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AMREP CORP  
Form 10-Q  
September 14, 2006

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

FORM 10-Q

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

For the quarterly period ended July 31, 2006

OR

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

For the transition period from to

Commission File Number 1-4702

AMREP Corporation

(Exact name of registrant as specified in its charter)

Oklahoma

59-0936128

(State or other jurisdiction of  
incorporation or organization)

(IRS Employer  
Identification No.)

212 Carnegie Center, Suite 302, Princeton, New Jersey

08540

(Address of principal executive offices)

(Zip Code)

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

Not Applicable

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

X

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

Yes \_\_\_\_\_ No  \_\_\_\_\_

Number of Shares of Common Stock, par value \$.10 per share, outstanding at July 31, 2006 - 6,645,112.

## AMREP CORPORATION AND SUBSIDIARIES

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## PART I. FINANCIAL INFORMATION

Item 1. Financial Statements  
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AMREP CORPORATION AND SUBSIDIARIES  
Consolidated Balance Sheets (Unaudited)  
(Thousands, except par value and number of shares)

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	July 31, 2006
<hr/>	
ASSETS:	
Cash and cash equivalents	\$ 95,181
Restricted cash	7,783
Receivables, net:	
Real estate operations	10,097
Media services operations	43,252
	<hr/> 53,349
Real estate inventory	42,098
Investment assets - net	9,634
Property, plant and equipment, net	10,401
Other assets, net	16,057
Goodwill	5,191
	<hr/>
TOTAL ASSETS	\$ 239,694
	<hr/> <hr/>
LIABILITIES AND SHAREHOLDERS' EQUITY:	
LIABILITIES:	
Accounts payable and accrued expenses	\$ 70,916
Deferred revenue	7,928
Dividends payable	5,648
Notes payable:	
Amounts due within one year	1,653
Amounts subsequently due	2,744
	<hr/> 4,397
Taxes payable	7,517
Deferred income taxes	10,865
Accrued pension cost	3,284
	<hr/>
TOTAL LIABILITIES	110,555
	<hr/>
SHAREHOLDERS' EQUITY:	
Common stock, \$.10 par value;	
Shares authorized - 20,000,000; 7,418,704 shares issued	
at July 31, 2006 and 7,417,204 at April 30, 2006	741
Capital contributed in excess of par value	45,785
Retained earnings	92,031
Accumulated other comprehensive loss, net	(4,072)
Treasury stock, at cost; 773,592 shares at July 31, 2006	
and at April 30, 2006	(5,346)
	<hr/>
TOTAL SHAREHOLDERS' EQUITY	129,139
	<hr/>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 239,694
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See notes to consolidated financial statements.

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AMREP CORPORATION AND SUBSIDIARIES  
 Consolidated Statements of Operations and Retained Earnings (Unaudited)  
 Three Months Ended July 31, 2006 and 2005  
 (Thousands, except per share amounts)

	2006
REVENUES:	
Real estate operations - land sales	\$ 32,490
Media services operations	20,827
Interest and other	4,952
	58,269
COSTS AND EXPENSES:	
Real estate cost of sales - land sales	11,467
Operating expenses:	
Media services operating expenses	18,162
Real estate commissions and selling	424
Other operations	327
General and administrative:	
Media services operations	1,730
Real estate operations and corporate	982
Interest expense	91
	33,183
Income from continuing operations before income taxes	25,086
PROVISION FOR INCOME TAXES FROM CONTINUING OPERATIONS	9,282
INCOME FROM CONTINUING OPERATIONS	15,804
INCOME FROM OPERATIONS OF DISCONTINUED BUSINESS (NET OF INCOME TAXES)	-
NET INCOME	15,804
RETAINED EARNINGS, beginning of period	81,875
DIVIDEND PAYABLE	(5,648)
RETAINED EARNINGS, end of period	\$ 92,031
EARNINGS PER SHARE - BASIC AND DILUTED:	
CONTINUING OPERATIONS	\$ 2.38
DISCONTINUED OPERATIONS	-
EARNINGS PER SHARE - BASIC AND DILUTED	\$ 2.38
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	6,644

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See notes to consolidated financial statements.

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AMREP CORPORATION AND SUBSIDIARIES  
 Consolidated Statements of Cash Flows (Unaudited)  
 Three Months Ended July 31, 2006 and 2005  
 (Thousands)

	2006
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 15,804
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,447
Non-cash credits and charges:	
Pension expense accrual	50
Provision for doubtful accounts	74
Gain on disposition of assets	(4,107)
Changes in assets and liabilities:	
Receivables	(1,691)
Real estate inventory	5,435
Other assets	(1,186)
Accounts payable and accrued expenses	31,534
Deferred revenue	187
Taxes payable	2,969
Deferred income taxes	1,715
Total adjustments	36,427
Net cash provided by operating activities	52,231
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures:	
Property, plant, and equipment	(608)
Investment assets	(70)
Proceeds from disposition of assets	6,135
Restricted cash	(7,783)
Net cash provided (used) by investing activities	(2,326)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from debt financing	6,232
Principal debt payments	(7,851)
Exercise of stock options	13
Net cash (used) by financing activities	(1,606)
Increase in cash and cash equivalents	48,299
CASH AND CASH EQUIVALENTS, beginning of period	46,882
CASH AND CASH EQUIVALENTS, end of period	\$ 95,181
SUPPLEMENTAL CASH FLOW INFORMATION:	
Interest paid - net of amounts capitalized	\$ 91

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Income taxes paid - net of refunds	\$ 4,598
Non-cash transaction - Dividend payable	\$ 5,648

See notes to consolidated financial statements.

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AMREP CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Unaudited)  
Three Months Ended July 31, 2006 and 2005

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

The unaudited consolidated financial statements herein should be read in conjunction with the Company's annual report on Form 10-K for the year ended April 30, 2006 that was previously filed with the Securities and Exchange Commission.

(2) Restricted Cash  
-----

Restricted cash consists of amounts held in escrow that was received in connection with (i) sales of non-inventory assets that are identified as "1031 Exchange assets" and which amount is restricted pending the purchase or identification of replacement assets (\$6,162,000) and (ii) certain land sales accounted for under the "percentage of completion method" and which amount is restricted for the payment of land development work that the Company is required to complete (\$1,621,000).

(3) Receivables  
-----

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

	July 31, 2006	April 30, 2006
Fulfillment Services	\$ 20,201	\$ 20,266
Newsstand Distribution Services, net of estimated returns	24,557	18,409

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	\$ 44,758	\$ 38,675
Allowance for doubtful accounts	(1,506)	(1,535)
	-----	-----
	\$ 43,252	\$ 37,140
	=====	=====

Newsstand Distribution Services accounts receivable are net of estimated magazine returns of \$49,574,000 and \$54,071,000 at July 31, 2006 and April 30, 2006. In addition, pursuant to an arrangement with one publisher customer of the Newsstand Distribution Services segment under which the publisher has guaranteed the Company's credit risk with respect to the collection of related accounts receivable from wholesalers to whom the Company has distributed the publisher's magazines by allowing an offset of past due or uncollectible amounts (as defined) from wholesalers against amounts due the publisher, the Company has the ultimate right of offset, and has offset \$26,283,000 and \$20,368,000 of accounts receivable against the related accounts payable at July 31, 2006 and April 30, 2006.

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(4) Property, plant and equipment

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

	July 31, 2006	April 30, 2006
	-----	-----
Land, buildings and improvements	\$ 4,257	\$ 4,397
Furniture and equipment	30,669	30,117
Other	84	96
	-----	-----
	35,010	34,610
Less accumulated depreciation	(24,609)	(23,731)
	-----	-----
	\$ 10,401	\$ 10,879
	=====	=====

(5) Other Assets

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

	July 31, 2006	April 30, 2006
	-----	-----
Software development costs	\$ 8,129	\$ 7,787
Deferred order entry costs	3,850	3,872
Prepaid expenses	2,820	2,137
Other	4,032	3,841
	-----	-----
	18,831	17,637
Less accumulated amortization	(2,774)	(2,399)
	-----	-----

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\$ 16,057      \$ 15,238  
 =====

Software development costs include internal and external costs of the development of new or enhanced software programs and are generally amortized over five years. Deferred order entry costs represent costs incurred in connection with the data entry of customer subscription information to data base files and are charged directly to operations over a 12-month period. Other includes the acquisition costs of certain customer contracts that are amortized over periods that generally range from three to five years.

(6) Accounts Payable and Accrued Expenses  
 -----

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

	July 31, 2006	April 30, 2006
	-----	-----
Publisher payables, net	\$ 59,310	\$ 27,273
Accrued expenses	4,279	4,320
Trade payables	2,246	2,602
Other	5,081	5,187
	-----	-----
	\$ 70,916	\$ 39,382
	=====	=====

Publisher payables increased from April 30, 2006 to July 31, 2006 as a result of additional magazine purchases by the Company under an arrangement with a publisher customer of the Newsstand Distribution Services business that commenced in April 2006. In addition, as discussed more fully in note 3,

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pursuant to this arrangement the Company has offset \$26,283,000 and \$20,368,000 of accounts receivable against the related accounts payable at July 31, 2006 and April 30, 2006.

(7) Discontinued operations  
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Net income from discontinued operations in the three months ended July 31, 2005 reflects the gain from the disposition of the primary assets of the Company's El Dorado, New Mexico water utility subsidiary, which were taken through condemnation proceedings.

(8) Information About the Company's Operations in Different Industry  
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Segments  
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The following tables set forth summarized data relative to the industry segments for continuing operations in which the Company operated for the three-month periods ended July 31, 2006 and 2005.

THREE MONTHS:

Newsstand



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	Real Estate Operations	Fulfillment Services	Distribution Services	Corporate
July 2006 (Thousands):				
Revenues	\$ 37,092	\$ 17,572	\$ 3,255	\$ 350
Operating and G&A expenses	12,599	16,993	2,899	601
Management fee (income)	250	206	42	(498)
Interest expense, net	-	125	(34)	-
Pretax income contribution from continuing operations	\$ 24,243	\$ 248	\$ 348	\$ 247
Identifiable assets	\$ 82,140	\$ 43,437	\$ 57,557	\$ 51,369
Intangible assets	\$ -	\$ 1,298	\$ 3,893	\$ -
July 2005 (Thousands):				
Revenues	\$ 7,689	\$ 18,544	\$ 3,611	\$ 170
Operating and G&A expenses	5,711	17,845	2,822	636
Management fee (income)	249	213	36	(498)
Interest expense, net	-	110	30	-
Pretax income contribution from continuing operations	\$ 1,729	\$ 376	\$ 723	\$ 32
Identifiable assets	\$ 76,510	\$ 43,189	\$ 32,036	\$ 32,559
Intangible assets	\$ -	\$ 1,298	\$ 3,893	\$ -

(9) New and Emerging Accounting Standards

The Financial Accounting Standards Board ("FASB") has issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes, and provides guidance for recognizing and measuring tax positions taken or that are expected to be taken in a tax return that directly or indirectly affect amounts reported in the financial statements. FIN 48 also provides accounting guidance for related income tax effects of tax positions that do not meet the recognition threshold specified in this interpretation. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the application of FIN 48 to determine the potential impact on its financial statements.

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

INTRODUCTION

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The Company, through its subsidiaries, is primarily engaged in three business segments: the Real Estate business operated by AMREP Southwest Inc. and its subsidiaries (collectively, "AMREP Southwest") and the Fulfillment Services and Newsstand Distribution Services businesses operated by Kable Media Services, Inc. and its subsidiaries (collectively, "Kable"). 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. The Company's fiscal year ends on April 30, and all references in this Item 2 to the first quarter or first three months of 2007 and 2006 mean the three month periods ended July 31, 2006 and July 31, 2005.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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Management's discussion and analysis of financial condition and results of operations is based on the accounting policies used and disclosed in the 2006 consolidated financial statements and accompanying notes that were prepared in accordance with accounting principles generally accepted in the United States of America and included as part of the Company's annual report on Form 10-K for the year ended April 30, 2006 (the "2006 Form 10-K"). The preparation of those financial statements required management to make estimates and assumptions that affected the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual amounts or results could differ from those estimates.

The significant accounting policies of the Company are described in Note 1 to the 2006 consolidated financial statements, and the critical accounting policies and estimates are described in Management's Discussion and Analysis included in the 2006 Form 10-K. There have been no changes in the critical accounting policies. Information concerning the implementation and the impact of new accounting standards issued by the Financial Accounting Standards Board is included in the notes to the 2006 consolidated financial statements. The Company did not adopt any accounting policy in the first three months of fiscal 2007 that had a material impact on its financial condition, liquidity or results of operations.

### RESULTS OF OPERATIONS

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For the first quarter of fiscal 2007, net income was \$15,804,000, or \$2.38 per share, compared to net income of \$5,364,000, or \$0.81 per share, in the first quarter of the prior fiscal year. Results for the first quarter of 2007 were entirely from continuing operations, while last year's results consisted of net income from continuing operations of \$1,802,000, or \$0.27 per share, and net income from discontinued operations of \$3,562,000, or \$0.54 per share. Revenues were \$58,269,000 in the first quarter this year versus \$30,014,000 in the first quarter of fiscal 2006.

Revenues from land sales at AMREP Southwest were \$32,491,000 in the first quarter of 2007 compared to \$7,409,000 in the same quarter last year. This substantial revenue increase was primarily due to increased sales of both developed and undeveloped lots in the Company's principal market of Rio Rancho,

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New Mexico, where interest in the Company's landholdings did not appear to be impacted by the slowdown in housing that has been reported in many parts of the country. Revenues from the sale of developed and undeveloped lots increased from \$6,150,000 and \$1,259,000 in the first quarter of 2006 to \$14,503,000 and \$14,694,000 in the same period of 2007. In addition, revenues from the sale of commercial and industrial properties were \$3,293,000 in the first three months of 2007 versus no sales of such properties in the first quarter of 2006. The average gross profit percentage on land sales increased from 36% in the first quarter of 2006 to 65% in the same period this year, primarily reflecting a greater proportion of sales of undeveloped lots in the first quarter of 2007. Revenues and related gross profits from land sales can vary significantly from period to period as a result of many factors, including the nature and timing of specific transactions, and prior results are not necessarily a good indication of what may occur in future periods.

Interest and other revenues increased from \$450,000 in the first quarter of 2006 to \$4,952,000 in the current year period as a result of the sale of certain of AMREP Southwest's non-inventory real estate assets, including the Company's office building in Rio Rancho, which in the aggregate contributed a pretax gain of \$4,107,000.

Revenues from Kable's Media Services operations decreased approximately 6%, from \$22,155,000 in the first quarter of 2006 to \$20,827,000 in the same period of the current year. This decrease was the combined result of a \$972,000 revenue decline (5%) in the Fulfillment Services segment and a \$356,000 revenue decline (10%) in the Newsstand Distribution Services segment. The revenue decline in the Fulfillment Services segment was primarily due to previously-reported customer losses at Kable's Colorado fulfillment operation that occurred in earlier periods but that still affected the comparison with last year's first quarter. The revenue decrease in the Newsstand Distribution Services segment reflected a modest decrease in the distribution sales volume from existing customers and a decrease in the average commission rate earned by Kable, partly offset by commissions earned under a distribution arrangement with a new publisher customer that commenced in the fourth quarter of 2006. Media services operating expenses decreased by \$343,000 (2%) for the first quarter of 2007 compared to the same period of 2006, primarily due to decreased expenses in the Fulfillment Services business of \$497,000 (3%) relating in part to reductions in variable expenses, including payroll and benefits, which were offset in part by an increase in Newsstand Distribution Services operating costs of \$154,000 (7%) in the same period because of additional costs, principally payroll, associated with the new distribution arrangement referred to above.

Real Estate commissions and selling expenses increased from \$266,000 in the first quarter of 2006 to \$424,000 in the first quarter of the current year as a result of the increased land sales, representing approximately 3.6% and 1.3% of related land sale revenues in each period. Such costs generally vary depending upon the terms of specific sale transactions. There was no significant variation in the total of real estate and corporate general and administrative expenses between the first quarters of 2006 and 2007, while general and administrative costs of magazine operations decreased by \$432,000 (20%) in the first quarter of 2007 compared to the prior year period as a result of cost reductions, principally in the Fulfillment Services segment.

### LIQUIDITY AND CAPITAL RESOURCES

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

### Cash Flows From Financing Activities

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AMREP Southwest has a loan agreement with a bank with a maximum borrowing capacity of \$10,000,000 that may be used to support real estate development in New Mexico. The loan is unsecured and bears interest at the bank's prime rate

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less 0.75% or, at the borrower's option, a LIBOR-based interest rate plus 2.0%. At July 31, 2006, there were no balances outstanding under this facility. The credit agreement contains certain covenants, the most significant of which limit other borrowings and require the maintenance of a minimum tangible net worth (as defined) and a certain level of unencumbered inventory. This credit arrangement expires in October 2008.

The companies within Kable's Media Services operations have a credit arrangement with a bank that matures in 2010 and allows separate revolving credit borrowings of up to \$11,000,000 for Fulfillment Services and up to \$9,000,000 for Newsstand Distribution Services, in each case based upon a prescribed percentage of the borrower's eligible accounts receivable. Each separate credit line is collateralized by substantially all of the borrower's assets (consisting principally of accounts receivable and machinery and equipment) and bears interest at the bank's prime rate (8.25% at July 31, 2006) or, at the borrower's option, a reserve adjusted overnight or 30-day LIBOR-based interest rate (5.34% at July 31, 2006) plus, in either case, a margin established quarterly of from 1.75% to 2.50% depending upon the borrower's funded debt to EBITDA ratio, as defined. The credit arrangement requires the maintenance or achievement of certain financial ratios and contains certain financial covenants, the most significant of which limit the amount of dividends and other payments that may be made by the borrowers to their parent or other affiliates, as well as capital expenditures and other borrowings. At July 31, 2006, the borrowing availabilities of the Fulfillment Services and Newsstand Distribution Services businesses were \$10,285,000 and \$9,000,000, against which no amounts were outstanding.

In May, 2006, the Media Services operations credit agreement was amended to provide for an additional \$10,000,000 revolving facility to a subsidiary of the Distribution Services business on the same terms (except for the amount borrowable and the use of proceeds) as the credit arrangement described above for that business. The proceeds of borrowings under this arrangement may be used only to pay accounts payable under a magazine distribution agreement with one publisher customer. Subject to such maximum loan amount, up to 40% of the amount of the borrower's accounts receivable from the distribution of magazines covered by the distribution agreement with that customer may be borrowed. There were no outstanding borrowings under this arrangement at July 31, 2006.

In addition, the Media Services operations credit agreement provides for term loans for capital expenditures also secured by substantially all of the borrower's assets. At July 31, 2006, \$3,182,000 of term loans with a weighted average interest rate of 6.2% maturing in installments to 2010 were outstanding and an additional \$2,007,600 remained available for future borrowings.

On July 14, 2006, the Board of Directors declared a special cash dividend of \$0.85 per common share payable on August 16, 2006 to shareholders of record at the close of business on July 31, 2006. The Board has stated 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. Notwithstanding such statement and the status of such future conditions, no assurance is given that there will be any such future dividends declared or that future dividend declarations, if any, will be commensurate in amount or frequency with past dividends.

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### Cash Flows From Operating Activities

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Receivables from the Media Services operations increased from \$37,140,000 at April 30, 2006 to \$43,252,000 at July 31, 2006, primarily due to the timing of cash collections as well as an increase in gross billings in the first quarter of 2007 compared to the fourth quarter of 2006.

Inventory amounted to \$42,098,000 at July 31, 2006 compared to \$47,533,000 at April 30, 2006. Inventory in the Company's core real estate market of Rio Rancho was \$35,475,000 at July 31, 2006 and \$40,820,000 at April 30, 2006. The balance of inventory consisted of property in Colorado.

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Investment assets, net decreased from \$11,586,000 at April 30, 2006 to \$9,634,000 at July 31, 2006, primarily as the result of the sale of the Company's office building in Rio Rancho, New Mexico.

Deferred revenue relates to consideration received on certain real estate land sales which are accounted for under the percentage of completion method and which will be recognized as revenue as the Company completes land development work for which it remains obligated.

Accounts payable and accrued expenses increased from \$39,382,000 at April 30, 2006 to \$70,916,000 at July 31, 2006 as a result of an increase in the amounts due publishers under a new distribution arrangement with a new publisher customer of the Newsstand Distribution Services business that commenced in April 2006. This increase in accounts payable was offset by a corresponding increase in cash, since collections for the related magazine distribution to wholesalers under this arrangement had been received by the Company but had not been remitted to the publisher customer at July 31, 2006. In addition, the publisher has guaranteed the Company's ultimate credit risk resulting from the collection of related accounts receivable from wholesalers to whom the Company has distributed the publisher's magazines by allowing an offset of past due or uncollectable amounts (as defined) from wholesalers against amounts due the publisher. Pursuant to this arrangement, the Company has the right of offset and has offset \$26,283,000 and \$20,368,000 of accounts receivable against the related accounts payable at July 31, 2006 and April 30, 2006.

### Cash Flows From Investing Activities

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Capital expenditures amounted to \$678,000 and \$743,000 in the first three months of 2007 and 2006, and were primarily related to computer hardware and software development costs related to Kable's Fulfillment Services business and to capital additions to investment property. The Company believes that it has adequate cash and financing capability to provide for its anticipated future capital expenditures.

### Future Payments Under Contractual Obligations

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The Company is obligated to make future payments under various contracts, including its debt agreements and lease agreements, and it is subject to certain other commitments and contingencies. The table below summarizes significant contractual cash obligations as of July 31, 2006 for the items indicated (in thousands):

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Contractual Obligations	Total	Less than 1 year	1 - 3 years	3 - 5 years	M
Notes payable	\$ 4,397	\$ 1,653	\$ 2,263	\$ 481	\$
Operating leases	24,902	5,648	6,970	4,786	
<b>Total</b>	<b>\$ 29,299</b>	<b>\$ 7,301</b>	<b>\$ 9,233</b>	<b>\$ 5,267</b>	<b>\$</b>

### Risk Factors

In addition to the other information set forth in this report, the factors identified in Part 1, "Item 1A. Risk Factors" in the 2006 Form 10-K could materially affect the business, financial condition or future results of the Company. The risks described in the 2006 Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known or that are deemed to be immaterial also may materially affect the Company's business, financial condition or operating results.

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### Statement of Forward-Looking Information

Certain information included herein and in other Company statements, reports and filings with the Securities and Exchange Commission is forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Refer to Item 7 of the 2006 Form 10-K for a discussion of the assumptions and factors on which these statements are based. Any changes in the actual outcome of these assumptions and factors could produce significantly different results; accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company has several credit facilities or loans that require the Company to pay interest at a rate that may change periodically. These variable rate obligations expose the Company to the risk of increased interest expense in the event of increases in short-term interest rates. At July 31, 2006, there were no outstanding borrowings under these variable rate arrangements so that, as a result, none of the Company's total debt of \$4,397,000 was subject to variable interest rates. Refer to Item 7(A) of the Company's 2006 Form 10-K for additional information regarding quantitative and qualitative disclosures about market risk.

### Item 4. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's chief financial officer and the other executive officers whose certifications accompany this quarterly report, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under

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

### Changes in Internal Control over Financial Reporting

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

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## PART II. OTHER INFORMATION

### Item 6. Exhibits

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#### Exhibits

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- 31.1 Certification required by Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.2 Certification required by Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.3 Certification required by Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 32 Certification required pursuant to 18 U.S.C. Section 1350.

SIGNATURE

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

Date: September 14, 2006 AMREP CORPORATION  
(Registrant)

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

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EXHIBIT INDEX  
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Exhibit No. -----	Description -----
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