.

AMREP CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

Nine Months Ended January 31, 2019 and 2018

(Amounts in thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$84	\$(1,125)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation	842	954
Amortization of debt issuance costs	18	-
Non-cash credits and charges:		
Non-cash gain on settlement	-	(1,318)
Non-cash deferred revenue recognized	-	(61)
Provision for (recovery of) doubtful accounts	(1)	28
Stock-based compensation	184	136
Net periodic pension cost	556	750
Changes in assets and liabilities:		
Receivables	241	(567)
Real estate inventory and investment assets	133	(2,180)
Other assets	(29)	146
Accounts payable and accrued expenses	(458)	2,172
Taxes receivable (payable)	206	(424)
Other liabilities and deferred revenue	(112)	(344)
Deferred income taxes	(188)	4,408
Accrued pension costs	(2,000)	(1,040)
Total adjustments	(608)	2,660
Net cash (used in) provided by operating activities	(524)	1,535
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from corporate-owned life insurance policy	85	-
Capital expenditures – property, plant and equipment	(62)	(130)
Net cash provided by (used in) investing activities	23	(130)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt financing	2,814	638
Principal debt payments	(2,075)	-
Payments for debt issuance costs	(46)	-
Net cash provided by financing activities	693	638
Increase in cash and cash equivalents	192	2,043
Cash and cash equivalents, beginning of period	14,041	11,811

Cash and cash equivalents, end of period	\$14,233	\$13,854
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SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid, net of amounts capitalized	\$2	\$42
Income taxes (refunded) paid, net	\$(249)	\$7

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

AMREP CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

Nine Months Ended January 31, 2019 and 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared by AMREP Corporation (the “Company”) pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial information, and do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The Company, through its subsidiaries, is primarily engaged in two business segments: the real estate business operated by AMREP Southwest Inc. (“AMREP Southwest”) and its subsidiaries and the fulfillment services business operated by Palm Coast Data LLC (“Palm Coast”) and its affiliates. The Company’s foreign sales are insignificant. All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, these unaudited consolidated financial statements include all adjustments, which are of a normal recurring nature, considered necessary to reflect a fair presentation of the results for the interim periods presented. The results of operations for such interim periods are not necessarily indicative of what may occur in future periods. Unless the context otherwise indicates, all references to 2019 and 2018 are to the fiscal years ending April 30, 2019 and 2018 and all references to the third quarter and first nine months of 2019 and 2018 mean the fiscal three month and nine month periods ended January 31, 2019 and 2018.

The unaudited consolidated financial statements herein should be read in conjunction with the Company’s annual report on Form 10-K for the year ended April 30, 2018, which was filed with the SEC on July 20, 2018 (the “2018 Form 10-K”). Certain 2018 balances in these financial statements have been reclassified to conform to the current year presentation with no effect on either net income or shareholders’ equity.

Summary of Significant Accounting Policies

The significant accounting policies used in preparing these consolidated financial statements are consistent with the accounting policies described in the 2018 Form 10-K, except for those effective May 1, 2018 as described below.

Recently Adopted Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*. Since that date, the FASB has issued additional ASUs providing further revenue recognition guidance (collectively, “Topic 606”). Topic 606 clarifies the principles for recognizing revenues and costs related to obtaining and fulfilling customer contracts, with the objective of improving financial reporting. The core principle of Topic 606 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Topic 606 defines a five-step process to achieve this core principle, and more judgment and estimates are required under Topic 606 than were required under the prior generally accepted accounting principles of Topic 605, *Revenue Recognition* (“Topic 605”). In accordance with Topic 606, fulfillment services revenues are recognized as the services are performed in proportion to the transfer of control to the customer and real estate revenues are recognized at the time of sale when consideration has been exchanged and title has been conveyed to the buyer.

Topic 606 was effective for the Company's fiscal year beginning May 1, 2018. The Company adopted Topic 606 using the modified retrospective method. Results for reporting periods beginning after May 1, 2018 are presented under Topic 606, while prior period amounts were not adjusted and continue to be reported in accordance with Topic 605. The adoption of Topic 606 had no impact on the Company's results of operations.

Statements of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 reduces the diversity in practice regarding how certain cash receipts and cash payments are presented and classified in the statement of cash flows, including classifying proceeds from company-owned life insurance proceeds as an investing activity. ASU 2016-15 was effective for the Company's fiscal year beginning May 1, 2018. The Company received life insurance proceeds of \$85,000 during the three months ended July 31, 2018, which is reflected in the accompanying Consolidated Statement of Cash Flows as an investing activity. The income associated with the life insurance proceeds was recognized in various years prior to 2019.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. Since that date, the FASB has issued additional ASUs providing further guidance for lease transactions (collectively "ASU 2016-02"). ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in its balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. Upon adoption of ASU 2016-02, the Company will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 will be effective for the Company for fiscal year 2020 beginning May 1, 2019. The Company is in the process of evaluating the impact of ASU 2016-02 and its adoption is not expected to have a material effect on the Company's consolidated financial statements.

In January 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which permits the reclassification to retained earnings of certain tax effects resulting from the U.S. Tax Cuts and Jobs Act related to items in accumulated other comprehensive income. ASU 2018-02 may be applied retrospectively to each period in which the effect of the U.S. Tax Cuts and Jobs Act is recognized or may be applied in the period of adoption. ASU 2018-02 will be effective for the Company's fiscal year 2020 beginning May 1, 2019. The Company has not determined whether it will elect to reclassify such tax effects. The adoption of ASU 2018-02 by the Company is not expected to have a material effect on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718) – Improvements to Nonemployee Share-based Payment Accounting*. ASU 2018-07 addresses several aspects of the accounting for nonemployee share-based payment transactions, including share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 will be effective for the Company's fiscal year 2020 beginning May 1, 2019. The adoption of ASU 2018-07 by the Company is not expected to have a material effect on its consolidated financial statements.

(2) RECEIVABLES

Receivables, net consist of:

	January 31, 2019	April 30, 2018
	(in thousands)	
Fulfillment services	\$5,769	\$ 6,189
Real estate operations	179	10
Corporate operations	26	16
	5,974	6,215
Less allowance for doubtful accounts	(313)	(314)
	\$5,661	\$ 5,901

(3) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net consist of:

	January 31, 2019	April 30, 2018
	(in thousands)	
Land, buildings and improvements	\$15,956	\$15,932
Furniture and equipment	17,936	18,239
	33,892	34,171
Less accumulated depreciation	(24,927)	(24,426)
	\$8,965	\$9,745

Depreciation of property, plant and equipment charged to operations was \$269,000 and \$842,000 for the third quarter and first nine months of 2019 and \$319,000 and \$954,000 for the third quarter and first nine months of 2018.

(4) OTHER ASSETS

Other assets consist of:

	January 31, 2019	April 30, 2018
	(in thousands)	
Prepaid expenses	\$1,455	\$ 1,561
Deferred order entry costs	686	513
Other	206	247
	\$2,347	\$ 2,321

Deferred order entry costs represent costs incurred in connection with the data entry of customer subscription information to database files and are charged directly to operations generally over a twelve month period.

(5) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of:

	January 31, 2019 (in thousands)	April 30, 2018 (Revised)
Fulfillment services	\$4,619	\$ 4,730
Real estate operations	2,081	2,425
Corporate operations	319	342
	\$7,019	\$ 7,497

As of January 31, 2019, accounts payable and accrued expenses for the Company's fulfillment services business included customer postage deposits of \$2,559,000, accrued expenses of \$302,000, trade payables of \$559,000 and other of \$1,199,000. As of April 30, 2018, accounts payable and accrued expenses (revised) for the Company's fulfillment services business included customer postage deposits of \$2,505,000, accrued expenses of \$515,000, trade payables of \$388,000 and other of \$1,322,000.

As of January 31, 2019, accounts payable and accrued expenses for the Company's real estate business included accrued expenses of \$436,000, trade payables of \$447,000, and customer deposits of \$1,198,000. As of April 30, 2018, accounts payable and accrued expenses for the Company's real estate business included accrued expenses of \$746,000, trade payables of \$773,000, customer deposits of \$897,000 and other of \$9,000.

(6) NOTES PAYABLE

Notes payable, net consist of:

	January 31, 2019 (in thousands)	April 30, 2018
Real estate notes payable	\$2,626	\$ 1,887
Unamortized debt issuance costs	(72)	(44)
Notes payable, net	\$2,554	\$ 1,843

Lomas Encantadas Subdivision – Refer to Note 8 to the consolidated financial statements contained in the 2018 Form 10-K for detail about the loan agreement and related documentation entered into with BOKF, NA dba Bank of Albuquerque in December 2017 with respect to the development of certain planned residential lots within the Lomas Encantadas subdivision located in Rio Rancho, New Mexico.

Pursuant to such loan documentation, BOKF, NA agrees to lend up to \$4,750,000 to the borrower on a non-revolving line of credit basis to partially fund the development of certain planned residential lots within the Lomas Encantadas subdivision. Interest on the outstanding principal amount of the loan is payable monthly at the annual rate equal to the London Interbank Offered Rate for a thirty-day interest period plus a spread of 3.0%, adjusted monthly. The outstanding principal amount of the loan as of January 31, 2019 was \$1,340,000 and the borrower made principal repayments of \$2,075,000 during the first nine months of 2019. The loan is scheduled to mature in December 2021. The total book value of the property within the Lomas Encantadas subdivision mortgaged to BOKF, NA was \$10,618,000 as of January 31, 2019. The Company capitalized \$18,000 and \$69,000 of interest related to this loan in the third quarter and first nine months of 2019. At January 31, 2019, both the borrower and AMREP Southwest were in compliance with the covenants contained within the loan documentation.

Hawk Site Subdivision – In July 2018, Hawksite 27 Development Company, LLC (“HDC”), a subsidiary of AMREP Southwest, entered into a Business Loan Agreement with Main Bank. The loan under the Business Loan Agreement is evidenced by a Promissory Note and is secured by a Mortgage, between HDC and Main Bank with respect to certain planned residential lots within the Hawk Site subdivision located in Rio Rancho, New Mexico. Pursuant to a Commercial Guaranty entered into by AMREP Southwest in favor of Main Bank, AMREP Southwest has guaranteed HDC’s obligations under each of the above agreements. The Business Loan Agreement, Promissory Note, Mortgage, Commercial Guaranty and other related transaction documents are collectively referred to as the “HS Loan Documentation.”

Pursuant to the HS Loan Documentation, Main Bank agrees to lend up to \$1,800,000 to HDC on a non-revolving line of credit basis to partially fund the development of certain planned residential lots within the Hawk Site subdivision. Interest on the outstanding principal amount of the loan is payable monthly at the annual rate equal to the Wall Street Journal Prime Rate plus a spread of 2.38%, adjusted annually. Main Bank is required to release the lien of its mortgage on any lot upon HDC making a principal payment equal to the greater of \$30,000 or 55% of the sales price of the lot. HDC is required to reduce the principal balance of the loan to a maximum of \$1,700,000 in July 2020. The outstanding principal amount of the loan may be prepaid at any time without penalty. The loan is scheduled to mature in July 2021. HDC incurred customary costs and expenses and paid fees to Main Bank in connection with the loan. The outstanding principal amount of the loan as of January 31, 2019 was \$1,286,000 and HDC made no principal repayments during the first nine months of 2019. The total book value of the property within the Hawk Site subdivision mortgaged to Main Bank was \$4,762,000 as of January 31, 2019. The Company capitalized \$9,000 and \$10,000 of interest related to this loan in the third quarter and first nine months of 2019.

HDC and AMREP Southwest have made certain representations and warranties in the HS Loan Documentation and are required to comply with various covenants, reporting requirements and other customary requirements for similar loans. The HS Loan Documentation contains customary events of default for similar financing transactions, including: HDC’s failure to make principal, interest or other payments when due; the failure of HDC or AMREP Southwest to observe or perform their respective covenants under the HS Loan Documentation; the representations and warranties of HDC or AMREP Southwest being false; and the insolvency or bankruptcy of HDC or AMREP Southwest. Upon the occurrence and during the continuance of an event of default, Main Bank may declare the outstanding principal amount and all other obligations under the HS Loan Documentation immediately due and payable. At January 31, 2019, both HDC and AMREP Southwest were in compliance with the covenants contained within the HS Loan Documentation.

(7) OTHER REVENUES

Other revenues for the third quarter and first nine months of 2019 and 2018 consist of:

Three Months Ended January 31,

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	2019	2018
	(in thousands)	
Amortization of deferred revenue and other	\$ 48	\$ 193
	\$ 48	\$ 193

	Nine Months Ended January 31,	
	2019	2018
	(in thousands)	
Amortization of deferred revenue and other	\$ 437	\$ 367
Settlement gain	-	1,318
	\$ 437	\$ 1,685

Amortization of deferred revenue and other includes the recognition of deferred revenue related to an oil and gas lease noted below, as well as fees and forfeited deposits from customers earned by AMREP Southwest, together with miscellaneous other income items.

Refer to Note 9 to the consolidated financial statements contained in the 2018 Form 10-K for detail about the settlement agreement entered into between Palm Coast and the State of Florida during the three months ended July 31, 2017. As a result of this settlement agreement, the Company's fulfillment services business recognized a gain of \$1,318,000 during the three months ended July 31, 2017.

In addition, refer to Note 9 to the consolidated financial statements contained in the 2018 Form 10-K for detail about an oil and gas lease with respect to all minerals and mineral rights owned by the Company or for which the Company has executive rights in and under approximately 55,000 surface acres of land in Sandoval County, New Mexico. No royalties under the lease were received during the third quarter or first nine months of 2019. Revenue from this transaction was recorded over the lease term ending September 8, 2018. As such, there was no revenue recorded for the third quarter of 2019, \$76,000 for the first nine months of 2019 and \$57,000 and \$171,000 for the third quarter and first nine months of 2018. In September 2018, the oil and gas lease was amended pursuant to a lease extension agreement. The lease extension agreement extends the expiration date of the initial term of the lease from September 2018 to September 2020. No fee was paid by the lessee to the Company with respect to such extension. If lessee or any of its affiliates provides any consideration to obtain, enter into, option, extend or renew an interest in any minerals or mineral rights within Sandoval County, Bernalillo County, Santa Fe County or Valencia County in New Mexico at any time from September 2017 through September 2020, lessee shall pay the Company an amount equal to the amount of such consideration paid per acre multiplied by 54,793.24. The lease extension agreement further provides that the lessee shall assign, or shall cause their affiliate to assign, to the Company an overriding royalty interest of 1% with respect to the proceeds derived from any minerals or minerals rights presently or hereinafter owned by, leased by, optioned by or otherwise subject to the control of lessee or any of its affiliates in any part of Sandoval County, Bernalillo County, Santa Fe County or Valencia County in New Mexico. The Company did not record any revenue related to the lease extension agreement.

(8) BENEFIT PLANS

Pension Plan

The Company has a defined benefit pension plan for which accumulated benefits were frozen and future service credits were curtailed as of March 1, 2004. Refer to Note 11 to the consolidated financial statements contained in the 2018 Form 10-K for additional detail regarding the Company's agreements with the Pension Benefit Guaranty Corporation (the "PBGC"). The agreements with the PBGC terminated by their terms in August 2018 with the PBGC being deemed to have released and discharged the Company and all other members of its controlled group from any claims under such agreements.

The Company recognizes the known changes in the funded status of the pension plan in the period in which the changes occur through other comprehensive income, net of the related deferred income tax effect. The Company recognized other comprehensive income of \$157,000 and \$471,000 for the third quarter and first nine months of 2019 and \$225,000 and \$674,000 for the third quarter and first nine months of 2018, related to the amortization of the plan's unrecognized net loss included in Accumulated other comprehensive loss, net in the accompanying financial statements.

The Company funds the pension plan in compliance with IRS funding requirements. The Company made contributions of \$2,000,000 and \$1,040,000 to the pension plan during first nine months of 2019 and 2018.

Equity Compensation Plan

Refer to Note 11 to the consolidated financial statements contained in the 2018 Form 10-K for additional detail regarding the AMREP Corporation 2016 Equity Compensation Plan (the “2016 Equity Plan”) and the AMREP Corporation 2006 Equity Compensation Plan (together with the 2016 Equity Plan, the “Equity Plans”). The Company issued 29,200 shares of restricted common stock under the 2016 Equity Plan during the first nine months of 2019. During the first nine months of 2019, 16,583 shares of restricted common stock previously issued under the Equity Plans vested leaving 47,367 restricted shares issued under the Equity Plans that had not vested as of January 31, 2019. For the third quarter and first nine months of 2019, the Company recognized \$43,000 and \$124,000 of non-cash compensation expense related to the vesting of restricted shares of common stock, and \$31,000 and \$76,000 for the same periods of 2018. As of January 31, 2019, there was \$178,000 of unrecognized compensation expense related to restricted shares of common stock issued under the Equity Plans which had not vested as of that date, which is expected to be recognized over the remaining vesting term not to exceed three years.

On the last trading day of calendar year 2018, each non-employee member of the Company’s Board of Directors was issued the number of deferred common share units of the Company under the 2016 Equity Plan equal to \$20,000 divided by the closing price per share of common stock reported on the New York Stock Exchange on such date. Based on the closing price per share of \$5.95 on December 31, 2018, the Company issued a total of 13,444 deferred common share units to members of the Company’s Board of Directors. Director compensation expense is recognized for the annual grant of deferred common share units ratably over the director’s service in office during the calendar year. The Company recognized \$20,000 and \$60,000 of non-cash director fee compensation during the third quarter and first nine months of 2019 related to deferred common share units issued to non-employee members of the Company’s Board of Directors on December 31, 2018 and expected to be issued to non-employee members of the Company’s Board of Directors in December 2019.

(9) INCOME TAXES

The U.S. Tax Cuts and Jobs Act (the “Act”) was signed into law in December 2017. The Act significantly revised the future ongoing U.S. corporate income tax by, among other things, lowering U.S. corporate income tax rates. The Act reduced the federal corporate tax rate to 21.0% effective January 1, 2018. As the Company has an April 30 fiscal year-end, the lower corporate income tax rate was phased in, resulting in the Company having a blended federal tax rate of 29.7% for 2018. Effective May 1, 2018, the Company’s federal corporate tax rate is 21.0%.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which addresses how a company recognizes provisional amounts when a company does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the effect of the changes in the Act. SAB 118 provides for a measurement period that should not extend beyond one year from the Act enactment date for companies to complete the accounting under Accounting Standards Codification Topic 740, Income Taxes. The Company completed its accounting for the tax effects of the Act during the three months ended January 31, 2019 and adjusted its deferred tax balances in accordance with the Act, which did not result in a material adjustment to the consolidated financial statements.

As a result of the lapse of the statute of limitations, the Company's total tax effect of gross unrecognized tax benefits in the accompanying financial statements of \$58,000 at October 31, 2018 and April 30, 2018 was recognized during the three month period ending January 31, 2019.

The Company had a benefit for income taxes of \$186,000 and \$285,000 for the third quarter and first nine months of 2019 compared to a provision for income taxes of \$3,136,000 and \$3,987,000 for the same periods of 2018. The difference between the statutory rate and the effective rate of the tax benefit for 2019 was primarily due to state taxes, adjustments resulting from the finalization of the 2018 tax return when compared to the April 2018 year-end tax provision, and adjustments noted above for accounting for the tax effects of the Act and the reversal of unrecognized tax benefits. During the three and nine months ended January 31, 2018, the Company's effective tax rate was increased by the effect of a net income tax expense increase of \$3,057,000 related to accounting for the tax effects of the Act.

(10) PRIOR PERIOD REVISIONS

Deferred income taxes, net, accounts payable and accrued expenses and retained earnings of the Company at May 1, 2017 have been revised to reduce the carrying value of certain liabilities. Management has determined that the revisions as shown below are not material to the Company's consolidated financial statements.

	Balance	Adjustment	Revised
	April 30, 2017	Increase	Balance
			May 1, 2017
Revisions to the consolidated financial statements:			
Retained earnings	\$ 46,764	\$ 523	\$ 47,287

	Balance	Adjustment	Revised
	October 31, 2017	Increase	Balance
			November 1, 2017
Revisions to the consolidated financial statements:			
Retained earnings	\$ 48,490	\$ 523	\$ 49,013

	Balance	Adjustment	Revised
	January 31, 2018	Increase	Balance
			February 1, 2018
Revisions to the consolidated financial statements:			
Retained earnings	\$ 45,639	\$ 523	\$ 46,162

Adjustment Revised

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	Balance April 30, 2018	Increase (Decrease)	Balance April 30, 2018
Revisions to the consolidated financial statements:			
Deferred income taxes, net	\$ 5,060	\$ (195)	\$ 4,865
Accounts payable and accrued expenses	\$ 8,215	\$ (718)	\$ 7,497
Retained earnings	\$ 47,002	\$ 523	\$ 47,525

(11) INFORMATION ABOUT THE COMPANY'S OPERATIONS IN DIFFERENT INDUSTRY SEGMENTS

The following tables set forth summarized data relative to the industry segments in which the Company operated for the periods indicated (in thousands):

	Real Estate	Fulfillment Services (d)	Corporate and Other	Consolidated
Three months ended January 31, 2019 (a):				
Revenues	\$ 2,391	\$ 6,916	\$ 33	\$ 9,340
Net (loss) income	\$ (944	) \$ 634	\$ 278	\$ (32)
Provision (benefit) for income taxes	263	(751	) 302	(186)
Interest expense (income), net (b)	591	298	(881	) 8
Depreciation	22	247	-	269
EBITDA (c)	\$ (68	) \$ 428	\$ (301	) \$ 59
Capital expenditures	\$ 5	\$ 23	\$ -	\$ 28
Three months ended January 31, 2018 (a):				
Revenues	\$ 2,671	\$ 7,676	\$ 32	\$ 10,379
Net loss	\$ (727	) \$ (2,043	) \$ (81	) \$ (2,851)
Provision for income taxes	29	2,539	568	3,136
Interest expense (income), net (b)	575	288	(845	) 18
Depreciation	30	289	-	319
EBITDA (c)	\$ (93	) \$ 1,073	\$ (358	) \$ 622
Capital expenditures	\$ 52	\$ 49	\$ -	\$ 101
Nine months ended January 31, 2019 (a):				
Revenues	\$ 9,266	\$ 21,302	\$ 95	\$ 30,663
Net (loss) income	\$ (1,921	) \$ 922	\$ 1,083	\$ 84
(Benefit) provision for income taxes	(80	) (670	) 465	(285)
Interest expense (income), net (b)	1,768	885	(2,633	) 20
Depreciation	66	776	-	842
EBITDA (c)	\$ (167	) \$ 1,913	\$ (1,085	) \$ 661
Capital expenditures	\$ 5	\$ 57	\$ -	\$ 62
Total assets as of January 31, 2019	\$ 78,572	\$ 21,584	\$ 4,354	\$ 104,510
Nine months ended January 31, 2018 (a):				
Revenues	\$ 6,894	\$ 23,910	\$ 76	\$ 30,880
Net (loss) income	\$ (1,124) \$ (443) \$ 442	\$ (1,125)
(Benefit) provision for income taxes	(175) 3,364	798	3,987

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Interest expense (income), net (b)	1,623	884	(2,458)	49
Depreciation	65	889	-	954
EBITDA (c)	\$ 389	\$ 4,694	\$ (1,218)	\$ 3,865
Capital expenditures	\$ 52	\$ 78	\$ -	\$ 130
Total assets as of January 31, 2018	\$ 74,519	\$ 22,312	\$ 9,007	\$ 105,838

(a) Revenue information provided for each segment includes amounts grouped as Other in the accompanying consolidated statements of operations. Corporate and Other is net of intercompany eliminations.

(b) Interest expense (income), net includes inter-segment interest expense (income) that is eliminated in consolidation.

The Company uses EBITDA (which the Company defines as net (loss) income before net interest expense (c)(income), income taxes, and depreciation and amortization), in addition to net (loss) income as a key measure of profit or loss for segment performance and evaluation purposes.

(d) Fulfillment services revenues and EBITDA for the first nine months of 2018 included a pre-tax gain of \$1,318,000 resulting from the settlement agreement with the State of Florida (see Note 7).

Disaggregation of Revenues

The Company presents revenues disaggregated by business segment and, in the case of fulfillment services, by service provided, and, in the case of real estate, by type of lots sold. The Company believes this disaggregation best depicts how its various business segments perform and are affected by economic factors. The following table presents the Company's revenues disaggregated by revenue source (in thousands):

	Three Months	
	Ended January 31,	
	2019	2018
Fulfillment revenues:		
Subscription services	\$ 4,234	\$ 4,335
Membership fulfillment	1,116	1,936
Contact center	1,343	1,220
Other revenues	223	185
Total fulfillment revenues	6,916	7,676
Real estate revenues:		
Developed land sales		
Residential land sales	2,220	2,450
Commercial land sales	-	-
Undeveloped land sales	156	60
Total real estate revenues	2,376	2,510
Total corporate and other revenues	48	193
Total revenues	\$ 9,340	\$ 10,379

	Nine Months	
	Ended January 31,	
	2019	2018
Fulfillment revenues:		
Subscription services	\$ 13,106	\$ 13,263
Membership fulfillment	4,235	5,575
Contact center	3,407	3,187
Other revenues	554	567
Total fulfillment revenues	21,302	22,592
Real estate revenues:		
Developed land sales		
Residential land sales	8,737	6,503
Commercial land sales	-	-
Undeveloped land sales	187	100
Total real estate revenues	8,924	6,603
Total corporate and other revenues	437	1,685
Total revenues	\$ 30,663	\$ 30,880

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

AMREP Corporation (the "Company"), through its subsidiaries, is primarily engaged in two business segments: the real estate business operated by AMREP Southwest Inc. ("AMREP Southwest") and its subsidiaries and the fulfillment services business operated by Palm Coast Data LLC ("Palm Coast") and its affiliates. Data concerning industry segments is set forth in Note 11 of the notes to the consolidated financial statements included in this report on Form 10-Q. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company's foreign sales and activities are not significant.

The following provides information that management believes is relevant to an assessment and understanding of the Company's consolidated results of operations and financial condition. The information contained in this section should be read in conjunction with the consolidated financial statements and related notes thereto included in this report on Form 10-Q and with the Company's annual report on Form 10-K for the year ended April 30, 2018, which was filed with the Securities and Exchange Commission on July 20, 2018 (the "2018 Form 10-K"). Many of the amounts and percentages presented in this Item 2 have been rounded for convenience of presentation. Unless the context otherwise indicates, all references to 2019 and 2018 are to the fiscal years ending April 30, 2019 and 2018 and all references to the third quarter and first nine months of 2019 and 2018 mean the fiscal three month and nine month periods ended January 31, 2019 and 2018.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of financial condition and results of operations is based on the accounting policies used and disclosed in the 2018 consolidated financial statements and accompanying notes that were prepared in accordance with accounting principles generally accepted in the United States of America and included as part of the 2018 Form 10-K and in Note 1 of the notes to the consolidated financial statements included in this report on Form 10-Q. The preparation of those consolidated financial statements required management to make estimates and assumptions that affected the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual amounts or results could differ from those estimates and assumptions.

The critical accounting policies, assumptions and estimates are described in Item 7 of Part II of the 2018 Form 10-K. There have been no changes in these critical accounting policies.

The significant accounting policies of the Company are described in Note 1 to the consolidated financial statements contained in the 2018 Form 10-K. Information concerning the Company's implementation and the impact of recent accounting standards issued by the Financial Accounting Standards Board is included in the notes to the consolidated financial statements contained in the 2018 Form 10-K and in the notes to the consolidated financial statements included in this report on Form 10-Q. The Company did not adopt any accounting policy during the first nine months of 2019 that had a material impact on its consolidated financial statements. The Company adopted the following accounting policies effective May 1, 2018.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. Since that date, the FASB has issued additional ASUs providing further revenue recognition guidance (collectively, "Topic 606"). Topic 606 clarifies the principles for recognizing revenues and costs related to obtaining and fulfilling customer contracts, with the objective of improving financial reporting. The core principle of Topic 606 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Topic 606 defines a five-step process to achieve this core principle, and more judgment and estimates are required under Topic 606 than were required under the prior generally accepted accounting principles of Topic 605, *Revenue Recognition* ("Topic 605"). In accordance with Topic 606, fulfillment services revenues are recognized as the services are performed in proportion to the transfer of control to the customer and real estate revenues are recognized at the time of sale when consideration has been exchanged and title has been conveyed to the buyer.

Topic 606 was effective for the Company's fiscal year beginning May 1, 2018. The Company adopted Topic 606 using the modified retrospective method. Results for reporting periods beginning after May 1, 2018 are presented under Topic 606, while prior period amounts were not adjusted and continue to be reported in accordance with Topic 605. The adoption of Topic 606 had no impact on the Company's results of operations.

Statements of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 reduces the diversity in practice regarding how certain cash receipts and cash payments are presented and classified in the statement of cash flows, including classifying proceeds from

company-owned life insurance proceeds as an investing activity. ASU 2016-15 was effective for the Company's fiscal year beginning May 1, 2018.

RESULTS OF OPERATIONS

For the third quarter of 2019, the Company recorded a net loss of \$32,000, or \$0.00 per share, compared to a net loss of \$2,851,000, or \$0.35 per share, for the third quarter of 2018. For the first nine months of 2019, the Company recorded net income of \$84,000, or \$0.01 per share, compared to a net loss of \$1,125,000, or \$0.14 per share, for the same period of 2018. Operating results for 2018 included an increase in income tax expense of \$3,057,000, or \$0.38 per share, for the third quarter and first nine months as a result of federal tax law changes enacted during the third quarter of 2018.

Revenues were \$9,340,000 and \$30,663,000 for the third quarter and first nine months of 2019 compared to \$10,379,000 and \$30,880,000 for the same periods of 2018.

Revenues from land sales at AMREP Southwest and its subsidiaries were \$2,376,000 and \$8,924,000 for the third quarter and first nine months of 2019 compared to \$2,510,000 and \$6,603,000 for the same periods of 2018. For the first nine months of 2018, \$2,044,000 of the \$6,603,000 of revenues from land sales was for an approximate five acre undeveloped commercial property in Colorado, which was sold with a gross profit percentage of 65%.

For the third quarter and first nine months of 2019 and 2018, the Company's land sales in New Mexico were as follows (dollars in thousands):

	Ended January 31, 2019			Ended January 31, 2018		
	Acres Sold	Revenue	Revenue Per Acre	Acres Sold	Revenue	Revenue Per Acre
Three months:						
Developed						
Residential	6.2	\$ 2,220	\$ 358	7.2	\$ 2,450	\$ 340
Commercial	-	-	-	-	-	-
Total Developed	6.2	2,220	358	7.2	2,450	340
Undeveloped	31.3	156	5	4.8	60	13
Total	37.5	\$ 2,376	\$ 63	12.0	\$ 2,510	\$ 209

	Ended January 31, 2019			Ended January 31, 2018		
Nine months:						
Developed						
Residential	24.4	\$ 8,737	\$ 358	12.9	\$ 4,459	\$ 346
Commercial	-	-	-	-	-	-
Total Developed	24.4	8,737	358	12.9	4,459	346
Undeveloped	32.1	187	6	8.4	100	12
Total	56.5	\$ 8,924	\$ 158	21.3	\$ 4,559	\$ 214

The average gross profit percentage on land sales in New Mexico before indirect costs was 17% and 12% for the third quarter and first nine months of 2019 compared to 16% and 17% for the same periods of 2018. The profit percentage is attributable to the mix of lots sold with developed lots having a lower profit percentage compared to undeveloped lots. As a result of many factors, including the nature and timing of specific transactions and the type and location of land being sold, revenues, average selling prices and related average gross profits from land sales can vary significantly from period to period and prior results are not necessarily a good indication of what may occur in future periods.

Revenues from the Company's fulfillment services operations were \$6,916,000 and \$21,302,000 for the third quarter and first nine months of 2019 compared to \$7,676,000 and \$22,592,000 for the same periods of 2018. The decreased revenues were primarily attributable to reduced business volumes from existing customers, price concessions on renewed contracts and lost business, offset in part by new business. The Company's fulfillment services business has been successful in obtaining new business partially as a result of a significant competitor announcing its intention to cease operations; however, one customer of the Company's fulfillment services business whose revenues were approximately 6% of total Company revenues for the first nine months of 2019 in-sourced a significant portion of its business from the Company's fulfillment services business in August 2018, which transfer had been expected and previously disclosed. Magazine publishers are one of the principal customers of the Company's fulfillment services operations, and these customers have continued to be negatively impacted by increased competition from new media sources, alternative technologies for the distribution, storage and consumption of media content, weakness in advertising revenues and increases in paper costs, printing costs and postal rates. The result has been reduced subscription sales, which has caused publishers to close some magazine titles, change subscription fulfillment providers and seek more favorable terms from the Company's fulfillment services business and its competitors when contracts are up for bid or renewal.

Other revenues were \$48,000 and \$437,000 for the third quarter and first nine months of 2019 compared to \$193,000 and \$1,685,000 for the same periods of 2018. Other revenues for the first nine months of 2018 were primarily due to a pre-tax gain of \$1,318,000 related to a settlement agreement with the State of Florida by Palm Coast (refer to Note 7 of the notes to the consolidated financial statements included in this report on Form 10-Q). In addition to this pre-tax gain in 2018, Other revenues in the third quarter and first nine months of 2019 and 2018 included the recognition of deferred revenue related to an oil and gas lease, fees and forfeited deposits from customers earned by AMREP Southwest and miscellaneous other income items.

Operating and selling expenses for real estate decreased from \$470,000 and \$1,563,000 for the third quarter and first nine months of 2018 to \$258,000 and \$779,000 for the same periods of 2019, primarily due to reduced commissions on sales activity and lower real estate taxes and costs of storm water pollution prevention. Operating and selling expenses for fulfillment services were \$6,168,000 and \$18,480,000 for the third quarter and first nine months of 2019 compared to \$6,338,000 and \$18,415,000 for the same periods of 2018. The decrease for the third quarter was primarily due to lower costs related to payroll and benefits, supplies, software maintenance and depreciation expense.

Real estate general and administrative expenses were \$111,000 and \$415,000 for the third quarter and first nine months of 2019 compared to \$156,000 and \$356,000 for the same periods of 2018. The decrease in the third quarter primarily related to reduced legal expenses and other general expenses of the real estate business. The increase in the nine month period was due to increased legal expenses related to contract negotiations and debt financing. Fulfillment services general and administrative expenses increased from \$313,000 and \$970,000 for the third quarter and first nine months of 2018 to \$346,000 and \$1,026,000 for the same periods of 2019, primarily due to an increase in costs for payroll and benefits, bank fees and legal expenses related in part to several new customer contracts. Corporate general and administrative expenses increased from \$690,000 and \$2,194,000 for the third quarter and first nine months of 2018 to \$705,000 and \$2,289,000 for the same periods of 2019, primarily due to increased costs related to stock compensation, healthcare benefits and shareholder expenses.

Interest expense was \$8,000 and \$20,000 for the third quarter and first nine months of 2019 compared to \$18,000 and \$49,000 for the same periods of 2018. Interest expense in 2019 was primarily related to the amortization of debt issuance costs related to land development activities, while interest expense in 2018 was primarily related to the liability with the State of Florida noted above. The Company capitalized interest of \$27,000 and \$79,000 for the third quarter and first nine months of 2019 compared to none for the same periods of 2018.

The U.S. Tax Cuts and Jobs Act (the “Act”) was signed into law in December 2017. The Act significantly revised the future ongoing U.S. corporate income tax by, among other things, lowering U.S. corporate income tax rates. The Act reduced the federal corporate tax rate to 21.0% effective January 1, 2018. As the Company has an April 30 fiscal year-end, the lower corporate income tax rate was phased in, resulting in the Company having a blended federal tax rate of 29.7% for 2018. Effective May 1, 2018, the Company’s federal corporate tax rate is 21.0%.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which addresses how a company recognizes provisional amounts when a company does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the effect of the changes in the Act. SAB 118 provides for a measurement period that should not extend beyond one year from the Act enactment date for companies to complete the accounting under Accounting Standards Codification Topic 740, Income Taxes. The Company completed its accounting for the tax effects of the Act during the three months ended January 31, 2019 and adjusted its deferred tax balances in accordance with the Act, which did not result in a material adjustment to the consolidated financial statements included in this report on Form 10-Q.

As a result of the lapse of the statute of limitations, the Company’s total tax effect of gross unrecognized tax benefits in the accompanying financial statements of \$58,000 at October 31, 2018 and April 30, 2018 was recognized during the three month period ending January 31, 2019.

The Company had a benefit for income taxes of \$186,000 and \$285,000 for the third quarter and first nine months of 2019 compared to a provision for income taxes of \$3,136,000 and \$3,987,000 for the same periods of 2018. The difference between the statutory rate and the effective rate of the tax benefit for 2019 was primarily due to state taxes, adjustments resulting from the finalization of the 2018 tax return when compared to the April 2018 year-end tax provision, and adjustments noted above for accounting for the tax effects of the Act and the reversal of unrecognized tax benefits. During the three and nine months ended January 31, 2018, the Company’s effective tax rate was increased by the effect of a net income tax expense increase of \$3,057,000 related to accounting for the tax effects of the Act.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s primary sources of funding for working capital requirements are cash flow from operations, bank financing for specific real estate projects and existing cash balances. The Company’s liquidity is affected by many factors, including some that are based on normal operations and some that are related to the industries in which the Company operates and the economy generally. Except as described below, there have been no material changes to the Company’s liquidity and capital resources as reflected in the Liquidity and Capital Resources section of Management’s Discussion and Analysis of Financial Condition and Results of Operations in the 2018 Form 10-K.

Pension Plan

The Company has a defined benefit pension plan for which accumulated benefits were frozen and future service credits were curtailed as of March 1, 2004. Refer to Note 11 to the consolidated financial statements contained in the 2018 Form 10-K for additional detail regarding the Company’s agreements with the Pension Benefit Guaranty

Corporation (the “PBGC”). The agreements with the PBGC terminated by their terms in August 2018 with the PBGC being deemed to have released and discharged the Company and all other members of its controlled group from any claims under such agreements.

Accrued pension costs decreased from \$9,051,000 at April 30, 2018 to \$6,929,000 at January 31, 2019, primarily due to the Company making a \$2,000,000 contribution to the pension plan during the second quarter of 2019.

Operating Activities

Receivables, net decreased from \$5,901,000 at April 30, 2018 to \$5,661,000 at January 31, 2019, primarily due lower business volumes in the fulfillment services business. Real estate inventory decreased from \$58,874,000 at April 30, 2018 to \$58,749,000 at January 31, 2019, primarily due to an increase in real estate land sales, offset in part by land development activity. Property, plant and equipment, net decreased from \$9,745,000 at April 30, 2018 to \$8,965,000 at January 31, 2019, primarily due to depreciation of fixed assets. Taxes receivable, net was \$209,000 at April 30, 2018, and included an anticipated refund of federal taxes of \$271,000. During the three months ended July 31, 2018, the Company received the \$271,000 tax refund, which together with operating results for the nine months ended January 31, 2019, resulted in a Taxes receivable, net balance of \$3,000.

Accounts payable and accrued expenses decreased from \$7,497,000 at April 30, 2018 (refer to Note 10 of the notes to the consolidated financial statements included in this report on Form 10-Q regarding the prior period revision to accounts payable and accrued expenses) to \$7,019,000 at January 31, 2019, primarily due to the timing of expenditures for land development activity and real estate taxes. Other liabilities and deferred revenue decreased from \$149,000 at April 30, 2018 to \$37,000 at January 31, 2019, primarily due to the recognition of deferred revenue related to an oil and gas lease.

Financing Activities

Notes payable, net increased from \$1,843,000 at April 30, 2018 to \$2,554,000 at January 31, 2019, primarily due to financing of land development activity.

Lomas Encantadas Subdivision – Refer to Note 8 to the consolidated financial statements contained in the 2018 Form 10-K for detail about the loan agreement and related documentation entered into with BOKF, NA dba Bank of Albuquerque in December 2017 with respect to the development of certain planned residential lots within the Lomas Encantadas subdivision located in Rio Rancho, New Mexico.

Pursuant to such loan documentation, BOKF, NA agrees to lend up to \$4,750,000 to the borrower on a non-revolving line of credit basis to partially fund the development of certain planned residential lots within the Lomas Encantadas subdivision. Interest on the outstanding principal amount of the loan is payable monthly at the annual rate equal to the London Interbank Offered Rate for a thirty-day interest period plus a spread of 3.0%, adjusted monthly. The outstanding principal amount of the loan as of January 31, 2019 was \$1,340,000 and the borrower made principal repayments of \$2,075,000 during the first nine months of 2019. The outstanding principal amount of the loan as of March 7, 2019 was \$1,029,000. The loan is scheduled to mature in December 2021. The total book value of the property within the Lomas Encantadas subdivision mortgaged to BOKF, NA was \$10,618,000 as of January 31, 2019. The Company capitalized \$18,000 and \$69,000 of interest related to this loan in the third quarter and first nine months of 2019. At January 31, 2019, both the borrower and AMREP Southwest were in compliance with the covenants contained within the loan documentation.

Hawk Site Subdivision – In July 2018, Hawksite 27 Development Company, LLC (“HDC”), a subsidiary of AMREP Southwest, entered into a Business Loan Agreement with Main Bank. The loan under the Business Loan Agreement is evidenced by a Promissory Note and is secured by a Mortgage, between HDC and Main Bank with respect to certain planned residential lots within the Hawk Site subdivision located in Rio Rancho, New Mexico. Pursuant to a Commercial Guaranty entered into by AMREP Southwest in favor of Main Bank, AMREP Southwest has guaranteed HDC’s obligations under each of the above agreements. The Business Loan Agreement, Promissory Note, Mortgage, Commercial Guaranty and other related transaction documents are collectively referred to as the “HS Loan Documentation.”

Pursuant to the HS Loan Documentation, Main Bank agrees to lend up to \$1,800,000 to HDC on a non-revolving line of credit basis to partially fund the development of certain planned residential lots within the Hawk Site subdivision. Interest on the outstanding principal amount of the loan is payable monthly at the annual rate equal to the Wall Street Journal Prime Rate plus a spread of 2.38%, adjusted annually. Main Bank is required to release the lien of its mortgage on any lot upon HDC making a principal payment equal to the greater of \$30,000 or 55% of the sales price of the lot. HDC is required to reduce the principal balance of the loan to a maximum of \$1,700,000 in July 2020. The outstanding principal amount of the loan may be prepaid at any time without penalty. The loan is scheduled to mature in July 2021. HDC incurred customary costs and expenses and paid fees to Main Bank in connection with the loan. The outstanding principal amount of the loan as of January 31, 2019 was \$1,286,000 and HDC made no principal repayments during the first nine months of 2019. The outstanding principal amount of the loan as of March 7, 2019 was \$1,106,000. The total book value of the property within the Hawk Site subdivision mortgaged to Main Bank was \$4,762,000 as of January 31, 2019. The Company capitalized \$9,000 and \$10,000 of interest related to this loan in the third quarter and first nine months of 2019.

HDC and AMREP Southwest have made certain representations and warranties in the HS Loan Documentation and are required to comply with various covenants, reporting requirements and other customary requirements for similar loans. The HS Loan Documentation contains customary events of default for similar financing transactions, including: HDC's failure to make principal, interest or other payments when due; the failure of HDC or AMREP Southwest to observe or perform their respective covenants under the HS Loan Documentation; the representations and warranties of HDC or AMREP Southwest being false; and the insolvency or bankruptcy of HDC or AMREP Southwest. Upon the occurrence and during the continuance of an event of default, Main Bank may declare the outstanding principal amount and all other obligations under the HS Loan Documentation immediately due and payable. At January 31, 2019, both HDC and AMREP Southwest were in compliance with the covenants contained within the HS Loan Documentation.

Investing Activities

Capital expenditures for property, plant and equipment totaled \$62,000 for the first nine months of 2019 and \$130,000 for the same period of 2018, primarily related to the Company's fulfillment services business in both periods.

The Company received life insurance proceeds of \$85,000 during the three months ended July 31, 2018. The income associated with the life insurance proceeds was recognized in various years prior to 2019.

Statement of Forward-Looking Information

The Private Securities Litigation Reform Act of 1995 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, reports to the Company's shareholders and news releases. All statements that express expectations, estimates, forecasts or projections are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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 contingencies that are difficult to predict. All forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on behalf of the Company are qualified by the cautionary statements in this section. Many of the factors that will determine the Company's future results are beyond the ability of management to control or predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in or suggested by such forward-looking statements.

The forward-looking statements contained in this report include, but are not limited to, the effect of recent accounting pronouncements on the Company, the timing of recognizing unrecognized compensation expense related to shares of restricted common stock issued under the Equity Plans, the future issuance of deferred stock units to non-employee members of the Company's Board of Directors, the availability of bank financing for projects, the expected utilization of existing bank financing and the future business conditions that may be experienced by the Company. The Company undertakes no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of such forward-looking statement, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. As a result of such evaluation, the Company's chief executive officer and chief financial officer have concluded that such disclosure controls and procedures are effective to provide reasonable assurance that the information required to be disclosed in the reports the Company files or submits under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) accumulated and communicated to the Company's management, including its chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding disclosure. The Company believes that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Changes in Internal Control over Financial Reporting

No change in the Company's system of internal control over financial reporting occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

Exhibit Number	Description
<u>31.1</u>	<u>Certification required by Rule 13a-14(a) under the Securities Exchange Act of 1934</u>
<u>31.2</u>	<u>Certification required by Rule 13a-14(a) under the Securities Exchange Act of 1934</u>

32 Certification required pursuant to 18 U.S.C. Section 1350

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema

101.CAL XBRL Taxonomy Extension Calculation Linkbase

101.DEF XBRL Taxonomy Extension Definition Linkbase

101.LAB XBRL Taxonomy Extension Label Linkbase

101.PRE XBRL Taxonomy Extension Presentation Linkbase

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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 thereunto duly authorized.

Date: March 13, 2019 AMREP CORPORATION
(Registrant)

By: /s/ James M. McMonagle
James M. McMonagle
Vice President and Chief Financial Officer
(Principal Accounting Officer)

EXHIBIT INDEX

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