

Edgar Filing: AMREP CORP. - Form 10-Q

AMREP CORP.  
Form 10-Q  
December 10, 2007

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

FORM 10-Q

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

For the quarterly period ended October 31, 2007  
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OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
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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  
-----

Not Applicable

-----  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No   
-----

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

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

Yes ----- No X -----

Number of Shares of Common Stock, par value \$.10 per share, outstanding at November 30, 2007 - 6,027,212.

### AMREP CORPORATION AND SUBSIDIARIES

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### PART I. FINANCIAL INFORMATION

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Item 1. Financial Statements

AMREP CORPORATION AND SUBSIDIARIES  
 Consolidated Balance Sheets (Unaudited)  
 (Thousands, except par value and number of shares)

	October 31 2007
<hr/>	
ASSETS:	
Cash and cash equivalents	\$ 22,402
Restricted cash	5,796
Receivables, net:	
Real estate operations	18,921
Media services operations	53,153
	<hr/>
	72,074
Real estate inventory	60,475
Investment assets, net	10,274
Property, plant and equipment, net	30,147
Intangible and other assets, net	33,150
Goodwill	54,139
	<hr/>
TOTAL ASSETS	\$ 288,457
	<hr/> <hr/>
LIABILITIES AND SHAREHOLDERS' EQUITY:	
LIABILITIES:	
Accounts payable and accrued expenses	\$ 85,892
Deferred revenue	-
Notes payable:	
Amounts due within one year	10,128
Amounts subsequently due	33,641
	<hr/>
	43,769
Taxes payable	481
Deferred income taxes and other long-term liabilities	14,096
Accrued pension cost	1,111
	<hr/>
TOTAL LIABILITIES	145,349
	<hr/>
SHAREHOLDERS' EQUITY:	
Common stock, \$.10 par value;	
Shares authorized - 20,000,000; 7,419,704 shares issued at October 31, 2007 and at April 30, 2007	742
Capital contributed in excess of par value	46,085
Retained earnings	124,433
Accumulated other comprehensive loss, net	(2,862)
Treasury stock, at cost; 1,382,492 shares at October 31, 2007 and 766,092 shares at April 30, 2007	(25,290)
	<hr/>
TOTAL SHAREHOLDERS' EQUITY	143,108
	<hr/>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 288,457
	<hr/> <hr/>

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See notes to consolidated financial statements.

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AMREP CORPORATION AND SUBSIDIARIES  
 Consolidated Statements of Income and Retained Earnings (Unaudited)  
 Three Months Ended October 31, 2007 and 2006  
 (Thousands, except per share amounts)

	2007
REVENUES:	-----
Real estate land sales	\$ 3,161
Media services operations	35,574
Interest and other	3,355
	-----
	42,090
	-----
COSTS AND EXPENSES:	
Real estate land sales	1,569
Operating expenses:	
Media services operations	30,234
Real estate commissions and selling	88
Other	458
General and administrative:	
Media services operations	2,820
Real estate operations and corporate	1,081
Interest expense, net of capitalized amounts	337
	-----
	36,587
	-----
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	5,503
PROVISION FOR INCOME TAXES FROM CONTINUING OPERATIONS	2,036
	-----
NET INCOME	3,467
RETAINED EARNINGS, beginning of period	120,966
	-----
RETAINED EARNINGS, end of period	\$ 124,433
	=====
EARNINGS PER SHARE - BASIC AND DILUTED	\$ 0.55
	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	6,327
	=====

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See notes to consolidated financial statements.

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AMREP CORPORATION AND SUBSIDIARIES  
 Consolidated Statements of Income and Retained Earnings (Unaudited)  
 Six Months Ended October 31, 2007 and 2006  
 (Thousands, except per share amounts)

	2007
REVENUES:	-----
Real estate land sales	\$ 21,311
Media services operations	67,852
Interest and other	4,286
	-----
	93,449
	-----
COSTS AND EXPENSES:	
Real estate land sales	7,331
Operating expenses:	
Media services operations	60,317
Real estate commissions and selling	341
Other	925
General and administrative:	
Media services operations	6,188
Real estate operations and corporate	2,188
Interest expense, net of capitalized amounts	625
	-----
	77,915
	-----
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	15,534
PROVISION FOR INCOME TAXES FROM CONTINUING OPERATIONS	5,747
	-----
INCOME FROM CONTINUING OPERATIONS	9,787
LOSS FROM OPERATIONS OF DISCONTINUED BUSINESS (NET OF INCOME TAXES)	(57)
	-----
NET INCOME	9,730
RETAINED EARNINGS, beginning of period	121,333
DIVIDEND PAID	(6,630)
	-----
RETAINED EARNINGS, end of period	\$ 124,433
	=====
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED	
CONTINUING OPERATIONS	\$ 1.51
DISCONTINUED OPERATIONS	(0.01)
	-----
EARNINGS PER SHARE - BASIC AND DILUTED	\$ 1.50
	=====
WEIGHTED AVERAGE NUMBER OF COMMON	

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SHARES OUTSTANDING

6,490

=====

See notes to consolidated financial statements.

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AMREP CORPORATION AND SUBSIDIARIES  
 Consolidated Statements of Cash Flows (Unaudited)  
 Six Months Ended October 31, 2007 and 2006  
 (Thousands)

	2007
	-----
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 9,730
	-----
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	5,342
Non-cash credits and charges:	
Pension accrual (benefit)	(132)
Provision for doubtful accounts	(251)
Stock based compensation - Directors' Plan	-
Gain on disposition of assets	(1,873)
Changes in assets and liabilities:	
Receivables	1,119
Real estate inventory	(13,891)
Intangible and other assets	(1,073)
Accounts payable and accrued expenses, and deferred revenue	(2,017)
Taxes payable	426
Deferred income taxes and other long-term liabilities	2,947
	-----
Total adjustments	(9,403)
	-----
Net cash provided by operating activities	327
	-----
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures - property, plant, and equipment	(2,927)
Capital expenditures - purchase of investment assets	(1,092)
Acquisition, net of cash acquired	195
Proceeds from disposition of assets	4,749
Restricted cash	(5,796)
	-----
Net cash used by investing activities	(4,871)
	-----
CASH FLOWS FROM FINANCING ACTIVITIES:	
Acquisition of treasury stock	(19,996)
Proceeds from debt financing	52,841
Principal debt payments	(41,371)
Exercise of stock options	-
Dividends paid	(6,630)
	-----

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Net cash used by financing activities	(15,156)
	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,700)
CASH AND CASH EQUIVALENTS, beginning of period	42,102
	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 22,402
	=====
 SUPPLEMENTAL CASH FLOW INFORMATION:	
Interest paid - net of amounts capitalized	\$ 828
	=====
Income taxes paid - net of refunds	\$ 2,374
	=====

See notes to consolidated financial statements.

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AMREP CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Unaudited)  
Six Months Ended October 31, 2007 and 2006

(1) Basis of Presentation  
-----

The accompanying unaudited consolidated financial statements included herein have been prepared by AMREP Corporation (the "Registrant" or the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial information, and do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, which are of a normal recurring nature, necessary to reflect a fair presentation of the results for the interim periods presented. The results of operations for such interim periods are not necessarily indicative of what may occur in future periods.

The unaudited consolidated financial statements herein should be read in conjunction with the Company's annual report on Form 10-K for the year ended April 30, 2007, which was previously filed with the Securities and Exchange Commission.

(2) Adoption of FIN 48  
-----

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"), on May 1, 2007. Previously, the Company had accounted for tax contingencies in accordance with FASB Statement No. 5, "Accounting for Contingencies". As required by FIN 48, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that management believes has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. Unrecognized tax benefits

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are tax benefits claimed in the Company's tax returns that do not meet these recognition and measurement standards.

At the adoption date, the Company applied FIN 48 to all tax positions for which the statute of limitations remained open. The adoption of FIN 48 had no impact on the Company's financial statements. The Company's deferred income taxes and other long-term liabilities include an unrecognized tax benefit of \$1,354,000 at May 1, 2007, which had been previously recorded under FASB Statement No. 5 or FASB Statement No. 109. The Company's unrecognized tax benefit at October 31, 2007 was \$1,381,000. If recognized, the unrecognized tax benefit would have an impact on the effective tax rate.

The Company is subject to U.S. Federal income taxes, and also to various state and foreign income taxes. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Company is not currently under examination by any tax authorities with respect to its income tax returns. In nearly all jurisdictions, the tax years through fiscal April 30, 2003 are no longer subject to examination.

There were no significant changes in unrecognized tax positions ("UTP") during the period. The total amount of UTP could increase or decrease within the next twelve months for a number of reasons, including the expiration of statutes of limitations, audit settlements, tax examinations and the recognition and measurement considerations under FIN 48. The Company does not believe that the total amount of UTP will significantly increase or decrease over the next twelve months.

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The Company has elected to retain its existing accounting policy with respect to the treatment of interest and penalties attributable to income taxes in accordance with FIN 48, and continues to reflect interest and penalties attributable to income taxes, to the extent they arise, as a component of its income tax provision or benefit as well as its outstanding income tax assets and liabilities. The total amount of interest and penalties recognized in the accompanying consolidated balance sheets was \$529,000 at October 31, 2007 and \$395,000 at May 1, 2007 (date of adoption).

(3) Restricted Cash  
-----

Restricted cash consists of amounts held in escrow that were received in connection with sales of investment assets that are identified as "1031 Exchange assets" and which are restricted pending the purchase or identification of replacement assets.

(4) Receivables  
-----

Media services operations accounts receivable, net consist of the following (in thousands):

	October 31, 2007	April 30, 2007
	-----	-----
Fulfillment Services	\$ 31,350	\$ 29,606
Newsstand Distribution Services, net of estimated returns	22,883	19,550
	-----	-----



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	54,233	49,156
Less allowance for doubtful accounts	(1,080)	(1,331)
	-----	-----
	\$ 53,153	\$ 47,825
	=====	=====

Newsstand Distribution Services accounts receivable are net of estimated magazine returns of \$56,172,000 at October 31, 2007 and \$52,275,000 at April 30, 2007. In addition, under a distribution arrangement with one publisher customer of the Newsstand Distribution Services business, that publisher bears the ultimate credit risk of non-collection of related amounts due from the customers to which the Company distributes the publisher's magazines. Accounts receivable subject to this arrangement were netted against the related accounts payable due the publisher on the accompanying consolidated balance sheets (\$22,835,000 was netted at October 31, 2007 and \$21,106,000 at April 30, 2007).

(5) Investment Assets

Investment assets, net consist of the following (in thousands):

	October 31, 2007	April 30, 2007
	-----	-----
Land held for long-term investment	\$ 9,734	\$ 9,039
	-----	-----
Commercial rental properties:		
Land, buildings and improvements	754	3,535
Furniture and fixtures	40	42
	-----	-----
	794	3,577
Less accumulated depreciation	(254)	(451)
	-----	-----
	540	3,126
	-----	-----
	\$ 10,274	\$ 12,165
	=====	=====

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(6) Property, Plant and Equipment

Property, plant and equipment, net consist of the following (in thousands):

	October 31, 2007	April 30, 2007
	-----	-----
Land, buildings and improvements	\$ 18,160	\$ 17,217
Furniture and equipment and other	43,756	41,853
	-----	-----
	61,916	59,070
Less accumulated depreciation	(31,769)	(28,552)
	-----	-----
	\$ 30,147	\$ 30,518
	=====	=====

(7) Intangible and Other Assets

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Intangible and other assets, net consist of the following (in thousands):

	October 31, 2007	April 30, 2007
Software development costs	\$ 9,840	\$ 9,461
Deferred order entry costs	5,634	5,837
Prepaid expenses	4,329	3,302
Customer contracts and relationships	15,000	15,000
Other	4,043	5,118
	-----	-----
	38,846	38,718
Less accumulated amortization	(5,696)	(4,704)
	-----	-----
	\$ 33,150	\$ 34,014
	=====	=====

Software development costs include internal and external costs of the development of new or enhanced software programs and are generally amortized over five years. Deferred order entry costs represent costs incurred in connection with the data entry of customer subscription information to database files and are charged directly to operations over a 12-month period. Customer contracts and relationships are amortized over 12 years.

(8) Accounts Payable, Net and Accrued Expenses

Accounts payable, net and accrued expenses consist of the following (in thousands):

	October 31, 2007	April 30, 2007
Publisher payables, net	\$ 68,101	\$ 63,759
Accrued expenses	7,247	6,803
Trade payables	4,183	3,701
Other	6,361	9,294
	-----	-----
	\$ 85,892	\$ 83,557
	=====	=====

Pursuant to an arrangement with a publisher customer of the Newsstand Distribution Services business, the Company has netted \$22,835,000 and \$21,106,000 of accounts receivable against the related accounts payable at October 31, 2007 and April 30, 2007 (see Note 4).

(9) Notes Payable

Notes payable consist of the following (in thousands):

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	October 31, 2007	April 30, 2007
	-----	-----
Line-of-credit borrowings:		
Real estate operations and other	\$ 17,000	\$ 6,000
Media services operations	13,390	11,905
Real estate operations term loan	8,163	10,559
Other notes payable	5,216	3,835
	-----	-----
	\$ 43,769	\$ 32,299
	=====	=====

The Company's AMREP Southwest Inc. subsidiary has a revolving credit facility with a bank that originally was to mature in September 2008. During September 2007, the maturity date was extended to September 2009, with all other terms remaining unchanged.

(10) Discontinued Operations  
-----

Loss from operations of discontinued business (net of income taxes) in the six month period ended October 31, 2007 reflects costs associated with the settlement of all litigation related to the Company's El Dorado, New Mexico water utility subsidiary that were in addition to costs that were estimated and accrued for this matter in the fourth quarter of 2007.

(11) Acquisition  
-----

The Company received a refund of \$195,000 in the second quarter of 2008 in excess of a receivable valuation related to the acquisition of Palm Coast in 2007. The Company adjusted the original amount of goodwill recorded in the purchase accounting for the acquisition, in accordance with Financial Accounting Standards Board Statement No. 141, "Business Combinations".

(12) Subsequent Event  
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On December 5, 2007 a warehouse of approximately 30,000 square feet leased by the Company in Oregon, Illinois was totally destroyed by fire. The warehouse was used principally to store back issues of a number of magazines published by certain customers for which the Company fills back-issue orders as part of its services to these customers. The Company is in the very earliest stage of reviewing its insurance coverage and evaluating the impact of this event on its operations and is unable at this point to reach any conclusions as to these matters or to determine the effect on its financial position, results of operations and cash flows.

(13) Information About the Company's Operations in Different Industry  
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Segments  
-----

The following tables set forth summarized data relative to the industry segments for continuing operations in which the Company operated for the three and six month periods ended October 31, 2007 and 2006 (tables in thousands):

Real Estate Operations	Fulfillment Services	Newsstand Distribution Services
---------------------------	-------------------------	---------------------------------------

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 Three months ended October 31, 2007 (a):

Revenues	\$	6,428	\$	32,035	\$	3,556	\$
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Income from continuing operations		2,347		134		560	
Provision for income taxes from continuing operations		1,378		86		321	

Income from continuing operations before income taxes		3,725		220		881	
Interest expense (income), net (b)		-		1,394		(383)	
Depreciation and amortization		61		2,405		243	

EBITDA (c)	\$	3,786	\$	4,019	\$	741	\$
------------	----	-------	----	-------	----	-----	----

Capital expenditures	\$	277	\$	1,851	\$	21	\$
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 Three months ended October 31, 2006:

Revenues	\$	32,430	\$	18,969	\$	4,187	\$
----------	----	--------	----	--------	----	-------	----

Income from continuing operations		14,365		771		851	
Provision for income taxes from continuing operations		8,437		453		499	

Income from continuing operations before income taxes		22,802		1,224		1,350	
Interest expense (income), net (b)		-		167		(84)	
Depreciation and amortization		40		1,216		233	

EBITDA (c)	\$	22,842	\$	2,607	\$	1,499	\$
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Capital expenditures	\$	2,422	\$	470	\$	-	\$
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-----  
 Six months ended October 31, 2007 (a):

Revenues	\$	25,291	\$	61,023	\$	6,867	\$
----------	----	--------	----	--------	----	-------	----

Income from continuing operations		9,727		(1,725)		808	
Provision (benefit) for income taxes from continuing operations		5,712		(1,004)		464	

Income (loss) from continuing operations before income taxes		15,439		(2,729)		1,272	
Interest expense (income), net (b)		-		2,861		(869)	
Depreciation and amortization		116		4,736		487	

EBITDA (c)	\$	15,555	\$	4,868	\$	890	\$
------------	----	--------	----	-------	----	-----	----

Goodwill	\$	-	\$	50,246	\$	3,893	\$
Total assets	\$	97,011	\$	141,483	\$	48,040	\$
Capital expenditures	\$	1,179	\$	2,800	\$	37	\$

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 Six months ended October 31, 2006:

Revenues	\$	69,522	\$	36,541	\$	7,442	\$
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Income from continuing operations	29,638	928	1,070	
Provision for income taxes from continuing operations	17,407	544	628	
Income from continuing operations before income taxes	47,045	1,472	1,698	
Interest expense (income), net (b)	-	292	(118)	
Depreciation and amortization	101	2,373	461	
EBITDA (c)	\$ 47,146	\$ 4,137	\$ 2,041	\$
Goodwill	\$ -	\$ 1,298	\$ 3,893	\$
Total assets	\$ 79,954	\$ 47,365	\$ 69,106	\$
Capital expenditures	\$ 2,492	\$ 1,070	\$ 8	\$

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- (a) Segment information does not include net loss from discontinued operations of \$57,000 in the six months ended October 31, 2007.
- (b) Interest expense, net includes inter-segment interest income and expense that is eliminated in consolidation.
- (c) The Company uses EBITDA (which the Company defines as income from continuing operations before interest expense, net, income taxes and depreciation and amortization) in addition to income from continuing operations as a key measure of profit or loss for segment performance and evaluation purposes.

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

#### INTRODUCTION

The Company, through its subsidiaries, is primarily engaged in three business segments: the Real Estate business operated by AMREP Southwest Inc. and its subsidiaries (collectively, "AMREP Southwest") and the Fulfillment Services and Newsstand Distribution Services businesses operated by Kable Media Services, Inc. and its subsidiaries (collectively, "Kable" or "Media Services"). 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 2007 consolidated financial statements and accompanying notes. All references in this Item 2 to the second quarter or first six months of 2008 and 2007 mean the fiscal three or six-month periods ended October 31, 2007 and 2006, respectively.

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of financial condition and results of operations is based on the accounting policies used and disclosed in the 2007 consolidated financial statements and accompanying notes that were prepared in

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accordance with accounting principles generally accepted in the United States of America and included as part of the Company's annual report on Form 10-K for the year ended April 30, 2007 (the "2007 Form 10-K"). The preparation of those consolidated financial statements required management to make estimates and assumptions that affected the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual amounts or results could differ from those estimates.

The significant accounting policies of the Company are described in Note 1 to the 2007 consolidated financial statements, and the critical accounting policies and estimates are described in Management's Discussion and Analysis included in Item 7 of the 2007 Form 10-K. There have been no changes in the critical accounting policies. Information concerning the implementation and the impact of new accounting standards issued by the Financial Accounting Standards Board ("FASB") is included in the notes to the 2007 consolidated financial statements. The Company adopted FASB Interpretation No. 48 ("FIN 48") effective May 1, 2007. The adoption of FIN 48 had no impact on the Company's financial condition, liquidity or results of operations. The Company did not adopt any other accounting policies in the first six months of 2008.

### RESULTS OF OPERATIONS

-----

For the second quarter of 2008, net income was \$3,467,000, or \$0.55 per share, compared to net income of \$16,062,000, or \$2.42 per share, in the second quarter of the prior year. Results for the second quarter of both 2008 and 2007 were

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entirely from continuing operations. For the first six months of 2008, net income was \$9,730,000, or \$1.50 per share, compared to net income of \$31,866,000, or \$4.79 per share, for the same period of 2007. Results for the first six months of 2008 included a loss on discontinued operations of \$57,000, or \$0.01 per share, that reflected costs incurred in connection with the settlement of all litigation related to the Company's El Dorado, New Mexico water utility subsidiary that were in addition to costs estimated and accrued for this matter in the fourth quarter of 2007, while the results for the same period in 2007 were entirely from continuing operations. Revenues were \$42,090,000 and \$93,449,000 in the second quarter and first six months of 2008 compared to \$56,055,000 and \$114,324,000 in the same periods last year.

Revenues from land sales at AMREP Southwest were \$3,161,000 and \$21,311,000 for the three and six month periods ended October 31, 2007 compared to \$31,707,000 and \$64,197,000 for the same periods of the prior year. These decreases were the result of a substantial decline in land sales in the Company's principal market of Rio Rancho, New Mexico, due to the softening of the real estate market in the greater Albuquerque-metro and Rio Rancho areas. The number of permits for new home construction in both markets was down significantly for the first ten months of calendar 2007 compared to the same period in 2006, with Rio Rancho showing a decrease of almost 50%. The Company believes that this decline reflected the well-publicized problems of the national homebuilding industry, including fewer sales of both new and existing homes, increasing numbers of mortgage delinquencies and foreclosures and a tightening of mortgage availability. As a result of these factors, builders have slowed the pace of building on land previously purchased from the Company in Rio Rancho and, in some cases, have delayed or cancelled the purchase of additional land. These factors are also believed to have contributed to a decline in sales of undeveloped land to both builders and investors.

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In Rio Rancho, the Company sells both developed and undeveloped lots to national, regional and local homebuilders, commercial and industrial property developers and others. For the second quarter and first six months of 2008 and 2007, the Company's land sales in Rio Rancho have been as follows:

	2007			2006	
	Acres Sold	Revenues (in 000's)	Revenues Per Acre (in 000's)	Acres Sold	Revenue (in 000's)
Three months ended					
October 31:					
Developed					
Residential	10	\$ 2,740	\$ 274	30	\$ 7,9
Commercial	-	-	-	31	8,5
Total Developed	10	2,740	274	61	16,4
Undeveloped	11	421	38	324	15,2
Total	21	\$ 3,161	\$ 151	385	\$ 31,7
Six months ended					
October 31:					
Developed					
Residential	30	\$ 9,468	\$ 316	83	\$ 22,4
Commercial	14	2,921	209	44	11,7
Total Developed	44	12,389	282	127	34,2
Undeveloped	302	8,922	30	573	29,9
Total	346	\$ 21,311	\$ 62	700	\$ 64,1

Variances in the average selling price per acre of developed land in the three and six month periods of 2008 compared to 2007 were generally due to a change in

the mix and the stage of development of specific projects from which the land was sold. The Company offers developed and undeveloped land in Rio Rancho from a number of different projects and selling prices may vary from project to project and within projects depending on location, the stage of development and other factors. The decrease in the average selling price of undeveloped land in the second quarter and first six months of 2008 was primarily attributable to a higher proportion of undeveloped investment land sold in the current year from locations in Rio Rancho that are further removed from developed areas and thus generally have lower average selling prices. The average gross profit percentage on land sales decreased from 75% and 70% for the second quarter and first six months of 2007 to 50% and 66% for the same periods of 2008. The reduced gross profit percentages in fiscal 2008 were principally attributable to a change in the mix of sales between developed and undeveloped lots sold in each of the periods, with sales in both the three and six month periods of fiscal 2008

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including a higher percentage of revenues from sales of developed lots which generally have lower gross profit percentages than undeveloped lots. Revenues and related gross profits from land sales can vary significantly from period to period as a result of many factors, including the nature and timing of specific transactions, and prior results are not necessarily a good indication of what may occur in future periods.

Revenues from Media Services, including both Fulfillment Services and Newsstand Distribution Services, increased from \$22,913,000 and \$43,740,000 for the second quarter and first six months of 2007 to \$35,574,000 and \$67,852,000 for the same periods in 2008. These increases were attributable to the January 2007 acquisition of Palm Coast Data Holdco, Inc. ("Palm Coast") by Kable. Revenues from Fulfillment Services operations, including the revenues of Palm Coast, were \$32,028,000 and \$61,011,000 for the second quarter and first six months of 2008 compared to \$18,965,000 and \$36,537,000 in the same periods of the prior year. The increase in Fulfillment Services revenues resulting from the Palm Coast acquisition (\$14,207,000 and \$27,326,000 in the second quarter and first six months) was partly offset by decreases in revenues from other parts of Kable's Fulfillment Services business that resulted from competitive market pressures and customer losses that occurred in earlier periods. Revenues from Kable's Newsstand Distribution Services operations decreased from \$3,948,000 and \$7,203,000 for the second quarter and first six months of 2007 to \$3,546,000 and \$6,841,000 the same periods in 2008. The decrease in Newsstand Distribution Services revenues was due primarily to reduced billings and lower commission rates. Kable's operating expenses increased by \$11,571,000 (62%) and \$23,492,000 (64%) for the second quarter and first six months of 2008 compared to the same periods in 2007, with such increase being primarily attributable to the additional operating expenses of Palm Coast, which were offset in part by decreased payroll and benefit expenses resulting from lower sales volumes in other parts of the Fulfillment Services business.

The Company has announced a project to consolidate the Kable and Palm Coast fulfillment operations in order to improve operating efficiencies and customer service and also to reduce costs. In connection with this consolidation effort, the first quarter results for 2008 included a charge of approximately \$300,000 for severance costs relating to a workforce reduction of approximately 75 people that was announced in August 2007 and which is expected to reduce annual operating costs by approximately \$2,700,000. In October 2007, the Company announced the planned redistribution of the fulfillment services work performed at the Marion, Ohio facility of its Fulfillment Services business and the scheduled closing of the Ohio facility. Approximately \$700,000 in severance-related costs are projected to be paid in connection with the Ohio facility closure, which will be recorded as positions are eliminated during the eleven month transitional period ending September 2008. Following the completion of this program, the Company anticipates realizing cost savings of approximately \$2,000,000 annually, which will bring the total estimated cost savings of the two actions to approximately \$4,700,000 annually.

Interest and other revenues were \$3,355,000 and \$4,286,000 for the three and six-month periods ended October 31, 2007 compared to \$1,435,000 and \$6,387,000 for the same periods in the prior year. During the second quarter of 2008, the Company sold a commercial rental property at AMREP Southwest that resulted in a pre-tax gain of \$1,873,000. In addition, the Company recognized pre-tax income of \$618,000 from the forfeiture of a deposit for the purchase of land by a

homebuilder who did not exercise a purchase option. During the first quarter of 2007, the Company sold certain of AMREP Southwest's investment assets, including the Company's office building in Rio Rancho, which in the aggregate contributed a pre-tax gain of \$4,107,000.



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Real Estate commissions and selling expenses decreased by \$402,000 and \$573,000 in the second quarter and first six months of 2008 compared to the same periods in 2007, principally due to decreases in variable commissions and selling expenses. Such costs generally vary depending upon the terms of specific land sale transactions. Real estate and corporate general and administrative expenses in the second quarter and first six months of 2008 decreased by \$414,000 and \$289,000 compared to the same periods in 2007 primarily due to reduced professional and consulting fees. General and administrative costs of magazine operations increased \$1,233,000 and \$2,871,000 in the second quarter and first six months of 2008 compared to the same periods in 2007, primarily due to the addition of Palm Coast partially offset by reduced spending in other Media Services operations.

### LIQUIDITY AND CAPITAL RESOURCES

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During the past several years, the Company has financed its operations from internally generated funds from real estate sales and Media Services operations, and from borrowings under its various lines-of-credit and development loan agreements.

### Cash Flows From Financing Activities

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AMREP Southwest has a revolving credit facility with a bank that originally was to mature in September 2008. During September 2007, the maturity date was extended to September 2009, with all other terms remaining unchanged.

On August 24, 2007, the Company paid a special cash dividend of \$1.00 per share to shareholders of record at the close of business on August 10, 2007.

### Cash Flows From Operating Activities

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Real Estate inventory was \$60,475,000 at October 31, 2007 compared to \$46,584,000 at April 30, 2007. Inventory in the Company's core real estate market of Rio Rancho was \$53,554,000 at October 31, 2007 and \$39,770,000 at April 30, 2007. The increase in Real Estate inventory in Rio Rancho was attributable to capitalized costs incurred for the improvement of certain projects that are in the initial stages of site development. The balance of inventory consisted of properties in Colorado. Real estate investment assets, which includes land held for long-term investment located in areas not planned to be developed in the near term and thus not offered for sale, decreased from \$12,165,000 at April 30, 2007 to \$10,274,000 at October 31, 2007 primarily as a result of the commercial rental property sold at AMREP Southwest.

Real Estate receivables decreased from \$25,117,000 at April 30, 2007 to \$18,921,000 at October 31, 2007, resulting primarily from the net effect of payments received on previously issued mortgage notes offset in part by mortgage notes received in connection with real estate sales that closed during the second quarter of 2008. Receivables from Media Services operations increased from \$47,825,000 at April 30, 2007 to \$53,153,000 at October 31, 2007, primarily due to higher quarter-end billings at October 31, 2007 compared to April 30, 2007.

Accounts payable and accrued expenses increased from \$83,557,000 at April 30, 2007 to \$85,892,000 at October 31, 2007, primarily as a result of an increase in the amounts due publishers. In addition, under a distribution arrangement with one publisher customer of the Newsstand Distribution Services business, that publisher bears the ultimate credit risk of non-collection of related amounts

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due from the customers to which the Company distributes the publisher's magazines. Accounts receivable subject to this arrangement were netted (\$22,835,000 was netted at October 31, 2007 and \$21,106,000 was netted at April 30, 2007) against the related accounts payable due the publisher on the accompanying consolidated balance sheets.

Deferred revenue relates to consideration received on certain real estate land sales which are accounted for under the percentage of completion method and which will be recognized as revenue as the Company completes land development work which it is obligated to perform. Deferred revenue decreased from \$4,352,000 at April 30, 2007 to none at October 31, 2007 as related sales recorded under the percentage of completion were completed.

Cash Flows From Investing Activities

Capital expenditures amounted to \$4,019,000 and \$3,590,000 in the first six months of 2008 and 2007, primarily for computer hardware and software development expenditures related to Kable's Fulfillment Services business and the acquisition of real estate investment property. The Company believes that it has adequate cash and financing capability to provide for its anticipated future capital expenditures.

Future Payments Under Contractual Obligations

The Company is obligated to make future payments under various contracts, including its debt agreements and lease agreements, and is subject to certain other commitments and contingencies. The table below summarizes significant contractual obligations as of October 31, 2007 for the items indicated (in thousands):

Contractual Obligations	Total	Less than 1 year	1 - 3 years	3 - 5 years
Notes payable	\$43,769	\$10,129	\$33,215	\$ 425
Operating leases and other	24,337	4,968	8,602	5,077
<b>Total</b>	<b>\$68,106</b>	<b>\$15,097</b>	<b>\$41,817</b>	<b>\$ 5,502</b>

The increase in notes payable was primarily due to additional borrowings under the AMREP Southwest revolving line of credit. Operating leases and other includes \$1,910,000 of unrecognized tax benefits and related interest accrued in accordance with FIN 48. Refer to Notes 9, 14 and 15 to the consolidated financial statements included in the 2007 Form 10-K for additional information on long-term debt and commitments and contingencies.

Discretionary Stock Repurchase Program

On July 16, 2007, the Company announced that its Board of Directors had

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authorized the repurchase of up to 500,000 shares of the Company's common stock from time-to-time in the open market or through negotiated private transactions with non-affiliates of the Company. On October 8, 2007, the Company announced that it had completed its 500,000-share repurchase program. The shares were purchased in open market transactions for a total purchase price, including commissions, of \$15,933,000, or an average of \$31.87 per share.

The Company also announced on October 8, 2007 that its Board of Directors had authorized a further repurchase of up to an additional 500,000 shares of the Company's common stock. The purchases may be made from time-to-time either in the open market or through negotiated private transactions with non-affiliates of the Company. As of October 31, 2007, the Company had purchased 116,400 shares of the additional 500,000 shares in open market transactions for a total purchase price, including commissions, of \$4,063,000, or an average of \$34.91 per share.

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During the period from November 1, 2007 through December 7, 2007, the Company repurchased 10,000 shares, all in the open market, for an aggregate purchase price, including commissions, of \$318,900, or an average of \$31.89 per share.

All repurchases were funded from cash on hand and borrowings, and the Company expects to fund any future purchases from internally generated cash or borrowings.

### Risk Factors

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In addition to the other information set forth in this report, the factors discussed in Part I, "Item 1A. Risk Factors." in the Company's 2007 Form 10-K, which could materially affect the Company's business, financial condition or future results, should be carefully considered. The risks described in the Company's 2007 Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that currently are deemed to be immaterial also may materially adversely affect the Company's business, financial condition or operating results.

### Statement of Forward-Looking Information

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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", "projects", "forecasts", "may", "should", variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and contingencies that are difficult to predict. 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

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forward-looking statements. The forward-looking statements contained in this report include, but are not limited to, statements regarding the project to consolidate the operations of the Fulfillment Services business and the estimated cost savings of the workforce reduction. 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 3. Quantitative and Qualitative Disclosures About Market Risk

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The Company has several credit facilities that require the Company to pay interest at a rate that may change periodically. These variable rate obligations expose the Company to the risk of increased interest expense in the event of increases in short-term interest rates. At October 31, 2007, borrowings of \$40,053,000 were subject to variable interest rates. Refer to Item 7(A) of the 2007 Form 10-K for additional information regarding quantitative and qualitative disclosures about market risk.

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### Item 4. Controls and Procedures

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#### Evaluation of Disclosure Controls and Procedures

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

#### Changes in Internal Control over Financial Reporting

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

## PART II. OTHER INFORMATION

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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The Company purchased shares of its common stock in open market transactions

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during the three-month period ended October 31, 2007 as summarized in the following table:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Shares th Purchase Plans
August 1, 2007 - August 31, 2007	250,000	\$33.62	250,000	25
September 1, 2007 - September 30, 2007	186,000	\$30.83	186,000	6
October 1, 2007 - October 31, 2007	180,400	\$32.36	180,400	38
Total	616,400	\$32.41	616,400	38

Note (1) - On July 16, 2007, the Company announced that its Board of Directors had authorized the repurchase of up to 500,000 shares of the Company's common stock from time to time in the open market or through negotiated private transactions. The 500,000 shares repurchase was completed on October 8, 2007. On October 8, 2007, the Company announced that its Board of Directors had authorized a further repurchase of up to 500,000 shares of the Company's common stock from time to time in the open market or through negotiated private transactions. There is no designated expiration date for the program. All of the purchases were made in the open market and were part of the publicly announced programs.

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

The 2007 Annual Meeting of Shareholders of the Company was held on October 2, 2007. At the meeting, Samuel N. Seidman and Lonnie A. Coombs were reelected directors of the Company by the following votes:

	For	Withheld
Samuel N. Seidman	6,103,096	144,678
Lonnie A. Coombs	6,125,372	122,402

#### Item 5. Other Information

On December 5, 2007 a warehouse of approximately 30,000 square feet leased by the Company in Oregon, Illinois was totally destroyed by fire. The warehouse was used principally to store back issues of a number of magazines published by certain customers for which the Company fills back-issue orders as part of its services to these customers. The Company is in the very earliest stage of reviewing its insurance coverage and evaluating the impact of this event on its operations and is unable at this point to reach any conclusions as to these matters or to determine the effect on its financial position, results of operations and cash flows.

#### Item 6. Exhibits

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Exhibit No.	Description
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31.1	Certification required by Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification required by Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.3	Certification required by Rule 13a-14(a) under the Securities Exchange Act of 1934.
32	Certification required pursuant to 18 U.S.C. Section 1350.

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SIGNATURE

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

Date: December 10, 2007 AMREP CORPORATION  
(Registrant)

By: /s/ Peter M. Pizza

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Peter M. Pizza  
Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit No.	Description
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31.1	Certification required by Rule 13a-14(a) under the Securities Exchange Act of 1934 - Filed herewith.
31.2	Certification required by Rule 13a-14(a) under the Securities Exchange Act of 1934 - Filed herewith.
31.3	Certification required by Rule 13a-14(a) under the Securities Exchange Act of 1934 - Filed herewith.
32	Certification required pursuant to 18 U.S.C. Section 1350 - Filed herewith.

