

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K/A

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

For the fiscal year ended December 31, 1994

Commission file number: 1-6064

ALEXANDER'S, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

51-01-00517  
(I.R.S. Employer  
Identification No.)

Park 80 West, Plaza II, Saddle Brook, New Jersey  
(Address of principal executive offices)

07663  
(Zip Code)

Registrant's telephone number, including area code: (201) 587-8541

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

Title of each class -----	Name of each exchange on which registered -----
Common Stock, \$1 par value	New York Stock Exchange

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

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  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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/

The aggregate market value of the common stock held by non-affiliates of the Registrant (based upon the closing price of the stock on the New York Stock Exchange on September 18, 1995) was approximately \$130,472,000.

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

5,000,850 shares of the Registrant's common stock, par value \$1 per share, were outstanding as of October 9, 1995.

This Form 10-K/A amends the following items of the Company's Annual Report on Form 10-K previously filed with the Securities and Exchange Commission on March 31, 1995.

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## Item 1. Business

## GENERAL

Alexander's, Inc. ("Alexander's") is a Delaware corporation whose earliest predecessor corporation was organized in 1928. Unless otherwise required by the context, Alexander's and its consolidated subsidiaries are referred to herein as the "Company".

On May 15, 1992 (the "Petition Date"), Alexander's and sixteen of its subsidiaries filed petitions for relief (the "Bankruptcy Cases") under chapter 11 of the United States Bankruptcy Code, 11 U.S.C. Sections 101 et seq. (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). On May 14, 1993, the Company filed a Joint Plan of Reorganization (as amended and restated on July 21, 1993, and modified thereafter, the "Plan"), which allowed the Company to emerge from bankruptcy and continue operating as a real estate company. On September 21, 1993 (the "Confirmation Date"), the Bankruptcy Court confirmed the Plan, which provided for general unsecured creditors of the Company to receive cash in full for their allowed claims, together with interest on such claims, upon the successful effectuation of the Plan.

On March 1, 1995, the Bankruptcy Court approved a \$75 million secured financing, a portion of the proceeds from which were to pay the balance due and owing to the holders of allowed general unsecured claims. On March 15, 1995, the Company paid holders of allowed general unsecured claims in full, together with accrued interest in respect of their claims. Such payments aggregated \$24 million. The Official Committee of Unsecured Creditors has been dissolved and all secured and unsecured creditors having allowed claims in the Bankruptcy Court cases have received the cash payments or debt instruments contemplated to be delivered to them under the Plan. The Bankruptcy Court has retained jurisdiction to resolve the remaining disputed claims and for other limited purposes.

Prior to the Petition Date, the Company engaged in the retail department store business in the New York metropolitan area. The Company has terminated its retail business activities and is now exclusively engaged in the real estate business, which includes leasing, managing, developing and redeveloping real estate properties, focusing primarily on the properties where its department stores were formerly located. The Company intends to focus on maximizing the value of its seven properties located in New York City and New Jersey, all of which are former Alexander's store locations, and its interests in the Kings Plaza Shopping Center (as defined below). The Company believes that its properties offer advantageous retail opportunities, principally because of their size and location in the densely populated New York City metropolitan area where comparable store sites are not readily available.

The Company seeks to increase its income and property values by strategically renovating, expanding and developing its properties. In general, the Company's strategy is to lease each of its properties, under long-term (generally 20 years or longer) leases which provide the Company with fixed rents and also with periodic rent step-ups (generally every five years), to large-space users, typically national or large regional retailers. These leases generally require the tenant to pay for or reimburse the Company for common area charges (including roof and structure), real estate taxes, insurance costs and certain capital expenditures. The Company anticipates that it will take several years to develop and lease certain of its existing Redevelopment Properties (as defined below) and does not currently intend to acquire additional properties.

The Company's ability to operate as a viable real estate company will depend on the successful completion of the development and leasing of a substantial portion of its existing properties, which is a material factor in the Company's ability to meet its debt service requirements.

Three of the Company's properties are 100% leased and the Kings Plaza Mall (as defined below) is 90% occupied (the "Completed Properties") and four properties are in the process of development (the "Redevelopment Properties"). Two of the Redevelopment Properties have been substantially pre-leased pending completion of certain improvements prior to occupancy by the tenants and the Company is in discussions with prospective tenants for the remaining two Redevelopment Properties. The Company's Kings Plaza property consists of the Company's 50% interest in the Kings Plaza Mall, a Completed Property, as well as the Company's former anchor store, a Redevelopment Property. Upon completion of the development of the Redevelopment Properties as currently contemplated, the Company estimates that its properties (other than the Lexington Avenue property) will have approximately 2.1 million square feet of leasable space. The Company's major retail tenants include The Caldor Corporation ("Caldor") and a subsidiary of Conway Stores Inc. ("Conway"). The major retail tenants with whom the Company currently has signed leases that will commence upon completion of development of the Redevelopment Properties include Sears, Roebuck & Company ("Sears"), Waban, Inc., which owns and operates B.J.'s Wholesale Clubs ("B.J.'s Wholesale Clubs"), Home Depot U.S.A., Inc. ("Home Depot"), Marshalls ("Marshalls") and Caldor. See "Business -- Properties -- Paramus."

The Company intends to elect to be taxed as a real estate investment trust ("REIT") under sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), effective for the taxable year ended December 31, 1995. To qualify for taxation as a REIT, the Company must meet various federal income tax law requirements. In general, a REIT that distributes to its stockholders at least 95% of its taxable income for a taxable year and that meets certain other conditions will not be taxed on income distributed that year. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates, and distributions to its stockholders in any year in which the Company fails to so qualify will not be deductible by the Company in computing its taxable income, nor generally will they be required to be made under the Code. See "Business -- Reconstitution as a REIT."

Effective March 2, 1995, the Company engaged Vornado Realty Trust ("Vornado") to act for it in the management and direction of virtually all of its business affairs pursuant to the Management and Development Agreement between the Company and Vornado dated February 6, 1995 (the "Management and Development Agreement"). Under the Management and Development Agreement, the term of which is three years, Vornado will provide the Company with strategic and day-to-day management services, including operation, maintenance, management, design, planning, construction and development of the Redevelopment Properties. In addition, pursuant to a Real Estate Retention Agreement dated July 20, 1992 (the "Retention Agreement"), Vornado will continue to act as the Company's exclusive leasing agent. See "Business -- Management." Pursuant to the Management and Development Agreement, Steven Roth, a director of the Company and the Chairman and Chief Executive Officer of Vornado, a New York Stock Exchange listed real estate investment trust and an affiliate of the Company, became the Chief Executive Officer of the Company on March 2, 1995.

Vornado is a fully integrated real estate company with significant experience in the ownership, development, redevelopment, leasing, operation and management of retail and industrial properties. As of December 31, 1994, Vornado owned fifty-six shopping centers, eight warehouse/industrial properties and one office building, containing 11.6 million square feet, in the aggregate, primarily located in the Midatlantic and Northeast regions of the United States. In the early 1980's, Mr. Roth and the present management of Vornado converted its Two Guys discount department store chain into a full service real estate company. The Company seeks to capitalize on Vornado's extensive real estate expertise and relationships with numerous retail tenants to successfully develop or redevelop the Company's Redevelopment Properties and lease all of its properties. As of March 2, 1995, Mr. Roth, Interstate Properties ("Interstate"), a New Jersey general partnership of which Mr. Roth is the managing general partner, and Vornado owned in the aggregate 56.4% of the outstanding shares of common stock of the Company (the "Common Shares"). Mr. Roth owns 4.1% of Vornado and Vornado owns 29.3% of the Company's Common Shares. Mr. Roth, Interstate and the other two general partners of Interstate own, in the aggregate, 36.6% of the outstanding common shares of beneficial interest of Vornado. See "Security Ownership of Certain Beneficial Owners and Management" for a description of the beneficial ownership of the Company's Common Shares.

The Company's principal executive and administrative office facilities are located at 31 West 34th Street, New York, New York.

## PROPERTIES

The Company's properties are all located in mature, densely populated areas in New York City and Paramus, New Jersey. These properties are former Alexander's department store locations, ranging in size from approximately 170,000 to 590,000 square feet of retail space. The Company believes that its properties offer advantageous retail opportunities, principally because of their size and location in the densely populated New York metropolitan area, where comparable store sites are not readily available.

The following table shows the location, approximate size and leasing status as of March 31, 1995 of each of the Company's properties.

Property -----	Ownership -----	Approximate Building Square Footage(1) -----	Leasing Status -----
<b>COMPLETED PROPERTIES</b>			
Fordham Road Bronx, NY	Owned	303,000	100% leased to Caldor.
Flushing Queens, NY	Leased(2)	177,000	100% subleased to Caldor.
Third Avenue Bronx, NY	Owned	173,000	100% leased to a subsidiary of Conway.
Kings Plaza Mall Brooklyn, NY	50% Owned	427,000(3)	90% occupied by approximately 120 tenants.
<b>REDEVELOPMENT PROPERTIES</b>			
Rego Park Queens, NY	Owned	(a) 359,000	(a) One square block 100% leased to Sears, Caldor and Marshalls. Rents expected to commence by March 1, 1996.(4)
		(b) Not applicable	(b) One and one-half square blocks of vacant land currently zoned residential including one-half square block having a retail zoning overlay.
Paramus Paramus, NJ	Owned(5)	--	Ground leases executed with Home Depot and B.J.'s Wholesale Clubs subject to certain conditions which are not likely to be met if the proposed condemnation discussed in Note 5 occurs.(4)
Kings Plaza Store Brooklyn, NY	Owned	320,000	Discussions with potential tenants.
Lexington Avenue New York, NY	92.36% Owned(6)	591,000(7)	Discussions with potential tenants.

(1) Excludes parking garages.

(2) Leased to the Company through January 2027.

(3) Excludes approximately 150,000 square feet of enclosed, common area space.

- (4) The commencement of the leases is subject to certain conditions, including the construction of certain improvements. See "Business -- Properties."
- (5) The Company has entered into ground leases pursuant to which Home Depot and B.J.'s Wholesale Clubs would each construct a building containing approximately 150,000 and 116,000 square feet, respectively. The commencement of the ground leases with respect to the Paramus property is subject to certain conditions, including the receipt of certain government approvals, the demolition of the existing building and the completion of site work. In addition, the Company intends to construct a third building containing approximately 87,000 square feet on the property which will require the receipt of certain government approvals. The State of New Jersey has notified the Company of its intention to condemn a portion of the Paramus property and has conducted an appraisal, the results of which have not yet been communicated to the Company. If the condemnation occurs, the Company will be required to change its development plans and Home Depot and B.J.'s Wholesale Clubs will not be obligated under their current leases. The Company is considering alternative development plans and the time and cost to develop the Paramus property may materially increase.
- (6) The Lexington Avenue property is owned by Seven Thirty One Limited Partnership (the "Partnership"), of which a wholly owned subsidiary of the Company (the "General Partner") is both the sole general partner and a limited partner. The Company, which is also a limited partner, together with the subsidiary own a 92.36% interest in the Partnership. The remaining 7.64% partnership interests are owned by the 731 Limited Partners as limited partners (as defined below). See "Business -- Properties -- Lexington Avenue" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- 1995 Financings -- 731 Limited Partnership".
- (7) The Lexington Avenue property is comprised of the Main Building, containing approximately 418,000 square feet, and several smaller buildings, containing approximately 173,000 square feet.

#### Fordham Road

The Company owns the Fordham Road property, which is located at the intersection of Fordham Road and the Grand Concourse in the Bronx, New York. The property includes a six-floor building containing approximately 303,000 square feet located in the center of a shopping complex in one of the busiest shopping areas of the Bronx.

The Company net leased the Fordham Road property to Caldor. The lease commenced in April 1993 and expires in March 2013 (March 2028 including renewal option). It currently provides for annual base rent per square foot of \$11.67 and for percentage rent. Caldor has invested a substantial amount in refurbishing the Fordham Road store, including the installation of new heating and lighting systems, escalators and elevators.

#### Flushing

The Flushing property is located on Roosevelt Avenue and Main Street in the downtown, commercial section of Flushing, Queens. Roosevelt Avenue and Main Street are active shopping districts with many national retailers located in the area. A subway entrance is located directly in front of the property with bus service across the street. It comprises a four-floor building containing 177,000 square feet and a parking garage.

The Company leases the Flushing property from its owner under a long-term lease. Under the lease, the Company is obligated to pay rent to the owner of the Flushing property in the amount of \$496,000 per year through January 1997, \$331,000 per year from January 1997 through 2007, \$220,000 per year from January 2007 through 2017 and \$147,000 per year from January 2017 through January 2027.

The Company net subleased the Flushing property (other than the portion currently being used as a parking garage) to Caldor. The lease commenced in April 1993 and expires in January 2027. It currently provides for annual base rent per square foot of \$14.97 and for percentage rent.



The parking garage, which was not subleased to Caldor, provides parking for approximately 343 cars and currently generates approximately \$135,000 of annual revenues (before expenses of approximately \$100,000).

#### Third Avenue

The Company owns the Third Avenue property, a four-floor building and a small surface parking lot located at the intersection of Third Avenue and 152nd Street in the Bronx, New York. The store is located in a densely populated neighborhood.

The Third Avenue property is net leased to a subsidiary of Conway, a New York area discount retailer. The lease commenced in May 1993 and expires in April 2023. It currently provides for annual base rent per square foot of \$6.65.

#### Kings Plaza Shopping Center

The Kings Plaza Shopping Center and Marina (the "Kings Plaza Shopping Center") comprises a two-level mall (the "Kings Plaza Mall" or the "Mall") and two anchor stores. It contains approximately 1.1 million square feet and occupies a 24.3-acre site at the intersection of Flatbush Avenue and Avenue U located in Brooklyn, New York. Among its features are a marina, a five-level parking structure and an energy plant that generates the shopping center's electrical power. The Company owns one anchor store in the shopping center of approximately 320,000 square feet, and an undivided one-half interest in the Mall. The other anchor is a Macy's store.

Kings Plaza Mall. The Mall contains approximately 427,000 leasable square feet. As of December 31, 1994, 90% of the leasable area was leased to approximately 120 tenants.

The following table shows leases expirations for the next ten years, assuming none of the tenants exercise renewal options:

Year	Number of Leases Expiring	Approximate Leased Area in Square Feet Under Expiring Leases	Annualized Fixed Rent Under Expiring Leases	Annualized Fixed Rent Under Expiring Leases per Square Foot	Percent of Total Leased Square Footage Represented by Expiring Leases	Percent of Gross Annual Rental Represented by Expiring Leases
1995	5	15,565	\$ 262,160	\$ 16.84	3.64%	2.19%
1996	34	142,876	1,587,491	11.11	33.42%	13.23%
1997	7	13,924	323,928	23.26	3.26%	2.70%
1998	3	8,576	251,846	29.37	2.01%	2.10%
1999	6	9,558	601,703	62.95	2.24%	5.02%
2000	15	34,040	1,763,799	51.82	7.96%	14.70%
2001	14	34,928	2,178,579	62.37	8.17%	18.16%
2002	16	50,592	2,065,517	40.83	11.84%	17.22%
2003	--	--	--	--	--	--

The chart below details the occupancy rate and annual rental per square foot for each of the last five years at June 30th:

	Occupancy Rate -----	Annual Rental per Square Foot -----
1994	87.84%	\$24.91
1993	89.50%	\$24.77
1992	86.11%	\$21.92
1991	84.00%	\$18.32
1990	89.68%	\$14.24

The Mall is managed by Centercorp, Inc. Interstate Properties, through Vornado, is the leasing agent.

Kings Plaza Store. The Company's anchor store in the Kings Plaza Shopping Center (the "Kings Plaza Store" or the "Store") is a four-floor building containing approximately 320,000 square feet. Access to the store is available from entrances on Flatbush Avenue and the parking lot and from entrances on both levels of the Mall.

The Company is currently in discussions with several major retailers to lease a large portion of the store. The Company is also currently in discussions with retailers who lease large spaces with respect to the remaining portion of the store. The Company may need to subdivide it, divide the utilities and install elevators and escalators. The Company estimates that the cost of these improvements will be as much as \$10 million and that it will take from four to six months to complete the improvements once development begins, depending on the number of tenants. However, no assurance can be given that these improvements will be completed at such cost or within such time frame.

#### Rego Park

The developed Rego Park property, which encompasses the entire block fronting on Queens Boulevard and bounded by 63rd Road, 62nd Drive, 97th Street and Junction Boulevard, is currently occupied by the Company's former three-floor store and a surface parking lot.

The Company has leased to Sears the entire first floor and approximately two-thirds of the second floor and has leased the entire third floor to Caldor. The Company recently entered into a lease with Marshalls for the remaining approximately one-third of the second floor. The leases with Sears, Caldor and Marshalls are contingent upon the Company completing certain improvements, including subdividing the building, refacing it and constructing a multi-level parking structure (the "Rego Park Project"). When completed, the parking structure will be operated for the benefit of the Company and will provide pay parking spaces for approximately 1,100 vehicles and direct access to each store. Construction commenced in December 1994.

The Company estimates that its construction costs for the Rego Park Project will be approximately \$33 million to \$35 million including approximately \$3 million to transport and dispose of soil containing lead which is being removed to complete the Project. There can be no assurance that the Company's actual costs will not exceed its estimates.

The leases with Sears, Caldor and Marshalls are expected to commence in March 1996. The leases with Sears and Caldor expire in December 2020 and the lease with Marshalls expires in April 2009.

There are two additional land parcels adjacent to the developed Rego Park property. They are the entire square block bounded by the Long Island Expressway, 97th Street, 62nd Drive and Junction Boulevard (the "Back Lot"), and a smaller parcel of approximately one-half square block at the intersection of 97th Street and the Long Island Expressway (the "Z Parcel"). Both parcels are currently zoned for residential use with the Z parcel having a retail zoning overlay. Both parcels are being used for public pay parking. The Company intends to continue to use these properties for paid parking while it evaluates the feasibility of having these properties re-zoned for commercial use.

#### Paramus

The Company owns 39.3 acres of land, including its former store, located at the intersection of Routes 4 and 17 in Paramus, New Jersey. Paramus is a retail destination for shoppers coming from northern New Jersey as well as New York City. The Company's property is located directly across from the Garden State Plaza regional shopping mall, within two miles of three other regional shopping malls and within 10 miles of New York City.

The Company intends to raze its former store building on the Paramus property to allow for the possible construction of three new buildings. Two of the buildings would be built by lessees under "pad" leases and the third would be built by the Company.

The Company has entered into "pad" leases with Waban, Inc., pursuant to which B.J.'s Wholesale Clubs will construct a building containing approximately 116,000 square feet of floor space and Home Depot will construct a building containing approximately 150,000 square feet of floor space. Under a "pad" lease, the lessee rents only the land (as opposed to the land and building) and constructs its building at its own expense. Each of these leases is conditioned upon the Company's receiving the government approvals required for development, including demolishing the former Alexander's store and completing site work at the property. The lease with Home Depot will terminate (i) if the Company does not commence and prosecute the demolition and site work required by the lease within six months after obtaining the governmental approvals as set forth in the lease or (ii) Delivery of Possession (as defined in the lease) has not occurred by January 1996. The B.J.'s Wholesale Clubs lease will terminate if Delivery of Possession (as defined in the lease) has not occurred within 545 days (plus up to an additional 180 days upon certain contingencies) of obtaining government approvals as set forth in the lease.

The Company estimates that it will cost approximately \$15 million to \$17 million to remove asbestos, demolish the building and make certain other improvements to permit the development described above (the "Site Work") and to construct a third building on the Paramus

property containing approximately 87,000 square feet. The Company intends to lease the 87,000 square foot building to retailers interested in leasing large spaces. Home Depot will pay the Company \$4 million of such Site Work costs and B.J.'s Wholesale Clubs will pay its proportionate share (based on square footage) of such Site Work costs, which share is currently expected to be \$3.5 million.

The Company has begun the process of obtaining the necessary governmental approvals to develop the Paramus property and has submitted a site plan application to the Planning Board of the Borough of Paramus (the "Borough") for the development of such property. There can be no assurance, however, that such governmental approvals will be obtained.

The New Jersey Department of Transportation (the "DOT") is pursuing a plan to redesign the intersection of Routes 4 and 17 that would utilize a portion of the Company's Paramus property which falls within the right-of-way area identified for "preservation" on a map filed in accordance with the New Jersey Alignment Preservation Statute. The Company believes that the State is interested in acquiring, under its powers of eminent domain, approximately 10 of the Company's 39 acres for such purpose. On October 12, 1994, the DOT formally notified the Borough that it was considering an improvement in the alignment preservation area in which the Company's Paramus property is located and that the Borough could not issue permits for work in such area pending DOT action. On December 1, 1994, the DOT formally notified the Company that the DOT anticipates acquiring, agreeing to acquire or commencing an action to condemn the Company's property within 120 days from the date of such notification (such period expiring on March 31, 1995).

The DOT has conducted an appraisal of the Paramus property, the results of which have not yet been communicated to the Company. Once appraisals are made available to the Company, the Company and the DOT will commence negotiations to attempt to reach agreement on the fair market value of that portion of the Company's Paramus property which is subject to taking or condemnation. In the event that the Company and the DOT do not reach agreement on the fair market value, a formal process will be initiated by the DOT, pursuant to which, among other things, a group of independent commissioners will be appointed by a court to determine fair market value.

On January 9, 1995, the Company requested that the Borough reschedule the Company's site plan application hearings currently before the Borough to April 1995, following the expiration of the 120-day period. Provided that no condemnation proceeding has commenced before April 1995, the Company will be free to complete its site plan application and recommence such hearings.

If condemnation proceedings are commenced and the State of New Jersey acquires a portion of the Paramus property, the Company will be required to change its redevelopment plans, neither Home Depot nor B.J.'s Wholesale Clubs will be obligated under their respective leases and the time and cost required to develop the Paramus property may materially increase. The Company would, however, be entitled to compensation from the State of New Jersey for its loss of property and for damages, if any, in connection with that portion of the property that has not been condemned. Based on the information currently available, the Company cannot

determine the ultimate effect that a taking or condemnation, or any uncertainty with respect thereto, would have on the use or development of the Paramus property or whether such effect will be adverse to the Company.

#### Lexington Avenue

The Lexington Avenue property is situated in the heart of one of Manhattan's busiest business and shopping districts with convenient access to several subway and bus lines. The property is located across the street from Bloomingdale's flagship store and only a few blocks away from both Fifth Avenue and 57th Street, Manhattan's two major shopping thoroughfares. The Company is currently planning to redevelop the property for retail, residential, office or other commercial use, or a combination thereof. However, no development decisions have been made.

As of December 31, 1994, the Company owned an approximately 82% interest in the Seven Thirty One Limited Partnership (the "Partnership"), a limited partnership which owns the Lexington Avenue property. This property comprises the entire square block bounded by Lexington Avenue, East 59th Street, Third Avenue and East 58th Street. As of January 4, 1995, after the exercise of a \$21.8 million put to the Company (the payment for which was an interest bearing note), the Company owns a 92.36% interest in the Partnership. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- 1995 Financings -- 731 Limited Partnership".

The Company believes that, along with a number of other locations, a portion of the Lexington Avenue property is being considered by the Port Authority of New York and New Jersey ("Port Authority") for the site of the terminus for a rail link from midtown Manhattan to La Guardia and Kennedy Airports. In June 1994, the Federal Aviation Administration ("FAA") and the New York State Department of Transportation ("NYDOT") released a draft environmental impact statement ("DEIS") and Section 4(f) Evaluation (the "DEIS and Section 4(f) Evaluation") of the Port Authority's proposed rail link. On December 15, 1994, the Company submitted a letter of comment and a report to the U.S. Department of Transportation, FAA and the NYDOT on the DEIS and Section 4(f) Evaluation pursuant to the period of public comment which terminated on December 15, 1994. The Company expressed its opposition to the consideration of a portion of the Lexington Avenue property for the site of the terminus. Approval of numerous Federal, New York State and New York City agencies are required before construction could begin. The Company does not know whether the rail link terminus project will be undertaken or, if undertaken, the timing of the project and whether the Lexington Avenue property will be chosen as the site of the terminus.

If the project proceeds and the Port Authority selects a portion of the Lexington Avenue property for such use and can establish that it is needed to serve a public use, benefit or purpose, the Port Authority, after conducting the requisite public hearings, may acquire such portion of the Lexington Avenue property pursuant to its powers of eminent domain. The Company has the right to appeal any such action by the Port Authority. If the Port Authority prevails, the Company would be entitled to compensation for its loss. Since the nature and scope of any plans being considered by the Port Authority, and whether any such plans would ultimately affect the Lexington Avenue property, cannot be fully assessed by the Company at this time, it is impossible to determine the ultimate effect that a taking, or any uncertainty with respect thereto, would have on the Company's use or development of the Lexington Avenue property.

## Base Rental Table

The table below presents the initial base rentals for the Fordham Road, Flushing and Third Avenue properties.

Year Ending December 31, -----	Total Amounts -----
1995	\$ 7,287,000
1996	7,435,000
1997	7,467,000
1998	7,831,000
1999	7,876,000
Thereafter	185,430,000

As of March 30, 1995, the Company had not paid real estate taxes that were due on its Rego Park, Lexington Avenue, Third Avenue and Kings Plaza Store properties in the aggregate principal amount of approximately \$5.9 million plus interest. During the first quarter of 1995, the Company entered into separate In Rem Installment Agreements with the City of New York on its Rego Park and Lexington Avenue properties which required the Company to make an initial installment payment of 15% of all delinquent taxes plus interest on each property calculated to the date of the respective installment agreements. Thereafter, the Company is required to make equal quarterly installment payments until all delinquent taxes and interest on each of these properties are paid in full. On March 15, 1995, the Company entered into a 60-day escrow agreement with a title company in the amount of approximately \$7 million representing both principal and interest owed on the unpaid real estate taxes, including the amounts owing under the In Rem Installment Agreements. The escrow agreement established an interest-bearing cash collateral account and was funded from the proceeds of certain financings consummated in 1995.

The Company is pursuing real estate tax certiorari proceedings that are pending before The City of New York on several of its properties, some of which are properties where the real estate taxes remain unpaid.

Alexander's Department Stores of Valley Stream, Inc. ("ADS of Valley Stream") is a party to a tax certiorari proceeding against The Board of Assessors and The Board of Assessment Review of the County of Nassau (the "Board") for overpayment of taxes on its former Valley Stream store property during the assessment rolls for May 1, 1986 through May 1, 1992. On January 12, 1995, the Supreme Court of Nassau County, New York ruled that ADS of Valley Stream is entitled to an assessment reduction which would result in a refund of approximately \$8.2 million, plus interest (currently, \$1.3 million). The Company has been informed by the Board that it intends to appeal the court's decision.

Revenues from the Caldor leases (Flushing and Fordham Road) represent approximately 63% of the Company's consolidated revenues as of December 31, 1994. Revenues from the Conway lease (Third Avenue) represent approximately 13% of the Company's consolidated revenues as of December 31, 1994. The Company believes that the loss of either of these lessees would have a material adverse effect on the Company.

#### MANAGEMENT

Pursuant to a Management and Development Agreement with Vornado entered into on March 2, 1995 and approved by the Bankruptcy Court, Mr. Roth, a director of the Company and the Chairman of the Board and Chief Executive Officer of Vornado, became the Chief Executive Officer of the Company, and Vornado agreed to provide the Company with strategic and day-to-day management services and asset management services, including operation, maintenance, management, design, planning, construction and development of the Company's properties. Vornado has also agreed to continue to act as the Company's exclusive leasing agent pursuant to the Retention Agreement entered into in July 1992, the term of which has been extended to be coterminous with the Management and Development Agreement. Accordingly, the Company will depend upon Vornado to manage and direct virtually all of its business affairs.

The fee payable by the Company to Vornado for services under the Management and Development Agreement is \$3 million per year, subject to certain adjustments and includes the services of Mr. Roth as Chief Executive Officer, for which he receives no other compensation from the Company. Although Mr. Roth will provide all services normally associated with his position as Chief Executive Officer of the Company to the extent not inconsistent with his position at Vornado, he has or may have other business interests or opportunities in connection with his interest in Vornado which may conflict or compete with the business of the Company. The Company has also agreed to pay Vornado a fee for the development work pursuant to the Management and Development Agreement of 6% of development costs with a minimum guaranteed fee of \$1.65 million in the first year and \$750,000 in each of the second and third years.

The Management and Development Agreement may be terminated if such Agreement adversely affects either the Company's or Vornado's REIT status or, under certain circumstances, in the event of a change of control of Vornado.

#### RECONSTITUTION AS A REIT

The Company intends to elect to be taxed as a real estate investment trust ("REIT") under section 856 through 860 of the Internal Revenue Code of 1986, as amended, effective for the taxable year ended December 31, 1995. In general, a REIT that distributes to its shareholders at least 95% of its taxable income for a taxable year and that meets certain other conditions will not be taxed on income distributed for that year. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income tax at regular corporate rates.

As of December 31, 1994, the Company had reported net operating loss carryovers ("NOLs") of approximately \$110 million of which approximately \$5 million, \$52 million, \$22 million, \$15 million and \$16 million expire in 2005, 2006, 2007, 2008 and 2009, respectively. The Company's NOLs generally would be available to offset the amount of the Company's REIT taxable income that otherwise would be required to be distributed to its stockholders. The Company currently does not anticipate making any distributions during 1995.

To help maintain its eligibility to be taxed as a REIT and reduce the risk of triggering limitations on the use of its existing NOLs, the Company has included certain restrictions relating to the transfer and ownership of its securities in its Amended and Restated Certificate of Incorporation. Such restrictions are applicable even if a REIT election is not made.

#### ENVIRONMENTAL MATTERS

Compliance with applicable provisions of federal, state and local laws regulating the discharge of materials into the environment or otherwise relating to the protection of the environment have not had, and, although there can be no assurance, are not expected to have, a material effect on the Company's operations, earnings, competitive position or capital expenditures. From July 1992 through December 31, 1994, the Company spent approximately \$3 million to comply with such laws, substantially all of which relate to the removal of asbestos-containing material.

The results of a September 1993 Phase I environmental assessment (which generally involves site and records inspection without soil or groundwater sampling) at the Kings Plaza Shopping Center's ("Center") property show that certain adjacent properties owned by third parties have experienced petroleum hydrocarbon contamination. Based on this assessment and preliminary investigation of the Center's property and its history, there is potential for contamination on the property. The assessment also revealed an underground storage tank which failed an integrity test, although no contamination has been observed to date. The tank failure has been reported to the New York State Department of Environmental Conservation ("DEC"). Such tank was fixed in early 1994, and in October 1994, independent testing revealed that all of the Center's underground storage tanks (used for storing heating oil) and related distribution lines passed a tank and line leak status test. Such results were furnished to the DEC. If contamination is found on the property, the Center may be required to engage in remediation activities; management is unable to estimate the financial impact of potential contamination if any is discovered in the future. If further investigations reveal that there is contamination on its site, since the Center believes such contamination would have resulted from activities of third parties, the Center intends to pursue all available remedies against any of these third parties.

The Company is currently building a parking structure and certain additional improvements at the Rego Park property, and is currently in the process of removing soil containing lead as part of this project. It is anticipated that approximately \$3 million will be spent for the transportation and disposal of the soil, which is included in the estimate for the construction costs for this property. See "Business -- Properties -- Rego Park."

The Company is aware of the presence of asbestos-containing materials at several of its properties and believes that it manages such asbestos in accordance with applicable laws. The Company plans to abate or remove such asbestos as appropriate.



The Company believes that known and potential environmental liabilities will not have a material adverse effect on the Company's business, assets or results of operations. However, there can be no assurance that the confirmation of the existence of contamination or the identification of potential new areas of contamination would not be material to the Company.

#### COMPETITION

The Company conducts its real estate operations in the New York metropolitan area, a highly competitive market. The Company's success depends upon, among other factors, the trends of the national and local economies, the financial condition and operating results of current and prospective tenants, the availability and cost of capital, interest rates, construction and renovation costs, income tax laws, governmental regulations and legislation, population trends, the market for real estate properties in the New York metropolitan area, zoning laws and the ability of the Company to lease, sublease or sell its properties at profitable levels. The Company competes with a large number of real estate property owners. In addition, although the Company believes that it will realize significant value from its properties over time, the Company anticipates that it may take a number of years before all of its properties generate cash flow at or near anticipated levels. Its success is also subject to its ability to finance its development and to refinance its debts as they come due.

#### EMPLOYEES

As of December 31, 1994, the Company had 13 employees. The Company is analyzing its personnel requirements in connection with its recently consummated management arrangement with Vornado.

## Item 2. Properties

## General

The table below shows the location and approximate size of each of the Company's properties as of December 31, 1994. For additional information regarding such properties see "Business--Properties".

Location -----	Owned or Leased -----	Approximate Land Square Footage/Acreage -----	Approximate Building Square Footage/ Number of Floors -----	Date of Construction -----
Square block at East 59th Street & Lexington Avenue New York, New York	92.36% Owned (1)	84,420 (1.9 acres)	591,000/6	1965
Kings Plaza Shopping Center & Marina Flatbush Avenue Brooklyn, New York				
Store:	Owned(1)	1,056,645	320,000/4	1970
Mall:	50% Owned(1)	(24.3 acres)	427,000/2	1970
63rd Road & Queens Blvd. Rego Park, New York	Owned(1)	496,016 (11.4 acres)	359,000/3	1959
Routes 4 & 17 Paramus, New Jersey	Owned(1)(2)	1,711,908 (39.3 acres)	340,000/3	1962
Fordham Road & Grand Concourse Bronx, New York	Owned	67,590 (1.6 acres)	303,000/5	1933
Third Ave. & 152nd St. Bronx, New York	Owned	60,451 (1.4 acres)	173,000/4	1928
Roosevelt Ave. & Main St. Flushing, New York	Leased	44,975 (1.0 acres)	177,000/4	1975

-----  
Footnotes:

- (1) As of December 31, 1994, the properties located at the Kings Plaza Shopping Center, Paramus, Lexington Avenue and Rego Park were held subject to mortgages in the approximate outstanding amounts of \$13.5 million (\$8.3 million representing the mortgage on the Kings Plaza Store and \$5.2 million representing the Company's share of the mortgage on the Kings Plaza Mall), \$13.2 million, \$3.7 million and \$16.3 million, respectively. Since the Kings Plaza Mall is an unconsolidated joint venture, the mortgage on the Kings Plaza Mall is not reflected on the Company's books and records. All of the above mortgages, with the exception of the Paramus and Kings Plaza Mall mortgages, were repaid in the first quarter of 1995 - see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - 1995 Financings" for a discussion of the new financings in connection with these properties. See footnote (2) below for a description of the Paramus mortgage and note (3) of the Kings Plaza Shopping Center and Marina financial statements for a description of the Kings Plaza Mall mortgage.
- (2) The Paramus property is secured by a \$13,290,000 mortgage which matures on December 31, 1998. In accordance with the terms of the loan, interest through April 4, 1995 will be added to principal. The interest rate is to be a floating rate, fixed annually, equal to 2.5% above the one-year U.S. Treasury bill rate with a floor of 6.5%. The loan is prepayable at anytime.

## Insurance

The company carries comprehensive liability, fire, flood, extended coverage and rental loss insurance with respect to its properties with policy specifications and insured limits customarily carried for similar properties. Management of the Company believes that the Company's insurance coverage conforms to industry norms.

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

RESULTS OF OPERATIONS

Continuing Operations - Years Ended December 31, 1994  
and December 31, 1993 (unaudited)

The Company's total revenue was \$11,572,000 in 1994, compared to \$9,320,000 in 1993, an increase of \$2,252,000, or 24.2%. The increase in total revenue this year as compared to last year was due primarily to the commencement of rents under new long-term leases during the second quarter of 1993.

The Company recorded a pre-tax gain of approximately \$161,000 in 1994 from the sale of an approximately 20,000 square foot warehouse located in the Bronx, New York. In 1993, the Company recorded a pre-tax gain of approximately \$7,686,000, of which approximately \$7,313,000 resulted from the assignment back to the Port Authority of the real property lease for its former store located in the World Trade Center, New York and approximately \$373,000 resulted from the Company's sale of its leasehold interest in real property located in the Bronx, New York.

Reorganization costs were \$3,721,000 in 1994, compared to \$4,400,000 in 1993, a decrease of \$679,000. This decrease resulted primarily from (a) a reduction in legal fees of \$1,994,000 due to the confirmation of a plan of reorganization in September 1993 and the settlement of allowed unsecured claims, offset by (b) an increase in professional fees in connection with the investigation of financing alternatives and the conversion of the Company to a REIT.

Depreciation and amortization in 1994 did not change significantly from 1993.

Operating, general and administrative expenses were \$3,595,000 in 1994, compared to \$1,501,000 in 1993, an increase of \$2,094,000. This increase was primarily a result of certain expenses being charged against the accrual for losses from discontinued operations during the first nine months of 1993.

Interest and debt expense was \$3,331,000 in 1994, compared to \$855,000 in 1993, an increase of \$2,476,000. Of this increase (i) approximately \$637,000 was attributable to a short-term secured loan obtained by the Company in September, 1994, (ii) \$376,000 resulted from the nonpayment of real estate taxes in 1994, and (iii) approximately \$1,463,000 resulted from a substantial portion of interest and debt expense for 1993 being charged against the accrual for losses from discontinued operations during the first nine months of 1993.

Other income and interest income was \$4,768,000 in 1994, compared to \$1,270,000 in 1993, an increase of \$3,498,000. This increase resulted from the net of (i) \$4,550,000 from the Company's receipt of a promissory note for a zoning-related matter in 1994, (ii) the receipt in 1993 of approximately \$421,000, representing the Company's pro rata receipt, net of expenses, from its unsecured allowed claim in an unrelated bankruptcy proceeding and (iii) a refund in 1993 of approximately \$489,000 for real estate taxes previously paid.

As a result of the above, the Company had income from continuing operations of \$4,033,000 in 1994 as compared to \$9,644,000 in 1993.

Continuing Operations - 53 Weeks Ended July 31, 1993  
and 52 Weeks Ended July 25, 1992

Total revenue increased in fiscal 1993 by \$3,373,000 over the prior fiscal year as a result of the commencement of rents under new long-term leases of \$2,799,000 and an increase of \$525,000 from the Company's share of the revenue derived from the operation of the Kings Plaza Mall and the Company's parking lots.

The Company recorded in the fiscal year ended July 31, 1993 a pretax gain of \$28,779,000 from the sales of its real property leases at the Bruckner Boulevard, Bronx, New York, Valley Stream, Long Island, New York, Yonkers, New York and World Trade Center, Manhattan, New York properties and its interest in a real property lease located on Third Avenue in the Bronx, New York.

The Company responded to changes in the real estate market by changing its strategies with respect to its properties at Rego Park, Queens, New York, Paramus, New Jersey and Lexington Avenue, Manhattan, New York from development sites to current use sites. As a result, the Company wrote off \$11,972,000 of prior predevelopment costs in fiscal 1992.

Reorganization costs were \$5,030,000 in fiscal 1993 as compared to \$4,318,000 in fiscal 1992, an increase of \$712,000. This increase resulted from professional fees incurred in connection with investigating alternatives for the Company's real estate. The balance of the costs in both periods related to legal fees in connection with the bankruptcy and the winddown of retail operations.

Depreciation and amortization expense was \$2,124,000 in fiscal 1993 as compared to \$359,000 in fiscal 1992, an increase of \$1,765,000. This increase resulted primarily from depreciation of buildings, leaseholds and leasehold improvements included in

continuing operations in fiscal 1993 and in discontinued operations during the first three quarters of fiscal 1992.

Operating, general and administrative expenses were \$842,000 in fiscal 1993, compared to \$296,000 in fiscal 1992, an increase of \$546,000. Such expenses primarily represented corporate office overhead which was charged to operations for a full year in fiscal 1993 and for the period from May 15, 1992 to July 25, 1992 in fiscal 1992. Operating, general and administrative expenses incurred prior to May 15, 1992 were included in the loss from discontinued operations.

Interest and debt expense for fiscal 1993 and for the period from May 15, 1992 through July 25, 1992 was charged to the accrual for losses from discontinued operations. Prior to May 15, 1992, interest and debt expense was included as part of the loss from discontinued operations in the consolidated statements of operations. Total interest paid in fiscal 1993 and 1992 was \$2,222,000 and \$2,231,000, respectively.

Other income and interest income increased as a result of (i) interest earned from the investment of proceeds received from the sale of leases during fiscal 1993 and (ii) the receipt of approximately \$421,000, representing the company's pro-rata receipt, net of expenses from its unsecured allowed claims, in an unrelated bankruptcy proceeding.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position, including short-term investments, was \$2,363,000 at December 31, 1994, as compared to \$7,053,000 at December 31, 1993, a decrease of \$4,690,000.

Cash provided by continuing operating activities for the year ended December 31, 1994, the five months ended December 31, 1993 and the fiscal year ended July 31, 1993 was \$3,708,000, \$5,113,000 and \$2,215,000, respectively, while cash used by continuing operations was \$3,246,000 during the fiscal year ended July 25, 1992. Cash provided by operating activities was comprised primarily of income from continuing operations for the year ended December 31, 1994 compared with cash provided by operating activities for the five months ended December 31, 1993 which was primarily comprised of equity in real estate operations net of distributions. Cash used in discontinued operations was \$5,539,000, \$21,567,000 and \$28,475,000 for the year ended December 31, 1994, the five months ended December 31, 1993 and the fiscal year ended July 31, 1993, while cash provided by discontinued operations was \$9,664,000 during the fiscal year ended July 25, 1992. Cash used in discontinued operations resulted primarily from the payment of (i) principal and interest to allowed general unsecured creditors in accordance with the terms of the Company's Plan of Reorganization, (ii) carrying costs of the Company's unleased properties, and (iii) the winddown of the Company's retail operations.

Cash used in investing activities was \$10,195,000, \$2,855,000 and \$8,035,000 during the year ended December 31, 1994, the five months ended December 31, 1993 and the fiscal year ended July 25, 1992, respectively, while providing \$34,959,000 during the fiscal year ended July 31, 1993. Proceeds from the sale of real estate and real estate leases were \$200,000 and \$33,701,000 for the year ended December 31, 1994 and the fiscal year ended July 31, 1993, respectively. Additions to real estate were \$11,170,000, \$2,549,000 and \$5,056,000 during the year ended December 31, 1994, the five months ended December 31, 1993 and the fiscal year ended July 25, 1992, respectively.

Reductions of long-term debt were \$775,000, \$2,314,000, \$144,000, and \$2,388,000 for the year ended December 31, 1994, the five months ended December 31, 1993, the fiscal year ended July 31, 1993 and the fiscal year ended July 25, 1992, respectively. \$10,000,000 was provided by the issuance of long-term debt in both the year ended December 31, 1994 and the fiscal year ended July 25, 1992. For the fiscal year ended July 31, 1993, \$625,000 was provided from financing activities by the exercise of a stock option by a former officer of the Company.

The Company estimates that its capital expenditure requirements for 1995 will include: (1) the building of a parking structure and certain additional improvements at the Rego Park property which are expected to be approximately \$33,000,000 to \$35,000,000, (2) the asbestos removal, building demolition and other improvements at the Paramus property which are expected to cost between \$15,000,000 and \$17,000,000, and (3) the subdivision of the existing space and other improvements at the Kings Plaza Store property estimated to cost \$10,000,000. The financing of the Rego Park capital expenditure requirements is in place through a construction loan which went into effect in the first quarter of 1995. The financing of the Paramus and Kings Plaza Store capital expenditure requirements has not yet been sought. While the Company anticipates that financing will be available after tenants have been obtained for these redevelopment projects, there can be no assurance that such financing will be obtained. Other than the Rego Park project, there is no assurance that the other projects will commence in 1995.

The Company's properties do not generate sufficient cash flow to pay all of its expenses. However, the Company estimates that the net proceeds from certain financings consummated during the first quarter of 1995 are adequate to fund business operations and debt service obligations through the first quarter of 1996.

The Company estimates that the fair market values of its assets are substantially in excess of their historical cost and that there is additional borrowing capacity, permitting the Company to raise capital through (a) property specific or corporate borrowing, (b) the sale of securities and (c) asset sales. In addition, the Company may receive the proceeds from certain tax certiorari or condemnation proceedings. See Note 13 "Paramus Property" and "Tax Certiorari Proceedings".

At December 31, 1994, the Company had outstanding funded debt of \$53,600,000. Of this amount \$39,500,000 was repaid with the proceeds of the financings described below (the "1995 Financings"). As of March 30, 1995, the Company borrowed approximately \$121,000,000. After giving effect to these transactions and the repayment of other obligations of the Company existing at the end of 1994 (such as general unsecured creditors' claims, the funding of an escrow account for unpaid real estate taxes, and the funding of cash collateral accounts for the purposes of funding the remaining disputed claims in the Bankruptcy Court cases as they become allowed), the Company's cash position was approximately \$30,000,000. Substantially all of the assets of the Company and its subsidiaries have been pledged and/or mortgaged to secure the indebtedness incurred in connection with the 1995 Financings. The 1995 Financings consist of:

(1) A \$25 million loan secured by, among other things, a mortgage on the Fordham Road property. The loan matures on February 24, 2000, bears interest at a rate per annum equal to the 30-Day LIBOR Rate plus 4.25% and requires amortization based on a 20 year term with an assumed interest rate of 9 1/2%. Beginning in year four, all cash flow of the property, after debt service, will further amortize the loan. The loan is not prepayable for the first six months of its term and is only prepayable with yield maintenance during the next twelve months in the event of certain types of refinancings. For the remainder of the term, it is prepayable without penalty.

2) A term loan from Vornado and a bank aggregating approximately \$75,000,000 secured by, among other things, (i) mortgages on the Lexington Avenue, Rego Park, Fordham Road, Kings Plaza Store, Third Avenue and Paramus properties, (ii) a pledge of the stock of the Company and its wholly owned subsidiaries and (iii) a pledge by the Company and one of its wholly owned subsidiaries of their respective partnership interests in the 731 Partnership. The loan with Vornado in the principal amount of \$45,000,000 is subordinated to that of the bank. The loans mature on March 15, 1998 and bear interest at a blended rate per annum of 13.8%. As a result of the subordination, the Vornado loan bears interest at a rate per annum equal to 16.43% (effective rate 17.54%) during the first two years, and 9.92% plus the One-Year Treasury Rate during the third year and the bank loan bears interest at a rate per annum equal to 9.86% during the first two years, and 3.25% plus the One-Year Treasury Rate during the third year. The Company paid a fee to the bank and to Vornado of \$375,000 and \$1,500,000, respectively. The loans are prepayable at the end of the second year of their term without penalty. In addition, the loans, among other things, require the Company to grant to Vornado and the bank mortgage liens on all after-acquired properties and prohibit the Company from developing undeveloped property without approved leases for more than 50% of such property's projected leasable space.

(3) A \$60,000,000 construction loan and a \$25,000,000 bridge loan from a bank, each secured by, among other things, a mortgage on the Rego Park property. As of March 30, 1995, approximately \$21,000,000 in the aggregate was funded under such loans. The loans mature on April 1, 1997 (but may be extended under certain circumstances for one year) and bear interest at a variable rate per annum equal to, at the option of the Company, (i) LIBOR rate plus 1.625% or (ii) the greater of (a) the Federal Funds Rate plus 1.125% or (b) the prime commercial lending rate plus 0.625% and are prepayable at anytime without penalty. The



ability of the Company to borrow the \$25,000,000 under the bridge loan is based on conditions that cannot be met today and may not be met during the term of this loan. The Company has not relied on this amount in its determination of its ability to fund its cash needs.

#### 731 Limited Partnership

The Partnership Agreement, as amended and restated in August 1987, gave the outside 731 Limited Partners the right to require the Partnership to redeem their partnership interest for \$35,000,000. Pursuant to the Bankruptcy Plan, the redemption option was restructured to require the Partnership, under certain conditions, to redeem the outside 731 Limited Partners' interest in two separate stages for an aggregate amount of \$35,000,000 plus capitalized interest from the effective date of the Bankruptcy Plan to the date of the first redemption of approximately \$1,800,000. In January 1995, the Partnership redeemed the first portion of the outside 731 Limited Partners' interest by giving such limited partner a promissory note due in August 1998 in the amount of \$21,800,000 (the "Note"). The Note bears interest at the rate equal to the Prime Rate plus 1%, and is secured by a second mortgage on the Lexington Avenue property. The outside 731 Limited Partners have the right to put their remaining 7.64% interest to the Partnership for a five-year period in exchange for a five-year secured note in the principal amount of \$15,000,000, bearing interest at a rate equal to the Prime Rate plus 1%.

After giving effect to additional borrowings and debt repayments noted above, a summary of maturities of long-term debt is as follows (amounts in thousands):

Year ending December 31,

1995	\$	300
1996		500
1997		500
1998		131,700
1999		600
Thereafter		22,400
		-----
	\$	156,000
		=====

The Company believes that its sources of cash as described above are adequate to service its debt.

## Item 8. Financial Statements and Supplementary Data

Information called for by this Item is set forth in the Company's financial statements and supplementary data contained in this report and is incorporated herein by reference. Specific financial statements and supplementary data can be found at the pages listed in the following index.

## Index

	Page Number -----
Independent Auditors' Report	F-1
Consolidated Balance Sheets (at December 31, 1994 and December 31, 1993)	F-2
Consolidated Statements of Operations for the Year Ended December 31, 1994, the Five Months Ended December 31, 1993, the 53 Weeks Ended July 31, 1993 and the 52 Weeks Ended July 25, 1992	F-3
Consolidated Statements of Deficiency in Net Assets for the Year Ended December 31, 1994, the Five Months Ended December 31, 1993, the 53 Weeks Ended July 31, 1993 and the 52 Weeks Ended July 25, 1992	F-4
Consolidated Statements of Cash Flows for the Year Ended December 31, 1994 the Five Months Ended December 31, 1993, the 53 Weeks Ended July 31, 1993 and the 52 Weeks Ended July 25, 1992	F-5
Notes to Consolidated Financial Statements	F-6 - F-22

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

## PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Documents filed as part of this Report

(1) Financial Statements

The Consolidated Financial Statements of Alexander's, Inc. and its subsidiaries, which appear on pages F-1 through F-22, are incorporated herein by reference.

	Page Reference -----
Independent Auditors' Report	F-1
Consolidated Balance Sheets (at December 31, 1994 and December 31, 1993)	F-2
Consolidated Statements of Operations for the Year Ended December 31, 1994, the Five Months Ended December 31, 1993, the 53 Weeks Ended July 31, 1993 and the 52 Weeks Ended July 25, 1992	F-3
Consolidated Statements of Deficiency in Net Assets for the Year Ended December 31, 1994, the Five Months Ended December 31, 1993, the 53 Weeks Ended July 31, 1993 and the 52 Weeks Ended July 25, 1992	F-4
Consolidated Statements of Cash Flows for the Year Ended December 31, 1994 the Five Months Ended December 31, 1993, the 53 Weeks Ended July 31, 1993 and the 52 Weeks Ended July 25, 1992	F-5
Notes to Consolidated Financial Statements	F-6 - F-22

	Page Reference -----
Schedule III - Real Estate and Accumulated Depreciation	29-30
Kings Plaza Shopping Center and Marina (a Joint Venture)	
Independent Auditors' Report	31
Balance Sheets at June 30, 1995 and June 30, 1994	32
Statements of Earnings for the Years Ended June 30, 1995, 1994 and 1993	33
Statements of Equity of the Co-Venturers for the Years Ended June 30, 1995, 1994 and 1993	34
Statements of Cash Flows for the Years Ended June 30, 1995, 1994 and 1993	35
Notes to Financial Statements	36-40

All other consolidated financial schedules are omitted because they are inapplicable, not required, or the information is included elsewhere in the consolidated financial statements or the notes thereto.

(3) Exhibits

See Exhibit Index on page 42.

(b) Reports on Form 8-K

The Company has filed Current Reports on Form 8-K, dated January 4, 1995 and February 6, 1995. In the fourth quarter of fiscal 1994, the Company did not file a current report on Form 8-K.

ALEXANDER'S, INC. AND SUBSIDIARIES  
 SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
 DECEMBER 31, 1994

(Amounts in thousands)

Column A	Column B	Column C	Column D	Column E			
Description	Encumbrances(1)	Land	Initial Cost to Company (2) Building, Leaseholds and Leasehold Improvements	Cost Capitalized Subsequent to Acquisition(3)	Land	Gross Amount at Which Carried at Close of Period- Buildings, Leasehold and Leasehold Improvements	Total(4)
Commercial Property:							
New York State:							
New York City:							
Fordham Rd.	\$ 10,000	\$ 2,301	\$ 9,258	\$ -	\$ 2,301	\$ 9,258	\$11,559
Third Avenue	-	1,201	4,437	-	1,201	4,437	5,638
Rego Park	16,325	5,553	10,420	48	5,553	10,468	16,021
Flushing	-	-	1,660	-	-	1,660	1,660
Lexington Ave.	3,721	14,432	12,355	-	14,432	12,355	26,787
Flatbush Ave. and Avenue U	8,318	497	9,542	3,036	497	12,578	13,075
	-----	-----	-----	-----	-----	-----	-----
Total NY City	38,364	23,984	47,672	3,084	23,984	50,756	74,740
	-----	-----	-----	-----	-----	-----	-----
Total NY State	38,364	23,984	47,672	3,084	23,984	50,756	74,740
	-----	-----	-----	-----	-----	-----	-----
New Jersey:							
Paramus	13,290	1,742	7,185	13	1,742	7,198	8,940
	-----	-----	-----	-----	-----	-----	-----
Total NJ	13,290	1,742	7,185	13	1,742	7,198	8,940
	-----	-----	-----	-----	-----	-----	-----
Total Commercial Property	51,654	25,726	54,857	3,097	25,726	57,954	83,680
Miscellaneous Properties							
	--	734	1,897	--	734	1,897	2,631
	-----	-----	-----	-----	-----	-----	-----
TOTAL	\$ 51,654	\$26,460	\$56,754	\$3,097	\$ 26,460	\$59,851	\$86,311
	=====	=====	=====	=====	=====	=====	=====

(Amounts in thousands)

Column A	Column F	Column G	Column H	Column I
Description	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired (6)	Life on Which Depreciation in Latest Income Statement is Computed
Commercial Property:				
New York State:				
New York City:				
Fordham Rd.	\$ 6,299	1933	1992	4-40 years
Third Avenue	2,933	1928	1992	13 years
Rego Park	8,834	1959	1992	6-40 years
Flushing	1,203	1975(5)	1992	10-22 years
Lexington Ave.	3,360	1965	1992	29 years
Flatbush Ave. and Avenue U	5,808	1970	1992	20-40 years
	-----			
Total NY City	28,437			
	-----			
Total NY State	28,437			
	-----			
New Jersey:				
Paramus	6,101	1962	1992	5-40 years

Total NJ	----- 6,101 -----			
Total Commercial Property	34,538			
Miscellaneous Properties	1,827 -----	Various	1992	7-25 years
TOTAL	\$36,365 =====			

- (1) Subsequent to December 31, 1994, the Company entered into several new credit facilities totalling approximately \$121,000,000, replacing all existing indebtedness except with respect to the Paramus, New Jersey property.
- (2) Initial cost is as of May 15, 1992 (the date on which the Company commenced real estate operations) unless acquired subsequent to that date. See Column H.
- (3) Cost capitalized subsequent to acquisition does not include development costs at December 31, 1994 of \$27,213,000.
- (4) Aggregate cost is approximately the same for federal income tax purposes.
- (5) Date represents lease acquisition date.
- (6) Date acquired represents the date on which the Company commenced its real estate operations.

## ALEXANDER'S, INC. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
(Amounts in thousands)

	Dec. 31, 1994	Dec. 31, 1993
	-----	-----
REAL ESTATE:		
Balance at beginning of period	\$86,114	\$83,373
Additions during the period:		
Buildings, leaseholds and leasehold improvements	356	2,741
	-----	-----
	86,470	86,114
Deductions during the period:		
Retirements and sales of leases	159	--
	-----	-----
Balance at end of period	\$86,311	\$86,114
	=====	=====
ACCUMULATED DEPRECIATION:		
Balance at beginning of period	\$35,124	\$34,513
Additions charged to operating expenses	1,393	611
	-----	-----
	36,517	35,124
Retirements and sales of leases	152	--
	-----	-----
Balance at end of period	\$36,365	\$35,124
	=====	=====

## INDEPENDENT AUDITORS' REPORT

To the Co-Venturers  
Kings Plaza Shopping Center and Marina  
Brooklyn, New York

We have audited the accompanying balance sheets of Kings Plaza Shopping Center and Marina (a joint venture) as of June 30, 1995 and 1994, and the related statements of earnings, equity of the co-venturers and cash flows for each of the three years in the period ended June 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Kings Plaza Shopping Center and Marina at June 30, 1995 and 1994, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 1995 in conformity with generally accepted accounting principles.

/s/ DELOITTE & TOUCHE LLP

September 15, 1995



BALANCE SHEETS

	JUNE 30,	
ASSETS	1995	1994
	----	----
Cash	\$ 2,763,955	\$ 8,404,001
Amounts due from tenants, less allowance for doubtful accounts of \$201,000 and \$240,000	842,926	840,700
Notes receivable	10,987	23,132
Prepaid expenses and other assets	1,000,208	1,290,758
Property and equipment, at cost:		
Land	4,219,795	4,219,795
Land improvements	1,503,417	1,503,417
Buildings and building equipment	42,970,921	41,892,258
Fixtures and equipment	140,407	140,407
Parking lot toll equipment	2,555,957	2,555,957
	-----	-----
	51,390,497	50,311,834
Less accumulated depreciation	29,984,074	28,928,037
	-----	-----
	21,406,423	21,383,797
Deferred charges, less accumulated amortization of \$3,216,128 and \$2,984,357	2,093,200	1,821,959
	-----	-----
<b>TOTAL ASSETS</b>	<b>\$28,117,699</b>	<b>\$33,764,347</b>
	=====	=====
 <b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 970,343	\$ 970,343
Accrued expenses	775,502	478,589
Mortgage notes payable	9,771,524	6,142,418
Accrued interest payable	79,475	315,464
Accrued real estate taxes	1,242,500	--
Liabilities subject to settlement under reorganization proceedings:		
Accounts payable and accrued expenses	346,669	371,134
Amounts due tenants	128,066	128,066
Accrued interest payable	--	2,708,738
Mortgage note payable	--	6,734,137
Real estate taxes	1,618,354	1,618,354
	-----	-----
<b>Total liabilities</b>	<b>14,932,433</b>	<b>19,467,243</b>
Equity of the co-venturers	13,185,266	14,297,104
	-----	-----
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$28,117,699</b>	<b>\$33,764,347</b>
	=====	=====

See notes to financial statements.

STATEMENTS OF EARNINGS

	YEARS ENDING JUNE 30,		
	1995	1994	1993
Revenues:			
Rent	\$ 11,995,203	\$ 12,199,017	\$ 11,722,854
Expense reimbursements:			
Tax rent	2,968,046	2,934,114	3,208,301
Central heating, cooling, air handling and electricity	2,435,660	2,502,758	2,419,944
Common area	3,841,110	3,514,019	3,350,406
Parking lot	2,094,210	2,012,380	2,080,971
Miscellaneous income	1,493,760	1,472,680	1,108,131
	24,827,989	24,634,968	23,890,607
Expenses:			
Management, leasing and publicity	1,810,709	1,970,892	1,748,590
Central heating, cooling, air handling and electricity	4,861,874	4,623,103	4,275,087
Real estate taxes	3,152,716	3,074,014	3,236,708
Common area	4,556,045	4,548,971	4,820,956
Parking lot	3,453,870	3,257,056	3,042,581
Insurance and other expenses	269,272	198,243	281,765
Rent	71,156	71,156	71,156
Depreciation	1,056,038	1,099,273	1,186,917
Amortization	44,727	47,310	44,642
	19,276,407	18,890,018	18,708,402
Operating income	5,551,582	5,744,950	5,182,205
Interest expense	(1,204,658)	(1,944,657)	(2,270,332)
Gain on settlement of pre-petition liabilities	--	80,918	--
NET EARNINGS	\$ 4,346,924	\$ 3,881,211	\$ 2,911,873

See notes to financial statements.

STATEMENTS OF EQUITY OF THE CO-VENTURERS

	Years Ended June 30,		
	1995	1994	1993
Balance, beginning of period	\$ 14,297,104	\$ 17,831,957	\$ 14,920,084
Payments to the co-venturers	(6,743,226)	(9,516,064)	--
Advances from the co-venturers	1,284,464	2,100,000	--
Net earnings	4,346,924	3,881,211	2,911,873
Balance, end of period	<u>\$ 13,185,266</u>	<u>\$ 14,297,104</u>	<u>\$ 17,831,957</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

	Years Ended June 30,		
	1995	1994	1992
Cash flows from operating activities:			
Net earnings	\$ 4,346,924	\$ 3,881,211	\$ 2,911,873
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	1,056,038	1,099,273	1,186,917
Gain on settlement of pre-petition liabilities	--	(80,918)	--
Amortization (including deferred charges)	287,752	278,300	271,387
(Increase) decrease in amounts due from tenants	(2,226)	(58,324)	497,009
Increase in deferred charges	(558,993)	(2,885)	(283,801)
Increase (decrease) in accounts payable and accrued expenses	272,448	(394,498)	(114,140)
(Decrease) increase in accrued interest payable	(2,944,727)	124,996	2,270,332
Decrease in prepaid expenses and other assets	290,550	238,126	778,565
Increase (decrease) in accrued real estate taxes	1,242,500	(1,537,435)	3,236,707
Net cash provided by operating activities	3,990,266	3,547,846	10,754,849
Cash flows from investing activities:			
Additions to buildings and building equipment	(1,078,664)	(196,561)	(1,057,335)
Decrease in note receivable	12,145	11,985	53,633
Net cash used in investing activities	(1,066,519)	(184,576)	(1,003,702)
Cash flows from financing activities:			
Payments to co-venturers	(6,743,226)	(9,516,064)	--
Advances from co-venturers	1,284,464	2,100,000	--
Repayments of mortgage note	(3,105,031)	(1,273,711)	--
Net cash used in financing activities	(8,563,793)	(8,689,775)	--
Net (decrease) increase cash	(5,640,046)	(5,326,505)	9,751,147
Cash, beginning of period	8,404,001	13,730,506	3,979,359
Cash, end of period	\$ 2,763,955	\$ 8,404,001	\$ 13,730,506
Supplemental disclosure of cash flow information:			
Interest paid	\$ 4,111,697	\$ 1,819,695	\$ --

Supplemental disclosure of non-cash financing activities:

On October 1, 1993, accrued interest of \$681,992 due on the Alexander's 50% portion of the mortgage note was capitalized as a term note payable. (See Note 3).

See notes to financial statements.

KINGS PLAZA SHOPPING CENTER AND MARINA  
(A JOINT VENTURE)NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 1995, 1994 AND 1993-----  
1. ORGANIZATION, CHAPTER 11 PROCEEDINGS AND EMERGENCE FROM CHAPTER 11

Kings Plaza Shopping Center of Avenue U, Inc. (a wholly-owned subsidiary of Federated Department Stores, (formerly R.H. Macy & Co. Inc. ("Macy's")) and Alexander's Department Stores of Brooklyn, Inc., (wholly-owned by Alexander's, Inc. ("Alexander's")), formed a joint venture for the purpose of owning and operating Kings Plaza Shopping Center and Marina ("Center"), including the energy plant servicing the entire shopping center, but exclusive of the Macy's and Alexander's stores and land thereunder located in the Center. The co-venturers each have an undivided 50% interest as tenants in common in the property and equipment. Common area and energy plant costs are charged to tenants of the Center, other than to the above named stores.

On January 27, 1992, R.H. Macy & Co., Inc. and subsidiaries and on May 15, 1992, Alexander's, Inc. and subsidiaries separately filed petitions for relief under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court. From January 27, 1992 to December 19, 1994 (the date on which the Macy's Plan as defined below, became effective), Macy's and its subsidiaries operated their respective business as debtors-in-possession. From May 15, 1992 through October 4, 1993 (the date on which the Alexander's Plan, as defined below, became effective) Alexander's, Inc. and its subsidiaries operated their respective business as debtors-in-possession. As a result of such bankruptcy filings, the Center and the co-venturers were prohibited from paying pre-petition liabilities, except as approved by the Bankruptcy Court.

On May 14, 1993, Alexander's filed a Joint Plan of Reorganization (as amended and restated on July 21, 1993, and modified thereafter, ("Alexander's Plan")). The Plan allowed for Alexander's to emerge from bankruptcy proceedings and continue operating as a real estate company. On September 21, 1993 (the "Confirmation Date"), the Bankruptcy Court confirmed Alexander's Plan, which provides for general unsecured creditors of Alexander's (and 50% of the liabilities of the general unsecured creditors of the Center) to receive cash in full for their allowed claims, together with interest on such claims, upon the successful effectuation of Alexander's Plan. Alexander's did not make the final payment of approximately \$28,000,000 due to its general unsecured creditors on December 30, 1993 under the Plan. Alexander's and the Official Committee of Unsecured Creditors (the "Creditors' Committee") had entered into several stipulations approved by the Bankruptcy Court pursuant to which the final payment date has been extended. In March 1995, Alexander's made the final payment due to holders of allowed general unsecured claims under the Plan.

Certain payments have been made by the Center for Alexander's share of their liabilities, including the mortgage and related interest which was accrued at its contractual rate for all periods (see below). On October 6, 1993, the Center paid \$1,859,797 (or 95% of the total claim) in settlement of Alexander's 50% share of real estate taxes and related interest for the period through June 30, 1993. This resulted in a \$80,918 gain on the settlement of real estate taxes.

On July 14, 1994, the respective Board of Directors of Macy's and Federated Department Stores Inc. ("Federated") announced that they have reached an agreement in principle on a merger which would be effected as part of a joint plan of reorganization of the Macy's debtors. On July 29, 1994 and as subsequently amended on August 31, 1994, the Macy's Debtors and Federated filed a Joint Plan of Reorganization of Macy's and its subsidiaries (which includes the Center) ("Macy Bankruptcy Plan"). In addition, Macy's and Federated executed and delivered an Agreement and Plan of Merger, dated as of August 16, 1994 providing for the merger of Federated with and into Macy's with Macy's being the surviving corporation and being renamed Federated Department Stores upon the consummation of the Merger. The execution and delivery of the Merger Agreement and certain provisions thereof were approved by the Bankruptcy Court on September 8, 1994. The merger was effective on the approval of the Bankruptcy Plan on December 19, 1994.

The Macy Bankruptcy Plan provided for general unsecured creditors of Macy's (and 50% of the liabilities of the general unsecured creditors of the Center) to be paid in cash 37.5% of their claims and for tax claims, including real estate taxes, to be paid at 100%. Macy's share of the Center's secured mortgage note and past due interest was paid at 100%. As of June 30, 1995, real estate taxes, classified as "liabilities subject to settlement under reorganization proceeding" are in dispute and have not been paid.

The Center's principal liability is a secured note collateralized by a mortgage on land and improvements and assignment of leases. This secured note was in default under the terms of the applicable loan agreement and was deemed to be a pre-petition liability under the Bankruptcy Code.

As a result of each of the co-venturers emergence from Chapter 11, (as discussed above), the following table summarizes the joint ventures payments of pre-petition liabilities:

	1995	1994
Alexander's settlement of 50% of the Center's pre-petition liabilities:		
Allowed general unsecured creditors claims	\$ 24,465	\$ 97,356
Real estate taxes (at 95% of Alexander's 50% share of the pre-petition liability)	-	1,537,435
Interest on the above past due real estate taxes	-	322,362
Mortgage principal	-	868,140
Accrued interest on mortgage	-	1,131,860
Macy's settlement of 50% of the Center's pre-petition liabilities:		
Mortgage principal	3,181,587	-
Accrued interest on mortgage	1,556,059	-
	-----	-----
	<b>\$4,762,111</b>	<b>\$3,957,153</b>
	=====	=====

The profit or loss of the Center was allocated on a 50/50 basis to each of the co-venturers. As a result of the settlement of certain pre-petition liabilities, the co-venturers are allocating the gain or loss on the settlements of certain liabilities on a basis which is different than the current 50/50 basis provided for in the Joint Venture Agreement.

For financial reporting purposes, liabilities which remain to be settled under the Chapter 11 process, have remained classified as "Liabilities Subject to Settlement Under Reorganization Proceedings."

## 2. SIGNIFICANT ACCOUNTING POLICIES

- a. PROPERTY AND EQUIPMENT - Property is stated at the lower of cost or net realizable value. Equipment is stated at cost. Depreciation of property and equipment is provided on a straight-line basis over the following periods:

Land improvements	10-50 years
Buildings and building equipment	20-50 years
Fixtures and equipment	10 years
Parking lot toll equipment	10 years

Additions and improvements to property and equipment are capitalized and depreciated over their estimated remaining lives. Maintenance and repairs are charged to operations as incurred.

- b. DEFERRED CHARGES - Deferred charges represent costs incurred to acquire new tenant leases and include lease commissions, legal fees and other payments to tenants to acquire the rights to their leased space. Deferred charges are amortized on a straight-line method over the life of the applicable leases.
- c. PERCENTAGE RENTALS - Estimated percentage rent income is accrued through the balance sheet dates.
- d. LEASES - Rental agreements with mall tenants are accounted for as operating leases.

## 3. MORTGAGE NOTES PAYABLE

The mortgage notes were issued by each of the co-venturers (See Note 1). The notes are collateralized by a mortgage on all property and equipment, and by assignment of leases and charges due thereunder. Mortgage notes payable consists of the following:

	1995	1994
Alexander's note payable on April 1, 1995 plus interest at 8.5% (representing past due interest)	\$ -	\$ 681,992
Alexander's note payable in quarterly installments of \$235,507 (including interest at 7%) plus interest at 1.5% on the outstanding balance, due through December 2001	4,885,762	5,460,426
Macy's note payable in quarterly installments of \$235,507 (including interest at 7%) plus interest at 4.02% on the outstanding balance, due through December 2001	4,885,762	-
	-----	-----
	<u>\$9,771,524</u>	<u>\$6,142,418</u>
	=====	=====

The Center continued to record interest expense through December 19, 1994 on the Macy's 50% of the note at 7% and contingent interest at 15% of all aggregate rental overages in accordance with the original terms of the note. Contingent interest amounted to \$359,803 in 1995, \$547,603 in 1994 and \$1,125,843 in 1993. Accrued interest at June 30, 1994 represents amounts unpaid as a result of the bankruptcy filings.

## 4. COMMITMENTS

- a. JOINT VENTURE AS LESSOR - The joint venture leases space to tenants in its shopping center for which the Center charges fixed minimum rents. The terms of the leases are generally ten years and provide for fixed minimum rents as follows:

FISCAL YEAR END JUNE 30,	FIXED MINIMUM RENTS
1996	\$10,804,547
1997	9,791,813
1998	9,649,755
1999	9,544,407
2000	8,758,228
Subsequent to 2000	17,490,657
	-----
	\$66,039,407
	=====

In addition to minimum rents, most of the leases provide for percentage rents when the tenants' sales volumes exceed stated amounts per lease agreements and other rents which reimburse the Center for certain of its operating expenses. Percentage rents totaled \$1,198,291, \$1,638,999 and \$1,646,173 for the years ended June 30, 1995, 1994 and 1993, respectively.

- b. JOINT VENTURE AS LESSEE - On January 27, 1970, U & F Realty Corporation, an affiliate, assigned to the joint venture a lease with the City of New York for certain real property. The lease, which was amended on May 25, 1976 for additional real property, extends for a period of fifty years from the original lease date at annual rentals (payable quarterly in advance) in future periods as follows:

FISCAL YEAR END JUNE 30,	RENTAL COMMITMENT
1996	\$ 71,156
1997	71,156
1998	71,156
1999	85,387
2000	85,387
Subsequent to 2000	1,707,736
	-----
	\$ 2,091,978
	=====

The lessee may extend the lease for a total of another forty-nine years, with individual renewal options and annual rentals of \$122,957, \$147,548, \$177,058, \$212,470 and \$254,964, for each succeeding ten-year period and the final nine-year period.

## 5. FEDERAL INCOME TAX

Under the provisions of Section 701 of the Internal Revenue Code, the Center is not subject to federal income tax. The income or loss of the joint venture is reportable by the co-venturers in proportion to their respective investment in the joint venture. Similar circumstances apply to state and city income taxes. Further, any investment credit realized by the joint venture is passed on to the co-venturers. Accordingly, no provision or liabilities for federal, state or city income taxes are required to be reflected on the books of the Center.



## 6. RELATED PARTY TRANSACTIONS

Interstate Properties owns 27.1% of the outstanding common stock of Alexander's, Inc. During fiscal 1995, 1994 and 1993 Interstate Properties was paid \$2,345,000, \$445,000 and \$906,000, respectively, by the Center for performing leasing services for space located in the Center.

## 7. ENVIRONMENTAL INVESTIGATION

In September 1993, the Center had Phase I environmental assessments performed on its property (which generally involves site and records inspection without soil or groundwater sampling). The results of the assessment show that certain adjacent properties owned by third parties have experienced petroleum hydrocarbon contamination. Based on this assessment and preliminary investigation of the Center's property and its history, there is potential for contamination on the property. The assessment also revealed an underground storage tank which failed an integrity test, although no contamination has been observed to date. The tank failure has been reported to the New York State Department of Environmental Conservation ("DEC"). Such tank was fixed in early 1994, and in October 1994, independent testing revealed that all of the Center's underground storage tanks (used for storing heating oil) and related distribution lines passed a tank and line leak status test. Such results were furnished to the DEC. If contamination is found on the property, the Center may be required to engage in remediation activities. Management is unable to estimate the financial impact of potential contamination if any is discovered in the future. If further investigations reveal that there is contamination on its site, since the Center believes such contamination would have resulted from activities of third parties, the Center intends to pursue all available remedies against any of these third parties. No provision has been made in the financial statements for costs, if any, associated with any additional investigations and/or clean-up if required because currently such costs are neither probable nor reasonably estimable.

## SIGNATURES

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

ALEXANDER'S, INC.

By: /s/ Joseph Macnow

-----  
Joseph Macnow, Vice President  
Chief Financial Officer

Date: December 20, 1995

Index to Exhibits  
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The following is a list of all exhibits filed as part of this Report:

Exhibit No. -----	Document -----
3(i)	Certificate of Incorporation, as amended. Incorporated herein by reference from Exhibit 3.0 to the Registrant's Current Report on Form 8-K dated September 21, 1993.
3(ii)	By-Laws, as amended. Incorporated herein by reference from Exhibit 3(B) to the Registrant's Form 10-K for the fiscal year ended July 27, 1991.
10(i)(A)(1)*	Agreement, dated as of December 4, 1985, among Seven Thirty One Limited Partnership ("731 Limited Partnership"), Alexander's Department Stores of Lexington Avenue, Inc., the Company, Emanuel Gruss, Riane Gruss and Elizabeth Goldberg (collectively, the "Partners"). Incorporated herein by reference from Exhibit 10(i)(F)(1) to the Registrant's Form 10-K for the fiscal year ended July 26, 1986.
10(i)(A)(2)	Amended and Restated Agreement of Limited Partnership in the 731 Limited Partnership, dated as of August 21, 1986, among the Partners. Incorporated herein by reference from Exhibit 1 to the Registrant's Current Report on Form 8-K, dated August 21, 1986.
10(i)(A)(3)	Third Amendment to Amended and Restated Agreement of Limited Partnership dated December 30, 1994, among the Partners. Previously filed.
10(i)(B)(1)	Promissory Note Modification Agreement, dated October 4, 1993, between Alexander's Department Stores of New Jersey, Inc. and New York Life Insurance Company ("New York Life"). Incorporated herein by reference from Exhibit 10(i)(3)(a) to the Registrant's Form 10-K for the Transition Period August 1, 1993 to December 31, 1993.
10(i)(B)(2)	Mortgage Modification Agreement, dated October 4, 1993, by Alexander's Department Stores of New Jersey, Inc. and New York Life Incorporated herein by reference from Exhibit 10(i)(E)(3)(a) to the Registrant's Form 10-K for the Transition Period August 1, 1993 to December 31, 1993.

Exhibit No. -----	Document -----
10(i)(C)	Credit Agreement, dated March 15, 1995, among the Company and Vornado Lending Corp. Previously filed.
10(i)(D)	Credit Agreement, dated March 15, 1995, among the Company and First Fidelity Bank, National Association. Previously filed.
10(i)(E)	Building Loan Agreement, dated as of March 29, 1995, among the Company, Union Bank of Switzerland ("UBS") (New York Branch), as Lender, and UBS (New York Branch), as Agent. Previously filed.
10(i)(F)	Project Loan Agreement, dated as of March 29, 1995, among the Company, UBS (New York Branch), as Lender, and UBS (New York Branch), as Agent. Previously filed.
10(i)(G)(1)	Real Estate Retention Agreement dated as of July 20, 1992, between Vornado Realty Trust and Keen Realty Consultants, Inc., each as special real estate consultants, and the Company. Incorporated herein by reference from Exhibit 10(i)(O) to the Registrant's Form 10-K for the fiscal year ended July 25, 1992.
10(i)(G)(2)	Extension Agreement to the Real Estate Retention Agreement, dated as of February 6, 1995, between the Company and Vornado Realty Trust. Previously filed.
10(i)(H)	Management and Development Agreement, dated as of February 6, 1995, between Vornado Realty Trust and the Company, on behalf of itself and each subsidiary listed therein. Incorporated herein by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated February 6, 1995.
10(i)(I)	Standstill and Corporate Governance Agreement, dated as of February 6, 1995, by and among Vornado Realty Trust, Interstate Properties and the Company. Incorporated herein by reference from Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated February 6, 1995.

Exhibit No. -----	Document -----
10(i)(J)	Commitment letter, dated as of February 6, 1995, between Vornado Realty Trust and the Company. Incorporated herein by reference from Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated February 6, 1995.
10(i)(K)	Consulting Retention Agreement, dated as of August 26, 1993, between the Company and Versar, Inc. Incorporated herein by reference from Exhibit 10(i)(4) to the Registrant's Form 10-K for the fiscal year ended July 31, 1993.
10(i)(L)	Consulting Retention Agreement, dated as of August 19, 1993, between the Company and Certified Engineering and Testing Co., Inc. Incorporated herein by reference from Exhibit 10(i)(J) to the Registrant's Form 10-K for the fiscal year ended July 31, 1993.
10(i)(M)	Consulting Retention Agreement, dated as of August 10, 1993, between the Company and Merritt & Harris, Inc. Incorporated herein by reference from Exhibit 10(i)(I) to the Registrant's Form 10-K for the fiscal year ended July 31, 1993.
10(ii)(A)(1)*	Agreement of Lease, dated April 22, 1966, between S&E Realty Company and Alexander's Department Stores of Valley Stream, Inc. Incorporated herein by reference from Exhibit 13N to the Registrant's Registration Statement on Form S-1 (Registration No. 2-29780).
10(ii)(A)(2)	Guarantee, dated April 22, 1966, of the Lease described as Exhibit 10(ii)(A)(1) above by Alexander's Department Stores, Inc. Incorporated herein by reference from Exhibit 13N(1) to the Registrant's Registration Statement on Form S-1 (Registration No. 2-29780).
10(ii)(A)(3)*	Agreement of Lease, between Alexander's, Inc. and Sears Roebuck & Co. Incorporated herein by reference from Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1994.
10(ii)(A)(5)*	Agreement, dated as of December 1, 1992, between Alexander's Department Stores of Yonkers, Inc. and Bradlees, Inc. relating to the sale and assignment of leasehold interest in the property located at 2500 Central Park Avenue, Yonkers, New York. Incorporated herein by reference from Exhibit 10(ii)(E)(3) to the Registrant's Form 10-K for the fiscal year ended July 25, 1992.

Exhibit No. -----	Document -----
10(ii)(A)(6)*	Lease for Rego Park, Queens, New York, dated as of December 1, 1992, between the Company, as landlord, and Caldor, as tenant. Incorporated herein by reference from Exhibit 10(ii)(E)(5) to the Registrant's Form 10-K for the fiscal year ended July 25, 1992.
10(ii)(A)(7)(a)*	Lease for Fordham Road, Bronx, New York, dated as of December 1, 1992, between the Company, as landlord, and Caldor, as tenant. Incorporated herein by reference from Exhibit 10(ii)(E)(6) to the Registrant's Form 10-K for the fiscal year ended July 25, 1992.
10(ii)(A)(7)(b)	First Amendment to the Lease for Fordham Road, Bronx, New York, dated as of February 22, 1995, between the Company, as landlord, and Caldor, as tenant. Previously filed.
10(ii)(A)(8)(a)*	Lease for Roosevelt Avenue, Flushing, New York, dated as of December 1, 1992, between the Company, as landlord, and Caldor, as tenant. Incorporated herein by reference from Exhibit 10(ii)(E)(7) to the Registrant's Form 10-K for the fiscal year ended July 25, 1992.
10(ii)(A)(8)(b)	First Amendment to Sublease for Roosevelt Avenue, Flushing, New York, dated as of February 22, 1995 between the Company, as sublandlord, and Caldor, as tenant. Previously filed.
10(ii)(A)(9)*	Lease Agreement, dated March 1, 1993 by and between the Company and Alex Third Avenue Acquisition Associates. Incorporated by reference from Exhibit 10(ii)(F) to the Registrant's Form 10-K for the fiscal year ended July 31, 1993.
10(ii)(A)(10)*	Agreement of Lease, between Alexander's Department Stores of New Jersey, Inc. and Waban, Inc. Incorporated herein by reference from Exhibit 10.1 to the Registrant's Quarterly

Exhibit No. -----	Document -----
	Report on Form 10-Q for the twelve weeks ended October 23, 1993, dated December 7, 1993.
10(ii)(A)(11)*	Agreement of Lease, between Alexander's Department Store of New Jersey, Inc. and Home Depot U.S.A., Inc. Incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the twelve weeks ended October 23, 1993, dated December 7, 1993.
10(ii)(A)(12)(a)*	Agreement of Lease, between the Company and Marshalls of Richfield, MN., Inc., dated as of March 1, 1995. Previously filed.
10(ii)(A)(12)(b)	Guaranty, dated March 1, 1995, of the Lease described in Exhibit 10(ii)(A)(12)(a) above by the Company. Previously filed.
10(iii)(A)	Employment Agreement, dated March 29, 1995, between Brian M. Kurtz and the Company. Previously filed.
10(iii)(B)	Employment Agreement, dated February 9, 1995, between the Company and Stephen Mann. Previously filed.
21	Subsidiaries of Registrant. Previously filed.
27	Financial Data Schedule. Previously filed.

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 \* The basic operating agreements have been filed herewith or incorporated by reference. Certain amendments, supplements and other related agreements which are not material to current operations have not been filed but will be made available upon request.

## INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders  
of Alexander's, Inc.  
New York, New York

We have audited the accompanying consolidated balance sheets of Alexander's, Inc. and Subsidiaries (the "Company") as of December 31, 1994 and 1993 and the related statements of operations, deficiency in net assets and cash flows for the year ended December 31, 1994, for the five months ended December 31, 1993 and each of the two years in the period ended July 31, 1993. Our audits also included the financial statement schedules listed in the index at Item 14(a)(2). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 1994, and 1993, and the results of their operations and their cash flows for the year ended December 31, 1994 and for the five months ended December 31, 1993 and each of the two years in the period ended July 31, 1993 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 5 to the financial statements, the Company changed in Fiscal 1993 its method of accounting for postretirement healthcare benefits to conform with Statement of Financial Accounting Standards No. 106.

As emphasized in Note 1 to the financial statements, the Company will require borrowings in addition to its operating cash flow in order to pay its expenses.

/s/ DELOITTE & TOUCHE LLP

New York, New York  
March 29, 1995



## ALEXANDER'S, INC. AND SUBSIDIARIES

Consolidated Balance Sheets  
(amounts in thousands except share amounts)

	December 31, 1994	December 31, 1993
	-----	-----
ASSETS:		
Real estate, net	\$ 84,658	\$ 70,882
Cash and cash equivalents	2,363	7,053
Restricted cash	--	775
Note receivable	4,550	--
Deferred lease expense	11,561	8,608
Deferred finance and debt expense	2,642	1,184
Other assets	3,645	4,415
	-----	-----
TOTAL ASSETS	\$ 109,419	\$ 92,917
	=====	=====
LIABILITIES AND DEFICIENCY IN NET ASSETS:		
CONTINUING OPERATIONS:		
Secured debt	\$ 51,654	\$ 41,566
Taxes payable and accrued liabilities	21,409	13,204
Liability for postretirement healthcare benefits	15,882	--
Debt	1,188	1,188
Minority interest	1,574	1,574
	-----	-----
Total continuing operations	91,707	57,532
	-----	-----
DISCONTINUED RETAIL OPERATIONS:		
Liability subject to settlement under reorganization proceedings	36,672	42,205
Taxes payable and accrued liabilities	2,613	2,353
Liabilities for discontinued postretirement healthcare benefits	--	16,433
	-----	-----
Total discontinued retail operations	39,285	60,991
	-----	-----
Total liabilities	130,992	118,523
COMMITMENTS AND CONTINGENCIES		
DEFICIENCY IN NET ASSETS	(21,573)	(25,606)
	-----	-----
TOTAL LIABILITIES AND DEFICIENCY IN NET ASSETS	\$ 109,419	\$ 92,917
	=====	=====

See notes to consolidated financial statements.

## ALEXANDER'S, INC. AND SUBSIDIARIES

Consolidated Statements of Operations  
(amounts in thousands except share amounts)

	Year Ended	Five Months Ended	Fifty-Three Weeks Ended	Fifty-Two Weeks Ended
	Dec. 31, 1994	Dec. 31, 1993	July 31, 1993	July 25, 1992
Continuing Operations:				
Real estate operating revenue	\$ 9,751	\$ 4,039	\$ 3,925	\$ 1,260
Equity in income of unconsolidated joint venture	1,821	1,094	1,655	947
Total revenue	11,572	5,133	5,580	2,207
Gains on sales of real estate and real estate leases	161	--	28,779	--
Write-off of pre-development costs	--	--	--	(11,972)
Reorganization costs	(3,721)	(1,808)	(5,030)	(4,318)
Depreciation and amortization	(1,821)	(833)	(2,124)	(359)
Operating, general and administrative expenses	(3,595)	(1,391)	(842)	(296)
Interest and debt expense	(3,331)	(855)	--	--
Other income and interest income	4,768	700	788	108
Income/(loss) from continuing operations	4,033	946	27,151	(14,630)
Loss from discontinued operations	--	--	(477)	(118,198)
Income/(loss) before cumulative effect of change in accounting principle	4,033	946	26,674	(132,828)
Cumulative effect of change in accounting	--	--	(21,449)	--
NET INCOME/(LOSS)	\$ 4,033	\$ 946	\$ 5,225	\$ (132,828)
NET INCOME/(LOSS) PER COMMON SHARE:				
Continuing operations	\$ 0.81	\$ 0.19	\$ 5.45	\$ (2.94)
Discontinued operations	--	--	(0.09)	(23.75)
Cumulative effect of change in accounting	--	--	(4.31)	--
	\$ 0.81	\$ 0.19	\$ 1.05	\$ (26.69)

See notes to consolidated financial statements.

## ALEXANDER'S, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF DEFICIENCY IN NET ASSETS  
(amounts in thousands except share amounts)

	Year Ended	Five Months Ended	Fifty-Three Weeks Ended	Fifty-Two Weeks Ended
	Dec. 31, 1994	Dec. 31, 1993	July 31, 1993	July 25, 1992
PREFERRED STOCK - Authorized, 3,000,000 shares, none issued				
COMMON STOCK - Authorized, 10,000,000 shares, par value \$1.00 per share; outstanding, [5,173,450] shares	\$ 5,174	\$ 5,174	\$ 5,174	\$ 5,174
EXCESS STOCK - Authorized, 13,000,000 shares, par value \$1.00 per share, none issued				
ADDITIONAL PAID-IN-CAPITAL				
Balance, beginning of period	24,843	24,843	23,779	23,651
Exercise of stock options	--	--	1,064	128
Balance, end of period	24,843	24,843	24,843	23,779
RETAINED EARNINGS (DEFICIT):				
Balance, beginning of period	(54,663)	(55,609)	(60,834)	71,994
Net income/(loss)	4,033	946	5,225	(132,828)
Balance, end of period	(50,630)	(54,663)	(55,609)	(60,834)
	(20,613)	(24,646)	(25,592)	(31,881)
TREASURY SHARES - (172,600, 172,600, 197,600 and 197,600 shares at cost)				
Balance, beginning of period	(960)	(960)	(1,099)	(1,099)
Issuance of treasury stock	--	--	139	--
Balance, end of period	(960)	(960)	(960)	(1,099)
DEFICIENCY IN NET ASSETS	\$ (21,573)	\$ (25,606)	\$ (26,552)	\$ (32,980)

See notes to consolidated financial statements.

## ALEXANDER'S, INC. AND SUBSIDIARIES

Consolidated Statements Of Cash Flows  
(amounts in thousands)

	Year Ended	Five Months Ended	Fifty-Three Weeks Ended	Fifty-Two Weeks Ended
	Dec. 31, 1994	Dec. 31, 1993	July 31, 1993	July 25, 1992
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Income from continuing operations	\$ 4,033	\$ 946	\$ 27,151	\$(14,630)
Adjustments to reconcile net income to net cash provided by (used in) continuing operating activities:				
Depreciation and amortization	2,251	833	2,124	359
Gains on sales of real estate and real estate leases	(161)	--	(28,779)	--
Write-off of predevelopment costs	--	--	--	11,972
Equity in real estate operations (net of distributions of \$(583), \$(4,211) and \$(1,329) at December 31, 1994, December 31, 1993 and July 31, 1993, respectively)	(1,260)	3,116	(326)	(947)
Change in operating assets and liabilities from continuing operations:				
Note receivable	(4,550)	--	--	--
Taxes payable and accrued liabilities	1,793	(1,020)	2,331	--
Other	1,602	1,238	(250)	--
Net cash provided by/(used in) operating activities of continuing operations	3,708	5,113	2,251	(3,246)
Net cash (used in)/provided by discontinued operating activities	(5,539)	(21,567)	(28,475)	9,664
Net cash (used in)/provided by operating activities	(1,831)	(16,454)	(26,224)	6,418
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Additions to real estate	(11,170)	(2,549)	--	(5,056)
Proceeds from sales of real estate and real estate leases	200	--	33,701	--
Deferred lease expense	--	(677)	(575)	--
Restricted cash	775	371	1,833	(2,979)
Net cash (used in)/provided by investing activities	(10,195)	(2,855)	34,959	(8,035)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Issuance of secured debt	10,000	--	--	10,000
Reduction of secured debt	(775)	(2,314)	--	(1,720)
Exercise of stock option	--	--	625	--
Reduction of debt from capital lease obligations	--	--	(144)	(668)
Deferred finance and debt expense	(1,889)	--	--	--
Net cash provided by/(used in) financing activities	7,336	(2,314)	481	7,612
<b>CASH AND CASH EQUIVALENTS:</b>				
Net cash (used)/provided	(4,690)	(21,623)	9,216	5,995
Beginning of period	7,053	28,676	19,460	13,465
End of period	\$ 2,363	\$ 7,053	\$ 28,676	\$ 19,460
<b>SUPPLEMENTAL INFORMATION</b>				
Cash payments for interest	\$ 5,133	\$ 4,424	\$ 2,222	\$ 2,231
Cash payments for income taxes	\$ 131	\$ 349	\$ 179	\$ 584
Tax refunds received	\$ (200)	\$ (564)	\$ --	\$ (1,395)
Reclassification of obligations subject to settlement under reorganization proceedings	\$ --	\$ --	\$ --	\$ 77,148

See notes to consolidated financial statements.

ALEXANDER'S, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. EMERGENCE FROM CHAPTER 11

On May 15, 1992 (the "Petition Date"), Alexander's and sixteen of its subsidiaries filed petitions for relief (the "Bankruptcy Cases") under chapter 11 of the United States Bankruptcy Code, 11 U.S.C. Sections 101 et seq. (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). On May 14, 1993, the Company filed a Joint Plan of Reorganization (as amended and restated on July 21, 1993, and modified thereafter, the "Plan"), which allowed the Company to emerge from bankruptcy and continue operating as a real estate company. On September 21, 1993 (the "Confirmation Date"), the Bankruptcy Court confirmed the Plan, which provided for general unsecured creditors of the Company to receive cash in full for their allowed claims, together with interest on such claims, upon the successful effectuation of the Plan.

On March 1, 1995, the Bankruptcy Court approved a \$75,000,000 secured financing, a portion of the proceeds from which were to pay the balance due and owing to the holders of allowed general unsecured claims. On March 15, 1995, the Company paid holders of allowed general unsecured claims in full, together with accrued interest in respect of their claims. Such payments aggregated \$24,005,000. The Official Committee of Unsecured Creditors has been dissolved and all secured and unsecured creditors having allowed claims in the Bankruptcy Court cases have received the cash payments or debt instruments contemplated to be delivered to them under the Plan. The Bankruptcy Court has retained jurisdiction to resolve any remaining disputed claims and for other limited purposes.

The Company's ability to operate as a viable real estate company will depend on the successful completion of the development and leasing of a substantial portion of its existing properties. The Company's properties do not generate sufficient cash flow to pay all of its expenses. However, the Company estimates that the net proceeds from financings consummated during the first quarter of 1995 are adequate to fund (i) business operations and debt service obligations through the first quarter of 1996 and (ii) the Rego Park redevelopment. A failure to raise additional cash through additional leasing, asset sales, external financing or otherwise will substantially impede the Company's ability to complete the further development of its other redevelopment properties.

Liabilities subject to settlement under the Plan are as follows (amounts in thousands):

	Dec. 31, 1994 -----	Dec. 31, 1993 -----
Discontinued retail operations:		
Accounts payable and accrued liabilities	\$ 21,800	\$ 22,364
Claims in dispute	11,441	16,375
Other liabilities	3,431	3,466
	-----	-----
	\$ 36,672	\$ 42,205
	=====	=====

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business -- The Company is engaged in the business of leasing, managing, developing and redeveloping real estate properties, focusing on the properties where its department stores were formerly located. The Company's properties are located in mature, densely populated areas in New York City and Paramus, New Jersey.

Principles of Consolidation -- The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, and the Partnership, a partnership in which the Company held a majority interest at December 31, 1994. Investments in real estate and other property which are 50% owned joint ventures are accounted for under the equity method. All material intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents -- The Company includes in cash and cash equivalents both cash and short-term highly liquid investments purchased with original maturities of three months or less.

Real Estate and Other Property -- Real estate and other property is recorded at the lower of cost, less accumulated depreciation, or market. Depreciation is provided on buildings and improvements on a straight-line basis over their estimated useful lives. When real estate and other property is undergoing development activities, all property operating expenses, including interest expense, are capitalized to the cost of the real property to the extent that management believes such costs are recoverable through the value of the property.

Deferred Lease Expense -- The Company capitalizes the costs incurred in connection with obtaining long-term leases. Deferred lease expense is amortized on the straight-line method over the initial terms of the leases.

Deferred Finance and Debt Expense -- The Company capitalizes the costs incurred in connection with obtaining short-term or long-term debt or refinancing existing debt. These costs are amortized on the straight-line method over the initial terms of the debt.

Leases -- All leases are operating leases whereby rents are recorded as real estate operating revenue, and reimbursement of operating expenses are offset against property expenses included in operating, general and administrative expenses. The straight-line basis is used to recognize rents under leases entered into which provide for varying rents over the lease terms.

Income Taxes -- The Company recognizes deferred taxes for the temporary differences between the tax bases of its assets and liabilities and the amounts reported in the financial statements at enacted statutory tax rates.

Reorganization Costs -- Reorganization costs consist of legal, accounting and other professional fees incurred in connection with consultations on restructuring alternatives of the Company.

Amounts Per Share -- Amounts per share are computed based upon the weighted average number of shares outstanding during the period.

## 3. COMPARABLE TRANSITIONAL PERIOD FINANCIAL DATA

In November 1993, the Company changed to a calendar year from a fiscal year ending on the last Saturday in July to be consistent with the predominant real estate industry practice. The change of fiscal year resulted in a transition period of five months beginning on August 1, 1993 and ending on December 31, 1993. Presented below is the financial data for the years ended December 31, 1994 and 1993 (amounts in thousands).

	Year Ended December 31, 1994 -----	Year Ended December 31, 1993 ----- (Unaudited)
Continuing Operations:		
Real estate operating revenue	\$ 9,751	\$ 7,542
Equity in income of unconsolidated joint venture	1,821	1,778
Gains on sales of real estate and real estate leases	161	7,686
Reorganization costs	(3,721)	(4,400)
Depreciation and amortization	(1,821)	(1,876)
Operating, general and administrative expenses	(3,595)	(1,501)
Interest and debt expense	(3,331)	(855)
Other income and interest income	4,768	1,270
	-----	-----
Income from continuing operations	4,033	9,644
Loss from discontinued operations	--	(280)
	-----	-----
NET INCOME	\$ 4,033 =====	\$ 9,364 =====

## 4. REAL ESTATE

(amounts in thousands)

	December 31, 1994	December 31, 1993
	-----	-----
Land	\$ 26,460	\$ 26,460
Buildings, leaseholds and leasehold improvements	59,851	59,654
Predevelopment and other deferred costs	27,213	13,653
	-----	-----
	113,524	99,767
Less: Accumulated depreciation and amortization	36,365	35,124
	-----	-----
	77,159	64,643
Investment in unconsolidated joint venture (Kings Plaza Mall)	7,499	6,239
	-----	-----
Real estate, net	\$ 84,658	\$ 70,882
	=====	=====

Summary financial information for the Kings Plaza Mall is as follows (amounts in thousands):

	Six Months Ended Dec. 31, 1994 ----- (unaudited)	Fiscal Year Ended June 30, -----		
		1994	1993	1992
	-----	-----	-----	-----
Operating revenue	\$12,694	\$24,635	\$23,890	\$21,790
	-----	-----	-----	-----
Operating costs	8,590	17,662	17,477	16,486
Depreciation and amortization	649	1,147	1,231	1,253
Interest expense	879	1,945	2,270	1,932
	-----	-----	-----	-----
	10,118	20,754	20,978	19,671
	-----	-----	-----	-----
Income before taxes	\$ 2,576	\$ 3,881	\$ 2,912	\$ 2,119
	=====	=====	=====	=====
Assets, principally cash (at June 30, 1993 and 1992) and property and equipment	\$28,600	\$33,800	\$40,500	\$32,200
	=====	=====	=====	=====
Liabilities	\$17,400	\$19,500	\$22,600	\$17,200
	=====	=====	=====	=====

As of March 24, 1995, the Company had not paid real estate taxes that were due on its Rego Park, Lexington Avenue, Third Avenue and Kings Plaza Store properties in the aggregate principal amount of approximately \$5,900,000 plus interest.

During the first quarter of 1995, the Company entered into separate agreements with The City of New York on its Rego Park and Lexington Avenue properties pursuant to which the Company made an initial installment payment of 15% of all delinquent taxes, plus interest on each property calculated to the date of the respective installment agreements. Thereafter, the Company is required to make equal quarterly installment payments until all delinquent taxes and interest on each of these properties are paid in full.



On March 15, 1995, the Company entered into a 60-day escrow agreement with a title company in the amount of approximately \$7,000,000 representing both principal and interest owed on the unpaid real estate taxes including the amounts owing under the agreements. The escrow agreement established an interest-bearing cash collateral account and was funded from the proceeds of certain of the Company's financings.

#### 5. PROVISION FOR ESTIMATED LOSSES AND EXPENSES ON DISCONTINUED OPERATIONS

The results of the retail operations, together with the provisions for estimated future losses, are presented as "discontinued operations" in the consolidated statements of operations. The Company provided significant reserves in the amount of approximately \$97,800,000 in the third quarter of the fiscal year ended July 25, 1992 for estimated expenses and losses to be incurred in connection with discontinuing its retail operations. The amounts utilized and remaining reserves are summarized as follows (amounts in thousands):

[CAPTION]

	Dec. 31, 1994	Dec. 31, 1993	July 31, 1993	July 25, 1992
	-----	-----	-----	-----
Balance at beginning of period	\$ 32,808	\$ 44,047	\$ 53,402	\$ --
Provisions provided during period	--	--	21,926	97,800
Liability for postretirement healthcare benefits reclassified to continuing operations (see Note 14)	(15,882)	--	--	--
Liability for postretirement healthcare benefits reclassified to a separate line in discontinued operations	--	(16,433)	--	--
Utilized during period	(5,485)	(11,239)	(31,281)	(44,398)
	-----	-----	-----	-----
Balance at end of period	\$ 11,441	\$ 16,375	\$ 44,047	\$ 53,402
	=====	=====	=====	=====

The balance remaining comprises claims in dispute and other unsettled liabilities related to the bankruptcy and is included in liabilities subject to settlement under reorganization proceeding - discontinued retail operations in the consolidated balance sheets as of December 31, 1994 and December 31, 1993.

It is the opinion of management that these reserves represent a reasonable estimation of the remaining costs associated with discontinuing the retail operations. However, due to the continuing uncertainties with respect to (i) the final resolution of all bankruptcy claims filed or continuing to be filed against the Company in the Bankruptcy Court cases and (ii) the final cost of interest accruing on unpaid unsecured creditors' claims, the ultimate amount of such costs to be incurred is presently not determinable. Any future additions to these reserves will be provided when known. Any excess in such reserves over actual costs incurred will be recorded as income when they become reasonably certain.

## 6. DEBT

(amounts in thousands)

	Dec. 31, 1994	Dec. 31, 1993
	-----	-----
Items included in secured debt:		
First mortgage loans, payable to 1998, with interest rates ranging from 8.5% to 10.5% at December 31, 1994	\$ 27,012	\$ 16,136
Secured note, payable in semiannual installments to 2000, with interest at 7.3% at December 31, 1994	8,318	8,330
Bank loan with average interest rate of 8.0% at December 31, 1994	16,324	17,100
	-----	-----
	51,654	41,566
	-----	-----
Other debt:		
Bank loans, 731 Limited Partnership, with average interest rates of 12.1% at December 31, 1994	1,188	1,188
Other (included in liabilities subject to settlement under reorganization proceedings)	731	766
	-----	-----
	1,919	1,954
	-----	-----
	\$ 53,573	\$ 43,520
	=====	=====

A summary of maturities of long-term debt is as follows (amounts in thousands):

Year ending December 31,	
1995	\$ 11,223
1996	20,081
1997	135
1998	13,425
Thereafter	8,709
	-----
	\$ 53,573
	=====

Approximately \$900,000 in standby letters of credit were issued at December 31, 1994.

At December 31, 1994, the Company held an 82% interest in the Seven Thirty One Limited Partnership (the "Partnership"). A third party (the "731 Limited Partners"), as a limited partner, held an 18% interest in the Partnership.

The outside 731 Limited Partners have the right to require the Partnership to redeem their partnership interest in two separate stages for an aggregate amount of \$35,000,000, plus capitalized interest from the effective date of the Plan to the date of redemption of approximately \$1,800,000. In January 1995, the Partnership redeemed the first portion of the outside 731 Limited Partners' interest by giving such limited partner a promissory note due in August 1998 in the amount of approximately \$21,800,000 (the "Note"). The Note bears interest at rate equal to the Prime Rate plus 1% and is secured by a second mortgage on the Lexington Avenue property. The outside 731 Limited Partners have the right to put their remaining 7.64% interest to the Partnership for a five-year period in exchange for a five-year secured note in the principal amount of \$15,000,000, bearing interest at a rate equal to the Prime Rate plus 1%. The Company currently holds a 92.36% interest in the Partnership.

The effect of the \$21,800,000 redemption by the Partnership of the first portion of the outside 731 Limited Partners' interest on the Company's balance sheet will be an increase to real estate, a reduction in minority interest for the redeemed shares, and an increase in debt.

The Company incurred \$5,133,000 of total interest costs during 1994 of which \$1,718,000 was capitalized.

The net carrying value of real estate collateralizing mortgages amounted to \$45,980,000 at December 31, 1994.

## 7. LEASES

### Leases and Sales of Leases

During the 53 weeks ended July 31, 1993, the Company sold its interests in four real property leases and assigned another real property lease. The Company received proceeds of \$33,701,000, and recorded a pre-tax gain of \$28,779,000.

As Lessor

The Company currently (i) net leases to the Caldor Corporation ("Caldor") its Fordham Road property, (ii) net subleases to Caldor its Flushing property and (iii) net leases its Third Avenue property to an affiliate of Conway Stores, Inc. ("Conway").

The rental terms for the properties leased to Caldor and Conway range from 20 years to approximately 34 years. The leases provide for the payment of fixed base rentals payable monthly in advance and for the payment by the lessees of additional rents based on a percentage of the tenants' sales as well as reimbursements of real estate taxes, insurance and maintenance.

As of December 31, 1994, future base rental revenue under noncancellable operating leases is as follows:

Year Ending December 31, -----	Total Amounts -----
1995	\$ 7,287,000
1996	7,435,000
1997	7,467,000
1998	7,831,000
1999	7,876,000
Thereafter	185,430,000

Revenues from the Caldor leases represent approximately 63% of the Company's consolidated revenues for the year ended December 31, 1994. Revenues from the Conway lease represents approximately 13% of the Company's consolidated revenues for the year ended December 31, 1994. The Company believes that the loss of either of these tenants would have a material adverse effect on the Company.

In addition, the Company has entered into leases with Sears, Caldor and Marshalls for its Rego Park Redevelopment Property and has entered into "pad" leases with Waban, Inc., which operates B.J.'s Wholesale Clubs and Home Depot at its Paramus Redevelopment Property.

The Rego Park leases referred to above require the Company to build a multi-level parking garage annexed to the existing building where these stores will be located, to subdivide and reface the building and to make other improvements. Rentals commence under these leases upon the completion of such projects. Construction commenced in December 1994.

In connection with the Waban's and Home Depot leases at Paramus, rentals commence upon the completion of the construction of the buildings which is subject to obtaining various governmental approvals. If the proposed condemnation of a portion of the Paramus property were to occur, the required governmental approvals could not be obtained.

As Lessee

The Company is a tenant under a long-term lease for the Flushing property which expires on January 31, 2027. Future minimum lease payments under the operating lease at December 31, 1994 are as follows:

Year Ending December 31, -----	Amount -----
1995	\$ 496,000
1996	496,000
1997	344,000
1998	331,000
1999	331,000
Thereafter	6,017,000

Rent expense was \$496,000 for each of the years ended December 31, 1994, July 31, 1993 and July 25, 1992.

#### 8. OTHER INCOME AND INTEREST INCOME

Other income and interest income is comprised of (amounts in thousands):

	Year Ended ----- Dec. 31, 1994 -----	Five Months Ended ----- Dec. 31, 1993 -----	Fifty-Three Weeks Ended ----- July 31, 1993 -----	Fifty-Two Weeks Ended ----- July 25, 1992 -----
Income from promissory note received for a zoning-related matter	\$ 4,550	--	--	--
Refund of previously paid taxes	77	\$ 489	--	--
Net proceeds received from an unsecured claim in an unrelated bankruptcy proceeding	--	--	\$ 421	--
Interest Income	141	211	367	\$ 108
	----- \$ 4,768 =====	----- \$ 700 =====	----- \$ 788 =====	----- \$ 108 =====

#### 9. INCOME TAXES

For the year ended December 31, 1994, the Company had net income of approximately \$4,033,000 for financial reporting purposes, for which no Federal tax provision is currently provided due to the carryover of net operating losses ("NOLs"). The Company has remaining NOL carryovers for tax purposes of approximately \$110,000,000 at December 31, 1994, of which \$5,000,000, \$52,000,000, \$22,000,000, \$15,000,000 and \$16,000,000 expire in 2005, 2006, 2007, 2008 and 2009, respectively. The Company also had investment tax and targeted jobs tax credits of approximately \$3,000,000 expiring in 2002 through 2005.

The Company intends to elect to be taxed as a real estate investment trust ("REIT") under section 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), effective for the taxable year ended December 31, 1995. Under the Code, the Company's NOL carryovers generally would be available to offset the amount of the Company's REIT taxable income that otherwise would be required to be distributed to its stockholders. The Company currently does not anticipate making any distributions during 1995. In addition, the Company had a deferred tax liability of approximately \$1,254,000 at December 31, 1994, which amount will be reversed in 1995 when the Company elects to be taxed as a REIT.

#### 10. RELATED PARTY TRANSACTIONS

The Company is a party to a Real Estate Retention Agreement with Vornado Realty Trust ("Vornado"). Interstate Properties ("Interstate"), a partnership of which Steven Roth, a director of the Company, is the managing general partner, owns 27.1% of the outstanding common stock of the Company and owns 30.9% of the outstanding common shares of beneficial interest of Vornado. In addition, Mr. Roth owns 4.1% of the outstanding common shares of beneficial interest of Vornado. Mr. Roth, Interstate and the other two general partners of Interstate own, in the aggregate, 36.6% of the outstanding Common Shares of beneficial interest of Vornado. Vornado owns 29.3% of the outstanding common stock of the Company and, because of the relationship between Interstate, Mr. Roth and Vornado, Interstate and Vornado have filed as a "group" with the Securities and Exchange Commission in connection with their respective holdings in the Company. Pursuant to the Retention Agreement, Vornado agreed to act as the Company's exclusive leasing agent. The Retention Agreement will continue until March 2, 1998, after which it will automatically renew on a year-to-year basis, terminable by either party at the end of each year on not less than 60 days' prior notice.

At December 31, 1994, the Company owed Vornado approximately \$12,400,000 for transactions completed to date in connection with the leasing of, or the sale of leases on, approximately two-thirds of the Company's store properties. This amount will be payable over a seven-year period in an amount not to exceed \$2,500,000 in any calendar year until the present value of such installments (calculated at a discount rate of 9% per annum) paid to Vornado equals the amount that would have been paid had it been paid on September 21, 1993 or at the time of the transaction giving rise to the commission, if later. This amount is included in "taxes payable and accrued liabilities" in the Consolidated Balance Sheets as of December 31, 1994.

In September 1994, the Company obtained from Interprop Fordham, Inc., an affiliate of Interstate, and Citibank, N.A. a short-term secured loan of \$10,000,000 which enabled the Company to make the \$2,600,000 payment to the unsecured creditors and to fund a portion of the Company's working capital and capital expenditure requirements. This loan was repaid during the first quarter of 1995.

During the twelve months ended December 31, 1994, the five months ended December 31, 1993 and the fiscal year 1993, Vornado through Interstate was paid \$57,000, \$2,000 and \$445,000, respectively, by the Kings Plaza Shopping Center for performing leasing services. For the fiscal year 1992, Interstate was paid \$694,000 by the Kings Plaza Shopping Center for performing leasing services.

See Note 15 for a discussion of a recent financing provided by Vornado.

#### 11. ISSUANCE OF SHARES

As of the Effective Date of the Company's Plan, the Company's Certificate of Incorporation was amended and restated to authorize the issuance of 26,000,000 shares, of which 3,000,000 are Preferred Stock, par value \$1.00 per share, 10,000,000 shares are Common Stock, par value \$1.00 per share, and 13,000,000 are Excess Stock, par value \$1.00 per share. At December 31, 1994, December 31, 1993, July 31, 1993, and July 25, 1992, 1,000,000 shares of Preferred Stock were authorized (none issued) and there was no authorized Excess Stock.

#### 12. LEGAL PROCEEDINGS

In 1991, the Company settled a zoning-related litigation with, among others, the Borough of Paramus and the owners of a shopping center proximate to the Company's Paramus, New Jersey property (the "Westland Parties"). On November 14, 1994, the Company commenced a proceeding in the Bankruptcy Court against the Westland Parties to compel payment pursuant to such settlement. On December 30, 1994, the Company and the Westland Parties reached a settlement with respect to such proceeding and the Company received a promissory note from the Westland Parties in the principal amount of \$4,550,000 (included in Other Income in 1994) which was paid January 10, 1995 in exchange for a full release by the Company from any and all claims relating to such matters.

#### 13. COMMITMENTS AND CONTINGENCIES

##### Paramus Property

The State of New Jersey has notified the Company of its intention to condemn a portion of the Paramus property and has conducted an appraisal, the results of which have not yet been communicated to the Company. If the condemnation occurs, the Company will be required to change its development plans and Home Depot and B.J.'s Wholesale Clubs will not be obligated under their current leases, and the time and cost to develop the Paramus property may materially increase.

The Company believes that, along with a number of other locations, a portion of the Lexington Avenue property is being considered by the Port Authority of New York and New Jersey (the "Port Authority") for the site of the terminus for a rail link from midtown Manhattan to La Guardia and Kennedy Airports. In June 1994, the Federal Aviation Administration ("FAA") and the New York State Department of Transportation ("NYDOT") released a draft environmental impact statement ("DEIS") and Section 4(f) Evaluation (the "DEIS and Section 4(f) Evaluation") of the Port Authority's proposed rail link. On December 15, 1994, the Company submitted a letter of comment and a report to the U.S. Department of Transportation, the FAA and the NYDOT on the DEIS and Section 4(f) Evaluation pursuant to the period of public comment which terminated on December 15, 1994. The Company expressed its opposition to the consideration of a portion of the Lexington Avenue property for the site of the terminus. Approval of numerous Federal, New York State and New York City agencies are required before construction could begin. The Company does not know whether the rail link terminus project will be undertaken or, if undertaken, the timing of the project and whether the Lexington Avenue property will be chosen as the site of the terminus.

If the project proceeds and the Port Authority selects a portion of the Lexington Avenue property for such use and can establish that it is needed to serve a public use, benefit or purpose, the Port Authority, after conducting the requisite public hearings, may acquire such portion of the Lexington Avenue property pursuant to its powers of eminent domain. The Company has the right to appeal any such action by the Port Authority. If the Port Authority prevails, the Company would be entitled to compensation for its loss. Since the nature and scope of any plans being considered by the Port Authority, and whether any such plans would ultimately affect the Lexington Avenue property, cannot be fully assessed by the Company at this time, it is impossible to determine the ultimate effect that a taking, or any uncertainty with respect thereto, would have on the Company's use or development of the Lexington Avenue property.

#### Tax Certiorari Proceedings

The Company is currently negotiating with The City of New York a settlement of both these unpaid real estate taxes and certiorari proceedings that are currently pending before The City of New York on several of its properties, some of which are properties where the real estate taxes remain unpaid.

Alexander's Department Stores of Valley Stream, Inc. ("ADS of Valley Stream") is a party to a tax certiorari proceeding against The Board of Assessors and The Board of Assessment Review of the County of Nassau (the "Board") for overpayment of taxes on its former Valley Stream store property during the assessment rolls for May 1, 1986 through May 1, 1992. On January 12, 1995, the Supreme Court of Nassau County, New York ruled that ADS of Valley Stream is entitled to an assessment reduction which would result in a refund of approximately \$8,200,000, plus interest (currently, \$1,300,000). The Company has been informed by the Board that it intends to appeal the court's decision.



## Rego Park Property

The Company is currently building a parking structure and certain additional improvements at the Rego Park property. The Company estimates that its construction costs to build the parking structure and make certain additional improvements at the Rego Park site will be approximately \$33,000,000 to \$35,000,000. This amount includes approximately \$3,000,000 to transport and dispose of soil containing lead which must be removed to complete the project.

## Environmental

The results of a September 1993 Phase I environmental assessment (which generally involves site and records inspection without soil or groundwater sampling) at the Kings Plaza Shopping Center's ("Center") property show that certain adjacent properties owned by third parties have experienced petroleum hydrocarbon contamination. Based on this assessment and preliminary investigation of the Center's property and its history, there is potential for contamination on the property. The assessment also revealed an underground storage tank which failed an integrity test, although no contamination has been observed to date. The tank failure has been reported to the New York State Department of Environmental Conservation ("DEC"). Such tank was fixed in early 1994, and in October 1994, independent testing revealed that all of the Center's underground storage tanks (used for storing heating oil) and related distribution lines passed a tank and line leak status test. Such results were furnished to the DEC. If contamination is found on the property, the Center may be required to engage in remediation activities; management is unable to estimate the financial impact of potential contamination if any is discovered in the future. If further investigations reveal that there is contamination on its site, since the Center believes such contamination would have resulted from activities of third parties, the Center intends to pursue all available remedies against any of these third parties.

The Company is currently building a parking structure and certain additional improvements at the Rego Park property, and is currently in the process of removing soil containing lead as part of this project. It is anticipated that approximately \$3 million will be spent for the transportation and disposal of the soil, which is included in the estimate for the construction costs for this property.

The Company is aware of the presence of asbestos-containing materials at several of its properties and believes that it manages such asbestos in accordance with applicable laws. The Company plans to abate or remove such asbestos as appropriate.

The Company believes that known and potential environmental liabilities will not have a material adverse effect on the Company's business, assets or results of operations. However, there can be no assurance that the confirmation of the existence of contamination or the identification of potential new areas of contamination would not be material to the Company

## 14. EMPLOYEE BENEFITS PLAN

The Company sponsors a postretirement health care benefit plan covering substantially all employees who retire under certain age and service requirements. The plan provides for covered medical expenses. Such benefits are funded from the general assets of the Company. The Company has the right to amend, modify or terminate the plan. Generally, employees of the Company retiring on or after attaining age 62, who have rendered at least 40 years of service, are entitled to postretirement health care coverage. Costs of this benefit are funded on a claims-paid basis and benefit payments for the five months ended December 31, 1993 and the 53 weeks ended July 31, 1993 approximated \$500,000 and \$1,300,000, respectively. Early adoption of SFAS No. 106, elected by the Company effective July 26, 1992, resulted in a one-time transition charge of approximately \$21,400,000. It also had the effect of increasing the loss from discontinued retail operations by approximately \$500,000 for the year ended July 31, 1993.

In accordance with the Company's Plan of Reorganization, the Company has made certain changes in its postretirement health care benefit plan. Commencing on February 1, 1994, the full amount of any premium increases effective on or after November 1, 1993 will be added to the contributions which retirees are required to make on behalf of themselves and their dependents. Employees who retired prior to May 1, 1988, for whom no contribution was previously required, will pay 50% of the amount required of later retirees on and after February 1, 1994, rising to 75% on October 1, 1994 and 100% as of October 1, 1995. The deferred gains resulting from the negative plan amendments are being amortized over the estimated life span of the retired workers receiving benefits (13 years).

The following table sets forth the plan's funded status, reconciled with amounts recognized in the Company's balance sheet as of December 31, 1994 (in \$000s):

Accumulated postretirement benefit obligation (APBO):	
Retirees	\$ (5,346)
Other active plan participants	(5)
	-----
Total	(5,351)
Unrecognized prior service cost	(7,445)
Unrecognized net gain	(3,086)
	-----
Accrued postretirement benefit cost	\$(15,882)
	=====

The effect of the amortization of the gains and interest cost on the unfunded liability and the Consolidated Statements of Operations is not material.

For measurement purposes, a 13 percent trend rate was used for post-65 per capita costs and a 14 percent trend rate was used for pre-65 per capita benefits for fiscal 1993; the rate was assumed to decrease gradually to 5.5 percent until the year 2002 and remain level thereafter. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8.5 percent as of December 31, 1994.

The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a change in the assumed health care cost trend rates by 1 percentage point in each year would change the accumulated postretirement benefit obligation as of January 1, 1994 by approximately \$422,000 and the interest cost component of net periodic postretirement benefit costs other than pensions for the plan year ended December 31, 1994 by approximately \$32,000.

15. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)  
(amounts in thousands except per share amounts)

	Year Ended December 31, 1994				Five Months Ended December 31, 1993		Fifty-Three Weeks Ended July 31, 1993			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	3rd Quarter  (two months)	4th Quarter  (three months)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total revenue	\$ 2,896	\$ 2,519	\$ 3,062	\$ 3,095	\$ 2,030	\$ 3,103	\$ 612	\$ 1,205	\$ 1,368	\$ 2,395
Income/(loss) from continuing operations	650	86	757	2,540	645	301	(1,546)	27,959	(99)	837
Loss from discontinued operations	--	--	--	--	--	--	(110)	(147)	(110)	(110)
Cumulative effect of change in accounting	--	--	--	--	--	--	(21,449)	--	--	--
Net income/(loss)	650	86	757	2,540	645	301	(23,105)	27,812	(209)	727
Income/(loss) per common share:										
Continuing operations	0.13	0.02	0.15	0.51	0.13	0.06	(0.31)	5.62	(0.02)	0.17
Discontinued operations	--	--	--	--	--	--	(0.02)	(0.03)	(0.02)	(0.02)
Cumulative effect of change in accounting	--	--	--	--	--	--	(4.31)	--	--	--
Total	<u>\$ 0.13</u>	<u>\$ 0.02</u>	<u>\$ 0.15</u>	<u>\$ 0.51</u>	<u>\$ 0.13</u>	<u>\$ 0.06</u>	<u>\$ (4.64)</u>	<u>\$ 5.59</u>	<u>\$ (0.04)</u>	<u>\$ 0.15</u>

(a) The total for the year ended July 31, 1993 differs from the sum of the quarters as a result of the weighting of the average number of shares outstanding.

Effective March 2, 1995, following the Bankruptcy Court approval of the financing and management arrangements described below, the Company engaged Vornado Realty Trust ("Vornado") to act for it in the management and direction of virtually all of its business affairs pursuant to the Management and Development Agreement between the Company and Vornado dated February 6, 1995 (the "Management and Development Agreement"). Under the Management and Development Agreement, the term of which is three years, Vornado will provide the Company with strategic and day-to-day management services, including operation, maintenance, management, design, planning, construction and development of the Company's Redevelopment Properties. Pursuant to the Management and Development Agreement, Steven Roth, a director of the Company and the Chairman and Chief Executive Officer of Vornado, a New York Stock Exchange listed real estate investment trust and an affiliate of the Company, became the Chief Executive Officer of the Company on March 2, 1995.

On March 2, 1995, Vornado, which previously owned 2.2% of the Company's Common Shares, purchased 27.1% of the Company's Common Shares owned by Citibank, N.A. (the "Vornado Acquisition"). In connection with the Vornado Acquisition, Vornado agreed to provide the Company with certain financing (described below) and to act as manager of the Company pursuant to the Management and Development Agreement. In addition, the Company concluded to elect to be taxed as a REIT effective for the taxable year ended December 31, 1995.

On March 15, 1995, the Company borrowed from Vornado and a bank an aggregate amount of approximately \$75,000,000, at a blended interest rate per annum of 13.8%, secured by, among other things, mortgages on the Lexington Avenue, Rego Park, Fordham Road, Kings Plaza Store, Third Avenue and Paramus properties, a pledge of the stock of the Company and its wholly owned subsidiaries and a pledge by the Company and one of its wholly owned subsidiaries of their respective partnership interests in the 731 Partnership. The loan with Vornado is in the principal amount of \$45,000,000 and is subordinated to that of the bank.

The loans, which are guaranteed by substantially all of the Company's wholly owned subsidiaries, mature on March 15, 1998. As a result of the subordination, the Vornado loan bears interest at a rate per annum equal to 16.43% (effective rate 17.54%) during the first two years and 9.92% plus the One-Year Treasury Rate during the third year and the bank loan bears interest at a rate per annum equal to 9.86% during the first two years and 3.25% plus the One-Year Treasury Rate during the third year. The Company paid a fee to the bank and to Vornado of \$375,000 and \$1,500,000, respectively. In addition, the loans, among other things, require the Company to grant to Vornado and the bank mortgage liens on all after-acquired properties and prohibit the Company from developing undeveloped property without approved leases for more than 50% of such property's projected leasable space.

The proceeds of the foregoing loans were used to pay the general unsecured creditors of the Company, to repay existing loans on the Lexington Avenue, Rego Park and Kings Plaza Store properties, to fund the cash collateral account established pursuant to an escrow agreement for the payment of certain unpaid real estate taxes, and to establish the cash collateral accounts in the amount of approximately \$8,100,000 for purposes of funding the remaining disputed claims in the Bankruptcy Court cases as they become allowed. The remaining proceeds of the such loans will be used for general corporate purposes, including the development of the Redevelopment Properties.

On February 24, 1995, the Company obtained from a bank a \$25,000,000 bank loan secured by, among other things, a mortgage on the Fordham Road property. The proceeds were used to discharge the existing mortgage on the Fordham Road property, and for general corporate purposes. Such loan matures on February 24, 2000 and bears interest at a rate per annum equal to the LIBOR Rate plus 4.25%. In addition, the Company paid a one-time facility fee of \$375,000.

On March 29, 1995, the Company obtained from a bank a \$60,000,000 construction loan and a \$25,000,000 bridge loan each secured by, among other things, a mortgage on the Rego Park property. As of March 30, 1995, \$21,600,000 in the aggregate was funded under such loans. The proceeds will be used to construct certain improvements at the Rego Park property and for general corporate purposes. Such loans mature on April 1, 1997 (but may be extended under certain circumstances for one year) and bear interest at a variable rate per annum equal to, at the option of the Company, (i) LIBOR Rate plus 1.625% or (ii) the greater of (a) the Federal Funds Rate plus 1.125% or (b) the prime commercial lending rate plus 0.625%.