

AMREP CORP.
Form 10-K
July 21, 2011

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)

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended April 30, 2011

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 (IRS Employer
incorporation or organization) 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.

Yes NoX

Edgar Filing: AMREP CORP. - Form 10-K

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the 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 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

Edgar Filing: AMREP CORP. - Form 10-K

(§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes 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

Smaller reporting X
company

(Do not check if a smaller reporting company)

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, 2010, 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 \$17,755,916. 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 15, 2011, 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 and, through its subsidiaries, is primarily engaged in four business segments: the Real Estate business operated by AMREP Southwest Inc. and its subsidiaries (collectively, “AMREP Southwest”), the Subscription Fulfillment Services business operated by Palm Coast Data LLC (“Palm Coast”), and the Newsstand Distribution Services business and the Product Services and Other businesses operated by Kable Media Services, Inc. and its subsidiaries (“Kable”) (the businesses being operated by Palm Coast and Kable are collectively referred to as “Media Services” or “Media services”). As of July 1, 2011, the Company employed approximately 1,230 persons. Data concerning industry segments is set forth in Note 19 of the notes to the consolidated financial statements. The Company’s foreign sales and activities are not significant. All references in this Item 1 to 2011, 2010 and 2009 mean the Company’s fiscal years ended April 30, 2011, 2010 and 2009, unless otherwise qualified.

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, 16,500 acres are dedicated to community facilities, roads and drainage and the remainder is unplatted land. At April 30, 2011, approximately 90,590 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 17,310 acres in Rio Rancho, of which approximately 4,420 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 the 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 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 the calendar year 2000 through 2010. As of December 2010, its unemployment rate was 8.1%. 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

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

A-3

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.

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)
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
2009:			
Developed			
Residential	13	\$3,109,000	\$244,000
Commercial	1	126,000	126,000
Total Developed	14	3,235,000	236,100
Undeveloped	134	5,679,000	42,400
Total	148	\$8,914,000	\$60,200

(a) Revenues per acre may not calculate precisely due to rounding of acres sold amounts.

(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 being offered for sale.

A-4

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 ecommerce retailers, packaging design, procurement and product fulfillment services and temporary staffing services. Total Media Services revenues were \$95.0 million for fiscal 2011.

Subscription Fulfillment Services

The Subscription Fulfillment Services business performs fulfillment and fulfillment-related activities, principally magazine subscription fulfillment services and list services, and it accounted for approximately 77% of Media Services revenues in 2011. In the magazine subscription fulfillment services operation, Palm Coast 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, maintains subscriber lists and databases, generates marketing and statistical reports, processes internet orders and prints forms and promotional materials. List services clients are also 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 500 different magazine titles for approximately 125 clients and maintains databases of approximately 50 million active subscribers for its client publishers and membership organizations. In a typical month, Palm Coast produces approximately 51 million mailing labels for its clients and also processes over 17 million pieces of outgoing mail for these clients.

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, romance 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. 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 12% of Media Services revenues in 2011.

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.

A-5

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 much larger than Kable. Two of these competitors are owned by or affiliated with a magazine publishing company. Such companies publish a substantial portion of all magazines sold in the United States, and the competition for the distribution rights to the remaining publications is intense. In addition, 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 in recent years. During 2011, business with three of these wholesalers accounted for approximately 71% 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, 2011, approximately 46% were due from these three wholesalers.

Product Services and Other

As an adjunct to the Subscription Fulfillment Services business, Kable offers product fulfillment services through its Product Services business to its publisher clients, which services are generally fee-based when filling orders. Many publishers offer premiums (a free gift) to subscribers for subscribing to their magazines and also offer to sell (paid orders) copies of current or older issues of their magazines as well as other items that may be offered for sale in their magazines or on their websites. Additionally, almost all publishers want the ability to send replacement copies to subscribers who for whatever reason do not receive their original subscription copy. Kable's Product Services business unit offers an integrated approach to internet commerce for both publishing and non-publishing customers, including dedicated account management, customer service, web-store and shopping cart design, order and payment processing, and third party fulfillment services. Some of these services are subcontracted from affiliates within the Company.

In November 2008, Kable purchased certain assets of a company engaged in the contract packaging and fulfillment business, which are now part of its Product Services business. Kable provides customized packaging solutions, which may include design and procurement of retail packaging and displays, and assembly and packaging of customer products. It also provides order fulfillment services, including receiving, warehousing, order pick/pack and shipment. These services are typically fee-based. The Product Services business, including the contract packaging business, operates from a 191,000 square foot facility owned by the Company in Fairfield, Ohio.

In November 2008, Kable also purchased certain assets of a temporary staffing company in Fairfield, Ohio and established a staffing company ("Kable Staffing"). Kable Staffing operates as a separate business which provides temporary employees to local companies, including its affiliate Kable 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, Kable Staffing 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 Kable Staffing operate in a very competitive environment. Together, they accounted for approximately 11% of Media Services revenues in 2011.

Available Information

The Company maintains a website at www.amrepcorp.com. The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to 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.

A-6

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, operating results or financial condition.

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. AMREP Southwest finances its business from cash flow from operations and from loans made to it by its parent. It also has a loan agreement that matures September 1, 2012, but it may not borrow any additional funds under this loan agreement. The Company's Media Services businesses finance their operations in part through a revolving credit facility that matures May 12, 2013. The Company's Media Services businesses also rely on cash flow from operations to fund their working capital requirements, including cash flow made available through arrangements with customers and wholesalers that are subject to expiration and renegotiation from time to time.

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 loan agreement with its principal lender. 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 may be required to seek capital by incurring debt, by issuing additional equity or by selling assets, any of which the Company may be unable to do on favorable terms, if at all. The need to raise additional capital could have a material adverse effect on the Company's financial condition and operating results.

The Company's defined benefit pension plan, which the Company froze in 2004, is currently substantially underfunded and will require additional cash contribution, 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 \$12.6 million at April 30, 2011. 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 impact the Company's financial resources. In addition, as a result of the cessation of certain operations in connection with the consolidation of the Company's Subscription Fulfillment Services business, more than 20% of the Company's employees who were active participants in the Company's pension plan as of the date of the announcement of the consolidation project were separated from employment. As required by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Company notified the Pension Benefit Guaranty Corporation (the "PBGC") of this occurrence. Pursuant to ERISA regulations, the PBGC has the right to require the Company to accelerate the funding of certain accrued pension-related obligations (i) by making accelerated contributions to the Plan or (ii) by placing an amount in escrow or by furnishing a bond to the PBGC to insure payment, or instead (iii) the Company

A-7

and the PBGC may enter into an alternative arrangement with respect to any such requirement. The PBGC has advised the Company that its calculation of the unfunded liability, statutorily computed on a “termination basis” which amount differs from that computed for generally accepting accounting principles under the Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 715-30, was approximately \$16.0 million as of the date that the certain operations referred to above were deemed to have ceased, and as a result, the amount required to be contributed to the Plan or placed in escrow (or supported by a bond) is approximately \$12.0 million. The Company and its advisors are reviewing the PBGC’s calculations, and the Company will enter into discussions with the PBGC to seek an alternative arrangement; however, there is no assurance that a satisfactory alternative arrangement can be arrived at between the Company and the PBGC. Either the alternative arrangement, if achieved, or the failure to reach an agreement on an alternative arrangement, could have a material adverse effect on the Company.

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 or 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 22 acres sold 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 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 3,300 at April 30, 2011. 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 to another location, the Rio Rancho real estate market and the Company’s land development business located there may 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 over 40 years ago, the area was not developed and had a small population. As of April 30, 2011, 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.

The Company's remaining Rio Rancho real estate is not all 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 17,310 acres in Rio Rancho that the Company owned at April 30, 2011, approximately 4,420 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

A-8

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 more than 40 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, 2011, the Company owned approximately 17,310 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 there can be no assurance that the Company will identify such an opportunity in another market. 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 at a significant level.

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

If the Company is able to identify and elects to pursue 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; or

- 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 or 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

A-10

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 other 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;
- changes 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; 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,

A-11

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.

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 digital content. 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 more popular, and consumers increasingly rely on electronic 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 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.

A-12

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 operates in highly competitive markets that are subject to rapid change, and must therefore continue to invest in developing technologies and to improve 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. 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 thus, 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 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 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 continued 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 Company's revenues in 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 Company's commission revenues in its 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 fiscal year ended April 30, 2011, customers ultimately returned for credit approximately 66% 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

A-13

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 Company's 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 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

A-14

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.

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 the integration of its subscription fulfillment services businesses into one location in Florida 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.

A-15

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 \$62.66 and a low of \$9.35 per share between May 1, 2008 and April 30, 2011. 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 29, 2011 was approximately 1,250 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.

A-16

The Company has a principal shareholder whose interests may conflict with other investors.

The Company has a principal shareholder, Nicholas G. Karabots, who, together with certain of his affiliates, currently owns approximately 58% of the Company's outstanding common stock. As a result, this principal shareholder, who is also a member of the Company's Board of Directors, has the ability to elect all of the members of the Company's Board of Directors. Because of this voting power and his role as a director and a member of the Executive Committee of the Company's Board of Directors, the principal shareholder 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 the Company's principal 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, the 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 is currently a "controlled company" within the meaning of the New York Stock Exchange rules. As a result, the Company is exempt from certain corporate governance requirements and will not need to fully comply with those requirements until one year after the Company is no longer a "controlled company".

Because Nicholas G. Karabots and certain of his affiliates together currently own more than 50% of the voting power of the Company's common stock, the Company is considered a "controlled company" for the purposes of the rules and regulations of the New York Stock Exchange. As such, the Company is permitted, and has 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. The Company has also opted not to have a nominating/corporate governance committee as required by the New York Stock Exchange for non-controlled companies. At such time, if any, as the Company is no longer considered a "controlled company" for purposes of the rules and regulations of the New York Stock Exchange, those rules and regulations provide for a twelve month transition period during which the Company would not need to fully comply with the otherwise applicable requirements. The Company will not be required to have entirely independent compensation and human resources and nominating/corporate governance committees until twelve months following the date on which it ceases to be a controlled company, although the Company would need to phase in independent members for each of these committees starting on the date that it ceases to be a controlled company. While the Company remains a controlled company and during any transition period following the Company's ceasing to be a controlled company, 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.

The presence of a controlling shareholder of the Company, as well as 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 concurrence of the Company's majority shareholder is needed for any third party to acquire control of the Company, even if a change in control would be beneficial to the Company's other shareholders.

Furthermore, the Company is an Oklahoma corporation and even in the absence of a controlling shareholder, 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. 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

A-17

- 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. Real Estate operations are based in approximately 5,400 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's Subscription Fulfillment Services operation is located in four owned or leased facilities in Palm Coast, Florida comprising approximately 248,000 square feet of space and is also serviced by an 84,000 square foot leased warehouse in St. Augustine, Florida. Kable's Newsstand Distribution Services and Product Services and other businesses are located in eleven 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. The Company believes its facilities are adequate for its current requirements.

Item 3. Legal Proceedings

A. In June 2008, a lawsuit entitled Haan v. Kable News Company, Inc., et al. was filed in the Circuit Court of the Fifteenth Judicial Circuit, Ogle County, Illinois, against a subsidiary of the Company ("Kable News") and other defendants by an insurance company as subrogee of the owner of a warehouse building leased to Kable News that was destroyed in a fire in December 2007. Plaintiff's claims were based upon allegations of negligence and willful and wanton misconduct. In June 2010, Kable News' motion to dismiss the claims against it was granted on substantive grounds.

In July 2010, plaintiff amended its complaint in the lawsuit to reallege its previously dismissed claims against Kable News, add an additional claim against it for intentional misconduct, and add the Company and two of its other subsidiaries as defendants based upon allegations of negligence and intentional misconduct. Kable News, the Company and these other subsidiaries (together, the "Kable Defendants") have moved for dismissal of the claims against them.

Also named as defendants in the lawsuit are a temporary staffing company that provided Kable News with an employee who is alleged to have had a role in causing the warehouse fire and an architectural and engineering company that is alleged to have provided a report regarding the lack of need for an operative sprinkler system at the warehouse. These defendants have filed counterclaims for contribution and implied indemnity against the Kable Defendants, which the Kable Defendants have also moved to dismiss.

The damages being sought by plaintiff are not expected to exceed \$1,200,000. The Company's liability insurance carrier has undertaken the defense of the Kable Defendants under a reservation of rights and the lawsuit is being vigorously defended. The Company is not in a position to predict the outcome of the lawsuit. Therefore, the range of possible loss is from zero to \$1,200,000.

B. In November 2008, a lawsuit entitled Alpinist, et al. v. Haan, et al. was filed in the Circuit Court of the Fifteenth Judicial Circuit, Ogle County, Illinois, by a magazine publisher and a number of insurance companies as the subrogees of other magazine publishers. The defendants were Kable News and the warehouse owner and the temporary staffing company referred to in the lawsuit description in A above. The lawsuit sought damages for property stored by Kable News in the warehouse that was destroyed in the fire referred to in A above. Subsequently, a third party claim for contribution was asserted by the warehouse owner against the architectural and engineering company referred to in A above and third party claims were asserted by the other defendants against Kable News, the

A-18

Company and two other subsidiaries of the Company. Plaintiffs' claims specific to Kable News are based on allegations of negligence, breach of contract and willful and wanton misconduct. The lawsuit has been dismissed as to a number of plaintiffs without any damages being paid by Kable News. There are two remaining plaintiffs and their damage claims total approximately \$800,000. Kable News is vigorously defending the lawsuit and in June 2010 its motion to dismiss the two plaintiffs' claims against it on substantive grounds was granted. The possibility of an appeal of the dismissal exists and the other defendants' third party claims against Kable News, the Company and its other subsidiaries remain; however, in June 2011 the parties reached an agreement in principle to settle the lawsuit. The Company's liability insurance carrier has agreed to pay the share of the agreed upon settlement payment allocable to the Company and its subsidiaries.

C. In December 2009, Kable News received a demand for arbitration by the American Arbitration Association from Nest, LLC, another publisher which had copies of magazines and a book stored at the warehouse that were destroyed in the fire referred to in A. above. 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. The Company's property insurance carrier is providing the defense in this proceeding. Kable News is vigorously defending the proceeding and believes it has meritorious defenses to the asserted value of the loss. The arbitration hearing has yet to be scheduled. The Company is not in a position to predict the outcome of this proceeding. Therefore, after considering the amount of available insurance coverage, the range of possible loss is from zero to \$425,000.

D. 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 has 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 have filed a Notice of Appeal in the U.S. Court of Appeals for the Second Circuit. Briefs have been filed by all parties. No further activity is expected until the appeal is argued and decided. The Company is not in a position to predict the outcome of the lawsuit, nor can it estimate a range of possible losses.

E. In March 2010, an action was commenced in the United States District Court for the Southern District of Florida entitled vTRAX Technologies Licensing, Inc. v. Siemens Communications, Inc., et al., in which a Company subsidiary, Palm Coast Data LLC ("Palm Coast"), is one of the defendants. The complaint alleges that the plaintiff is the owner of a patent covering a method and computer program for the operation of a call center system and that the patent is being infringed by each of the defendants, and seeks injunctive relief and damages. Palm Coast acquired its call center system from a co-defendant's predecessor-in-interest. Palm Coast has filed its answer denying infringement of the patent and has raised counterclaims challenging both the infringement allegations and the validity of the patent. Discovery in the lawsuit has not been completed. Palm Coast has vigorously defended the lawsuit. In June 2011, the Court granted plaintiff's counsel's motion for leave to withdraw from the case. Because the governing rules require corporations which are parties to a case to be represented by counsel, the Court then dismissed the plaintiff's case without prejudice to its right to reassert its claim in a new lawsuit when it obtained counsel. The Company is not

in a position to predict if plaintiff will again bring its case or the outcome should the plaintiff do so nor to estimate the cost to the Company should plaintiff's claim against Palm Coast be reasserted and upheld.

F. 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 that has been 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,

A-19

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 its earliest stage and it is too soon to offer a prediction as to its outcome or a range of possible losses.

G. 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. [Reserved]

Executive Officers of the Registrant

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

Name	Office Held / Principal Occupation for Past Five Years	Age
Peter M. Pizza	Vice President and Chief Financial Officer of the Company since 2001; Vice President and Controller of the Company from 1997 to 2001.	60
Irving Needleman	Vice President, General Counsel and Secretary of the Company since November 2006. Of counsel to the law firm of McElroy, Deutsch, Mulvaney & Carpenter, LLP from September 2005 to October 2006. Partner in the law firm of Jacobs Persinger & Parker for more than one year prior to September 2005.	73
Michael P. Duloc	President and Chief Executive Officer of Kable Media Services, Inc. since June 1, 2007; President of Kable's Newsstand Distribution Services business since 1996 and Chief Operating Officer of that business from that date until June 2007; President and Chief Operating Officer of Kable's Fulfillment Services business from 2000 until January 2007.	54
John F. Meneough	President of Palm Coast Data LLC since 2002 and President of its predecessor companies since 1996.	63

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

The Company's common stock is traded on the New York Stock Exchange under the symbol "AXR". On June 30, 2011, there were approximately 820 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
2011	\$15.32	\$11.90	\$13.89	\$9.96	\$14.62	\$9.64	\$13.07	\$9.35
2010	\$20.60	\$9.70	\$15.39	\$11.04	\$14.79	\$12.09	\$15.75	\$13.38

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 2011 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 & Pullen, 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,				
	2011(a)	2010(b)	2009(c)	2008	2007
	(In thousands, except per share amounts)				
Financial Summary:					
Revenues	\$ 96,837	\$ 120,498	\$ 145,901	\$ 172,061	\$ 204,839
Income (Loss) from Continuing Operations	\$ (7,561)	\$ (9,480)	\$ (43,466)	\$ 13,762	\$ 46,697
Income (Loss) from Discontinued Operations, net of tax	\$ -	\$ -	\$ -	\$ (57)	\$ (1,591)
Net Income (Loss)	\$ (7,561)	\$ (9,480)	\$ (43,466)	\$ 13,705	\$ 45,106
Total Assets	\$ 190,040	\$ 211,509	\$ 227,652	\$ 284,951	\$ 292,659
Capitalization:					
Shareholders' Equity	\$ 78,946	\$ 86,567	\$ 96,281	\$ 145,056	\$ 160,004
Notes Payable	\$ 23,985	\$ 28,654	\$ 37,936	\$ 25,980	\$ 32,299
Per Share:					
Earnings (Loss) from Continuing Operations	\$ (1.26)	\$ (1.58)	\$ (7.25)	\$ 2.20	\$ 7.02
Income (Loss) from Discontinued Operations	\$ -	\$ -	\$ -	\$ (0.01)	\$ (0.24)
Earnings (Loss) - Basic and Diluted	\$ (1.26)	\$ (1.58)	\$ (7.25)	\$ 2.19	\$ 6.78

Edgar Filing: AMREP CORP. - Form 10-K

Book Value	\$ 13.17	\$ 14.44	\$ 16.06	\$ 24.20	\$ 24.05
Cash Dividend	\$ -	\$ -	\$ -	\$ 1.00	\$ 0.85
Shares Outstanding, End of Year	5,996	5,996	5,996	5,995	6,654

- (a) 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 9 to the consolidated financial statements included in this annual report on Form 10-K for further information.
- (b) 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 9 to the consolidated financial statements included in this annual report on Form 10-K for further information.
- (c) Includes a pre-tax charge of \$50,246 related to the impairment of goodwill (\$41,557 after tax, or \$6.93 per share). See Note 9 to the consolidated financial statements included in this annual report on Form 10-K for further information.

A-21

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

7.

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 Real Estate business operated by AMREP Southwest Inc. and its subsidiaries (collectively, "AMREP Southwest"), the Subscription Fulfillment Services business operated by Palm Coast Data LLC ("Palm Coast"), and the Newsstand Distribution Services business and the Product Services and Other businesses operated by Kable Media Services, Inc. and its subsidiaries ("Kable") (the businesses being operated by Palm Coast and Kable are collectively referred to as "Media Services" or "Media services"). Data concerning industry segments is set forth in Note 19 of the notes to the consolidated financial statements. 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 2011, 2010 and 2009 mean the Company's fiscal years ended April 30, 2011, 2010 and 2009, 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 \$100,000; (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

A-22

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 (including goodwill, which is based on the fair value of reporting units) are based upon the intended use of assets and expected future cash flows; (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, 2011, 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 \$52,000 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 \$36,000; (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 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. 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, 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 results for 2011 was a net loss 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 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 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 30% fewer single-family residential building permits issued during fiscal 2011 than in fiscal 2010. 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. These factors reflected the steep decline in the Company's sale of undeveloped land to both builders and investors.

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 the types of properties sold relative to the total acreage 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. Should the adverse real estate market conditions continue, AMREP Southwest may experience future impairment charges.

Revenues from the Company's Media Services operations decreased from \$115,016,000 for 2010 to \$94,963,000 for 2011. Magazine publishers are the principal customers of these operations, and they have continued to be impacted by the effects of the recent recession and also from increased competition from new media sources. This has resulted in reduced subscription and newsstand sales, which in turn has 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

A-23

\$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 has been 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 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 by a decrease in revenues from the specialty packaging 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 was 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 much 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.

Operating expenses for the Company's Media Services businesses were \$77,972,000 (82.1% of related revenues) for 2011