

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended:

September 30, 2001

or

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

For the transition period from

to

Commission File Number: **1-6064**

ALEXANDER'S, INC.

(Exact name of registrant as specified in its charter)

Delaware

51-0100517

(State or other jurisdiction of incorporation
or organization)

(I.R.S. Employer
Identification Number)

888 Seventh Avenue, New York, New York

10019

(Address of principal executive offices)

(Zip Code)

(212) 894-7000

(Registrant's telephone number, including area code)

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

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

Yes No

As of October 26, 2001 there were 5,000,850 common shares outstanding.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 6. Exhibits and Reports on Form 8-K.

SIGNATURES

EXHIBIT INDEX

**ALEXANDER'S, INC.
AND SUBSIDIARIES
INDEX**

Page Number

		<u>Page Number</u>
PART I	Financial Information:	
Item 1.	Financial Statements:	
	Consolidated Balance Sheets as of September 30, 2001 and December 31, 2000	3
	Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2001 and September 30, 2000	4
	Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2001 and September 30, 2000	5
	Notes to Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	14
PART II	Other Information:	
Item 1.	Legal Proceedings	15
Item 6.	Exhibits and Reports on Form 8-K	15
Signatures		16
Exhibit Index		17

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****ALEXANDER'S, INC.
AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**
(amounts in thousands except share amounts)

	September 30, 2001	December 31, 2000
ASSETS:		
Real estate, at cost:		
Land	\$ 81,656	\$ 81,656
Buildings, leaseholds and leasehold improvements	173,528	141,873
Capitalized expenses, development costs and construction in progress	168,212	169,811
Total	423,396	393,340
Less accumulated depreciation and amortization	(55,210)	(51,848)
Real estate, net	368,186	341,492
Asset held for sale	—	4,559
Cash and cash equivalents	93,103	2,272
Restricted cash	8,681	8,390
Accounts receivable, net of allowance for doubtful accounts of \$1,015 in 2001 and \$722 in 2000	297	1,723
Receivable arising from the straight-lining of rents, net	17,504	15,084
Deferred lease and other property costs	24,500	24,453
Deferred debt expense	5,928	2,280
Other assets	5,160	3,052
TOTAL ASSETS	\$523,359	\$403,305
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Debt (including \$119,000 and \$115,000 due to Vornado Realty Trust)	\$458,444	\$367,788
Amounts due to Vornado Realty Trust and its affiliate	2,035	1,267
Accounts payable and accrued liabilities	10,762	13,821
Other liabilities	3,284	2,734
TOTAL LIABILITIES	474,525	385,610
Minority Interest	1,220	—
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock: no par value; authorized, 3,000,000 shares; issued, none	5,174	5,174
Common stock: \$1.00 par value per share; authorized, 10,000,000 shares; issued, 5,173,450 shares	5,174	
Additional capital	24,843	24,843
Retained earnings/(deficit)	18,557	(11,362)
	48,574	18,655

Less treasury shares, 172,600 shares at cost	(960)	(960)
Total stockholders' equity	47,614	17,695
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$523,359	\$403,305

See notes to consolidated financial statements.

**ALEXANDER'S, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands except per share amounts)

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2001	2000	2001	2000
REVENUES:				
Property rentals	\$10,935	\$10,676	\$ 32,731	\$ 31,843
Expense reimbursements	5,485	5,706	17,641	15,713
Total revenues	16,420	16,382	50,372	47,556
EXPENSES:				
Operating (including management fee to Vornado of \$341 and \$329 for the three months ended in 2001 and 2000; \$1,015 and \$997 for the nine months ended in 2001 and 2000)	6,788	7,909	22,208	21,918
General and administrative (including management fee to Vornado of \$540 and \$1,620 each for the three and nine months ended in 2001 and 2000) and 1999)	1,144	6,921	2,872	9,676
Depreciation and amortization	1,610	1,404	4,792	4,121
Total expenses	9,542	16,234	29,872	35,715
OPERATING INCOME	6,878	148	20,500	11,841
Interest and debt expense (including interest on loans from Vornado)	(6,073)	(5,777)	(15,379)	(16,458)
Interest and other income, net	1,457	206	2,258	854
Income (loss) before gain on sale of Fordham Road property and extraordinary item	2,262	(5,423)	7,379	(3,763)
Gain on sale of Fordham Road property	—	—	19,026	—
Minority Interest	(20)	—	(20)	—
Income (loss) before extraordinary item	2,242	(5,423)	26,385	(3,763)
Extraordinary gain from early extinguishment of debt	—	—	3,534	—
NET INCOME (LOSS)	\$ 2,242	\$ (5,423)	\$ 29,919	\$ (3,763)
Basic and diluted income (loss) per share before extraordinary item	\$.45	\$ (1.08)	\$ 5.27	\$ (.75)
Basic and diluted income (loss) per share after extraordinary item	\$.45	\$ (1.08)	\$ 5.98	\$ (.75)

See notes to consolidated financial statements.

**ALEXANDER'S, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	For The Nine Months Ended September 30,	
	2001	2000
Cash Flows From Operating Activities:		
Net income (loss)	\$ 29,919	\$ (3,763)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization (including debt issuance costs)	6,043	5,427
Straight-lining of rental income, net	(2,420)	(2,596)
Gain on sale of Fordham Road property	(19,026)	—
Minority interest	20	—
Stock appreciation rights compensation expense	—	6,864
Extraordinary gain from early extinguishment of debt	(3,534)	—
Change in assets and liabilities:		
Accounts receivable	1,426	1,066
Amounts due to Vornado Realty Trust and its affiliate	768	(2,618)
Accounts payable and accrued expenses	(2,830)	467
Other liabilities	550	(479)
Other	(3,522)	(2,333)
Net cash provided by operating activities	7,394	2,035
Cash Flows From Investing Activities:		
Additions to real estate	(30,056)	(63,288)
Proceeds from sale of Fordham Road property	23,701	—
Cash restricted for operating liabilities	(19,876)	(125)
Cash made available for operating liabilities	11,197	—
Cash made available for construction and development	8,388	11,350
Net cash used in investing activities	(6,646)	(52,063)
Cash Flows From Financing Activities:		
Issuance of debt	232,685	32,754
Debt repayments	(138,723)	(222)
Proceeds from minority interest	1,200	—
Deferred debt expense	(5,079)	(616)
Payment of acquisition obligation	—	(6,936)
Net cash provided by financing activities	90,083	24,980
Net increase (decrease) in cash and cash equivalents	90,831	(25,048)
Cash and cash equivalents at beginning of period	2,272	26,053
Cash and cash equivalents at end of period	\$ 93,103	\$ 1,005
Supplemental disclosure of cash flow information:		
Cash payments for interest (of which \$14,748 and \$10,840 have been capitalized)	\$ 29,008	\$ 24,827

See notes to consolidated financial statements.

**ALEXANDER'S, INC.
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Balance Sheet as of September 30, 2001, the Consolidated Statements of Operations for the three and nine months ended September 30, 2001 and 2000, and the Consolidated Statements of Cash Flows for the nine months ended September 30, 2001 and 2000 are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Alexander's, Inc. and Subsidiaries' (the "Company") annual report on Form 10-K for the year ended December 31, 2000 as filed with the Securities and Exchange Commission. The results of operations for the three and nine months ended September 30, 2001 are not necessarily indicative of the operating results for the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. RELATIONSHIP WITH VORNADO REALTY TRUST ("Vornado")

Vornado owns 33.1% of the Company's common stock at September 30, 2001. The Company is managed by and its properties are redeveloped and leased by Vornado, pursuant to agreements with a one-year term expiring in March of each year which are automatically renewable. Under these agreements, the Company incurred fees of \$1,154,000 and \$1,919,000 in the three month periods ended September 30, 2001 and 2000, and \$5,220,000 and \$5,291,000 in the nine month periods ended September 30, 2001 and 2000.

At September 30, 2001, the Company is indebted to Vornado in the amount of \$119,000,000 comprised of (i) \$95,000,000 relating to the subordinated tranche of a \$115,000,000 secured financing, and (ii) \$24,000,000 under a secured line of credit (\$26,000,000 remains available under this facility). On March 15, 2001, the interest rate on these loans was reset from 15.72% to 13.74% using the same spread to treasuries as previously used. The Company incurred interest on its loans from Vornado of \$4,245,000 and \$4,175,000 in the three months ended September 30, 2001 and 2000, and \$13,210,000 and \$11,424,000 in the nine months ended September 30, 2001 and 2000.

Minority Interest

In connection with tax planning for the development of the Company's Lexington Avenue property, 100 shares of \$.01 par value preferred stock was sold by 59th Street Corporation (a wholly-owned subsidiary of the Company) to Vornado on August 1, 2001 for \$1,200,000. The non-convertible preferred stock entitles the holder to cumulative 10% dividends payable semi-annually and is redeemable at any time at the option of 59th Street Corporation.

3. SALE OF FORDHAM ROAD PROPERTY

The Company sold its Fordham Road property, located in the Bronx, New York, on January 12, 2001. The vacant property contains 303,000 square feet and was sold for \$25,500,000 resulting in a gain of \$19,026,000. In addition, the Company paid off the mortgage on this property at a discount, which resulted in an extraordinary gain from the early extinguishment of debt of \$3,534,000. Included in the expenses relating to the sale, the Company paid a commission of \$1,020,000, of which \$520,000 was paid to Vornado.

**ALEXANDER'S, INC.
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. LEXINGTON AVENUE

On May 1, 2001 the Company entered into a lease agreement with Bloomberg L.P., a global, multi-media based distributor of information services. Under this agreement, Bloomberg will lease approximately 700,000 square feet at the Company's 59th Street and Lexington Avenue development property. The initial term of the lease is for 25 years, with a ten-year renewal option. Base annual net rent is \$34,221,000 in each of the first four years and \$38,226,000 in the fifth year, with similar percentage increases thereafter.

The development plans currently consist of a proposed 1.4 million square foot multi-use building comprised of a commercial portion, which may include a combination of retail stores and offices; and a residential portion, consisting of condominium units. If the residential portion of the property is developed, the air rights representing the residential portion would be held by a taxable REIT subsidiary, as a REIT is not permitted to sell condominiums without being subject to a 100% excise tax on the gain from the sale of such condominiums. In connection therewith, a wholly-owned subsidiary of the Company, Alexander's Tower LLC (a taxable REIT subsidiary) has filed a Form 10 Registration Statement with the Securities and Exchange Commission that allows the Company's possible distribution, to its stockholders, of the equity interest in Alexander's Tower LLC, which was formed to hold title to, and develop, the residential portion of the property. There can be no assurance that the residential portion will be built or that it will be distributed to stockholders. The funding required for the proposed building will be in excess of \$650,000,000. The Company is exploring various alternatives for financing the project, including equity, debt, joint ventures and asset sales, which may involve arrangements with Vornado Realty Trust.

There can be no assurance that this project ultimately will be completed, completed on time or completed for the budgeted amount. If the project is not completed on a timely basis, the lease may be cancelled and significant penalties may apply.

5. KINGS PLAZA REGIONAL SHOPPING CENTER

The Company has completed an interior renovation of the Kings Plaza Regional Shopping Center (the "Center") at a cost of \$31,655,000. These costs were reclassified to "Buildings, leaseholds and leasehold improvements" from "Capitalized expenses, development costs and construction in progress" during the first quarter of this year. The exterior of the Center is expected to be renovated next year.

On June 1, 2001, the Company, through a newly formed subsidiary, completed a \$223,000,000 refinancing of its subsidiary's Kings Plaza Regional Shopping Center property and repaid the \$115,210,000 debt collateralized by the property from the proceeds of the new loan. The new 10-year mortgage matures in June 2011 and bears interest at 7.46%. Monthly payments include principal based on a 27-year amortization schedule.

6. COMMITMENTS AND CONTINGENCIES

In June 1997, the Kings Plaza Regional Shopping Center (the "Center"), commissioned an Environmental Study and Contamination Assessment Site Investigation (the Phase II "Study") to evaluate and delineate environmental conditions disclosed in a Phase I study. The results of the Study indicate the presence of petroleum and bis (2-ethylhexyl) phthalate contamination in the soil and groundwater. The Company has delineated the contamination and has developed a remediation approach. The New York State Department of Environmental Conservation ("NYDEC") has approved a portion of the remediation approach. The Company accrued \$2,000,000 in previous years (\$1,796,000 has been paid as of September 30, 2001) for its estimated obligation with respect to the clean up of the site, which includes costs of (i) remedial investigation, (ii) feasibility study, (iii) remedial design, (iv) remedial action and (v) professional fees. Based upon revised estimates, the Company accrued an additional \$675,000 in the second quarter of 2001. If the NYDEC insists on a more extensive remediation approach, the Company could incur additional obligations.

**ALEXANDER'S, INC.
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The majority of the contamination may have resulted from activities of third parties; however, the sources of the contamination have not been fully identified. Although the Company intends to pursue all available remedies against any potentially responsible third parties, there can be no assurance that such parties will be identified, or if identified, whether these potentially responsible third parties will be solvent. In addition, the costs associated with pursuing any potentially responsible parties may be cost prohibitive. The Company has not recorded an asset as of September 30, 2001 for potential recoveries of environmental remediation costs from other parties.

Neither the Company nor any of its subsidiaries is a party to, nor is their property the subject of, any material pending legal proceeding other than routine litigation incidental to their businesses. The Company believes that these legal actions will not be material to the Company's financial condition or results of operations.

Letters of Credit

Approximately \$7,900,000 in standby letters of credit were issued at September 30, 2001.

7. INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted income per share:

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2001	2000	2001	2000
(amounts in thousands except per share amounts)				
Numerator:				
Income (loss) before extraordinary item	\$2,242	\$(5,423)	\$26,385	\$(3,763)
Extraordinary item	—	—	3,534	—
Net income (loss)	\$2,242	\$(5,423)	\$29,919	\$(3,763)
Denominator:				
Denominator for basic income per share – weighted average shares	5,001	5,001	5,001	5,001
Effect of dilutive securities:				
Employee stock options	—	—	—	—
Denominator for diluted income per share – adjusted weighted average shares and assumed conversions	5,001	5,001	5,001	5,001
INCOME PER COMMON SHARE – BASIC AND DILUTED:				
Income (loss) before extraordinary item	\$.45	\$ (1.08)	\$ 5.27	\$ (.75)
Extraordinary item	—	—	.71	—
Net income (loss) per common share	\$.45	\$ (1.08)	\$ 5.98	\$ (.75)

**ALEXANDER'S, INC.
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 is effective immediately and SFAS 142 will be implemented in January 2002. The new standards are not expected to have a significant impact on our financial statements.

In August 2001, FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations* (effective January 1, 2003) and SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets* (effective January 1, 2002). SFAS No. 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period which it is incurred. SFAS No. 144 supercedes current accounting literature and now provides for a single accounting model for long lived-assets to be disposed of by sale and requires discontinued operations presentation for disposals of a "component" of an entity. The Company is in the process of evaluating the financial statement impact of the adoption of SFAS No. 143 and 144.

9. SUBSEQUENT EVENT

On October 5, 2001, the Company entered into a ground lease for its Paramus, N.J. property with IKEA Property, Inc. The lease has a 40-year term with an option to purchase at the end of the 20th year for \$75,000,000. Further, the Company has obtained a \$68,000,000 interest only, non-recourse mortgage loan on the property from a third party lender. The interest rate on the debt is 5.92% with interest payable monthly until maturity in October, 2011. The triple net rent each year is the sum of \$700,000 plus the amount of debt service on the mortgage loan. If the purchase option is not exercised at the end of the 20th year, the triple net rent for the last 20 years must include debt service sufficient to fully amortize the \$68,000,000 over the remaining 20 year lease period. In addition, as a result of this transaction, the Company also repaid \$10,000,000 of the \$20,000,000 outstanding term loan to a bank, which carries an interest rate of LIBOR plus 1.85% (5.34% at September 30, 2001).

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

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Certain factors could cause actual results to differ materially from those in the forward-looking statements. Factors that might cause such a material difference include, but are not limited to, (a) changes in the general economic climate, (b) local conditions such as an oversupply of space or a reduction in demand for real estate in the area, (c) conditions of tenants, (d) competition from other available space, (e) increased operating costs and interest expense, (f) the timing of and costs associated with property improvements, (g) changes in taxation or zoning laws, (h) government regulations, (i) failure of Alexander's to continue to qualify as a REIT, (j) availability of financing on acceptable terms, (k) potential liability under environmental or other laws or regulations, (l) general competitive factors, (m) dependence upon Vornado Realty Trust and (n) possible conflicts of interest with Vornado Realty Trust.

Results of Operations

The Company had net income of \$2,242,000 in the quarter ended September 30, 2001, compared to net loss of \$5,423,000 in the quarter ended September 30, 2000, an increase of \$7,665,000, and net income of \$29,919,000 for the nine months ended September 30, 2001, compared to net loss of \$3,763,000 for the nine months ended September 30, 2000, an increase of \$33,682,000. Included in the current nine months is a gain on the sale of the Fordham Road property of \$19,026,000 and an extraordinary gain from the early extinguishment of debt of \$3,534,000.

Tenant expense reimbursements were \$5,485,000 in the quarter ended September 30, 2001, compared to \$5,706,000 in the prior year's quarter, a decrease of \$221,000. This decrease is primarily due to decreased operating costs of the utility plant at the Company's Kings Plaza Regional Shopping Center. Tenant expense reimbursements were \$17,641,000 for the nine months ended September 30, 2001, compared to \$15,713,000 for the nine months ended September 30, 2000, an increase of \$1,928,000. This increase resulted from (i) reimbursements for incremental real estate taxes over the prior year, and (ii) a change made in prior year's nine months in the method of allocating an anchor tenant's share of parking lot expenses at the Rego Park I property (which covered a number of years and reduced the prior year's nine month amount).

Operating expenses were \$6,788,000 in the quarter ended September 30, 2001, compared to \$7,909,000 in the prior year's quarter, a decrease of \$1,121,000. This decrease is primarily due to decreased operating costs (primarily fuel) of the utility plant at the Company's Kings Plaza Regional Shopping Center. Operating expenses were \$22,208,000 for the nine months ended September 30, 2001, compared to \$21,918,000 for the nine months ended September 30, 2000, an increase of \$290,000. This increase resulted from higher real estate taxes as compared to the prior year's nine month period and an additional accrual of \$675,000 for environmental remediation at the Kings Plaza Regional Shopping Center.

General and administrative expenses were \$1,144,000 in the quarter ended September 30, 2001, compared to \$6,921,000 in the prior year's quarter, a decrease of \$5,777,000, and \$2,872,000 for the nine months ended September 30, 2001, compared to \$9,676,000 for the nine months ended September 30, 2000, a decrease of \$6,804,000. These decreases resulted primarily from compensation expense of \$5,881,000 and \$6,864,000, for the prior year's quarter and nine months, relating to stock appreciation rights. No such expense occurred during 2001.

Depreciation and amortization expenses were \$1,610,000 in the quarter ended September 30, 2001, compared to \$1,404,000 in the prior year's quarter, an increase of \$206,000, and \$4,792,000 for the nine months ended September 30, 2001, compared to \$4,121,000 for the months ended September 30, 2000, an increase of \$671,000. These increases are the result of a refurbishment of the Company's Kings Plaza Regional Shopping Center completed in the beginning of 2001.

Interest and debt expense was \$6,073,000 in the quarter ended September 30, 2001, compared to \$5,777,000 in the prior year's quarter, an increase of \$296,000, and \$15,379,000 for the nine months ended September 30, 2001, compared to \$16,458,000 for the nine months ended September 30, 2000, a decrease of \$1,079,000. These fluctuations occurred due to (i) additional borrowing of \$108,000,000 in connection with refinancing the Company's Kings Plaza Regional Shopping Center on June 1, 2001, and (ii) higher capitalized interest relating to the Company's development properties.

Table of Contents

Interest and other income was \$1,457,000 in the quarter ended September 30, 2001, compared to \$206,000 in the prior year's quarter, an increase of \$1,251,000, and \$2,258,000 for the nine months ended September 30, 2001, compared to \$854,000 for the nine months ended September 30, 2000, an increase of \$1,404,000. These increases are primarily the result of higher average invested balances, due to increased borrowings for the Company's Kings Plaza Regional Shopping Center on June 1, 2001.

Liquidity and Capital Resources

In the aggregate, the Company's operating properties do not generate sufficient cash flow to pay all of its expenses. The Company's two non-operating properties (Lexington Avenue and Rego Park II) are in various stages of development. As rents commence from portions of the development property(s) and from the Company's vacant property, the Company expects that cash flow will become positive.

The development plans currently consist of a proposed 1.4 million square foot multi-use building comprised of a commercial portion, which may include a combination of retail stores and offices; and a residential portion, consisting of condominium units. If the residential portion of the property is developed, the air rights representing the residential portion would be held by a taxable REIT subsidiary, as a REIT is not permitted to sell condominiums without being subject to a 100% excise tax on the gain from the sale of such condominiums. In connection therewith, a wholly-owned subsidiary of the Company, Alexander's Tower LLC (a taxable REIT subsidiary) has filed a Form 10 Registration Statement with the Securities and Exchange Commission that allows the Company's possible distribution, to its stockholders, of the equity interest in Alexander's Tower LLC, which was formed to hold title to, and develop, the residential portion of the property. There can be no assurance that the residential portion will be built or that it will be distributed to stockholders. The funding required for the proposed building will be in excess of \$650,000,000. The Company is exploring various alternatives for financing the project, including equity, debt, joint ventures and asset sales, which may involve arrangements with Vornado Realty Trust.

On May 1, 2001 the Company entered into a lease agreement with Bloomberg L.P., under this agreement, Bloomberg will lease approximately 700,000 square feet. The initial term of the lease is for 25 years, with a ten-year renewal option. Base annual net rent is \$34,221,000 in each of the first four years and \$38,226,000 in the fifth year with similar percentage increases thereafter. There can be no assurance that this project ultimately will be completed, completed on time or completed for the budgeted amount. If the project is not completed on a timely basis, the lease may be cancelled and significant penalties may apply.

On October 5, 2001, the Company entered into a ground lease for its Paramus, N.J. property with IKEA Property, Inc. The lease has a 40-year term with an option to purchase at the end of the 20th year for \$75,000,000. Further, the Company has obtained a \$68,000,000 interest only, non-recourse mortgage loan on the property from a third party lender. The interest rate on the debt is 5.92% with interest payable monthly until maturity in October, 2011. The triple net rent each year is the sum of \$700,000 plus the amount of debt service on the mortgage loan. If the purchase option is not exercised at the end of the 20th year, the triple net rent for the last 20 years must include debt service sufficient to fully amortize the \$68,000,000 over the remaining 20 year lease period. In addition, as a result of this transaction, the Company also repaid \$10,000,000 of the \$20,000,000 outstanding term loan to a bank, which carries an interest rate of LIBOR plus 1.85% (5.34% at September 30, 2001).

The Company sold its Fordham road property, located in the Bronx, New York, on January 12, 2001. The vacant property contains 303,000 square feet and was sold for \$25,500,000 resulting in a gain of \$19,026,000. In addition, the Company paid off the \$21,263,000 mortgage on this property at a discount, which resulted in an extraordinary gain from the early extinguishment of debt of \$3,534,000.

During the first quarter ended March 31, 2001, the Company borrowed \$4,000,000 under the secured line of credit from Vornado. At September 30, 2001, \$26,000,000 remains available under this facility.

On March 15, 2001 the interest rate on the \$119,000,000 loans from Vornado were reset from 15.72% to 13.74% using the same spread to treasuries as previously used.

On June 1, 2001, the Company, through a newly formed subsidiary, completed a \$223,000,000 refinancing of its subsidiary's Kings Plaza Regional Shopping Center property and repaid the \$115,210,000 debt collateralized by

Table of Contents

the property from the proceeds of the new loan. The new 10-year mortgage matures in June 2011 and bears interest at 7.46%.

The Company estimates that the fair market values of its assets are substantially in excess of their historical cost and that it has additional borrowing capacity. The Company continues to evaluate its needs for capital which may be raised through (a) property specific or corporate borrowing, (b) the sale of securities and (c) asset sales. Although there can be no assurance, the Company believes that these cash sources will be adequate to fund cash requirements until its operations generate adequate cash flow.

Cash Flows

Nine Months Ended September 30, 2001

Net cash provided by operating activities of \$7,394,000 was comprised of (i) net income of \$29,919,000, (ii) non-cash items of \$3,643,000, offset by (iii) gain on sale of Fordham Road property of \$19,026,000, (iv) extraordinary gain from early extinguishment of debt of \$3,534,000, and (v) the net change in operating assets and liabilities of \$3,608,000. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$6,043,000, offset by (ii) the effect of straight-lining of rental income of \$2,420,000.

Net cash used in investing activities of \$6,646,000 was comprised of (i) proceeds from the sale of Fordham Road property of \$23,701,000, and (ii) the release of restricted cash of \$19,585,000, offset by (iii) capital expenditures of \$30,056,000 and (iv) an increase in restricted cash of \$19,876,000. The capital expenditures were primarily comprised of (i) capitalized interest and other carrying costs of \$16,451,000, (ii) renovations to the Kings Plaza Regional Shopping Center of \$2,625,000 and (iii) excavation, foundation and predevelopment costs at Lexington Avenue of \$9,576,000.

Net cash provided by financing activities of \$90,083,000 resulted primarily from an increase in debt of \$232,685,000 partially offset by debt payments of \$138,723,000.

Nine Months Ended September 30, 2000

Net cash provided by operating activities of \$2,035,000 was comprised of (i) non-cash items of \$9,695,000, offset by, (ii) net loss of \$3,763,000, and (iii) the net change in operating assets and liabilities of \$3,897,000. The adjustments for non-cash items are comprised of (i) depreciation and amortization of \$5,427,000, (ii) compensation expense of \$6,864,000, partially offset by (iii) the effect of straight-lining of rental income of \$2,596,000.

Net cash used in investing activities of \$52,063,000 was primarily comprised of capital expenditures of \$63,288,000, partially offset by the release of restricted cash of \$11,350,000. The capital expenditures were primarily comprised of (i) excavation, foundation, predevelopment costs and air rights purchases at Lexington Avenue of \$30,418,000, (ii) renovations to the Kings Plaza Regional Shopping Center of \$19,758,000, and (iii) capitalized interest and other carrying costs of \$12,413,000.

Net cash provided by financing activities of \$24,980,000 resulted primarily from an increase in debt of \$32,754,000 partially offset by the payment of acquisition obligation of \$6,936,000.

Funds from (used in) Operations for the Three and Nine Months Ended September 30, 2001 and 2000

Funds from operations was \$3,227,000 in the quarter ended September 30, 2001, compared to funds used in operations of \$5,396,000 in the prior year's quarter, an increase of \$8,623,000. Funds from operations was \$9,841,000 in the nine months ended September 30, 2001, compared to funds used in operations of \$3,994,000 in the prior year's nine months, an increase of \$13,835,000. The following table reconciles net income to funds from (used in) operations:

[Table of Contents](#)

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2001	2000	2001	2000
Net income (loss)	\$2,242,000	\$(5,423,000)	\$ 29,919,000	\$(3,763,000)
Gain on Sale of Fordham Road property	—	—	(19,026,000)	—
Extraordinary gain from early extinguishment of debt	—	—	(3,534,000)	—
Depreciation and amortization of real property	1,610,000	1,404,000	4,792,000	4,121,000
Straight-lining of property rentals for rent escalations	(735,000)	(815,000)	(2,420,000)	(2,596,000)
Leasing fees paid in excess of expense recognized	—	(562,000)	—	(1,756,000)
	<u>\$3,117,000</u>	<u>\$(5,396,000)</u>	<u>\$ 9,731,000</u>	<u>\$(3,994,000)</u>

Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs, which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a relevant supplemental measure of operating performance because it provides a basis for comparison among REITs; however, funds from operations may not be comparable to similarly titled measures reported by other REITs since the Company's method of calculating funds from operations is different from that used by NAREIT. Funds from operations, as defined by NAREIT, represents net income before depreciation and amortization, extraordinary items and gains or losses on sales of real estate. Funds from operations as disclosed above has been modified to adjust for the effect of straight-lining of property rentals for rent escalations and leasing fee expenses. Below are the cash flows provided by (used in) operating, investing and financing activities:

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2001	2000	2001	2000
Operating activities	\$ 5,522,000	\$ (3,295,000)	\$ 7,394,000	\$ 2,035,000
Investing activities	\$(6,786,000)	\$(18,446,000)	\$(6,646,000)	\$(52,063,000)
Financing activities	\$ 701,000	\$ 19,984,000	\$90,083,000	\$ 24,980,000

Recently Issued Accounting Standards

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 is effective immediately and SFAS 142 will be implemented in January 2002. The new standards are not expected to have a significant impact on our financial statements.

In August 2001, FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations* (effective January 1, 2003) and SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets* (effective January 1, 2002). SFAS No. 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period which it is incurred. SFAS No. 144 supercedes current accounting literature and now provides for a single accounting model for long lived-assets to be disposed of by sale and requires discontinued operations presentation for disposals of a "component" of an entity. The Company is in the process of evaluating the financial statement impact of the adoption of SFAS No. 143 and 144.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

At September 30, 2001, the Company had \$35,000,000 of variable rate of debt at a weighted average interest rate of 6.05% and \$423,444,000 of fixed rate of debt bearing interest at a weighted average interest rate of 9.18%. A one percent increase in the base used to determine the interest rate of the variable rate debt would result in a \$350,000 decrease in the Company's annual net income \$.07 per basic and diluted share.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Neither the Company nor any of its subsidiaries is a party to, nor is their property the subject of, any material pending legal proceeding other than routine litigation incidental to their businesses. The Company believes that these legal actions will not be material to the Company's financial condition or results of operations.

Item 6. Exhibits and Reports on Form 8-K.

- (a) Exhibits required by Item 601 of Regulation of S-K are filed herewith and are listed in the attached Exhibit Index.
- (b) Reports on Form 8-K:

During the quarter ended September 30, 2001, the Company did not file any reports on Form 8-K.

SIGNATURES

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

ALEXANDER'S, INC

(Registrant)

Date: November 1, 2001

/s/ Patrick T. Hogan

Patrick T. Hogan,
Vice President, Chief Financial Officer

EXHIBIT INDEX

Exhibit No.		Page
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 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2000	*
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. Incorporated herein by reference from Exhibit 10(i)(A)(3) to the Registrant’s Form 10-K for the fiscal year ended December 31, 1994	*
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	*
10(i)(C)	— Credit Agreement, dated March 15, 1995, among the Company and Vornado Lending Corp. Incorporated herein by reference from Exhibit 10(i)(C) to the Registrant’s Form 10-K for the fiscal year ended December 31, 1994	*
10(i)(C)(1)	— Modification and Extension of Credit Agreement, dated as of March 13, 2000, between Vornado Lending L.L.C., as Lender, and Alexander’s Inc., as Borrower. Incorporated herein by reference from Exhibit 10(i)(C)(1) to the Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2000	*
10(i)(C)(2)	— First Modification and Extension of Credit Agreement dated as of March 15, 2000 between Alexander’s, Inc., as borrower, and Vornado Lending L.L.C. as lender. Incorporated herein by reference from Exhibit 10(i)(c) 2 to the Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001	*

* Incorporated by reference

Table of Contents

Exhibit No.		Page
10 (i)(C)(3)	—	*
10(i)(C)(4)	—	*
10(i)(C)(5)	—	*
10(i)(D)	—	*
10(i)(D)(1)	—	*
10(i)(D)(2)	—	*
10 (i)(D)(3)	—	*
10 (i)(D)(4)	—	*
10(i)(E)	—	*
10(i)(G)(1)	—	*

* Incorporated by reference

Table of Contents

Exhibit No.		Page
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. Incorporated herein by reference from Exhibit 10(i)(G)(2) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994	
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)	—	*
	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)(J)(1)	—	*
	First Amendment to Mortgage and Security Agreement, dated as of February 24, 2000, between Banc of America Commercial Finance Corporation, as mortgagee, and Alexander's of Fordham Road, Inc., as mortgagor. 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, 2000	
10(i)(J)(2)	—	*
	Amended and Restated Promissory Note (Secured), dated as of February 24, 2000, between Banc of America Commercial Finance Corporation, as lender, and Alexander's of Fordham Road, Inc., as borrower. 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, 2000	
10(i)(J)(3)	—	*
	Trigger Agreement, dated as of February 24, 2000, between Banc of America Commercial Finance Corporation, as lender, and Alexander's, Inc., as guarantor. 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, 2000	
10(i)(K)	—	*
	Term Loan Agreement dated as of June 18, 1998 among Alexanders' Kings Plaza Center, Inc., Kings Plaza Corp., and Alexander's Department Stores of Brooklyn, Inc., as Borrower, Union Bank of Switzerland, as Lender. Incorporated herein by reference from Exhibit 10 to the Registrant's Form 10-Q for the fiscal quarter ended June 30, 1998	
10(ii)(A)(3)	—	*
	Agreement of Lease for Rego Park, Queens, New York, 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)(4)(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 (ii)(E)(7) to the Registrant's Form 10-K for the fiscal year ended July 25, 1992	
10(ii)(A)(4)(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. Incorporated herein by reference from Exhibit 10(ii)(A)(8)(b) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994	
10(ii)(A)(5)	—	*
	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	

* Incorporated by reference

Table of Contents

Exhibit No.		Page
10(ii)(A)(6)	— Agreement of Lease for Rego Park, Queens, New York, between the Company and Marshalls of Richfield, MN., Inc., dated as of March 1, 1995. Incorporated herein by reference from Exhibit 10(ii)(A)(12)(a) to the Registrant’s Form 10-K for the fiscal year ended December 31, 1994	*
10(ii)(A)(7)	— Guaranty, dated March 1, 1995, of the Lease described in Exhibit 10(ii)(A)(6)(a) above by the Company. Incorporated herein by reference from Exhibit 10(ii)(A)(12)(b) to the Registrant’s Form 10-K for the fiscal year ended December 31, 1994	*
10(iii)(B)	— Employment Agreement, dated February 9, 1995, between the Company and Stephen Mann. Incorporated herein by reference from Exhibit 10(iii)(B) to the Registrant’s Form 10-K for the fiscal year ended December 31, 1994	*
10(iv)(A)	— Registrant’s Omnibus Stock Plan, as amended, dated May 28, 1997. Incorporated herein by reference from Exhibit 10 to the Registrant’s Form 10-Q for the fiscal quarter ended June 30, 1997	*
10(v)(A)(1)	— Amended and Restated Consolidated Mortgage and Security Agreement dated as of May 31, 2001 among Alexander’s Kings Plaza L.L.C. as mortgagor, Alexander’s of King L.L.C., as mortgagor and Kings Parking L.L.C., as mortgagor, collectively borrower, to Morgan Guaranty Trust Company of New York, as mortgagee. Incorporated herein by reference from Exhibit 10(v) A1 to the Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001	*
10(v)(A)(2)	— Amended, Restated and Consolidated Promissory Note, dated as of May 31, 2001 by and between Alexander’s Kings Plaza L.L.C., Alexander’s of Kings L.L.C. and Kings Parking L.L.C., collectively borrower, and Morgan Guaranty Trust Company of New York, lender. Incorporated herein by reference from Exhibit 10(v) A2 to the Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001	*
10(v)(A)(3)	— Cash Management Agreement dated as of May 31, 2001 by and between Alexander’s Kings Plaza L.L.C., Alexander’s of Kings L.L.C. and Kings Parking L.L.C., collectively borrower, and Morgan Guaranty Trust Company of New York, lender. Incorporated herein by reference from Exhibit 10(v) A3 to the Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001	*
10(v)(B)	— Agreement of Lease dated as of April 30, 2001 between Seven Thirty One Limited Partnership, landlord, and Bloomberg L.P., tenant. Incorporated herein by reference from Exhibit 10(v) B to the Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001	*

* Incorporated by reference