AMREP CORP.
Form 10-K
July 26, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

[x] Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended April 30, 2012

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	59-0936128
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

300 Alexander Park, Suite 204, Princeton, New Jersey	08540
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (609) 716-8200

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

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

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

Indicate by check mark whether the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933.

Yes No X

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act").

Yes No X

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of 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 X No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

YesX No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Act.

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

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

Yes NoX

As of October 31, 2011, which was the last business day of the Registrant’s most recently completed second fiscal quarter, the aggregate market value of the Common Stock held by non-affiliates of the Registrant was $16,543,244. Such aggregate market value was computed by reference to the closing sale price of the Registrant’s Common Stock as quoted on the New York Stock Exchange on such date. For purposes of making this calculation only, the Registrant has defined affiliates as including all directors and executive officers and certain persons related to them. In making such calculation, the Registrant is not making a determination of the affiliate or non-affiliate status of any holders of shares of Common Stock.

As of July 16, 2012, there were 5,996,212 shares of the Registrant’s Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

As stated in Part III of this annual report on Form 10-K, portions of the Registrant’s definitive proxy statement to be filed within 120 days after the end of the fiscal year covered by this annual report on Form 10-K are incorporated herein by reference.

PART I

Item 1. Business

GENERAL

The Company* was organized in 1961 as an Oklahoma corporation and, through its subsidiaries, is primarily engaged in four business segments: the Subscription Fulfillment Services business operated by Palm Coast Data LLC ("Palm Coast"), the Newsstand Distribution Services business and the Product Services and Other businesses operated by Kable Media Services, Inc. and its subsidiaries ("Kable") (the businesses operated by Palm Coast and Kable are collectively referred to as "Media Services"), and the real estate business operated by AMREP Southwest Inc. and its subsidiaries (collectively, "AMREP Southwest"). As of July 1, 2012, the Company employed approximately 1,100 full time employees, including approximately 280 temporary employees of the Company's staffing business. Data concerning industry segments is set forth in Note 18 of the notes to the consolidated financial statements included in this annual report on Form 10-K. The Company's foreign sales and activities are not significant. All references in this Item 1 to 2012, 2011 and 2010 mean the Company's fiscal years ended April 30, 2012, 2011 and 2010, unless otherwise qualified.

SUBSCRIPTION FULFILLMENT SERVICES, NEWSSTAND DISTRIBUTION SERVICES AND PRODUCT SERVICES AND OTHER OPERATIONS

The Company (i) through its Palm Coast subsidiary conducts its Subscription Fulfillment Services business in which it performs subscription fulfillment and related services for publishers and other customers, (ii) through its Kable Newsstand Distribution Services subsidiary distributes periodicals nationally and in Canada and, to a small degree, in other foreign countries, and (iii) through its Kable Product Services, Specialty Packaging Services and Staffing Resources subsidiaries, provides internet order processing and shipment for e-commerce retailers, packaging design, procurement and product fulfillment services and temporary staffing services. Total Media Services revenues were $83.4 million for 2012.

Subscription Fulfillment Services

The Subscription Fulfillment Services business performs fulfillment and fulfillment-related activities, principally magazine subscription fulfillment services and ancillary services, and it accounted for approximately 75% of Media Services revenues in 2012. In the magazine subscription fulfillment services operation, Palm Coast maintains subscriber lists and databases, processes new orders, receives and accounts for payments, prepares and transmits to each publisher's printer the labels or tapes containing the names and addresses of subscribers for mailing each issue, handles subscriber telephone inquiries and correspondence, prepares renewal and statement notifications for mailing, generates marketing and statistical reports, processes internet orders and prints forms and promotional materials. List services clients are primarily publishers for whom Palm Coast maintains client customer lists, selects names for clients who rent their lists, merges rented lists with a client's lists to eliminate duplication for the client's promotional mailings, and sorts and sequences mailing labels to provide optimum postal discounts. These services are performed for many clients, but some clients may only utilize certain of them. Although by far the largest number of magazine titles for which subscription fulfillment services are performed are consumer publications, Palm Coast also performs services for membership organizations, trade (business) publications and government agencies that utilize the broad capabilities of Palm Coast's extensive database systems.

Palm Coast performs subscription fulfillment services for approximately 450 different magazine titles for approximately 110 clients and maintains databases of approximately 41 million active subscribers for its client publishers and membership organizations. In a typical month, Palm Coast produces or provides data for approximately 41 million mailing labels for its clients and also processes over 15 million pieces of outgoing mail for these clients.

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

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

Newsstand Distribution Services

In its Newsstand Distribution Services business, Kable distributes over 450 publications for approximately 200 publishers. Among the titles are many special interest magazines, including various hobbyist, celebrity, puzzle, automotive, comics, women's service and sports magazines. In a typical month, Kable distributes approximately 47 million copies of various titles to wholesalers. Kable coordinates the movement of the publications from its publisher clients to approximately 100 independent wholesalers in North America and to wholesalers in over 80 countries worldwide. The wholesalers in turn sell the publications to retail chains and independent retail outlets. All parties generally have full return rights for unsold copies. The Newsstand Distribution Services business accounted for approximately 11% of Media Services revenues in 2012.

While Kable may not handle all publications of an individual publisher client, it usually is the exclusive distributor into the consumer marketplace for the publications it distributes. Kable has a distribution sales and marketing force that works with wholesalers and retailers to promote magazine sales and assist in determining the appropriate number of copies of an individual magazine to be delivered to each wholesaler and ultimately each retailer serviced by that wholesaler. Kable generally does not physically handle any product. Kable generates and delivers to each publisher's printer shipping instructions with the addresses of the wholesalers and the number of copies of product to be shipped to each. All magazines have a defined "off sale" date following which the retailers return unsold copies to the wholesalers, who destroy them after accounting for returned merchandise in a manner satisfactory to and auditable by Kable.

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

Kable competes primarily with three other national distributors, each of which is larger than Kable. One of these competitors is affiliated with a magazine publishing company, and one was recently acquired by a company that owns the largest magazine wholesaler in North America. The competition for the distribution rights in this business is intense. In addition, over the past four years, there has been a major consolidation and reduction in the number of wholesalers to whom Kable distributes magazines arising from changes within the magazine distribution industry. During 2012, business with three wholesalers accounted for a major portion of the gross billings of the Newsstand Distribution Services business, which is common for the industry. Of Kable's Newsstand Distribution Services aggregate accounts receivable at April 30, 2012, approximately 53% were due from these three wholesalers.

Product Services and Other

Together, Kable Product Services and Kable Specialty Packaging Services (collectively, "Product Services") offer an integrated approach to electronic and traditional commerce for consumer products manufacturers, including both publishing and non-publishing customers. Specifically, the business unit provides:

- Dedicated account management by customer;
- Design, procurement, and packaging of retail packs and point-of-purchase displays;
- Front-end processing, including customer out-reach via e-commerce, direct mail and phone;
    - Order capturing via electronic mediums as well as traditional call center operations, mail capture and entry;
    - Warehousing and pick/pack/ship functions including analysis of shipping methods in order to minimize freight costs; and,
- Billing as well as collection of payments tendered by credit cards, checks and cash.

As an adjunct to the Subscription Fulfillment Services business, Product Services offers fulfillment services to their publishers, including shipment of premiums (free gifts) provided to subscribers, shipment of replacement copies of newly issued magazines or purchased copies of older editions and shipment and payment processing for product advertised for sale in their publishers' magazines or associated web sites. The Product Services business operates from a 191,000 square foot facility owned by the Company in Fairfield, Ohio.

Kable Staffing Resources ("Staffing Resources") operates as a separate business which provides temporary employees to local companies in the Fairfield, Ohio area, including its affiliate Product Services. Many of its clients experience fluctuations in their businesses and therefore choose to use temporary employees from an agency rather than trying to manage the labor themselves. In this business, Staffing Resources hires and pays the employees it provides to its clients, and charges its clients a rate that includes its margin for providing this service. Both Product Services and Staffing Resources operate in very competitive environments. Together, they accounted for approximately 14% of Media Services revenues in 2012.

REAL ESTATE OPERATIONS

The Company conducts its Real Estate business through AMREP Southwest, with these activities occurring primarily in the City of Rio Rancho and certain adjoining areas of Sandoval County, New Mexico. References below to Rio Rancho include the City and such adjoining areas.

Properties – Rio Rancho

Rio Rancho consists of 91,049 acres in Sandoval County near Albuquerque, of which approximately 74,100 acres have been platted into approximately 114,680 residential and commercial lots, approximately 16,500 acres are dedicated to community facilities, roads and drainage and the remainder is unplatted land. At April 30, 2012, approximately 91,000 of these residential and commercial lots had been sold by AMREP Southwest net of lots repurchased and those returned to AMREP Southwest by deeds in lieu of foreclosure. AMREP Southwest currently owns approximately 17,350 acres in Rio Rancho, of which approximately 4,415 acres are in several areas of contiguous properties which are being developed or are suitable for development, and approximately 2,000 acres are in areas with a high concentration of ownership, where AMREP Southwest owns more than 50% of the lots in the area. These high concentration areas are suitable for special assessment districts or city redevelopment areas that may allow for future development under the auspices of local government. The balance of the acreage owned is in scattered lots, where AMREP Southwest owns less than 50% of the lots in the area, that may require the purchase of a sufficient number of adjoining lots to create tracts suitable for development or that AMREP Southwest may offer for sale individually or in small groups.

Activities conducted or arranged by AMREP Southwest to facilitate development include the obtaining of necessary governmental approvals ("entitlements"), installation of utilities and necessary storm drains, and building or improving of roads. At Rio Rancho, AMREP Southwest develops both residential lots and sites for commercial and industrial use as demand warrants, and also secures entitlements for large development tracts for sale to homebuilders. The engineering work at Rio Rancho is performed by both AMREP Southwest employees and outside firms, but all development work is performed by outside contractors. AMREP Southwest personnel market land at Rio Rancho, both directly and through brokers. AMREP Southwest competes with other owners of land in the Rio Rancho and Albuquerque area that offer for sale developed and undeveloped residential lots and sites for commercial and industrial use.

The City of Rio Rancho is the third largest city in New Mexico with a population of approximately 88,000 whose median age is 35 years. It was named as the 51st best place to live by CNNMoney.com in 2010 for those cities in the United States with greater than 50,000 residents. The city's population grew by approximately 70% from calendar year 2000 through 2010. The city has significant construction projects completed, ongoing or announced, including: (i) a City Center central business district with a 6,500 seat events center and a city hall, (ii) the opening of the University of New Mexico West campus at City Center, (iii) the completion of a Hewlett-Packard technical and customer support center and (iv) the current construction of two new hospitals, among others. Announced new projects and business relocations are anticipated to generate approximately 3,000 jobs in the Rio Rancho area over the next five years. Currently, major non-government employers include Intel Corporation, U.S. Cotton and customer care call centers of Bank of America, Victoria's Secret and Sprint PCS. As of December 2011, the City of Rio Rancho's unemployment rate was 7.0%.

In Rio Rancho, AMREP Southwest sells both developed and undeveloped lots to national, regional and local homebuilders, commercial and industrial property developers and others. In the last three fiscal years, its land sales in Rio Rancho have been as follows:

	Acres Sold	Revenues	Revenues Per Acre (a)
2012:			
Developed			
Residential	-	$ -	$ -
Commercial	4	748,000	178,000
Total Developed	4	748,000	178,000
Undeveloped	100	1,141,000	11,000
Total	104	$ 1,889,000	$ 18,000
2011:			
Developed			
Residential	3	$ 1,031,000	$ 344,000
Commercial (b)	-	35,000	-
Total Developed	3	1,066,000	344,000
Undeveloped	19	714,000	38,000
Total	22	$ 1,780,000	$ 81,000
2010:			
Developed			
Residential	6	$ 1,891,000	$ 293,000
Commercial	2	894,000	523,000
Total Developed	8	2,785,000	341,000
Undeveloped	48	2,400,000	50,000
Total	56	$ 5,185,000	$ 92,000

(a) Revenues per acre may not calculate precisely due to rounding of acres sold amounts and rounding to nearest thousand for revenues.

(b) Revenues recognized under the Cost Recovery method of sales for real estate. Acres sold were recognized in a prior period.

A substantial number of lots without homes were sold to consumers prior to 1977, and most of these remain in areas where utilities have not yet been installed. Under certain of the pre-1977 lot sale contracts, if utilities have not reached a lot when the purchaser is ready to build a home, AMREP Southwest is obligated to exchange a lot in an area then serviced by water, telephone and electric utilities for the lot of the purchaser, without cost to the purchaser. AMREP Southwest has not incurred significant costs related to such exchanges.

Other Properties

AMREP Southwest also owns two tracts of land in Colorado, consisting of one property of approximately 160 acres planned for approximately 400 homes that AMREP Southwest intends to offer for sale upon obtaining all necessary entitlements, and one property of approximately 10 acres zoned for commercial use, which is expected to be offered for sale within the next twelve months.

Available Information

The Company maintains a website at www.amrepcorp.com. The Company’s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to

Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge through the Company's website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission. The information found on the Company's website is not part of this or any other report that the Company files with, or furnishes to, the Securities and Exchange Commission.

Item 1A. Risk Factors

The risks described below are among those that could materially and adversely affect the Company’s business, financial condition or results of operations. These risks could cause actual results to differ materially from historical experience and from the Company’s plans, projections or other forward-looking statements included in “Item 7. Management’s Discussion and Analysis of Financial Condition and Operations” below and elsewhere in this annual report on Form 10-K. These risks are not the only risks the Company faces, and other risks include those not presently known as well as those that are currently considered to be less significant.

Major Business Risks

The Company’s subsidiaries have substantial indebtedness and other financial obligations which could adversely affect the Company’s business, financial condition or results of operations.

The Company’s primary sources of funding for working capital requirements are cash flow from operations and banking facilities. 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. The Company’s Media Services businesses finance their operations in part through a revolving credit facility (defined below as the Media Services Credit Facility) that matures May 12, 2013. The Company’s Media Services businesses also rely on cash flow from operations and operate with negative working capital, primarily as a result of liquidity provided by one material customer contract that expires June 2014. AMREP Southwest finances its business from cash flow from operations, which has been minimal in 2012 and 2011 due to the poor conditions in its real estate markets, and from parent company advances. It also has a loan agreement that matures September 1, 2012 under which it may not borrow any additional funds.

The Company is a holding company, and is dependent on the ability of its subsidiaries to distribute funds to it.

The Company is a holding company and conducts substantially all of its operations through its subsidiaries. As a holding company, the Company is dependent on distributions of funds from its subsidiaries to pay its expenses and fund its operations. Because of the adverse conditions currently affecting AMREP Southwest, Media Services is presently the sole source of funding for the parent company's operations, and the parent company in turn is supplying a substantial portion of the funding needed by AMREP Southwest. The continued availability of this funding is dependent upon the results of operations of Media Services and its continued compliance with the covenants in its revolving credit facility. The Company's results of operations, future growth or both would be adversely affected if for any reason Media Services were unable to distribute sufficient funds to support the operations of the Company and AMREP Southwest. If the cash available for distribution by Media Services were insufficient to fund the operations of the Company and the Company was not able to provide the funding needed by AMREP Southwest, the Company would be forced to seek either replacement financing or other sources of capital, such as by selling assets or issuing equity, which replacement financing or other sources of capital might not be available on acceptable terms.

The Media Services Credit Facility requires the borrowers to meet certain covenants, including maintaining a minimum Fixed Charge Coverage Ratio, as defined. The borrowers were not in compliance with this covenant at April 30, 2012. The lender has waived the violation and the Media Services Credit Facility was amended to reduce the required Fixed Charge Coverage Ratio for the period ending July 31, 2012 to a level that the Company believes will be met. The Company believes that without additional changes, it is likely that there will be subsequent violations of this covenant. However, the lender has agreed in principle to a further amendment of the Media Services Credit Facility, which is in the process of being documented. The proposed amendment would extend the Media Services Credit Facility’s term for one year to May 12, 2014 and modify the required Fixed Charge Coverage Ratio so that it would more likely be met. However, neither meeting the covenant’s requirement in the future nor obtaining relief from the lender if it is not met can be assured. Under the terms of the Media Services Credit Facility, while a violation of the covenant continues, among other things, the Media Services companies are barred from repaying indebtedness to or otherwise distributing funds to the parent company and the lender is entitled to terminate the Media Services Credit Facility and seek immediate payment of any outstanding borrowing. At April 30, 2012, the borrowers were in compliance with the other covenants of the Media Services Credit Facility. There were no outstanding borrowings under the Media Services Credit Facility as of April 30, 2012.

It is likely that the expiration without renewal or extension, or the termination, of either of the credit facilities described in this and the preceding risk factor or the customer contract described in the preceding risk factor would have a material adverse effect on the Company.

The Company's defined benefit pension plan, which the Company froze in 2004, is currently substantially underfunded and will require additional cash contributions, some of which are likely to be accelerated.

The Company's defined benefit pension plan was underfunded on a generally accepted accounting principles basis by approximately $17.7 million at April 30, 2012. The Company froze the pension plan effective March 1, 2004 so that from that date there would be no new participants in the plan and the existing participants' future compensation would not affect their pension benefits. A key assumption underlying the actuarial calculations upon which the Company's accounting and reporting obligations for the pension plan are based is an assumed annual investment rate of return of 8.0%. If the pension plan assets do not realize the expected rate of return, or if any other assumptions underlying the actuarial calculations are incorrect or are modified, the Company may be required to make contributions to the pension plan beyond current requirements, which could negatively impact the Company's limited financial resources. In addition, due to the closing of certain facilities in connection with the consolidation of the Company's Subscription Fulfillment Services business and the associated work force reduction, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the regulations thereunder have accorded to the Pension Benefit Guaranty Corporation (the "PBGC") the right to require the Company to accelerate the funding of approximately $11,700,000 of accrued pension-related obligations. The Company and the PBGC have reached an agreement in principle to deal with the funding obligation which provides for the Company to make a $3,000,000 cash contribution to the Plan, which is to be made within ten days after a formal agreement is signed. If, before the expiration of one year, the Company is unable to pay the remaining liability or adequately secure it with collateral acceptable to the PBGC, the Company will be required to (i) provide a letter of credit equal to 110% of the remaining liability or establish a cash escrow for 100% of the remaining liability, or (ii) discharge the remaining liability in quarterly installments over a five year period with security acceptable to the PBGC. In the event the Company fails to meet the terms of the agreement, the PBGC could seek immediate payment of the amount due or attempt to force a termination of the plan. The Company is unable to offer any assurance that it will be able to discharge the Plan funding obligation within one year or meet the PBGC's requirements for securing or paying the undischarged amount, nor can it offer any assurance that upon such inability it will be able to negotiate with the PBGC to obtain further relief.

Risks Related to the Company's Media Services Operations

The introduction and increased popularity of alternative technologies for the distribution of news, entertainment and other information and the resulting shift in consumer habits and advertising expenditures from print to other media has adversely affected the Company's Media Services operations.

Revenues in the Company's Media Services operations are principally derived from services the Company performs for traditional publishers. Historically, a reduction in the demand for the Company's newsstand distribution services due to lower sales of magazines at newsstands has often been at least partially offset by an increase in demand for the Company's subscription fulfillment services as consumers affected by the reduction in newsstand distribution instead sought publications through subscription. However, technology changes, particularly digital technology used in the entertainment and media industries, continues to evolve rapidly, and advances in that technology have led to alternative methods for the distribution, storage and consumption of content such as that contained in the products distributed by the Company's Media Services operations. These technological changes have driven and reinforced changes in consumer behavior as consumers increasingly seek control over when, where and how they consume content. For example, the distribution of news, entertainment and other information via the internet has become very popular, and consumers increasingly rely on electronic tablets and readers, personal computers, cellular phones and other electronic devices for such information. The resulting reduction in demand for traditional print media and the shift of advertising dollars from traditional print media to online media has adversely affected the publishing industry in general and has had a negative impact on both the Company's Subscription Fulfillment Services and Newsstand Distribution Services business segments. The Company's failure or inability to adapt to emerging technologies and changes in consumer behavior could have a significant adverse effect on the Company's competitive position and its businesses and results of operations.

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The Company's operating results depend in part on successful research, development and marketing of new or improved services and data processing capabilities and could suffer if the Company is not able to continue to successfully implement new technologies.

The Company's Media Services businesses operate in highly competitive markets that are subject to rapid change, and must therefore continue to invest in developing technologies and improving various existing systems in order to remain competitive. There are substantial uncertainties associated with the Company's efforts to develop new technologies and services for the subscription fulfillment and newsstand distribution markets the Company serves, including its lack of financial resources. Particularly in the Subscription Fulfillment Services business, the Company would need to make substantial capital investments in order to convert its business to newer digital and internet-based technologies. Some of the Company's competitors have already adjusted their businesses for the growing digital market and any improvements the Company makes may not be developed until it is too late to compete effectively. Additionally, the cost and expertise needed to develop these new digital and internet-based technologies may be prohibitive for the Company, and even if the Company makes significant investments in new information processing technologies and services in these or other areas, they may not prove to be profitable. The failure or inability to successfully develop these new technologies and services could have a material adverse effect on the Company's competitive position and its businesses and results of operations. Even if these developments are profitable, the operating margins resulting from their application would not necessarily equal, or result in an improvement over, the Company's historical margins.

The Company's Media Services operations could face increased costs and business disruption from instability in the newsstand distribution channel.

The Company's Newsstand Distribution Services business operates a national distribution business that relies on wholesalers to distribute magazines to newsstands and other retail outlets. A small number of wholesalers are responsible for a substantial percentage of the wholesale magazine distribution business in the United States, and the Company extends credit to such wholesalers, whose credit worthiness and financial position may be affected by changes in economic or other external conditions. In recent years there has been instability in the wholesaler channel that has led to one major wholesaler abandoning the business and to certain disruptions to magazine distribution. There is the possibility of further consolidation among these major wholesalers, and the insolvency or non-payment of its obligations by one or more of these wholesalers would have a material adverse impact on the Company's results of operations and financial condition. In addition, due to the significant concentration in the industry, should there be a disruption in the wholesale channel, it could impede the Company's ability to distribute magazines to the retail marketplace.

The Company's publisher customers face business pressures from reduced advertising revenues and increased costs for paper, printing and postal rates. These factors could have a negative effect on their operating income, and this in turn could negatively affect the Company's Media Services operations.

An important source of revenue for the magazine publishing industry, the principal industry served by the Company, is advertising. As a result of the recent economic slowdown, there was a well-publicized reduction in advertising at all levels which caused a higher attrition rate of magazine titles than had been previously experienced. In addition, the Company's publisher customers' principal raw material is paper. Paper and printing prices have fluctuated over the past several years, and significant increases in paper prices could adversely affect a publisher customer's operating income. Postage for magazine distribution and direct solicitation is another significant operating expense of the Company's publisher customers, which primarily use the U.S. Postal Service to distribute their products. Any softness in advertising revenues or significant increases in paper costs, printing costs or postal rates that publishers are not able to offset could have a negative effect on their operating income and number of titles published, and this in turn could negatively affect the Company's Media Services operations.

Almost all of the revenues of the Company’s Newsstand Distribution Services business are derived from sales made on a fully returnable basis, and an error in estimating expected returns could cause a misstatement of revenues for the period affected.

As is customary in the magazine distribution industry, almost all of the commission revenues of the Company’s Newsstand Distribution Services business segment are derived from sales made on a fully returnable basis, meaning that customers may return unsold copies of magazines for credit. During the Company’s last two fiscal years, customers ultimately returned for credit approximately 65% of the magazines initially distributed by the Company. The Company recognizes commission revenues from the distribution of magazines at the time of delivery to the wholesalers, less a reserve for estimated returns that is based on historical experience and recent sales data on an issue-by-issue basis. Although the Company has the contractual right to return these magazines for offsetting credits from the publishers from whom the magazines are purchased, an error in estimating the percentage of returns at the end of an accounting period could have the effect of understating or overstating revenues in the period affected, which misstatement would have to be adjusted in a subsequent period when the actual return information becomes known.

Competitive pressures may result in a decrease in the Media Services revenues and profitability.

The subscription fulfillment and newsstand distribution services businesses are highly competitive, and some of the Company's competitors have financial resources that are substantially greater than the Company's. The Company experiences significant price competition in the markets in which it competes. Competition in the Company's Media Services businesses may come not only from other service providers, but also from the Company's customers, who may choose to develop their own internal subscription fulfillment or newsstand distribution operations, thereby reducing demand for the Company's services. Competitive pressures could cause the Company's Media Services businesses to lose market share or result in significant price erosion that could have an adverse effect on the Company's results of operations.

The Company may not be able to successfully introduce new services and data processing capabilities on a timely and cost-effective basis.

The success of new and improved services depends on their initial and continued acceptance by the publishers and other customers with whom the Company conducts business. The Company's Media Services businesses are affected, to varying degrees, by technological changes and shifts in customer demand. These changes result in the transition of services provided and increase the importance of being "first to market" with new services and information processing innovations. The Company may not have the financial and other resources necessary to successfully and timely develop such services or innovations. Difficulties or delays in the development, production or marketing of new services and information processing capabilities may be experienced, and may adversely affect the Company's results of operations. These difficulties and delays could also prevent the Company from realizing a reasonable return on the investment required to bring new services and information processing capabilities to market on a timely and cost-effective basis.

The Company's operations could be disrupted if its information systems fail, causing increased expenses and loss of sales.

The Company's business depends on the efficient and uninterrupted operation of its systems and communications capabilities, including the maintenance of customer databases for billing and label processing, and the Company's magazine distribution order regulation system. If a key system were to fail or experience unscheduled downtime for any reason, even if only for a short period, the Company's operations and financial results could be adversely affected. The Company's systems could be damaged or interrupted by a security breach, fire, flood, power loss, telecommunications failure or similar event. The Company has a disaster recovery plan in place, but this plan may not prevent delays or other complications that could arise from an information systems failure. The Company's business interruption insurance may not adequately compensate the Company for losses that may occur.

The Company depends on the internet to deliver some services, which may expose the Company to various risks.

Many of the Company's operations and services, including order taking on behalf of customers and communications with customers and suppliers, involve the use of the internet. The Company is therefore subject to factors that adversely affect internet usage, including the reliability of internet service providers that from time to time may have operational problems and experience service outages. Additionally, as the Company continues to increase the services it provides using the internet, the Company is increasingly subject to risks related to the secure transmission of confidential information over public networks. Failure to prevent security breaches of the Company's networks or those of its customers, or a security breach affecting the internet in general, could adversely affect the Company's results of operations.

The Company is subject to extensive rules and regulations of credit card associations.

The Company processes a large number of credit card transactions on behalf of its Subscription Fulfillment Services customers and is thus subject to the extensive rules and regulations of the leading credit card associations. The card associations modify their rules and regulations from time to time, and the Company's inability to anticipate changes in such rules and regulations or in the interpretation or application thereof may result in substantial disruption to its business. In the event that the card associations or the sponsoring banks determine that the manner in which the Company processes certain credit card transactions is not in compliance with existing rules and regulations, or if the card associations adopt new rules or regulations that prohibit or restrict the manner in which the Company processes credit card transactions, the Company may be subject to substantial penalties and fines and be forced to modify the manner in which it operates, which may increase costs, or to cease processing certain types of transactions altogether, any of which could have a negative impact on its business.

Changes relating to consumer information collection and use could adversely affect the Company's ability to collect and use data, which could harm its business.

Public concern over methods of information gathering has led to the enactment of legislation in most jurisdictions that restricts the collection and use of consumer information. The Company engages in the collection and use of consumer information in connection with its clients' businesses and the Company's growing digital efforts. Further legislation, government regulations, industry regulations, the issuance of judicial interpretations or a change in customs relating to the collection, management, aggregation and use of consumer information could materially increase the cost of collecting that data, or limit the Company's ability to provide information to its customers or otherwise utilize telemarketing or e-mail marketing or distribute the Company's digital products across multiple platforms, and could adversely affect the Company's results of operations.

The Company faces government regulation and legal uncertainties related to internet communications, commerce and privacy regulation.

The growth and development of the market for internet commerce and communications has prompted both federal and state laws and regulations concerning the collection and use of personally identifiable information (including consumer credit and financial information), consumer protection, the content of online publications, the taxation of online transactions and the transmission of unsolicited commercial email, popularly known as "spam." More laws and regulations are under consideration by various governments, agencies and industry self-regulatory groups. Although our compliance with applicable federal and state laws, regulations and industry guidelines has not had a material adverse effect on us, new laws and regulations may be introduced and modifications to existing laws may be enacted that require us to make changes to our business practices. Although the Company believes that its practices are in compliance with applicable laws, regulations and policies, if the Company were required to defend its practices against investigations of state or federal agencies or if its practices were deemed to be violative of applicable laws, regulations or policies, the Company could be penalized and some of its activities could be enjoined. Any of the foregoing could increase the cost of conducting online activities, decrease demand for the Company's services, and lessen the Company's ability to effectively market its services, or otherwise materially adversely affect its business, financial condition and results of operations.

Risks Related to the Company's Real Estate Operations

The Company's real estate assets are concentrated in one market, Rio Rancho, New Mexico, so that the Company's results of operations and future growth may be limited or affected by economic changes in that market.

Substantially all of the Company's real estate assets are located in Rio Rancho, which is adjacent to Albuquerque, New Mexico. As a result of this geographic concentration, the Company has been and will be affected by changes in economic conditions that occur in this region from time to time, including regional economic contraction due to, among other things, the failure or downturn of key industries and employers. The Company's results of operations, future growth or both may be further adversely affected if the regional demand for residential and commercial real estate remains at the current historically low levels due to the prolonged severe decline in the real estate market in the greater Albuquerque-metro and Rio Rancho areas. Real estate land sales have declined from 1,051 acres sold by the Company in fiscal 2007 to 104 acres sold in fiscal 2012, with a low of 22 acres in fiscal 2011, as builders have slowed the pace of building on developed lots previously purchased from the Company in Rio Rancho and delayed or cancelled the purchase of additional developed lots.

A-11

A downturn in the business of Rio Rancho's largest employer may adversely affect the Company's real estate development business there.

Intel Corporation ("Intel") is the largest employer in Rio Rancho and operates a large semiconductor manufacturing facility there. Although Intel has made substantial investments in the Rio Rancho plant in recent years, it has reduced its employment there from approximately 4,700 at April 30, 2008 to approximately 3,500 at April 30, 2012. If Intel's presence in Rio Rancho were to continue to diminish for any reason, such as in response to a downturn in its semiconductor manufacturing business or as a result of the relocation of its operations conducted there to another location, the Rio Rancho real estate market and the Company's land development business would likely be adversely affected.

As Rio Rancho's population continues to grow, the Company's land development activities in that market may be subject to greater limitations than they have been historically.

When the Company acquired its core real estate inventory in Rio Rancho nearly 50 years ago, the area was not developed and had a small population. As of April 30, 2012, Rio Rancho was the third largest city in New Mexico with a population of approximately 88,000. As Rio Rancho's population continues to grow, the Company may be unable to engage in development activities comparable to those the Company has engaged in historically. Local community or political groups may oppose the Company's development plans or require modification of those plans, which could cause delays or increase the cost of the Company's development projects. In addition, zoning density limitations, "slow growth" provisions or other land use regulations implemented by state, city or local governments could further restrict the Company's development activities or those of its homebuilder customers, or could adversely affect financial returns from a given project, which could adversely affect the Company's results of operations.

Much of the Company's remaining Rio Rancho real estate is not in contiguous properties, which may adversely affect the Company's ability to sell lots at levels comparable with the levels it experienced prior to the 2008 sales downturn.

Of the approximately 17,350 acres in Rio Rancho that the Company owned at April 30, 2012, approximately 4,415 acres were in several areas of contiguous properties that are being developed or are suitable for development, and approximately 2,000 acres were in areas with a high concentration of ownership, where the Company owns more than 50% of the lots in the area, suitable for special assessment districts or city redevelopment areas that may allow for future development under the auspices of local government. The balance is in scattered lots, where the Company owns less than 50% of the lots in the area, which may require the purchase of a sufficient number of adjoining lots to create tracts suitable for development or that the Company may offer for sale individually or in small groups. As the Company's land sales continue and the number of the Company's contiguous and highly concentrated lots diminishes, the Company's ability to continue to be in a position to sell lots and generate land sale revenues at satisfactory levels may be adversely affected, which would have an adverse effect on the Company's results of operations.

The Company's real estate assets are diminishing over time, meaning long-term growth in the real estate business will require the acquisition of additional real estate assets, possibly by expanding into new markets.

Substantially all of the Company's real estate revenues are derived from sales of the Company's core inventory in Rio Rancho. This property was acquired nearly 50 years ago, and each time the Company develops and sells real estate to customers in Rio Rancho, the Company's real estate assets diminish. As of April 30, 2012, the Company owned approximately 17,350 acres in Rio Rancho out of an original purchase of approximately 91,000 acres. The continuity and future growth of the Company's real estate business, if such growth is pursued by the Company, will require that the Company acquire new properties in or near Rio Rancho or expand to other markets to provide sufficient assets to support a meaningful real estate development business. While the Company holds two properties in Colorado, it has not for many years made any significant attempt to identify a development opportunity similar to the one the Company has undertaken in Rio Rancho and has no current plans to do so. If the Company does not acquire new real estate assets, its real estate holdings will continue to diminish, which will adversely affect the Company's ability to continue its real estate operations.

A-12

The Company may not be able to acquire properties or develop them successfully.

If the Company elects to pursue and is able to identify real estate development opportunities outside of Rio Rancho, the success of the Company's real estate segment will depend in large part upon its ability to acquire additional properties on satisfactory terms and to develop them successfully. If the Company is unable to do so, its results of operations could be adversely affected.

The acquisition, ownership and development of real estate is subject to many risks that may adversely affect the Company's results of operations, including risks that:

- the Company may not be able to acquire a desired property because of competition from other real estate developers or investors who may have greater capital or better access to cash than the Company has;
- the Company may not be able to obtain or renew financing on acceptable terms, or at all;
- an adverse change in market conditions during the interval between acquisition and sale of a property may result in a lower than originally anticipated profit;
- the Company may underestimate the cost of development required to bring an acquired property up to standards established for the market position intended for that property;
- acquired properties may be located in new markets where the Company may face risks associated with a lack of market knowledge or understanding of the local economy, a lack of business relationships in the area or unfamiliarity with local governmental and permitting procedures; and
- the Company may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into its existing operations.

The Company's real estate development activities have been primarily limited to a single market, and it may face substantially more experienced competition in acquiring and developing real estate in new markets.

Since the Company's real estate acquisition and development activities have been primarily limited to the Rio Rancho market, the Company does not have extensive experience in acquiring real estate in other markets or engaging in development activities in multiple markets simultaneously. Should the Company seek to acquire additional real estate in new markets, competition from other potential purchasers of real estate could adversely affect the Company's operations. Many of these entities may have substantially greater experience than the Company has in identifying, acquiring and developing real estate opportunities in other markets and in managing real estate developments in multiple markets. These entities may also have greater financial resources than the Company has and may be able to pay more than the Company can or accept more risk than the Company is willing to accept to acquire real estate. These entities also may be less sensitive to risks with respect to the costs or the geographic concentration of their investments. This competition may prevent the Company from acquiring the real estate assets the Company seeks, or increase the cost of properties that the Company does acquire. Competition may also reduce the number of suitable investment opportunities available to the Company or may increase the bargaining power of property owners seeking to sell.

The Company will likely compete for real estate investment opportunities with, among others, insurance companies, pension and investment funds, partnerships, real estate and housing developers, investment companies, real estate investment trusts and owner/occupants.

Properties that the Company acquires may have defects that are unknown to the Company.

Although the Company would expect to perform due diligence on prospective properties before they are acquired, and on a periodic basis after acquisition, any of the properties the Company may acquire may have characteristics or deficiencies unknown to the Company that could adversely affect the property's value or revenue potential or, in the case of environmental or other factors, impose liability on the Company, which could be significant.

The Company is subject to substantial legal, regulatory and other requirements regarding the development of land and requires government approvals, which may be delayed or denied, and thus the Company may encounter difficulties in obtaining entitlements on a timely basis, which could limit its ability to sell land.

There are many legal, regulatory and other requirements regarding the development of land, which may delay the start of planned development activities, increase the Company's expenses or limit the Company's customers' development activities. Development activities performed in connection with real estate sales include obtaining necessary governmental approvals, acquiring access to water supplies, installing utilities and necessary storm drains and building or improving roads. Numerous local, state and federal statutes, ordinances and rules and regulations, including those concerning zoning, resource protection and the environment, regulate these tasks. These regulations often provide broad discretion to the governmental authorities that regulate these matters and from whom the Company must obtain necessary approvals. The approval process can be lengthy and delays can increase the Company's costs, as well as the costs for the primary customers of the Company's real estate business (residential and commercial developers). Failure to obtain necessary approvals on a timely basis may significantly adversely affect the Company's real estate development activities and its results of operations.

The Company may be subject to environmental liability.

Various laws and regulations impose liability on real property owners and operators for the costs of investigating, cleaning up and removing contamination caused by hazardous or toxic substances at a property. In the Company's role as a property owner or developer, the Company could be held liable for such costs. This liability may be imposed without regard to the legality of the original actions and without regard to whether the Company knew of, or was responsible for, the presence of the hazardous or toxic substances. If the Company fails to disclose environmental issues, it could also be liable to a buyer or lessee of the property. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs incurred by the government in connection with the contamination. If the Company incurs any such liability that is material, its results of operations would be adversely affected.

Increases in taxes or governmental fees may increase the Company's costs. Also, adverse changes in tax laws could reduce customer demand for land for commercial and residential development.

Increases in real estate taxes and other local governmental fees, such as fees imposed on developers to fund schools, open space and road improvements or to provide low and moderate income housing, would increase the Company's costs and have an adverse effect on the Company's operations. Municipal and state resources have been particularly strained as a consequence of the economic downturn that began in 2008 and as a result, many governmental entities have adopted significant tax increases. The Company cannot control these tax increases and may not be able to pass such increased costs on to purchasers, particularly as it holds property for many years. In addition, further increases in local real estate taxes or changes in income tax laws that would reduce or eliminate tax deductions or incentives related to real estate would increase the Company's expenses and could adversely affect homebuilders' potential customer demand and could adversely affect future land sales by the Company to those homebuilders.

Unless the City of Rio Rancho supplements its current water supply, development of the Company's remaining Rio Rancho land may be adversely affected.

All of the Company's future Rio Rancho land development will require water service from the City of Rio Rancho or from another source. While the city has not denied any development in the past due to a shortage of water supply, it has expressed concerns that its current water supply cannot support growth indefinitely. Although the city is currently pursuing various methods to supplement its water supply, if it is unsuccessful, development of the Company's remaining Rio Rancho land could be adversely affected.

Real estate is a cyclical industry, and the Company's results of operations could be adversely affected during cyclical downturns in the industry.

During periods of economic expansion, the real estate industry typically benefits from an increased demand for land. In contrast, during periods of economic contraction, the real estate industry is typically adversely affected by a decline in demand for land. For example, increased rates of mortgage defaults that began in early calendar 2007 led to significant losses for the companies holding such mortgages and contributed to a severe and continuing downturn in the residential housing market. Further, real estate development projects typically begin, and financial and other resources are committed, long before such projects come to market, which could be during a time when the real estate market is depressed. There can be no assurance that an increase in demand or an economic expansion will occur or be sustained in the Rio Rancho market, where the Company's core real estate business is based and operates, or in any new market into which the Company expands its real estate operations. Any of the following (among other factors, including those mentioned elsewhere in these Risk Factors) could cause a general decline in the demand for residential or commercial real estate which, in turn, could contribute to a downturn in the real estate development industry that could have an adverse effect on the Company's results of operations:

- periods of general economic slowdown or recession;
- change or uncertainty in government regulation;
- rising interest rates or a decline in the general availability or affordability of mortgage financing;
- adverse changes in local or regional economic conditions;
- shifts in population away from the markets that the Company serves;
- tax law changes, including potential limits on, or elimination of, the deductibility of certain mortgage interest expense, real property taxes and employee relocation expenses, and uncertainty with respect to these matters; or
- acts of God, including hurricanes, earthquakes and other natural disasters.

Changing market conditions may adversely affect companies in the real estate industry, which rely upon credit in order to finance their purchases of land from the Company.

Changes in interest rates and other economic factors can dramatically affect the availability of capital for the Company's developer customers. Residential and commercial developers to whom the Company frequently sells land typically rely upon third party financing to provide the capital necessary for their acquisition of land. Changes in economic and other external market conditions can and have resulted in the inability of developers to obtain suitable financing, which has, and so long as these circumstances continue will, adversely impact the Company's ability to sell land and could force the Company to sell land at lower prices, which would adversely affect its results of operations.

Changes in general economic, real estate development or other business conditions may adversely affect the Company's business and its financial results.

A significant percentage of the Company's real estate revenues have historically been derived from customers in the residential homebuilding business, which is particularly sensitive to changes in economic conditions and factors such as the level of employment, consumer confidence, consumer income, availability of mortgage financing and interest rates. Adverse changes in these conditions have decreased demand for homes generally, and may continue to do so, adversely affecting the pricing of homes and in turn the price of land sold to developers, which could adversely affect the Company's results of operations.

A number of contracts for individual Rio Rancho home site sales made prior to 1977 require the Company to exchange land in an area that is serviced by utilities for land in areas where utilities are not installed.

In connection with certain individual Rio Rancho home site sales made prior to 1977, if water, electric and telephone utilities have not reached the lot site when a purchaser is ready to build a home, the Company is obligated to exchange a lot in an area then serviced by such utilities for the lot of the purchaser, without cost to the purchaser. Although this has not been the case in the past, if the Company were to experience a large number of requests for such exchanges in the future, the Company's results of operations could be adversely impacted.

If subcontractors are not available to assist in completing the Company's land development projects, the Company may not be able to complete those projects on a timely basis.

The development of land on a timely basis is critical to the Company's ability to complete development projects in accordance with the Company's contractual obligations. The availability of subcontractors in the markets in which the Company operates can be affected by factors beyond the Company's control, including the general demand for these subcontractors by other developers. If subcontractors are not available when the Company requires their services, the Company may experience delays or be forced to seek alternative suppliers, which may increase costs or adversely affect the Company's ability to sell land on a timely basis.

Land investments are generally illiquid, and the Company may not be able to sell the Company's properties when it is economically or otherwise important to do so.

Land investments generally cannot be sold quickly, and the Company's ability to sell properties has been and may continue to be affected by market conditions. The Company may not be able to diversify or vary its portfolio promptly in accordance with its strategies or in response to economic or other conditions. The Company's ability to pay down debt, reduce interest costs and acquire properties is dependent upon its ability to sell the properties it has selected for disposition at the prices and within the deadlines the Company has established for each property.

Other Business Risks

The Company may engage in future acquisitions and may encounter difficulties in integrating the acquired businesses, and, therefore, may not realize the anticipated benefits of the acquisitions in the time frames anticipated, or at all.

From time to time, the Company may seek to grow through strategic acquisitions intended to complement or expand one or more of its business segments or to enable the Company to enter a new business. The success of these transactions will depend in part on the Company's ability to integrate the systems and personnel acquired in these transactions into its existing business without substantial costs, delays or other operational or financial problems. The Company may encounter difficulties in integrating acquisitions with the Company's operations or in separately managing a new business. Furthermore, the Company may not realize the degree of benefits that the Company anticipates when first entering into a transaction, or the Company may realize benefits more slowly than it anticipates. Any of these problems or delays could adversely affect the Company's results of operations.

The Company's current management and internal systems may not be adequate to handle the Company's growth, if any.

To manage the Company's future growth, if any, the Company's management must continue to improve operational and financial systems and to expand, train, retain and manage the Company's employee base. If the Company grows, it will also likely need to recruit and retain additional qualified management personnel, and its ability to do so will depend upon a number of factors, including the Company's results of operations and prospects and the level of competition then prevailing in the market for qualified personnel. At the same time, the Company will likely be required to manage an increasing number of relationships with various customers and other parties. If the Company's management personnel, systems, procedures and controls are inadequate to support its operations, expansion could be slowed or halted and the opportunity to gain significant additional market share could be impaired or lost. Any inability of the Company's management to manage the Company's growth effectively may adversely affect its results of operations.

The Company's business could be seriously harmed if the Company's accounting controls and procedures are circumvented or otherwise fail to achieve their intended purposes.

Although the Company evaluates its internal controls over financial reporting and its disclosure controls and procedures at the end of each quarter, any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system will be met. Any failure or circumvention of the controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Company's results of operations.

In addition, there can be no assurance that the Company's internal control systems and procedures, or any other future acquisitions and their respective internal control systems and procedures, will not result in or lead to a future material weakness in the Company's internal controls, or that the Company or its independent registered public accounting firm will not identify a material weakness in the Company's internal controls in the future. If the Company's internal controls over financial reporting are not considered adequate, the Company's financial statements could become incorrect or misleading and the Company may experience a loss of public confidence, which could subject the Company to liability and have an adverse effect on the Company’s business and the price of the Company’s common stock.

Further, deficiencies or weaknesses that are not yet identified by the Company could emerge and the identification and correction of those deficiencies or weaknesses could have an adverse effect on the Company's results of operations.

The Company's quarterly and annual operating results can fluctuate significantly.

The Company has experienced, and is likely to continue to experience, significant fluctuations in its quarterly and annual operating results, which may adversely affect the Company's stock price. Future quarterly and annual operating results may not align with past trends as a result of numerous factors, including many factors that result from the unpredictability of the nature and timing of real estate land sales, the variability in gross profit margins and competitive pressures.

Changes in the Company's income tax estimates could affect profitability.

In preparing the Company's consolidated financial statements, significant management judgment is required to estimate the Company's income taxes. The Company's estimates are based on its interpretation of federal and state tax laws and regulations. The Company estimates actual current tax due and assesses temporary differences resulting from differing treatment of items for tax and accounting purposes. The temporary differences result in deferred tax assets and liabilities, which are included in the Company's consolidated balance sheet. Adjustments may be required by a change in assessment of the Company's deferred tax assets and liabilities, changes due to audit adjustments by federal and state tax authorities, and changes in tax laws. To the extent adjustments are required in any given period, the Company will include the adjustments in the tax provision in its financial statements. These adjustments could have an adverse effect on the Company's financial position, cash flows and results of operations.

The price of the Company's common stock in recent years has been volatile. This volatility may make it difficult for shareholders to sell the Company's common stock, and the sale of substantial amounts of the Company's common stock could adversely affect the price of the Company's common stock.

The market price for the Company's common stock varied between a high of $15.32 and a low of $5.64 per share between May 1, 2010 and April 30, 2012. This volatility may make it difficult for a shareholder to sell the Company's common stock, and the sale of substantial amounts of the Company's common stock could adversely affect the price of the common stock. The Company's stock price may continue to be volatile and subject to significant price fluctuations in response to market and other factors, including the other factors discussed in "Risk Factors", and:

- variations in the Company's quarterly and annual operating results, which could be significant;
- material announcements by the Company or the Company's competitors;
- sales of a substantial number of shares of the Company's common stock; and
- adverse changes in general economic or market conditions.

In addition to the factors discussed above, the Company's common stock is often thinly traded, which means that large transactions in the Company's common stock may be difficult to execute in a short time frame and may cause significant fluctuations in the price of the Company's common stock. The average trading volume in the Company's common stock on the New York Stock Exchange over the ten-day trading period ending on April 30, 2012 was approximately 4,500 shares per day. Further, there have been, from time to time, significant "short" positions in the Company's common stock, consisting of borrowed shares sold, or shares sold for future delivery, which may not have been borrowed. Any attempt by the short sellers to liquidate their positions over a short period of time could cause significant volatility in the price of the Company's common stock.

In the past, following periods of volatility in the market price of their stock, many companies have been the subject of securities class action litigation. The Company has not been involved in any securities class action litigation; however, if the Company were to become involved in securities class action litigation in the future, it could result in substantial costs and diversion of the Company's management's attention and resources and could harm the Company's stock price, business, prospects, results of operations and financial condition. In addition, the broader stock market has experienced significant price and volume fluctuations in recent years. This volatility has affected the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the price of the Company's common stock.

The Company has a significant shareholder whose interests may conflict with those of other investors.

The Company has a significant shareholder, Nicholas G. Karabots, who, together with certain of his affiliates, currently owns approximately 46% of the Company's outstanding common stock. Because of his significant voting power, this shareholder, who is also a member of the Company's Board of Directors, as a practical matter, has the ability to elect all of the members of the Company's Board of Directors. Also, because of this voting power and his role as a director and member of the Executive Committee of the Company's Board of Directors, Mr. Karabots could influence the Company to make decisions that might run counter to the wishes of the Company's other shareholders generally. In addition, a publishing company owned by this shareholder is also a significant customer of the Company's Newsstand Distribution Services business, as well as a customer of its Subscription Fulfillment Services business, and, as a result, this shareholder may have business interests with respect to the Company that differ from or conflict with those of other holders of the Company's common stock.

Although the Company has paid dividends in the past, no dividends have been paid since 2008; the Company has no regular dividend policy and offers no assurance of any future dividends.

The Company has paid no cash dividends on its common stock since fiscal year 2008. The Board of Directors has stated that it may consider special dividends from time-to-time in the future in light of conditions then existing, including earnings, financial condition, cash position, and capital requirements and other needs. No assurance is given that there will be any such future dividends declared.

The Company has been a "controlled company" within the meaning of the New York Stock Exchange rules and consequently has been exempt from certain corporate governance requirements of those rules. On May 29, 2012, the Company ceased to be a "controlled company" but in accordance with those rules will not need to fully comply with those requirements until one year thereafter.

Because Nicholas G. Karabots and certain of his affiliates until May 29, 2012, together owned more than 50% of the voting power of the Company's common stock, the Company was considered a "controlled company" for the purposes of the rules and regulations of the New York Stock Exchange. As such, the Company was permitted to elect, and elected, to opt out of the New York Stock Exchange requirements that would otherwise require its compensation and human resources committee to consist entirely of independent directors. As permitted by the rules, the Company also opted not to have a nominating/corporate governance committee which the rules require for non-controlled companies. Since Mr. Karabots and his affiliates no longer own more than 50% of the voting power of the Company's common stock, the Company is no longer a "controlled company" for purposes of the rules. The rules provide for a twelve month transition period during which the Company will not need to fully comply with the otherwise applicable requirements. During the transition period, the Company is not required to have an entirely independent compensation and human resources committee and that committee now includes one member (Mr. Karabots, who is its Chairman) who is not independent. Also, although the Company has now established a nominating/corporate governance committee comprised entirely of independent directors, the rules similarly do not require the committee to be comprised entirely of independent directors during the transition period. Accordingly, during the transition period shareholders may not have the same protections afforded to shareholders of companies that are subject to all of the New York Stock Exchange corporate governance requirements.

Certain provisions of Oklahoma law and the Company's organic documents may impede or discourage a takeover, which may have a limiting effect on the market price of the Company's common stock.

The Company is an Oklahoma corporation and the anti-takeover provisions of the Company's amended certificate of incorporation and of Oklahoma law generally prohibit the Company from engaging in "business combinations" with an "interested shareholder", as those terms are defined therein, unless the holders of at least two-thirds of the Company's then outstanding common stock approve the transaction. Consequently, the concurrence of the Company's significant shareholder, Mr. Karabots and his affiliates, is needed for any third party (other than Mr. Karabots and his affiliates) to acquire control of the Company, even if a change in control would be beneficial to the Company's other shareholders. In addition to this restriction, some other provisions of the Company's amended certificate of incorporation and of its by-laws may discourage certain acts involving a fundamental change of the Company. For example, the Company's amended certificate of incorporation and its by-laws contain certain provisions that:

- classify the Company's Board of Directors into three classes, each of which serves for a term of three years, with one class being elected each year; and
- prohibit shareholders from calling a special meeting of shareholders.

Because the Company's Board of Directors is classified and the Company's amended certificate of incorporation and by-laws do not otherwise provide, Section 1027 of the Oklahoma General Corporation Act permits the removal of any member of the board of directors only for cause.

These factors could impede a merger, takeover or other business combination involving the Company or discourage a potential acquirer from making a tender offer for the Company's common stock, which could have a limiting effect on the market price of the Company's common stock.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The Company's executive offices are located in approximately 2,600 square feet of leased space in an office building in Princeton, New Jersey. The Company's Subscription Fulfillment Services operation is located in five owned or leased facilities in Palm Coast, Florida and Louisville, Colorado comprising approximately 250,000 square feet of space and is also serviced by an 84,000 square foot leased warehouse in St. Augustine, Florida. The Company's Newsstand Distribution Services and Product Services and other businesses are primarily located in nine owned or leased facilities comprising approximately 334,000 square feet of space, with the executive office located in New York City and other principal locations being in Mt. Morris, Illinois and Fairfield, Ohio. Real Estate operations are based in approximately 4,900 square feet of leased space in an office building in Rio Rancho, New Mexico. In addition, other real estate inventory and investment properties are described in Item 1. The Company believes its facilities are adequate for its current requirements.

Item 3. Legal Proceedings

A. In March 2009, a civil action was commenced in the United States District Court for the Southern District of New York entitled Anderson News, L.L.C., et al. v. American Media, Inc., et al. Anderson News, L.L.C. ("Anderson") was a wholesaler of magazines. Anderson has alleged that magazine publishers and distributors, including a Company subsidiary, Kable Distribution Services, Inc. ("Kable Distribution"), conspired to boycott Anderson to drive it out of business, and that other wholesalers participated in this effort. Anderson has asserted claims under Section 1 of the Sherman Act (antitrust), for defamation, for tortious interference with its contracts with retailers, and for civil conspiracy. Damages have not been quantified, but would presumably be alleged to be substantial. Anderson has alleged that the distributor and publisher defendants acted in concert to cut off Anderson from its supply of magazines to enable them to gain control of the single-copy magazine distribution channel. Kable Distribution is vigorously defending the lawsuit and moved, along with the other defendants, to dismiss the action. Those motions were granted by an Opinion and Order dated August 2, 2010, by which Anderson was also denied leave to replead. Anderson moved for reconsideration of the Opinion and Order and for permission to replead. That motion was denied by an Order dated October 25, 2010. Anderson's attorneys filed a Notice of Appeal in the U.S. Court of Appeals for the Second Circuit. By decision dated April 3, 2012, the Court of Appeals held that Anderson should have been allowed to file an amended complaint. The defendants then petitioned the Court of Appeals for a rehearing of the decision and on July 18, 2012, the petition was denied. Unless a stay is granted, the case is now expected to proceed with Anderson filing its amended complaint and Kable Distribution denying all allegations of wrongful conduct on its part.

The defendants are considering petitioning the United States Supreme Court to consider the case. The Company is not in a position to predict the outcome of the lawsuit, nor can it estimate a range of possible losses.

B. In December 2009, Kable News Company, Inc. ("Kable News") received a demand for arbitration by the American Arbitration Association from Nest, LLC, a publisher which had copies of magazines and a book stored at a Kable News leased warehouse that were destroyed in a fire. Claimant is seeking damages of $650,000 and is contending that the magazines were unique and artistic, that at the time of their destruction claimant was in the process of finalizing a contract for their sale, and that due to the special printing involved, the replacement cost is far in excess of the purchase price. The property and casualty insurance carrier for Kable News is providing the defense in this proceeding. Discovery of the basis for claimant's alleged damages has yet to be completed. Kable News is vigorously defending the proceeding and believes it has meritorious defenses to the asserted value of the loss. The arbitration hearing is now scheduled for August 7 and 8, 2012. The Company is not in a position to predict the outcome of this proceeding. After considering the amount of available insurance coverage, the range of possible loss is from zero to $425,000 should the publisher prevail in this arbitration.

C. On July 11, 2011, Kable Distribution was served with a summons and complaint in a lawsuit entitled Distribution Integrated Services, Inc. v. Kable Distribution Services, Inc.; Island Periodicals Puerto Rico, LLC brought in the Tribunal de Primera Instancia, Sala de San Juan, in Puerto Rico. Kable Distribution’s co-defendant, Island Periodicals Puerto Rico, LLC, is a sub-distributor of magazines for Kable Distribution in Puerto Rico, a position formerly held by plaintiff. In the lawsuit plaintiff has alleged that the termination by Kable Distribution of plaintiff’s former sub-distributorship arrangement with Kable Distribution was in breach of a contract between them, and therefore in violation of Puerto Rico Law 75, a statute that provides remedies to a dealer in property for the unjustified termination of its dealership arrangement. Plaintiff is seeking damages from Kable Distribution in the amount of $2,000,000 and injunctive relief. Kable Distribution’s co-defendant has indemnified it against the claims asserted by plaintiff. Kable Distribution is vigorously defending the matter. However, the lawsuit is in an early stage and it is too soon to predict either its outcome or a range of possible losses.

D. The Company and its subsidiaries are involved in various other claims and legal actions arising in the normal course of business. While the ultimate results of these matters cannot be predicted with certainty, management believes that they will not have a material adverse effect on the Company’s consolidated financial position, liquidity or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

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

Theodore J. Gaasche, age 50, is President and Chief Executive Officer of the Company, having been elected to those positions effective August 1, 2011. Mr. Gaasche had served as the Company’s Vice President - Corporate Development since February 2011. Also, from 2009 through July 2011 he had been serving as Executive Vice President, Operations of Spartan Organization, Inc., a private company that advises various print, publishing and other portfolio companies owned by Nicholas G. Karabots. Mr. Gaasche held his prior position with the Company on a less than full-time basis while he also was employed by the Spartan Organization. For over twenty years until 2008, Mr. Gaasche held positions of increasing responsibility at various divisions of SunGard Data Systems Inc., most recently as the Chief Executive Officer of SunGard Availability Services, a division of SunGard that provides disaster recovery, managed information technology and related services. Mr. Gaasche has continued to provide some services to the Spartan Organization as a member of its Board of Directors but this has not interfered with his full time responsibilities to the Company.

Peter M. Pizza, age 61, has been Vice President and Chief Financial Officer of the Company since 2001 and was Vice President and Controller of the Company from 1997 to 2001.

Irving Needleman, age 74, has been Vice President, General Counsel and Secretary of the Company since November 2006. From September 2005 to October 2006, he was of counsel to the law firm of McElroy, Deutsch, Mulvaney & Carpenter, LLP and for a number of years prior thereto he was a partner in the law firm of Jacobs Persinger & Parker.

Michael P. Duloc, age 55, was appointed President and Chief Executive Officer of the Company’s Media Services businesses effective August 1, 2011. The Company’s Media Services businesses consist of subscription fulfillment services performed by Palm Coast Data LLC and newsstand distribution, product fulfillment and specialty packaging services provided by Kable Media Services, Inc. and its subsidiaries. Since 1993 Mr. Duloc has held various senior executive positions with Media Services companies, including President of Kable Media Services, Inc., since 2007, President of Kable Distribution Services, Inc. since 1996, and President of Kable Fulfillment Services, Inc., a predecessor of Palm Coast Data LLC, from 2000 until January 2007.

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

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is traded on the New York Stock Exchange under the symbol "AXR". On June 30, 2012, there were approximately 810 holders of record of the common stock. The range of high and low sales prices of the common stock for the last two fiscal years by quarter is presented below:

	FIRST		SECOND		THIRD		FOURTH	
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
2012	$10.19	$8.60	$8.95	$6.06	$8.74	$5.64	$8.99	$6.00
2011	$15.32	$11.90	$13.89	$9.96	$14.62	$9.64	$13.07	$9.35

Dividend Policy

The Company has paid no cash dividends on its common stock since fiscal 2008. The Board of Directors has stated that it may consider special dividends from time to time in the future in light of conditions then existing, including earnings, financial condition, cash position, and capital requirements and other needs. No assurance is given that there will be any such future dividends declared.

Equity Compensation Plan Information

See Item 12 of this annual report on Form 10-K that incorporates such information by reference from the Company's Proxy Statement for its 2012 Annual Meeting of Shareholders.

Item 6. Selected Financial Data

The selected consolidated financial data presented below for, and as of the end of, each of the last five fiscal years has been derived from and is qualified by reference to the Company's consolidated financial statements. The consolidated financial statements have been audited by McGladrey LLP, independent registered public accounting firm. The information should be read in conjunction with the consolidated financial statements and related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations", which is Item 7 of Part II of this annual report on Form 10-K. These historical results are not necessarily indicative of the results to be expected in the future.

	Year Ended April 30,				
	2012(a)	2011(b)	2010(c)	2009(d)	2008
	(In thousands, except per share amounts)				
Financial Summary:					
Revenues	$85,360	$96,837	$ 120,498	$ 145,901	$172,061
Income (Loss) from Continuing Operations	$(1,143)	$(7,561)	$ (9,480)	$ (43,466)	$ 13,762
Income (Loss) from Discontinued	$-	$-	$ -	$ -	$(57)

Operations, net of tax					
Net Income (Loss)	$(1,143)	$(7,561)	$ (9,480)	$ (43,466)	$13,705
Total Assets	$203,039	$206,614	$ 227,349	$ 256,217	$307,654
Capitalization:					
Shareholders' Equity	$74,645	$78,946	$ 86,567	$ 96,281	$145,056
Notes Payable	$21,325	$23,985	$ 28,654	$ 37,936	$25,980

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Per Share:					
Earnings (Loss) from Continuing Operations	$ (0.19)	$ (1.26)	$ (1.58)	$ (7.25)	$ 2.20
Income (Loss) from Discontinued Operations	$ -	$ -	$ -	$ -	$ (0.01)
Earnings (Loss) - Basic and Diluted	$ (0.19)	$ (1.26)	$ (1.58)	$ (7.25)	$ 2.19
Book Value	$ 12.45	$ 13.17	$ 14.44	$ 16.06	$ 24.20
Cash Dividend	$ -	$ -	$ -	$ -	$ 1.00
Shares Outstanding, End of Year	5,996	5,996	5,996	5,996	5,995

(a) Includes pre-tax charges of $570 related to the impairment of certain real estate assets ($359 after tax, or $0.06 per share). See Note 14 to the consolidated financial statements included in this annual report on Form 10-K for further information.
(b) Includes pre-tax charges of $6,827 related to the impairment of certain real estate assets ($4,301 after tax, or $0.72 per share) and $3,893 related to the impairment of goodwill (with no tax benefit, or $0.65 per share). See Note 14 to the consolidated financial statements included in this annual report on Form 10-K for further information.
(c) Includes a pre-tax charge of $2,075 related to the impairment of certain real estate assets ($1,307 after tax, or $0.22 per share). See Note 14 to the consolidated financial statements included in this annual report on Form 10-K for further information.
(d) Includes a pre-tax charge of $50,246 related to the impairment of goodwill ($41,557 after tax, or $6.93 per share).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

For a description of the Company's business, refer to Item 1 of Part I of this annual report on Form 10-K.

As indicated in Item 1, the Company is primarily engaged in four business segments: the Subscription Fulfillment Services business operated by Palm Coast Data LLC ("Palm Coast"), the Newsstand Distribution Services business and the Product Services and Other businesses operated by Kable Media Services, Inc. and its subsidiaries ("Kable") (the businesses operated by Palm Coast and Kable are collectively referred to as "Media Services"), and the real estate business operated by AMREP Southwest Inc. and its subsidiaries (collectively, "AMREP Southwest"). Data concerning industry segments is set forth in Note 18 of the notes to the consolidated financial statements included in this annual report on Form 10-K. 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 discussion should be read in conjunction with the consolidated financial statements and accompanying notes. All references in this Item 7 to 2012, 2011 and 2010 mean the Company's fiscal years ended April 30, 2012, 2011 and 2010, unless otherwise qualified.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. The Company discloses its significant accounting policies in the notes to its audited consolidated financial statements.

The preparation of such financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of those financial statements as well as the reported amounts of revenues and expenses during the reporting periods. Areas that require significant judgments and estimates to be made include: (i) the determination of revenue recognition for the Newsstand Distribution Services business, which is based on estimates of allowances for magazine returns to the Company from wholesalers and the offsetting returns of magazines by the Company to publishers for credit; (ii) allowances for doubtful accounts; (iii) real estate cost of sales calculations, which are based on land development budgets and estimates of costs to complete; (iv) cash flow and valuation assumptions in performing asset impairment tests of long-lived assets, goodwill and assets held for sale; (v) actuarially determined benefit obligations and other pension plan accounting and disclosures; (vi) risk assessment of uncertain tax positions; (vii) the determination of the recoverability of net deferred tax assets; and (viii) legal contingencies. Actual results could differ from those estimates.

There are numerous critical assumptions that may influence accounting estimates in these and other areas. Management bases its critical assumptions on historical experience, third-party data and various other estimates that it believes to be reasonable under the circumstances. The most critical assumptions made in arriving at these accounting estimates include the following: (i) Newsstand Distribution Services revenues represent commissions earned from the distribution of publications for client publishers, which are recorded by the Company at the time the publications go on sale in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 605. The publications generally are sold on a fully returnable basis, which is in accordance with prevailing trade practice. Accordingly, the Company provides for estimated returns by charges to income that are determined on an issue-by-issue basis utilizing historical experience and current sales information. The financial impact to the Company of a change in the sales estimate for magazine returns to it from its wholesalers is substantially offset by the simultaneous change in the Company's estimate of its cost of purchases since it passes on the returns to publishers for credit. As a result, the effect of a difference between the actual and estimated return rates on the Company's commission revenues is the amount of the commission attributable to the difference. The effect of an increase or decrease in the Company's estimated rate of returns of 1% during any period would be dependent upon the mix of magazines involved and the related selling prices and commission rates, but would generally result in a change in that period's net commission revenues of approximately $90,000; (ii) management determines the allowance for doubtful accounts by attempting to identify troubled accounts by analyzing the credit risk of specific customers and by using historical experience applied to the aging of accounts and, where appropriate within the real estate business, by reviewing any collateral which may secure a receivable; (iii) real estate development costs are incurred throughout the life of a project, and the costs of initial sales from a project frequently must include a portion of costs that have been budgeted based on engineering estimates or other studies, but not yet incurred; (iv) asset impairment determinations are based upon the intended use of assets, expected future cash flows and estimates of fair value of assets; (v) benefit obligations and other pension plan accounting and disclosures are based upon numerous assumptions and estimates, including the expected rate of investment return on retirement plan assets, the discount rate used to determine the present value of liabilities, and certain employee-related factors such as turnover, retirement age and mortality. As of April 30, 2012, the effect of every 0.25% change in the investment rate of return on retirement plan assets would increase or decrease the pension expense by approximately $50,000 per year, and the effect of every 0.25% change in the discount rate would increase or decrease the subsequent year's pension cost by approximately $46,000; (vi) the Company assesses risk for uncertain tax positions and recognizes the financial statement effects of a tax position when it is more likely than not that the position will be sustained upon examination by tax authorities; (vii) projected Company earnings (including currently unrealized gains on real estate inventory) for the recoverability of net deferred tax assets in the future and (viii) the Company is currently involved in legal proceedings which are described in Item 3 of this annual report on Form 10-K and the Company estimates whether the legal proceedings relate to a probable loss and if so, then an estimate of probable loss within a range of potential probable losses is made for accrual in the financial statements. It is possible that the consolidated financial position or results of operations for any particular quarterly or annual period could be materially affected by an outcome of litigation that is significantly different from the Company's assumptions. The Company does not accrue for expected future legal costs for such proceedings.

RESULTS OF OPERATIONS

Year Ended April 30, 2012 Compared to Year Ended April 30, 2011

For 2012, the Company recorded a net loss of $1,143,000, or $0.19 per share, compared to a net loss of $7,561,000, or $1.26 per share, in 2011. The results for 2012 included a pre-tax, non-cash impairment charge of $570,000 ($359,000 after tax, or $0.06 per share), reflecting the write-down of certain real estate assets. The results for 2011 included pre-tax, non-cash impairment charges of $10,720,000 ($8,194,000 after tax, or $1.37 per share), reflecting the write-down of certain real estate assets ($6,827,000 before tax and $4,301,000, or $0.72 per share, after tax) and of all of the goodwill of the Company's Newsstand Distribution Services business ($3,893,000 with no tax benefit, or $0.65 per share). Excluding the impairment charges in both years, results for 2012 were a net loss of $783,000, or $0.13 per share, compared to net income of $632,000, or $0.11 per share, for 2011. Revenues for 2012 were $85,360,000 compared to $96,837,000 in the prior year.

Revenues from the Company's Media Services operations decreased from $94,963,000 for 2011 to $83,447,000 for 2012. Magazine publishers, which are the principal customers of these operations, have continued to be negatively impacted by increased competition from new media distribution sources and also by the effects of the recent recession and the continued weak U.S. economy. The result has been a trend of reduced subscription and newsstand magazine sales, which has caused publishers to close some magazine titles and seek more favorable terms from Palm Coast and Kable and their competitors when contracts are up for bid or renewal. As a consequence of these and other factors, including customer losses, revenues from Subscription Fulfillment Services operations decreased from $73,618,000 for 2011 to $62,230,000 for 2012, while revenues from Newsstand Distribution Services operations decreased from $11,030,000 in 2011 to $9,127,000 in 2012. Revenues from Product Services and Other increased from $10,315,000 in 2011 to $12,090,000 in 2012, primarily due to an increase in revenues from a temporary staffing business which were partially offset by declines in revenues from the product services business.

Although there are multiple revenue streams in the Subscription Fulfillment Services business, including revenues from the maintenance of customer computer files and the performance of other fulfillment-related activities, including telephone call center support and graphic arts and lettershop services, a customer generally contracts for and utilizes all available services as a total package, and the Company would not normally provide ancillary services to a customer unless it is also providing the core service of maintaining a database of subscriber names. Thus, variations in Subscription Fulfillment Services revenues are the result of fluctuations in the number and sizes of customers rather than in the demand for a particular service. This is also true in the Newsstand Distribution Services business where there is only one primary service provided, which results in one revenue source, the commissions earned on the distribution of magazines. The Company competes with other companies, including three larger companies in the Newsstand Distribution Services business and one larger company in the Subscription Fulfillment Services business, and the competition for new customers is intense in both segments, which results in a price sensitivity that makes it difficult for the Company to increase its prices.

Revenues from land sales at AMREP Southwest increased from $1,780,000 in 2011 to $1,889,000 in 2012. Results for both periods were substantially lower than the Company has historically experienced in its principal market of Rio Rancho, New Mexico, due to a severe decline in the real estate market in the greater Albuquerque-metro and Rio Rancho areas that began late in fiscal 2008. The trend of declining permits for new home construction in Rio Rancho also continued, with 15% fewer single-family residential building permits issued during fiscal 2012 than in fiscal 2011. Faced with these adverse conditions, many builders have slowed the pace of building on developed lots previously purchased from the Company in Rio Rancho and delayed or cancelled the purchase of additional developed lots. The steep decline in the Company's sale of undeveloped land to both builders and investors also reflected these factors.

In Rio Rancho, the Company offers for sale both developed and undeveloped lots to national, regional and local home builders, commercial and industrial property developers and others. The Company sold 104 acres of land in 2012, mostly undeveloped, at an average selling price of $18,000 per acre compared to 22 acres of land in 2011, both developed and undeveloped, at an average selling price of $81,000 per acre, reflecting differences in the mix of properties sold in each period. The average gross profit percentage on land sales was 67% for 2012 compared to 37% for 2011. The sale of undeveloped land in 2012 consisted of land sold to a quasi-governmental agency under threat of condemnation for its use as part of a flood plain, and the nature of the land and resulting average selling price are not believed to be representative of the Company's inventory and investment properties. As a result of these and other factors, including the nature and timing of specific transactions, 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. In addition, as noted above, AMREP Southwest recorded impairment charges in 2012 and 2011 based on appraisals of portions of AMREP Southwest real estate that in each year showed a deterioration in fair market value from the prior year. Should the adverse real estate market conditions continue, AMREP Southwest may experience future impairment charges.

Operating expenses for the Company's Media Services businesses were $70,076,000 (84.0% of related revenues) for 2012 compared to 77,972,000 (82.1% of related revenues) for 2011. The decrease of $7,896,000 was primarily due to (i) a decrease of $5,251,000 related to payroll and benefits costs as a result of both reduced and lost business noted earlier and efficiencies achieved in the Company's consolidation of its Subscription Fulfillment Services business from three locations in Colorado, Illinois and Florida into one location at Palm Coast, Florida that was completed during the second quarter of 2011, and (ii) a decrease of $1,236,000 related to facilities and equipment costs, including depreciation, primarily as a result of the completed consolidation project.

In June 2009, Palm Coast received $3,000,000 pursuant to an agreement with the State of Florida (the "Award Agreement") as part of the incentives made available in connection with the Company's project, completed in the second quarter of 2011, to consolidate its Subscription Fulfillment Services operations at its Palm Coast, Florida location. The Award Agreement includes certain performance requirements in terms of job retention, job creation and capital investment through December 31, 2012 which, if not met by Palm Coast, entitle the State of Florida to obtain the return of a portion, or all, of the $3,000,000. Accordingly, the $3,000,000 has been recorded as a liability. The award monies, if any, to which Palm Coast becomes irrevocably entitled will be amortized into income over the life of the assets acquired with them. As of April 30, 2012, Palm Coast had not met certain of the performance requirements, in large part due to the adverse economic conditions experienced by the magazine publishing industry since the Award Agreement was entered into. Palm Coast is currently in discussions with the State of Florida regarding the project's performance data, and is unable to offer any assurance that the award monies, in whole or in part, will not have to be returned to the State of Florida.

Interest and other revenues decreased $70,000 (74%) for 2012 compared to 2011, primarily due to a land lease that expired in 2011 with no similar revenue in 2012.

Other operating expenses increased $231,000 (16%) for 2012 compared to the prior year, primarily due to (i) higher real estate tax expense and (ii) higher land maintenance costs, both at AMREP Southwest.

General and administrative expenses of Media Services operations decreased $602,000 (6%) in 2012 compared to 2011, primarily due to the streamlined operations and increased efficiencies resulting from the Subscription Fulfillment Services business consolidation project. Real estate operations and corporate general and administrative expenses decreased $373,000 (8%) as 2011 costs associated with the evaluation of a "going private" proposal submitted to the Company by its major shareholder and subsequently withdrawn together with the filing of an S-1 Registration Statement did not reoccur in 2012.

The Company's effective tax rate was 43.9% in 2012 compared to 29.8% in 2011. The difference between the statutory tax rate and the effective rate of the tax benefit was primarily due to (i) a reduction of liabilities related to unrecognized tax benefits due to the expiration of the statute of limitations on certain prior year tax benefits in both 2012 and 2011 and (ii) permanent items, the most significant being the charge against book income associated with non-tax deductible goodwill in 2011.

Year Ended April 30, 2011 Compared to Year Ended April 30, 2010

For 2011, the Company recorded a net loss of $7,561,000, or $1.26 per share, compared to a 2010 net loss of $9,480,000, or $1.58 per share. The results for 2011 included pre-tax, non-cash impairment charges of $10,720,000 ($8,194,000 after tax, or $1.37 per share), reflecting the write-down of certain real estate assets ($6,827,000 before tax and $4,301,000, or $0.72 per share, after tax) and of all of the goodwill of the Company's Newsstand Distribution Services business ($3,893,000 with no tax benefit, or $0.65 per share). The results for 2010 included a pre-tax, non-cash impairment charge of $2,075,000 ($1,307,000 after tax, or $0.22 per share), reflecting the write-down of certain real estate assets. Excluding the impairment charges in both years, the Company had 2011 net income of $632,000, or $0.11 per share, compared to a net loss of $8,173,000, or $1.36 per share, for 2010. Revenues for 2011 were $96,837,000 compared to $120,498,000 in the prior year.

Revenues from the Company's Media Services operations decreased from $115,016,000 for 2010 to $94,963,000 for 2011. Magazine publishers, the principal customers of these operations, continued to be impacted by the effects of the recent recession and also from increased competition from new media sources. This resulted in reduced subscription and newsstand sales, which in turn caused certain publishers to close magazine titles or seek more favorable contract terms from Palm Coast and Kable and their competitors. As a consequence of these and other factors and customer losses, revenues from Subscription Fulfillment Services operations decreased from $92,022,000 for 2010 to $73,618,000 for 2011, primarily reflecting (i) customer losses and (ii) reduced and lost business that resulted from lower publisher customer volumes and a higher attrition of magazine titles than was previously experienced. Revenues from Newsstand Distribution Services operations decreased from $12,947,000 in 2010 to $11,030,000 in 2011, with the decrease due primarily to a decline in retail magazine sales through the newsstand distribution system. Revenues from Product Services and Other businesses increased from $10,047,000 in 2010 to $10,315,000 in 2011, primarily due to an increase in revenues from the temporary staffing business offset in part by a decrease in revenues from the specialty packaging business.

Revenues from land sales at AMREP Southwest decreased from $5,185,000 in 2010 to $1,780,000 in 2011. Results for both periods were substantially lower than the Company historically experienced in its principal market of Rio

Rancho, New Mexico, due to a severe decline in the real estate market in the greater Albuquerque-metro and Rio Rancho areas that began late in fiscal 2008. The trend of declining permits for new home construction in Rio Rancho also continued, with 30% fewer single-family residential building permits issued during fiscal 2011 than in fiscal 2010. Faced with these adverse conditions, many builders slowed the pace of building on developed lots previously purchased from the Company in Rio Rancho and delayed or cancelled the purchase of additional developed lots. The steep decline in the Company's sale of undeveloped land to both builders and investors reflected these factors.

In Rio Rancho, the Company offers for sale both developed and undeveloped lots to national, regional and local home builders, commercial and industrial property developers and others. The Company sold 22 acres of land in 2011 at an average selling price of $81,000 per acre compared to the sale of 56 acres of land in 2010 at an average selling price of $92,000, reflecting differences in the mix of properties sold in each period. The average gross profit percentage on land sales was 37% for 2011 compared to 40% for 2010. As a result of these and other factors, including the nature and timing of specific transactions, revenues and related 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. In addition, as noted above, AMREP Southwest recorded impairment charges in 2011 and 2010 due to appraisals of portions of AMREP Southwest real estate that in each year showed a significant deterioration in fair market value from the prior year.

Operating expenses for the Company's Media Services businesses were $77,972,000 (82.1% of related revenues) for 2011 compared to $104,662,000 (91.0% of related revenues) for 2010. The decrease of $26,690,000 was primarily due to (i) a decrease of $15,412,000 related to payroll and benefits costs associated with the decreased revenue as well as from efficiencies achieved in the Company's consolidation of its Subscription Fulfillment Services business, which is discussed two paragraphs below, and (ii) a decrease of $7,213,000 related to facilities and equipment costs, including depreciation, primarily as a result of the closure of the Colorado and Illinois Subscription Fulfillment Services locations also discussed below.

The Company recognized a pre-tax, non-cash impairment charge of $3,893,000 in the fourth quarter of 2011 reflecting the write-off of all of the goodwill of its Newsstand Distribution Services business segment. The primary reasons for the fourth quarter goodwill impairment charge were the decrease in the Company's total stock market capitalization to an amount that is less than its shareholders' equity and the continued weakness of revenue trends in the newsstand distribution industry. The current operating results and uncertain future expectations reflect the well-publicized decline in the magazine publishing industry, which represents the Newsstand Distribution Services segment's customer base, as well as the recent recession in the U.S. economy and the uncertainty about that economy's future. The Company also considered that the Securities and Exchange Commission interprets a decline in a company's stock market capitalization below its shareholders' equity as indicating that goodwill should be tested for impairment. As of April 30, 2011, the Company's total market capitalization had been below its shareholders' equity for approximately ten months in 2011. The goodwill impairment charge had no effect on the day-to-day operations of the Company's Newsstand Distribution Services business.

During 2011 the Company completed a project in which it consolidated its Subscription Fulfillment Services business operations from three locations in Colorado, Florida and Illinois into one existing location at Palm Coast, Florida. This project streamlined operations and created cost efficiencies through reduced overhead costs and the elimination of operating redundancies. Through April 30, 2011, the Company had incurred approximately $8,500,000 of non-recurring costs and $7,000,000 for capital expenditures related to the consolidation project. The State of Florida and the City of Palm Coast agreed to provide incentives for the project, including cash and employee training grants and tax relief, which are largely contingent on job retention, job creation and capital investment. The Company incurred restructuring costs of $561,000 and $6,018,000 for 2011 and 2010 and recognized $77,000 and $255,000 of income for incentives and other reimbursements related to the consolidation project for the same periods. As a result, the Company reported net charges to operations of $484,000 and $5,763,000 related to restructuring for 2011 and 2010 which are included in Restructuring and fire recovery costs in the Company's consolidated statements of operations. As of April 30, 2011 and 2010, the Company had accruals for future payments related to the consolidation project of $277,000 and $1,982,000, principally for severance and facilities consolidation. Cash payments related to the project were $2,189,000 and $4,493,000 for 2011 and 2010. There were no significant accrual reversals related to the consolidation project in any year.

The Company also had charges to operations that totaled $32,000 in 2011 for costs related to a 2007 warehouse fire, principally for legal costs. During 2010, as a result of insurance reimbursements received, the Company recorded a net gain of $216,000 related to the fire.   The items of income and expense related to insurance proceeds and the fire recovery costs are included in Restructuring and fire recovery costs in the Company's consolidated statements of operations and retained earnings.

Interest and other revenues decreased $203,000 (68%) for 2011 compared to 2010, primarily due to a sale in 2010 of non-inventory assets which was not repeated in 2011.

Other operating expenses decreased $1,114,000 (43%) for 2011 compared to the prior year, primarily due to lower real estate tax expense resulting from the favorable settlement of a property tax appeal by AMREP Southwest.

General and administrative expenses of Media Services operations decreased $2,228,000 (19%) in 2011 compared to 2010, primarily due to the streamlined operations and increased efficiencies resulting from the Subscription Fulfillment Services business consolidation project. Real estate operations and corporate general and administrative expenses increased $171,000 as costs associated with the evaluation of a “going private” proposal submitted to the Company by a major shareholder and subsequently withdrawn together with the filing of an S-1 Registration Statement were partially offset by a reduction in payroll and benefits resulting from reduced personnel.

The Company's effective tax rate was 29.8% in 2011 compared to 38.3% in 2010. The difference between the statutory tax rate and the effective rate of the tax benefit was primarily due to (i) permanent items, the most significant being the charge against book income associated with non-tax deductible goodwill in 2011, and (ii) a reduction of liabilities related to unrecognized tax benefits due to the expiration of the statute of limitations on certain prior year tax benefits in both 2011 and 2010.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s primary sources of funding for working capital requirements are cash flow from operations and banking facilities. 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. The Company’s Media Services businesses finance their operations in part through a revolving credit facility (defined below as the Media Services Credit Facility) that matures May 12, 2013. The Company’s Media Services businesses also rely on cash flow from operations and operate with negative working capital, primarily as a result of liquidity provided by one material customer contract that expires June 2014. AMREP Southwest finances its business from cash flow from operations, which has been minimal in 2012 and 2011 due to the poor conditions in its real estate markets, and from advances made to it by its parent. It also has a loan agreement (defined below as the ASW Credit Facility) that matures September 1, 2012 under which it may not borrow any additional funds. AMREP Southwest has initiated discussions with the bank regarding the extension of this arrangement, but there can be no assurance that this facility can be extended on acceptable terms. If AMREP Southwest is unable to extend this facility, it would not have sufficient funds to satisfy its obligation to the bank, and the Company would be forced to seek either replacement financing or other sources of capital, such as by selling assets or issuing equity, which replacement financing or other sources of capital might not be available on acceptable terms. It is likely that the expiration without renewal or extension or the termination of either of the credit facilities or the customer contract described above would have a material adverse effect on the Company.

Due to the closing of certain facilities in connection with the consolidation of the Company’s Subscription Fulfillment Services business and the associated work force reduction, the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the regulations thereunder have accorded to the Pension Benefit Guaranty Corporation (the “PBGC”) the right to require the Company to accelerate the funding of approximately $11,700,000 of accrued pension-related obligations to the Company’s defined benefit pension plan (“Plan”). The Company and the PBGC have reached an agreement in principle to deal with the funding obligation which provides for the Company to make a $3,000,000 cash contribution to the Plan, which is to be made within ten days after a formal agreement is signed. If, before the expiration of one year, the Company is unable to pay the remaining liability or adequately secure it with collateral acceptable to the PBGC, the Company will be required to (i) provide a letter of credit equal to 110% of the remaining liability or establish a cash escrow for 100% of the remaining liability, or (ii) discharge the remaining liability in quarterly installments over a five year period with security acceptable to the PBGC. In the event the Company fails to meet the terms of the agreement, the PBGC could seek immediate payment of the amount due or attempt to force a termination of the Plan. The Company is unable to offer any assurance that it will be able to discharge the Plan funding obligation within one year or meet the PBGC’s requirements for securing or paying the undischarged amount, nor can it offer any assurance that upon such inability it will be able to negotiate with the PBGC to obtain further relief. Refer to Note 11 to the consolidated financial statements included in this annual report on Form 10-K for additional Plan information.

Cash Flows From Financing Activities

Media Services has a Revolving Credit and Security Agreement with a bank (the "Media Services Credit Facility") which matures May 12, 2013 that provides for a revolving credit loan and letter of credit facility of up to $20,000,000, with availability within that limit based upon the lesser of (i) a percentage of the borrowers' eligible accounts receivable or (ii) the recent level of collections of accounts receivable. Subject to certain terms, funds may be borrowed, repaid and re-borrowed at any time. Borrowings under the Media Services Credit Facility are being used for Media Services working capital needs and general business purposes and, subject to the Media Services minimum Fixed Charge Coverage Ratio, as defined, being at a stated level, may also be used to provide payments on certain indebtedness due a Company subsidiary that is not a party to the Media Services Credit Facility. At April 30, 2012, the borrowing availability under the Media Services Credit Facility was $8,714,000, and there were no outstanding borrowings. The highest amount borrowed at any time during 2012 was $4,334,000.

The borrowers' obligations under the Media Services Credit Facility are secured by substantially all of their assets other than real property. The revolving loans under the Media Services Credit Facility may be fluctuating rate borrowings or Eurodollar fixed rate based borrowings or a combination of the two as the borrowers may select. Fluctuating rate borrowings bear interest at a rate which is, at the borrowers' option, either (i) the reserve adjusted daily published rate for one month LIBOR loans plus a margin of 3.0%, or (ii) the highest of two daily published market rates and the bank lender's base commercial lending rate in effect from time to time, but in any case not less than 3.0% plus a margin of 2.0% (that is, not less than 5.0%). Eurodollar fixed rate based borrowings may be for one, two or six months and bear interest at the reserve adjusted Eurodollar interest rates for borrowings of such durations, plus a margin of 3.0%, which may be reduced to 2.75% depending on the borrowers' financial condition.

The Media Services Credit Facility requires the borrowers to meet certain covenants, including maintaining a minimum Fixed Charge Coverage Ratio, as defined. The borrowers were not in compliance with this covenant at April 30, 2012. The lender has waived the violation and the Media Services Credit Facility was amended to reduce the required Fixed Charge Coverage Ratio for the period ending July 31, 2012 to a level that the Company believes will be met. The Company believes that without additional changes, it is likely that there will be subsequent violations of this covenant. However, the lender has agreed in principle to a further amendment of the Media Services Credit Facility, which is in the process of being documented. The proposed amendment would extend the Media Services Credit Facility's term for one year to May 12, 2014 and modify the required Fixed Charge Coverage Ratio so that it would more likely be met. However, neither meeting the covenant's requirement in the future nor obtaining relief from the lender if it is not met can be assured. Under the terms of the Media Services Credit Facility, while a violation of the covenant continues, among other things, the Media Services companies are barred from repaying indebtedness to or otherwise distributing funds to the parent company and the lender is entitled to terminate the Media Services Credit Facility and seek immediate payment of any outstanding borrowing. At April 30, 2012, the borrowers were in compliance with the other covenants of the Media Services Credit Facility.

AMREP Southwest has a Loan Agreement and a related Promissory Note dated December 17, 2009 with a bank, both of which were amended on April 29, 2011 (said Loan Agreement and Promissory Note, as so amended, together, the "ASW Credit Facility"). The ASW Credit Facility is a non-revolving loan with an outstanding principal balance at April 30, 2012 of $16,839,000. A required principal payment of $625,000 was made on June 15, 2012. The remaining principal balance is due September 1, 2012. No further amounts may be borrowed by AMREP Southwest under the ASW Credit Facility. The outstanding principal of the ASW Credit Facility bears fluctuating interest at the annual rate of reserve adjusted 30-day LIBOR (0.239% at April 30, 2012) plus 3.5%, but not less than 5.0%, and AMREP Southwest is required to maintain a cash reserve with the lender of not less than $500,000 to fund the interest payments. At April 30, 2012, the interest rate was 5.0% and the cash reserve was $535,000. The ASW Credit Facility is secured by a mortgage on certain real property of AMREP Southwest with a book value of approximately $54,987,000 and requires that the appraised value of the collateral be at least 2.5 times the outstanding principal of the loan. The ASW Credit Facility contains a number of covenants and restrictions, including a covenant requiring AMREP Southwest to maintain a minimum tangible net worth (as defined) and a covenant restricting AMREP Southwest from making distributions and other payments to the Company beyond a stated management fee. At April 30, 2012, AMREP Southwest was in compliance with all of these covenants.

Other notes payable consist of a $4,425,000 mortgage note payable on a warehouse with a maturity date of February 2018 and an interest rate of 6.35%, and $61,000 of equipment financing loans with maturity dates through April 2014 and an average interest rate of 7.54%. The amount of Other notes payable due within one year totals $135,000.

Cash Flows From Operating Activities

Receivables from Media Services operations decreased from $44,699,000 at April 30, 2011 to $40,544,000 at April 30, 2012, primarily due to the timing of the collection of receivables. Receivables from real estate operations and corporate decreased from $607,000 at April 30, 2011 to $55,000 at April 30, 2012 reflecting the net effect of (i) the transfer of $451,000 to investment assets from delinquent mortgage notes receivable upon AMREP Southwest's acceptance of a deed in lieu of foreclosure related to a delinquent mortgage note receivable and (ii) payments received on mortgage notes held by AMREP Southwest during 2012.

Real estate inventory totaled $75,401,000 at April 30, 2012 compared to $75,247,000 at April 30, 2011. Inventory in AMREP Southwest's core real estate market of Rio Rancho increased from $70,968,000 at April 30, 2011 to $71,109,000 at April 30, 2012, reflecting the net effect of development spending and land sales. The balance of real estate inventory consisted of properties in Colorado. Investment assets increased from $11,139,000 at April 30, 2011 to $11,262,000 at April 30, 2012 as a result of the net effect of the receipt of a deed in lieu of foreclosure related to a delinquent mortgage note receivable, as described in the prior paragraph, and sales of investment assets.

Intangible and other assets decreased from $16,118,000 at April 30, 2011 to $13,980,000 at April 30, 2012, reflecting amortization of these assets. Property, plant and equipment decreased from $28,150,000 at April 30, 2011 to $25,924,000 at April 30, 2012, primarily due to depreciation charges.

Accounts payable and accrued expenses decreased from $87,450,000 at April 30, 2011 to $85,720,000 at April 30, 2012, primarily from the timing of billings and payments to publishers and vendors, as well as lower business volumes.

The unfunded pension liability of the Company's frozen defined benefit pension plan increased from $12,619,000 at April 30, 2011 to $17,677,000 at April 30, 2012, primarily due to an increase in actuarial liabilities resulting from a reduction in the discount rate partially offset by Company contributions to the pension plan of $1,407,000. The Company recorded other comprehensive losses of $3,158,000 in 2012 and $60,000 in 2011, reflecting the change in the unfunded pension liability in each year net of the related deferred tax and unrecognized prepaid pension amounts.

Cash Flows From Investing Activities

Capital expenditures for property, plant and equipment were approximately $1,073,000 and $1,012,000 in 2012 and 2011, primarily for upgrades related to technology in 2012 and building improvements in Palm Coast, Florida in 2011. The Company believes that it has adequate cash flows from operations and financing capability to provide for anticipated capital expenditures in fiscal 2013, most of which are expected to be in the Subscription Fulfillment Services business segment.

Future Payments Under Contractual Obligations

The table below summarizes significant contractual cash obligations as of April 30, 2012 for the items indicated (in thousands):

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Notes payable	$21,325	$16,974	$264	$263	$3,824
Operating leases and other	20,068	9,796	9,858	414	-
Total	$41,393	$26,770	$10,122	$677	$3,824

Operating leases and other includes approximately (i) $3,000,000 for the possible required return of grant monies received from the State of Florida, (ii) a combined $1,730,000 of required contributions to the Company's defined benefit pension plan as determined by the plan's actuary for the 2011 and 2012 plan years that are due at various dates through January 2013 and (iii) $237,000 for the liability for uncertain tax positions and related accrued interest recorded in accordance with ASC 740. Any additional future defined benefit pension plan contributions necessary to satisfy the minimum statutory funding requirements are dependent upon various factors, including actual plan asset investment returns and discount rates applied. In addition, operating leases and other also includes $11,700,000 of accelerated pension funding as described above in the second paragraph under this Liquidity and Capital Resources section. Refer to Notes 8, 9, 11, 12, 16 and 17 to the consolidated financial statements included in this annual report on Form 10-K for additional information on long-term debt, other liabilities, pension contributions, taxes and commitments and contingencies.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. This guidance includes amendments that clarify the application of existing fair value measurement requirements, in addition to other amendments that change principles or requirements for measuring fair value and for disclosing information about fair value measurements. This guidance is effective during interim and annual periods beginning after December 15, 2011. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income. This new accounting guidance eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company is currently evaluating which presentation option it will utilize for comprehensive income in its consolidated financial statements. The adoption of this guidance will not impact the Company's financial position, results of operations or cash flows and will only impact the presentation of other comprehensive income in the financial statements.

SEGMENT INFORMATION

Information by industry segment is presented in Note 18 to the consolidated financial statements included in the annual report on Form 10-K. Industry segment information is prepared in a manner consistent with the manner in which financial information is prepared and evaluated by management for making operating decisions. A number of assumptions and estimates are required to be made in the determination of segment data, including the need to make certain allocations of common costs and expenses among segments. On an annual basis, management evaluates the basis upon which costs are allocated, and has periodically made revisions to these methods of allocation. Accordingly, the determination of "income from continuing operations before income taxes" of each segment as summarized in Note 18 to the consolidated financial statements is presented for informational purposes, and is not necessarily the amount that would be reported if the segment were an independent company.

IMPACT OF INFLATION

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

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives may from time to time make written or oral statements that are "forward-looking", including statements contained in this report and other filings with the

Securities and Exchange Commission, 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 Act. In addition, other written or oral statements, which constitute forward-looking statements, may be made by or on behalf of the Company. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "p "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. These risks and uncertainties include, but are not limited to, the risks described above under the heading "Risk Factors". 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, statements regarding (i) the accelerated funding of a portion of the Company's defined benefit pension plan obligation, (ii) the Company's ability to finance its future working capital and capital expenditure needs, (iii) the possible return of grant monies to the State of Florida, and (iv) litigation matters. The Company undertakes no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

Item 8. Financial Statements and Supplementary Data

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

Because of the inherent limitations of internal control over financial reporting, including the possibility of human error and the circumvention or overriding of controls, material misstatements may not be prevented or detected on a timely basis. Accordingly, even internal controls determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Furthermore, projections of any evaluation of the effectiveness of internal controls to future periods are subject to the risk that such controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of internal control over financial reporting as of April 30, 2012 based upon the criteria set forth in a report entitled "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management has concluded that, as of April 30, 2012, internal control over financial reporting was effective.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
AMREP Corporation
Princeton, New Jersey

We have audited the accompanying consolidated balance sheets of AMREP Corporation and Subsidiaries as of April 30, 2012 and 2011, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended April 30, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMREP Corporation and Subsidiaries as of April 30, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ McGladrey LLP
Des Moines, Iowa
July 26, 2012

AMREP CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
APRIL 30, 2012 AND 2011
(Dollar amounts in thousands, except per share amount)

ASSETS	2012	2011
CASH AND CASH EQUIVALENTS	$27,847	$25,756
RECEIVABLES, net:		
Media Services operations	40,544	44,699
Real estate operations and corporate	55	607
	40,599	45,306
REAL ESTATE INVENTORY	75,401	75,247
INVESTMENT ASSETS, net	11,262	11,139
PROPERTY, PLANT AND EQUIPMENT, net	25,924	28,150
INTANGIBLE AND OTHER ASSETS, net	13,980	16,118
DEFERRED INCOME TAXES, net	8,026	4,898
TOTAL ASSETS	$203,039	$206,614
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$85,720	$87,450
NOTES PAYABLE:		
Amounts due within one year	16,974	2,660
Amounts subsequently due	4,351	21,325
	21,325	23,985
TAXES PAYABLE	435	43
OTHER LIABILITIES	3,237	3,571
ACCRUED PENSION COST	17,677	12,619
TOTAL LIABILITIES	128,394	127,668
SHAREHOLDERS' EQUITY:		
Common stock, $.10 par value; shares authorized - 20,000,000; shares issued - 7,420,704 at April 30, 2012 and 2011	742	742
Capital contributed in excess of par value	46,100	46,100
Retained earnings	66,758	