

ALEXANDERS INC
Form 10-Q
October 29, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended: **September 30, 2007**

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: **001-6064**

ALEXANDER S, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

210 Route 4 East, Paramus, New Jersey
(Address of principal executive offices)

51-0100517
(I.R.S. Employer Identification Number)

07652
(Zip Code)

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(212) 587-8541

(Registrant's telephone number, including area code)

N/A

(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

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

Yes No

As of September 30, 2007, there were 5,043,950 shares of common stock, par value \$1 per share, outstanding.

ALEXANDER S, INC.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****ALEXANDERS, INC.****CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

(Amounts in thousands, except share and per share amounts)

| | September 30, 2007 | December 31, 2006 |
|--|-------------------------------|------------------------------|
| ASSETS | | |
| Real estate, at cost: | | |
| Land | \$ 69,455 | \$ 69,455 |
| Buildings, leaseholds and leasehold improvements | 595,422 | 579,595 |
| Construction in progress | 119,202 | 43,338 |
| Total | 784,079 | 692,388 |
| Accumulated depreciation and amortization | (93,629) | (80,779) |
| Real estate, net | 690,450 | 611,609 |
| Cash and cash equivalents | 529,581 | 615,516 |
| Restricted cash | 7,828 | 3,682 |
| Accounts receivable, net of allowance for doubtful accounts of \$564 and \$481, respectively | 5,193 | 3,593 |
| Receivable arising from the straight-lining of rents | 126,603 | 115,027 |
| Deferred lease and other property costs, net (including unamortized leasing fees to Vornado of \$42,646 and \$43,163, respectively) | 67,296 | 69,119 |
| Deferred debt issuance costs, net | 16,215 | 18,201 |
| Other assets | 12,334 | 10,495 |
| TOTAL ASSETS | \$ 1,455,500 | \$ 1,447,242 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Debt | \$ 1,058,041 | \$ 1,068,498 |
| Accounts payable and accrued expenses | 51,016 | 41,140 |
| Liability for stock appreciation rights | 157,562 | 236,176 |
| Amounts due to Vornado | 39,368 | 35,366 |
| Liability for income taxes and other | 46,864 | 37,725 |
| TOTAL LIABILITIES | 1,352,851 | 1,418,905 |
| MINORITY INTEREST | 1,476 | 1,155 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock: \$1.00 par value per share; authorized, 3,000,000 shares; issued, none | | |
| Common stock: \$1.00 par value per share; authorized, 10,000,000 shares; issued, 5,173,450 shares | 5,173 | 5,173 |
| Additional paid-in capital | 27,636 | 27,118 |
| Retained earnings (accumulated deficit) (including a reduction of \$6,983 for the cumulative effect of change in accounting principle in 2007) | 69,084 | (4,344) |
| Treasury shares: 129,500 and 137,500 shares, at cost | 101,893 | 27,947 |
| Total stockholders' equity | (720) | (765) |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 1,455,500 | \$ 1,447,242 |

See notes to consolidated financial statements.

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ALEXANDER S, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(Amounts in thousands, except per share amounts)

| | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|--------------|-----------------------|------------|
| | September 30, 2007 | 2006 | September 30, 2007 | 2006 |
| REVENUES | | | | |
| Property rentals | \$ 35,319 | \$ 34,014 | \$ 105,415 | \$ 101,846 |
| Expense reimbursements | 17,105 | 16,785 | 50,274 | 46,700 |
| Total revenues | 52,424 | 50,799 | 155,689 | 148,546 |
| EXPENSES | | | | |
| Operating (including fees to Vornado of \$589, \$577, \$1,743 and \$1,724, respectively) | 17,653 | 19,897 | 52,700 | 55,654 |
| General and administrative (including a reversal of stock appreciation rights (SARs) expense of \$9,375 and \$27,411 in the three and nine months ended September 30, 2007 and SARs expense of \$32,716 and \$55,623 in the three and nine months ended September 30, 2006 and management fees to Vornado of \$540 and \$1,620 in each three and nine month period) | (8,355) | 34,507 | (23,068) | 59,867 |
| Depreciation and amortization | 5,572 | 5,599 | 16,747 | 16,324 |
| Total expenses | 14,870 | 60,003 | 46,379 | 131,845 |
| OPERATING INCOME (LOSS) | 37,554 | (9,204) | 109,310 | 16,701 |
| Interest and other income, net | 6,426 | 7,457 | 20,543 | 20,438 |
| Interest and debt expense | (16,154) | (17,375) | (49,299) | (51,523) |
| Minority interest of partially owned entity | (484) | 506 | (321) | 506 |
| Income (loss) before net gain on sale of condominiums | 27,342 | (18,616) | 80,233 | (13,878) |
| Net gain on sale of condominiums | | | | 24,529 |
| Income tax benefit (expense) of the taxable REIT subsidiary | 1,284 | | 178 | (11,273) |
| NET INCOME (LOSS) | \$ 28,626 | \$ (18,616) | \$ 80,411 | \$ (622) |
| Net income (loss) per common share - basic | \$ 5.68 | \$ (3.70) | \$ 15.95 | \$ (0.12) |
| Net income (loss) per common share - diluted | \$ 5.62 | \$ (3.70) | \$ 15.78 | \$ (0.12) |

See notes to consolidated financial statements.

ALEXANDER S, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Amounts in thousands)

| | Nine Months Ended September 30, | |
|---|--|-------------|
| | 2007 | 2006 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | \$ 80,411 | \$(622) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | |
| Liability for stock appreciation rights | (27,411) | 55,623 |
| Depreciation and amortization (including amortization of debt issuance costs) | 18,733 | 18,309 |
| Straight-lining of rental income | (11,576) | (11,276) |
| Minority interest of partially owned entity | 321 | (506) |
| Net gain on sale of condominiums | | (24,529) |
| Change in operating assets and liabilities: | | |
| Accounts receivable, net | (1,600) | (1,476) |
| Other assets | (3,913) | (4,468) |
| Amounts due to Vornado | 4,002 | 643 |
| Accounts payable and accrued expenses | (1,987) | 12,137 |
| Payment for stock appreciation rights | (50,465) | |
| Income tax liability of taxable REIT subsidiary | 2,184 | (1,285) |
| Other liabilities | (28) | (57) |
| Net cash provided by operating activities | 8,671 | 42,493 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to real estate | (80,566) | (26,138) |
| Increase in restricted cash | (4,146) | (4,489) |
| Proceeds from the sale of condominiums | | 39,383 |
| Net cash (used in) provided by investing activities | (84,712) | 8,756 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Debt repayments | (10,457) | (7,548) |
| Exercise of share options | 563 | 70 |
| Net cash used in financing activities | (9,894) | (7,478) |
| Net (decrease) increase in cash and cash equivalents | (85,935) | 43,771 |
| Cash and cash equivalents at beginning of period | 615,516 | 578,406 |
| Cash and cash equivalents at end of period | \$ 529,581 | \$ 622,177 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash payments for interest (of which \$2,965 and \$260 have been capitalized) | \$ 48,656 | \$ 49,885 |
| Cash payments for income taxes | \$ 1,480 | \$ 12,558 |

See notes to consolidated financial statements.

ALEXANDER S, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. Organization

Alexander s, Inc. is a real estate investment trust (REIT), incorporated in Delaware, engaged in leasing, managing, developing and redeveloping its properties. All references to we, us, our, or Company refer to Alexander s, Inc. and its consolidated subsidiaries. We are managed by, and our properties are leased and developed by, Vornado Realty Trust (Vornado) (NYSE: VNO).

2. Basis of Presentation

The consolidated balance sheet at September 30, 2007, the consolidated statements of operations for the three and nine months ended September 30, 2007 and 2006, and the consolidated statements of cash flows for the nine months ended September 30, 2007 and 2006 are unaudited. In our opinion, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and 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 consolidated financial statements and condensed footnotes have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the Securities and Exchange Commission. The results of operations for the three and nine months ended September 30, 2007 are not necessarily indicative of the operating results for the full year.

The accompanying consolidated financial statements include our accounts and that of our consolidated subsidiaries. All significant intercompany amounts have been eliminated. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us 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.

We currently operate in one reportable segment.

3. Restatement for Immaterial Adjustment of Second Quarter 2007 Operating Expenses and Reimbursements

Subsequent to the issuance of our consolidated financial statements for the quarter ended June 30, 2007, we determined that our consolidated statement of operations for the three and six months ended June 30, 2007, included \$3,072,000 of intercompany revenues (expense reimbursements) and \$3,072,000 of intercompany operating expenses that should have been eliminated in the consolidation of our Kings Plaza joint venture. There was no impact on operating income or net income for the three and six months ended June 30, 2007, as a result of not

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eliminating these amounts. The Kings Plaza joint venture became operational at the end of March 2007, and as such, no other prior periods were affected. We have corrected this error in the consolidated statement of operations for the nine months ended September 30, 2007. We have concluded that the elimination entry not made, was immaterial to our consolidated financial statements for the three and six months ended June 30, 2007. While these periods are not presented in this Quarterly Report on Form 10-Q, the table below illustrates the effects of the restatement on the three and six months ended June 30, 2007.

| (\$ in thousands) | Three Months Ended | | Six Months Ended | |
|------------------------|---------------------------|--------------------|-------------------------|--------------------|
| | June 30, 2007 | | June 30, 2007 | |
| | As Reported | As Adjusted | As Reported | As Adjusted |
| Expense reimbursements | 18,919 | 15,847 | 36,241 | 33,169 |
| Total revenues | 54,141 | 51,069 | 106,337 | 103,265 |
| Operating expenses | 20,194 | 17,122 | 38,119 | 35,047 |
| Total expenses | 23,806 | 20,734 | 34,581 | 31,509 |
| Operating income | 30,335 | 30,335 | 71,756 | 71,756 |
| Net income | 19,609 | 19,609 | 51,785 | 51,785 |

ALEXANDER S, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

4. Recently Issued Accounting Literature

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 establishes new evaluation and measurement processes for all income tax positions taken. FIN 48 became effective on January 1, 2007. Upon the adoption of FIN 48 on January 1, 2007, we recognized a \$6,983,000 increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. This statement clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing an asset or liability. SFAS No. 157 applies whenever other standards require assets or liabilities to be measured at fair value. SFAS No. 157 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data. SFAS No. 157 is effective in fiscal years beginning after November 15, 2007. We do not believe that the adoption of SFAS No. 157 on January 1, 2008, will have a material effect on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of SFAS No. 87, 88, 106 and 132R*. SFAS No. 158 requires an employer to (i) recognize in its statement of financial position an asset for a plan's over funded status or a liability for a plan's under funded status; (ii) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year (with limited exceptions); and (iii) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in comprehensive income. The adoption of the requirement to recognize the funded status of a benefit plan and the disclosure requirements as of December 31, 2006, did not have any effect on our consolidated financial statements. The requirement to measure plan assets and benefit obligations to determine the funded status as of the end of the fiscal year and to recognize changes in the funded status in the year in which the changes occur is effective for fiscal years ending after December 15, 2008. The adoption of the measurement date provisions of this standard is not expected to have any effect on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We have not decided if we will choose to measure any eligible financial assets and liabilities at fair value upon the adoption of SFAS No. 159 on January 1, 2008.

5. Relationship with Vornado

At September 30, 2007, Vornado owned 32.8% of our outstanding common stock. Steven Roth is the Chairman of our Board of Directors and our Chief Executive Officer, the Managing General Partner of Interstate Properties (Interstate), a New Jersey general partnership, and the Chairman of the Board and Chief Executive Officer of Vornado. At September 30, 2007, Mr. Roth, Interstate and its two other general partners, David Mandelbaum and Russell B. Wight, Jr. (who are also our directors and trustees of Vornado) owned, in the aggregate, 27.2% of our outstanding common stock, in addition to the 2.8% they indirectly own through Vornado.

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We are managed by, and our properties are leased and developed by, Vornado, pursuant to the agreements described below, which expire in March of each year and are automatically renewable.

Management and Development Agreements

We pay Vornado an annual management fee equal to the sum of (i) \$3,000,000, (ii) 3% of gross income from the Kings Plaza Regional Shopping Center, (iii) \$0.50 per square foot of the tenant-occupied office and retail space at 731 Lexington Avenue and (iv) \$227,000, escalating at 3% per annum, for managing the common area of 731 Lexington Avenue.

In addition, Vornado is entitled to a development fee of 6% of development costs, as defined, with minimum guaranteed fees of \$750,000 per annum.

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ALEXANDER S, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

5. Relationship with Vornado - continuedLeasing Agreements

Vornado also provides us with leasing services for a fee of 3% of rent for the first ten years of a lease term, 2% of rent for the eleventh through the twentieth year of a lease term, and 1% of rent for the twenty-first through thirtieth year of a lease term, subject to the payment of rents by tenants. In the event of a sale of an asset, the fee is 3% of gross proceeds, as defined. In the event third party real estate brokers are used, the fees to Vornado increase by 1% and Vornado is responsible for the fees to the third party real estate brokers. Such amounts are payable annually in an amount not to exceed \$2,500,000, with interest at 9% per annum on the unpaid balance.

Effective January 1, 2007, we modified our leasing agreement with Vornado. Pursuant to the modification, (i) the existing 3% commission on asset sales was adjusted so that for asset sales greater than \$50,000,000, the fee is 1% of gross proceeds, as defined; (ii) in the event third party real estate brokers are used in connection with asset sales, the fees to Vornado no longer increase by 1% and Vornado continues to be responsible for the fees to such third party real estate brokers; and (iii) the annual amount payable for fees under this agreement was increased to \$4,000,000, and the interest rate on the unpaid balance was adjusted to one-year LIBOR plus 100 bps per annum (6.34% at September 30, 2007).

Other Agreements

We have also entered into agreements with Building Maintenance Services, a wholly owned subsidiary of Vornado, to supervise cleaning, engineering and security services at our Lexington Avenue and Kings Plaza properties for an annual fee of the cost for such services plus 6%.

The following table shows the amounts incurred under the agreements described above.

| (Amounts in thousands) | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|-------------|--------------------------|-------------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Company management fees | \$ 750 | \$ 750 | \$ 2,250 | \$ 2,250 |
| Development fees | 1,844 | 189 | 4,420 | 572 |
| Leasing fees | 913 | 1,246 | 3,658 | 3,159 |
| Property management fees and payments for cleaning, engineering and security services | 944 | 1,038 | 3,124 | 2,370 |
| | \$ 4,451 | \$ 3,223 | \$ 13,452 | \$ 8,351 |

At September 30, 2007, we owed Vornado \$34,248,000 for leasing fees, \$3,857,000 for development fees and \$1,263,000 for management, property management and cleaning fees.

ALEXANDER S, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

6. Debt

The following is a summary of our outstanding debt, all of which have fixed interest rates.

| (Amounts in thousands) | Maturity | Interest Rate at September 30, 2007 | Balance at September 30, 2007 | December 31, 2006 |
|---|-----------|---|-------------------------------------|----------------------|
| First mortgage, secured by the office space at the Lexington Avenue property | Feb. 2014 | 5.33% | \$ 386,123 | \$ 393,232 |
| First mortgage, secured by the retail space at the Lexington Avenue property ⁽¹⁾ | Jul. 2015 | 4.93% | 320,000 | 320,000 |
| First mortgage, secured by the Kings Plaza Regional Shopping Center | Jun. 2011 | 7.46% | 204,411 | 207,131 |
| First mortgage, secured by the Rego Park I Shopping Center | Jun. 2009 | 7.25% | 79,507 | 80,135 |
| First mortgage, secured by the Paramus property | Oct. 2011 | 5.92% | 68,000 | 68,000 |
| | | | \$ 1,058,041 | \$ 1,068,498 |

(1) In the event of a substantial casualty, as defined, up to \$75,000,000 of this loan may become recourse to us.

7. Income TaxesFIN 48

We adopted the provisions of FIN 48 on January 1, 2007. Upon adoption, we recognized a \$6,983,000 increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. At January 1, 2007 and September 30, 2007, we had \$43,653,000 and \$45,495,000, respectively, of unrecognized tax benefits that, if recognized, would result in non-cash income arising from the reversal of these items and a reduction of our effective tax rate.

We recognize interest related to the unrecognized tax benefits in interest and debt expense in our consolidated statement of operations. In the three and nine months ended September 30, 2007, we recognized \$616,000 and \$1,842,000 of interest related to the unrecognized tax benefits. As of September 30, 2007, we have approximately \$6,889,000 of accrued interest related to the unrecognized tax benefits, which is included as a component of the \$45,495,000 discussed above.

As of September 30, 2007, our 2003 - 2006 tax years remain open to examination by the major taxing jurisdictions to which we are subject.

Income tax benefit (expense) of the TRS

During the third quarter of 2007, we filed the 2006 income tax return of our taxable REIT Subsidiary (TRS), which reflected a liability of \$2,333,000 less than we accrued at December 31, 2006. In connection therewith, we reduced our 2007 income tax provision by \$2,333,000.

8. Stock Appreciation Rights

Stock appreciation rights (SARs) are granted at 100% of the market price of our common stock on the date of grant. Compensation expense for each SAR is measured by the excess of stock price at the current balance sheet date over the stock price at the previous balance sheet date. If the stock price is lower at the current balance sheet date, previously recognized expense is reversed, but not below zero. In the three and nine months ended September 30, 2007, we reversed \$9,375,000 and \$27,411,000, respectively, of previously recognized expense, based on our closing stock price of \$385.50 at September 28, 2007 (compared to \$404.25 at June 29, 2007 and \$419.65 at December 29, 2006). In the three and nine months ended September 30, 2006, we recorded \$32,716,000 and \$55,623,000 for an accrual of SARs compensation expense, based on our closing stock price of \$310.25 at September 29, 2006 (compared to \$271.76 at June 30, 2006 and \$245.50 at December 30, 2005).

ALEXANDER S, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

8. Stock Appreciation Rights - continued

On March 13, 2007, Michael Fascitelli, our President, exercised 350,000 of his existing SARs. These SARs were granted to him on January 10, 2006 and were scheduled to expire on March 14, 2007. He received \$144.18 for each SAR exercised, representing the difference between our stock price of \$388.01 (the average of the high and low market price) on the date of exercise and the exercise price of \$243.83.

9. Net Gain on Sale of Condominiums

In the nine months ended September 30, 2006, we recognized \$13,256,000 of after-tax net gains from the sale of residential condominium units at our 731 Lexington Avenue property.

10. Commitments and Contingencies

Insurance

We carry commercial liability and all risk property insurance for (i) fire, (ii) flood, (iii) extended coverage, (iv) acts of terrorism as defined in the Terrorism Risk Insurance Extension Act of 2005, which expires in 2007, and (v) rental loss insurance with respect to our assets, with limits of (i) \$965,000,000 per occurrence, including certified terrorist acts and \$350,000,000 for non-certified terrorist acts for our 731 Lexington Avenue property, and (ii) \$500,000,000 per occurrence, including certified terrorist acts and \$350,000,000 for non-certified terrorist acts for our other properties. To the extent that we incur losses in excess of our insurance coverage, these losses would be borne by us and could be material.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage under these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain, or if the Terrorism Risk Insurance Extension Act of 2005 is not extended past 2007, it could adversely affect our ability to finance and/or refinance our properties.

Environmental Remediation

In June 1997, the Kings Plaza Regional Shopping 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 Phase II Study indicated the presence of petroleum and bis (2-ethylhexyl) phthalate contamination in the soil and groundwater. We delineated the contamination, developed a remediation approach, and in July 2000 entered into a voluntary cleanup agreement with the New York State Department of Environmental Conservation (NYSDEC). As of December 31, 2006, we have paid \$2,675,000, accrued in previous years, for our estimated obligation with respect to this clean up, which we believe meets the requirements of the NYSDEC remedial action workplan.

In July 2006, we discovered an oil spill at the above site. Based on a preliminary investigation, the spill may have occurred as a result of the actions of independent contractors. We have notified the NYSDEC of the spill and are in the process of developing a remediation approach to clean up the site. The estimated costs associated with this clean up will aggregate approximately \$2,500,000 and is expected to be covered under our insurance policy, subject to our \$500,000 deductible, which was accrued in the prior year. Of this amount, \$363,000 has been paid as of September 30, 2007.

Flushing Property

In the fourth quarter of 2003, we recognized \$1,289,000 of income representing a non-refundable deposit of \$1,875,000, net of \$586,000 of costs associated with the transaction, from a party that had agreed to purchase this property, as such party had not met its obligations under a May 30, 2002 purchase contract. On September 10, 2002, November 7, 2002, and July 8, 2004, we received letters from the party demanding return of the deposit. On December 28, 2005, the party filed a complaint against us in the Supreme Court of the State of New York alleging that we failed to honor the terms and conditions of the agreement. The complaint seeks specific performance and, if specific performance is denied, it seeks the return of the deposit plus interest and \$50,000 in costs. Pursuant to discussions with our legal counsel, we do not believe the party is entitled to either specific performance or a return of the deposit and are defending against the action.

ALEXANDER S, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

10. Commitments and Contingencies -continued

Rego Park II

We own approximately 6.6 acres of land adjacent to our Rego Park I property in Queens, New York, which comprises the entire square block bounded by the Horace Harding Service Road (of the Long Island Expressway), 97th Street, 62nd Drive and Junction Boulevard.

The proposed development at Rego Park II consists of a mixed-use building containing 600,000 square feet of retail space on four levels, a parking deck containing approximately 1,400 spaces and may also include up to 450 apartments in one or two towers. Construction of the retail portion of the project has commenced and is expected to be completed in 2009. The retail portion of the project is estimated to cost approximately \$400,000,000. This cost includes the construction of structured elements to support the apartment tower(s). The estimated cost for the apartments, if constructed, would be up to \$200,000,000. We are currently exploring various alternatives for financing this project. As of September 30, 2007, we have leased 404,000 square feet of the retail space, of which, 135,000, 134,000 and 135,000 have been leased to Century 21, Kohl's and Home Depot, respectively. There can be no assurance that this project will be completed, completed on time or completed for the budgeted amount.

Kings Plaza

Lowe's Home Improvement Warehouse (Lowe's) will construct its own building adjacent to the mall, on land leased from us for a 20-year term with five 5-year renewal options. The ground lease commenced on February 26, 2007 and provides for an initial annual rent of approximately \$2,000,000.

In March 2007, our consolidated joint venture, in which we have a 25% interest, completed the redevelopment of the energy plant that generates all of the electrical power at this property, for a total cost of approximately \$18,350,000.

Paramus

In 2001 we leased 30.3 acres of land located in Paramus, New Jersey to IKEA Property, Inc. The lease has a 40-year term with a purchase option in 2021 for \$75,000,000. We have a \$68,000,000 interest only, non-recourse mortgage loan on the property from a third party lender. The fixed interest rate on the debt is 5.92% with interest payable monthly until maturity in October 2011. The annual triple-net rent is the sum of \$700,000 plus the amount of debt service on the mortgage loan. If the purchase option is exercised, we will receive net cash proceeds of approximately \$7,000,000 and recognize a gain on sale of land of approximately \$62,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years must include the debt service sufficient to fully amortize \$68,000,000 over the remaining 20-year lease term.

Letters of Credit

Approximately \$3,900,000 in standby letters of credit were issued and outstanding as of September 30, 2007.

Other

There are various legal actions against us in the ordinary course of business. In our opinion, after consultation with our legal counsel, the outcome of such matters will not have a material effect on our financial condition, results of operations or cash flows.

ALEXANDER S, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

11. Income (loss) Per Share

The following table sets forth the computation of basic and diluted income per share, including a reconciliation of net income and the number of shares used in computing basic and diluted income per share. Basic income per share is determined using the weighted average shares of common stock outstanding during the period. Diluted income per share is determined using the weighted average shares of common stock outstanding during the period and assumes all potentially dilutive securities were converted into common stock at the earliest date possible.

| (Amounts in thousands, except share and per share amounts) | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|-------------|-----------------------|-----------|
| | September 30, 2007 | 2006 | September 30, 2007 | 2006 |
| Net income (loss) applicable to common stockholders basic and diluted | \$28,626 | \$(18,616) | \$80,411 | \$(622) |
| Weighted average shares outstanding basic | 5,043,282 | 5,025,000 | 5,040,771 | 5,024,989 |
| Dilutive effect of stock options | 51,021 | | 53,719 | |
| Weighted average shares outstanding diluted | 5,094,303 | 5,025,000 | 5,094,490 | 5,024,989 |
| Net income (loss) per common share basic | \$5.68 | \$(3.70) | \$15.95 | \$(0.12) |
| Net income (loss) per common share diluted | \$5.62 | \$(3.70) | \$15.78 | \$(0.12) |

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Alexander s, Inc.

Paramus, New Jersey

We have reviewed the accompanying consolidated balance sheet of Alexander s, Inc. and subsidiaries (the Company) as of September 30, 2007, and the related consolidated statements of operations for the three-month and nine-month periods ended September 30, 2007 and 2006 and cash flows for the nine-month periods ended September 30, 2007 and 2006. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Alexander s, Inc. and subsidiaries as of December 31, 2006, and the related consolidated statements of operations, stockholders equity, and cash flows for the year then ended (not presented herein); and in our report dated February 26, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2006 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

October 29, 2007

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. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Our future results, financial condition, results of operations and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as approximates, believes, expects, anticipates, estimates, intends, plans, would, may or other similar expressions in this Quarterly Report on Form 10-Q. These forward-looking statements represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. For a further discussion of these factors, see Item 1A - Risk Factors in our Annual Report on Form 10-K.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly, any revisions to our forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

Management's Discussion and Analysis of Financial Condition and Results of Operations includes a discussion of our consolidated financial statements for the three and nine months ended September 30, 2007 and 2006. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us 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.

Overview

Alexander's, Inc. is a real estate investment trust (REIT), incorporated in Delaware, engaged in leasing, managing, developing and redeveloping its properties. All references to we, us, our, or Company refer to Alexander's, Inc. and its consolidated subsidiaries. We are managed by, and our properties are leased and developed by, Vornado Realty Trust (Vornado) (NYSE: VNO). We have seven properties in the greater New York City metropolitan area including the 731 Lexington Avenue property, a 1.3 million square foot multi-use building in Manhattan, and the Kings Plaza Regional Shopping Center located in Brooklyn.

We compete with a large number of real estate property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition are rents charged, attractiveness of the location, the quality of the property and breadth and quality of the services provided. Our success depends upon, among other factors, trends of national and local economies, the financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends.

Stock Appreciation Rights

Stock appreciation rights (SARs) are granted at 100% of the market price of our common stock on the date of grant. Compensation expense for each SAR is measured by the excess of stock price at the current balance sheet date over the stock price at the previous balance sheet date. If the stock price is lower at the current balance sheet date, previously recognized expense is reversed, but not below zero. In the three and nine months ended September 30, 2007, we reversed \$9,375,000 and \$27,411,000, respectively, of previously recognized expense, based on our closing stock price of \$385.50 at September 28, 2007 (compared to \$404.25 at June 29, 2007 and \$419.65 at December 29, 2006). In the three and nine months ended September 30, 2006, we recorded \$32,716,000 and \$55,623,000 for an accrual of SARs compensation expense, based on our closing stock price of \$310.25 at September 29, 2006 (compared to \$271.76 at June 30, 2006 and \$245.50 at December 30, 2005).

On March 13, 2007, Michael Fascitelli, our President, exercised 350,000 of his existing SARs. These SARs were granted to him on January 10, 2006 and were scheduled to expire on March 14, 2007. He received \$144.18 for each SAR exercised, representing the difference between our stock price of \$388.01 (the average of the high and low market price) on the date of exercise and the exercise price of \$243.83.

Kings Plaza

Lowe's Home Improvement Warehouse (Lowe's) will construct its own building adjacent to the mall, on land leased from us for a 20-year term with five 5-year renewal options. The ground lease commenced on February 26, 2007 and provides for an initial annual rent of approximately \$2,000,000.

In March 2007, our consolidated joint venture, in which we have a 25% interest, completed the redevelopment of the energy plant that generates all of the electrical power at this property, for a total cost of approximately \$18,350,000.

Critical Accounting Policies

A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2006 in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 2 Summary of Significant Accounting Policies to the consolidated financial statements included therein. There have been no significant changes to those policies during 2007.

Significant Tenants

Bloomberg L.P. accounted for approximately 31% and 35% of our consolidated revenues in the nine months ended September 30, 2007 and 2006, respectively. No other tenant accounted for more than 10% of our consolidated revenues.

Results of Operations for the Three Months Ended September 30, 2007 and 2006

Net income for the quarter ended September 30, 2007 was \$28,626,000, or \$5.62 per diluted share, compared to a net loss of \$18,616,000, or \$3.70 per diluted share, for the quarter ended September 30, 2006. Net income for the quarter ended September 30, 2007 includes \$9,375,000, or \$1.84 per diluted share, for the reversal of a portion of the accrual for SARs compensation expense. Net loss for the quarter ended September 30, 2006 includes \$32,716,000, or \$6.51 per diluted share, for an accrual of SARs compensation expense.

Property Rentals

Property rentals were \$35,319,000 in the quarter ended September 30, 2007, compared to \$34,014,000 in the prior year's quarter, an increase of \$1,305,000. This increase was primarily attributable to rents from tenants at 731 Lexington Avenue as a result of the lease-up of the remaining vacant space during the second half of 2006, as well as rent from the commencement of the Lowe's ground lease at Kings Plaza in February 2007.

Expense Reimbursements

Tenant expense reimbursements were \$17,105,000 in the quarter ended September 30, 2007, compared to \$16,785,000 in the prior year's quarter, an increase of \$320,000. This increase resulted primarily from higher utility recoveries, partially offset by lower real estate tax reimbursements.

Operating Expenses

Operating expenses were \$17,653,000 in the quarter ended September 30, 2007, compared to \$19,897,000 in the prior year's quarter, a decrease of \$2,244,000. This decrease was primarily due to (i) \$1,376,000 of lower operating costs at our Kings Plaza energy plant, due to start-up expenses and an oil spill in the prior year and (ii) a \$439,000 reduction in real estate taxes.

General and Administrative Expenses

Excluding \$9,375,000 for the reversal of a portion of the accrual for SARs compensation expense in the quarter ended September 30, 2007 and \$32,716,000 for an accrual of SARs compensation expense in the quarter ended September 30, 2006, general and administrative expenses were \$771,000 lower in the current year's quarter. This decrease was primarily the result of \$674,000 in organization costs expensed in the prior year's quarter in connection with forming the Kings Plaza energy plant joint venture.

Interest and Other Income, net

Interest and other income, net was \$6,426,000 in the quarter ended September 30, 2007, compared to \$7,457,000 in the prior year's quarter, a decrease of \$1,031,000. This decrease resulted primarily from lower average cash balances and lower average yields on investments.

Interest and Debt Expense

Interest and debt expense was \$16,154,000 in the quarter ended September 30, 2007, compared to \$17,375,000 in the prior year's quarter, a decrease of \$1,221,000. This decrease was primarily due to higher capitalized interest in the current quarter (\$1,386,000 of interest was capitalized in the current quarter, compared to \$146,000 in the prior year's quarter).

Minority Interest of Partially Owned Entity

Minority interest of partially owned entity represents our venture partner's 75% prorata share of net income from our consolidated partially owned entity, the Kings Plaza energy plant joint venture, which became operational in March 2007.

Income Tax Benefit (Expense) of the Taxable REIT Subsidiary

Income tax benefit of \$1,284,000 in the quarter ended September 30, 2007, primarily includes a \$716,000 expense substantially applicable to interest income, offset by a \$2,333,000 benefit resulting from adjusting the 2006 tax provision based on the September 2007 filing of the income tax return for the year ended December 31, 2006.

Results of Operations for the Nine Months Ended September 30, 2007 and 2006

Net income for the nine months ended September 30, 2007 was \$80,411,000, or \$15.78 per diluted share, compared to a net loss of \$622,000, or \$0.12 per diluted share, for the nine months ended September 30, 2006. Net income for the nine months ended September 30, 2007 includes \$27,411,000, or \$5.38 per diluted share, for the reversal of a portion of the accrual for SARs compensation expense. Net loss for the nine months ended September 30, 2006 includes \$55,623,000 for an accrual of SARs compensation expense, partially offset by \$13,256,000 for an after-tax net gain from the sale of residential condominium units at 731 Lexington Avenue. These items, in the aggregate, decreased net income for the nine months ended September 30, 2006, by \$42,367,000, or \$8.43 per diluted share.

Property Rentals

Property rentals were \$105,415,000 in the nine months ended September 30, 2007, compared to \$101,846,000 in the prior year's nine months, an increase of \$3,569,000. This increase was primarily attributable to rents from tenants at 731 Lexington Avenue as a result of the lease-up of the remaining vacant space during the second half of 2006, as well as rent from the commencement of the Lowe's ground lease at Kings Plaza in February 2007.

Expense Reimbursements

Tenant expense reimbursements were \$50,274,000 in the nine months ended September 30, 2007, compared to \$46,700,000 in the prior year's nine months, an increase of \$3,574,000. This increase resulted primarily from higher utility recoveries and real estate tax reimbursements in excess of expense recognized, from tenants at 731 Lexington Avenue, under leases that do not participate in a tax credit program.

Operating Expenses

Operating expenses were \$52,700,000 in the nine months ended September 30, 2007, compared to \$55,654,000 in the prior year's nine months, a decrease of \$2,954,000. This decrease was primarily due to (i) \$2,075,000 of lower operating costs at our Kings Plaza energy plant, due to start-up expenses and an oil spill in the prior year and (ii) a \$1,436,000 reduction in real estate taxes, partially offset by higher insurance costs and bad debt expense.

General and Administrative Expenses

Excluding \$27,411,000 for the reversal of a portion of the accrual for SARs compensation expense in 2007 and \$55,623,000 for an accrual of SARs compensation expense in 2006, general and administrative expenses were \$99,000 higher in the current year.

Interest and Other Income, net

Interest and other income, net was \$20,543,000 in the nine months ended September 30, 2007, compared to \$20,438,000 in the prior year's nine months, an increase of \$105,000. This increase resulted primarily from higher average yields on investments, partially offset by, lower average cash balances.

Interest and Debt Expense

Interest and debt expense was \$49,299,000 in the nine months ended September 30, 2007, compared to \$51,523,000 in the prior year's nine months, a decrease of \$2,224,000. This decrease was primarily due to higher capitalized interest in the current year's nine months (\$2,965,000 of

interest was capitalized in the current year's nine months, compared to \$260,000 in the prior year's nine months).

Minority Interest of Partially Owned Entity

Minority interest of partially owned entity represents our venture partner's 75% prorata share of net income in our consolidated partially owned entity, the Kings Plaza energy plant joint venture, which became operational in March 2007.

Income Tax Benefit (Expense) of the Taxable REIT Subsidiary

Income tax benefit of the taxable REIT subsidiary was \$178,000 in the nine months ended September 30, 2007, compared to an expense of \$11,273,000 in the prior year's nine months, a decrease of \$11,451,000. This decrease was primarily due to the sale of the remaining residential condominium units at 731 Lexington Avenue during 2006 and a \$2,333,000 benefit resulting from adjusting the 2006 tax provision based on the September 2007 filing of the income tax return for the year ended December 31, 2006, offsetting the 2007 provision applicable to interest income.

Liquidity and Capital Resources

Development Projects

Rego Park II

We own approximately 6.6 acres of land adjacent to our Rego Park I property in Queens, New York, which comprises the entire square block bounded by the Horace Harding Service Road (of the Long Island Expressway), 97th Street, 62nd Drive and Junction Boulevard.

The proposed development at Rego Park II consists of a mixed-use building containing 600,000 square feet of retail space on four levels, a parking deck containing approximately 1,400 spaces and may also include up to 450 apartments in one or two towers. Construction of the retail portion of the project has commenced and is expected to be completed in 2009. The retail portion of the project is estimated to cost approximately \$400,000,000. This cost includes the construction of structured elements to support the apartment towers. The estimated cost for the apartments, if constructed, would be up to \$200,000,000. We are currently exploring various alternatives for financing this project. As of September 30, 2007, we have leased 404,000 square feet of the retail space, of which, 135,000, 134,000 and 135,000 have been leased to Century 21, Kohl's and Home Depot, respectively. There can be no assurance that this project will be completed, completed on time or completed for the budgeted amount.

Insurance

We carry commercial liability and all risk property insurance for (i) fire, (ii) flood, (iii) extended coverage, (iv) acts of terrorism as defined in the Terrorism Risk Insurance Extension Act of 2005, which expires in 2007, and (v) rental loss insurance with respect to our assets, with limits of (i) \$965,000,000 per occurrence, including certified terrorist acts and \$350,000,000 for non-certified terrorist acts for our 731 Lexington Avenue property, and (ii) \$500,000,000 per occurrence, including certified terrorist acts and \$350,000,000 for non-certified terrorist acts for our other properties. To the extent that we incur losses in excess of our insurance coverage, these losses would be borne by us and could be material.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage under these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain, or if the Terrorism Risk Insurance Extension Act of 2005 is not extended past 2007, it could adversely affect our ability to finance and/or refinance our properties.

Stock Appreciation Rights

As of September 30, 2007, 500,000 SARs were outstanding and exercisable. These SARs have a weighted average exercise price of \$70.38 and are scheduled to expire on March 4, 2009. Since the SARs agreements require that they be settled in cash, we would have had to pay \$157,162,000 if the holders of these SARs had exercised their SARs on September 30, 2007. Any change in our stock price from the closing price of \$385.50 on September 28, 2007, will increase or decrease the amount we will have to pay upon exercise.

Cash Flows

Nine Months Ended September 30, 2007

Cash and cash equivalents were \$529,581,000 at September 30, 2007, compared to \$615,516,000 at December 31, 2006, a decrease of \$85,935,000. This decrease resulted primarily from \$84,712,000 of net cash used in investing activities and \$9,894,000 of net cash used in financing activities, partially offset by, \$8,671,000 of net cash provided by operating activities.

Rental income from our properties is our principal source of operating cash flow. Our property rental income is dependent on a number of factors including the occupancy level and rental rates of our properties, as well as our tenants' ability to pay their rents. Our properties provide us with a relatively consistent stream of cash flow that enables us to pay our operating expenses, non-development capital improvements and interest expense. Other sources of liquidity to fund our cash requirements include our existing cash, proceeds from debt financings, including mortgage or construction loans secured by our properties and proceeds from asset sales.

Net cash provided by operating activities of \$8,671,000 was primarily comprised of (i) net income of \$80,411,000, partially offset by, (ii) the net change in operating assets and liabilities of \$51,807,000 and (iii) adjustments for non-cash items of \$19,933,000. The net change in operating assets and liabilities was primarily comprised of a \$50,465,000 payment for a portion of the liability for stock appreciation rights. The adjustments for non-cash items were primarily comprised of (a) liability for stock appreciation rights of \$27,411,000 and (b) straight-lining of rental income of \$11,576,000, partially offset by, (c) minority interest of \$321,000 and (d) depreciation and amortization of \$18,733,000.

Net cash used in investing activities of \$84,712,000 was primarily comprised of capital expenditures of \$80,566,000 and an increase in restricted cash of \$4,146,000.

Net cash used in financing activities of \$9,894,000 was primarily comprised of repayments of borrowings of \$10,457,000, partially offset by, \$563,000 for the exercise of share options.

Nine Months Ended September 30, 2006

Cash and cash equivalents were \$622,177,000 at September 30, 2006, compared to \$578,406,000 at December 31, 2005, an increase of \$43,771,000. This increase resulted primarily from \$42,493,000 and \$8,756,000 of net cash provided by operating activities and investing activities, respectively, partially offset by, \$7,478,000 of net cash used in financing activities.

Net cash provided by operating activities of \$42,493,000 was comprised of (i) non-cash items of \$37,621,000 and (ii) the net change in operating assets and liabilities of \$5,494,000, partially offset by, (iii) a net loss of \$622,000. The adjustments for non-cash items are primarily comprised of (a) a \$55,623,000 liability for stock appreciation rights and (b) depreciation and amortization of \$18,309,000, partially offset by, (c) \$24,529,000 resulting from the net gain on sale of condominiums at 731 Lexington Avenue and (d) the effect of straight-lining of rental income of \$11,276,000.

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Net cash provided by investing activities of \$8,756,000 was primarily comprised of (i) \$39,383,000 of proceeds from the sales of condominiums at 731 Lexington Avenue, partially offset by, (ii) capital expenditures of \$26,138,000 and (iii) an increase in restricted cash of \$4,489,000.

Net cash used in financing activities of \$7,478,000 was primarily comprised of debt repayments of \$7,548,000, partially offset by \$70,000 for the exercise of share options.

Funds from Operations (FFO)

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT). NAREIT defines FFO as net income or loss determined in accordance with Generally Accepted Accounting Principles (GAAP), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

FFO and FFO per diluted share are used by management, investors and industry analysts as supplemental measures of operating performance of equity REITs. FFO and FFO per diluted share should be evaluated along with GAAP net income and income per diluted share (the most directly comparable GAAP measures), as well as cash flow from operating activities, investing activities and financing activities, in evaluating the operating performance of equity REITs. Management believes that FFO and FFO per diluted share are helpful to investors as supplemental performance measures because these measures exclude the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs which implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, these non-GAAP measures can facilitate comparisons of operating performance between periods and among other equity REITs.

FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs as disclosed in our Statements of Cash Flows. FFO 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.

FFO for the Quarters and Nine Months Ended September 30, 2007 and 2006

FFO for the quarter ended September 30, 2007 was \$33,947,000, or \$6.66 per diluted share, compared to negative FFO \$13,035,000, or \$2.59 per diluted share, for the quarter ended September 30, 2006. FFO for the quarter ended September 30, 2007 includes \$9,375,000, or \$1.84 per diluted share, for the reversal of a portion of the accrual for SARs compensation expense. Negative FFO for the quarter ended September 30, 2006 includes \$32,716,000, or \$6.51 per diluted share, for an accrual of SARs compensation expense.

FFO for the nine months ended September 30, 2007 was \$96,871,000, or \$19.01 per diluted share, compared to \$15,648,000, or \$3.08 per diluted share, for the nine months ended September 30, 2006. FFO for the nine months ended September 30, 2007 includes \$27,411,000, or \$5.38 per diluted share, for the reversal of a portion of the accrual for SARs compensation expense. FFO for the nine months ended September 30, 2006 includes \$55,623,000 for an accrual of SARs compensation expense, partially offset by \$13,256,000 for an after-tax net gain from the sale of residential condominium units at 731 Lexington Avenue. These items, in the aggregate, decreased FFO for the nine months ended September 30, 2006 by \$42,367,000, or \$8.43 per diluted share.

The following table reconciles net income (loss) to FFO (Negative FFO):

| (Amounts in thousands, except share and per share amounts) | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|--------------|---------------------------|-------------|
| | September 30, 2007 | 2006 | September 30, 2007 | 2006 |
| Net income (loss) | \$28,626 | \$ (18,616) | \$ 80,411 | \$ (622) |

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| | | | | |
|---|-----------|--------------|-----------|-----------|
| Depreciation and amortization of real property | 5,321 | 5,581 | 16,460 | 16,270 |
| FFO (Negative FFO) | \$33,947 | \$ (13,035) | \$96,871 | \$ 15,648 |
| FFO (Negative FFO) per diluted share | \$6.66 | \$ (2.59) | \$19.01 | \$ 3.08 |
| Weighted average shares used in computing diluted FFO per share | 5,094,303 | 5,025,000 | 5,094,490 | 5,084,486 |

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

At September 30, 2007, we had \$1,058,000,000 of fixed rate debt at a weighted average interest rate of 5.80% and as such, we have no exposure to changes in interest rates for the remaining terms of our existing debt.

Fair Value of Our Debt

The fair value of our debt, estimated by discounting future contractual cash flows of our existing debt using the current rates available to borrowers with similar credit ratings for the remaining terms of such debt, is less than the aggregate carrying amount by approximately \$3,144,000 at September 30, 2007.

Item 4. Controls and Procedures

(a) **Disclosure Controls and Procedures** Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

(b) **Internal Control Over Financial Reporting** There have not been any changes in our internal control over financial reporting during the fiscal quarter to which this Quarterly Report on Form 10-Q relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are from time to time involved in legal actions arising in the ordinary course of business. In our opinion, after consultation with our legal counsel, the outcome of such matters will not have a material effect on our financial condition, results of operations or cash flows.

Item 1A. Risk Factors

There have been no material changes in our Risk Factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2006.

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

None.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

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

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: October 29, 2007

By: /s/ Joseph Macnow
Joseph Macnow, Executive Vice President and
Chief Financial Officer (duly authorized officer and principal
financial and accounting officer)

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EXHIBIT INDEX

Exhibit No.

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| 3.1 | - | Amended and Restated Certificate of Incorporation. Incorporated herein by reference from Exhibit 3.1 to the registrant's Registration Statement on Form S-3 filed on September 20, 1995 | * |
| 3.2 | - | By-laws, as amended. Incorporated herein by reference from Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 | * |
| 10.1 | - | 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 Annual Report on Form 10-K for the fiscal year ended July 25, 1992 | * |
| 10.2 | - | 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 Annual Report Form 10-K for the year ended December 31, 1994 | * |
| 10.3 | **- | Registrant's Omnibus Stock Plan, as amended, dated May 28, 1997. Incorporated herein by reference from Exhibit 10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, filed on August 13, 1997 | * |
| 10.4 | - | Amended, Restated and Consolidated Mortgage and Security Agreement, dated May 12, 1999, between The Chase Manhattan Bank, as mortgagee, and Alexander's Rego Shopping Center Inc., as mortgagor. Incorporated herein by reference from Exhibit 10(i)(E) to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed on August 8, 2000 | * |
| 10.5 | - | 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 quarter ended June 30, 2001, filed on August 2, 2001 | * |
| 10.6 | - | Amended and Restated Consolidated Mortgage and Security Agreement dated as of May 31, 2001 among Alexander's Kings Plaza LLC as mortgagor, Alexander's of King LLC as mortgagor and Kings Parking LLC 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 quarter ended June 30, 2001, filed on August 2, 2001 | * |
| 10.7 | - | Amended, Restated and Consolidated Promissory Note, dated as of May 31, 2001 by and between Alexander's Kings Plaza LLC, Alexander's of Kings LLC, and Kings Parking LLC 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 quarter ended June 30, 2001, filed on August 2, 2001 | * |
| 10.8 | - | Cash Management Agreement dated as of May 31, 2001 by and between Alexander's Kings Plaza LLC, Alexander's of Kings LLC, and Kings Parking LLC collectively | * |

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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 quarter ended June 30, 2001, filed on August 2, 2001

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- * Incorporated by reference.
 - ** Management contract or compensatory agreement

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| 10.9 | - | <p>Note modification and Severance Agreement dated as of November 26, 2001, between Alexander s Kings Plaza LLC, Alexander s of Kings LLC, and Kings Parking LLC collectively borrower and JP Morgan Chase Bank of New York, lender. Incorporated herein by reference from Exhibit 10(v)(A)(4) to the registrant s Annual Report on Form 10-K for the year ended December 31, 2001, filed on March 13, 2002</p> | * |
| 10.10 | - | <p>Loan Agreement dated as of October 2, 2001 by and between ALX of Paramus LLC as borrower, and SVENSKA HANDELSBANKEN AB (publ), as lender. Incorporated herein by reference from Exhibit 10(v)(C)(1) to the registrant s Annual Report on Form 10-K for the year ended December 31, 2001, filed on March 13, 2002</p> | * |
| 10.11 | - | <p>Mortgage, Security Agreement and Fixture Financing Statement dated as of October 2, 2001 by and between ALX of Paramus LLC as borrower, and SVENSKA HANDELSBANKEN AB (publ), as lender. Incorporated herein by reference from Exhibit 10(v)(C)(2) to the registrant s Annual Report on Form 10-K for the year ended December 31, 2001, filed on March 13, 2002</p> | * |
| 10.12 | - | <p>Environmental undertaking letter dated as of October 2, 2001 by and between ALX of Paramus LLC, as borrower, and SVENSKA HANDELSBANKEN AB (publ), as lender. Incorporated herein by reference from Exhibit 10(v)(C)(3) to the registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on March 13, 2002</p> | * |
| 10.13 | - | <p>Lease dated as of October 2, 2001 by and between ALX of Paramus LLC, as Landlord, and IKEA Property, Inc. as Tenant. Incorporated herein by reference from Exhibit 10(v)(C)(4) to the registrant s Annual Report on Form 10-K for the year ended December 31, 2001, filed on March 13, 2002</p> | * |
| 10.14 | - | <p>Amendment to Real Estate Retention Agreement, dated as of July 3, 2002, by and between Alexander s, Inc. and Vornado Realty, L.P. Incorporated herein by reference from Exhibit 10(i)(E)(3) to the registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 7, 2002</p> | * |
| 10.15 | - | <p>59th Street Real Estate Retention Agreement, dated as of July 3, 2002, by and between Vornado Realty, L.P., 731 Residential LLC and 731 Commercial LLC. Incorporated herein by reference from Exhibit 10(i)(E)(4) to the registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 7, 2002</p> | * |
| 10.16 | - | <p>Amended and Restated Management and Development Agreement, dated as of July 3, 2002, by and between Alexander s, Inc., the subsidiaries party thereto and Vornado Management Corp. Incorporated herein by reference from Exhibit 10(i)(F)(1) to the registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 7, 2002</p> | * |
| 10.17 | - | <p>59th Street Management and Development Agreement, dated as of July 3, 2002, by and between 731 Commercial LLC and Vornado Management Corp. Incorporated herein by reference from Exhibit 10(i)(F)(2) to the registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 7, 2002</p> | * |
| 10.18 | - | <p></p> | * |

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- 10.19 - Limited Liability Company Operating Agreement of 731 Residential LLC, dated as of July 3, 2002, among 731 Residential Holding LLC, as the sole member, Domenic A. Borriello, as an Independent Manager and Kim Lutthang, as an Independent Manager. Incorporated herein by reference from Exhibit 10(i)(A)(1) to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 7, 2002 *
- 10.20 - Limited Liability Company Operating Agreement of 731 Commercial LLC, dated as of July 3, 2002, among 731 Commercial Holding LLC, as the sole member, Domenic A. Borriello, as an Independent Manager and Kim Lutthang, as an Independent Manager. Incorporated herein by reference from Exhibit 10(i)(A)(2) to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 7, 2002 *
- 10.21 - Reimbursement Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., 731 Commercial LLC, 731 Residential LLC and Vornado Realty, L.P. Incorporated herein by reference from Exhibit 10(i)(C)(8) to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 7, 2002 *
- 10.22 - First Amendment of Lease, dated as of April 19, 2002, between Seven Thirty One Limited Partnership, landlord and Bloomberg L.P., tenant. Incorporated herein by reference from Exhibit 10(v)(B)(2) to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2002, filed on August 7, 2002 *
- 10.23 - Loan and Security Agreement, dated as of February 13, 2004, between 731 Office One LLC, as Borrower and German American Capital Corporation, as Lender. Incorporated herein by reference from Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.24 - Amended, Restated and Consolidated Mortgage, Security Agreement, Financing Statement and Assignment of Leases, Rent and Security Deposits by and between 731 Office One LLC as Borrower and German American Capital Corporation as Lender, dated as of February 13, 2004. Incorporated herein by reference from Exhibit 10.21 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.25 - Amended, Restated and Consolidated Note, dated as of February 13, 2004, by 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.22 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.26 - Assignment of Leases, Rents and Security Deposits from 731 Office One LLC to German American Capital Corporation, dated as of February 13, 2004. Incorporated herein by reference from Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.27 - Account and Control Agreement, dated as of February 13, 2004, by and among German American Capital Corporation as Lender, and 731 Office One LLC as Borrower, and JP Morgan Chase as Cash Management Bank. Incorporated herein by reference from Exhibit 10.24 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.28 - *

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Manager's Consent and Subordination of Management Agreement dated February 13, 2004 by 731 Office One LLC and Alexander's Management LLC and German American Capital Corporation. Incorporated herein by reference from Exhibit 10.25 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004

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| 10.29 | - | Note Exchange Agreement dated as of February 13, 2004 by and between 731 Office One LLC and German American Capital Corporation. Incorporated herein by reference from Exhibit 10.26 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 | * |
| 10.30 | - | Promissory Note A-1 dated as of February 13, 2004 and 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.27 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 | * |
| 10.31 | - | Promissory Note A-2 dated as of February 13, 2004 and 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.28 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 | * |
| 10.32 | - | Promissory Note A-3 dated as of February 13, 2004 and 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.29 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 | * |
| 10.33 | - | Promissory Note A-4 dated as of February 13, 2004, and 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.30 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 | * |
| 10.34 | - | Promissory Note A-X dated as of February 13, 2004, and 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.31 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 | * |
| 10.35 | - | Promissory Note B dated as of February 13, 2004, and 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.32 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 | * |
| 10.36 | - | Guaranty of Recourse Obligations dated as of February 13, 2004, by Alexander's, Inc. to and for the benefit of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.33 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 | * |
| 10.37 | - | Environmental Indemnity dated as of February 13, 2004, by Alexander's, Inc. and 731 Office One LLC for the benefit of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.34 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 | * |
| 10.38 | - | Loan Agreement dated as of July 6, 2005, between 731 Retail One LLC, as Borrower and Archon Financial, as Lender. Incorporated herein by reference from Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed on July 12, 2005 | * |
| 10.39 | **- | Form of Stock Option Agreement between the Company and certain employees. Incorporated herein by reference from Exhibit 10.61 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, filed on October 27, 2005 | * |

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- 10.40 **- Form of Restricted Stock Option Agreement between the Company and certain employees. Incorporated herein by reference from Exhibit 10.62 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, filed on October 27, 2005 *
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- * Incorporated by reference.
- ** Management contract or compensatory agreement

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- 10.41 **_- Stock Appreciation Right Agreement dated as of January 10, 2006, between Michael D. Fascitelli and Alexander s Inc. Incorporated herein by reference from Exhibit 10.1 to the registrant s Current Report on Form 8-K for January 10, 2006, filed on January 12, 2006 *
- 10.42 **_- Registrant s 2006 Omnibus Stock Plan dated April 4, 2006. Incorporated herein by reference from Annex B to Schedule 14A, filed by the registrant on April 28, 2006 *
- 10.43 - Amendment to Real Estate Retention Agreement, dated as of January 1, 2007, by and between Alexander s, Inc. and Vornado Realty L.P. Incorporated herein by reference from Exhibit 10.64 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2006, filed on February 26, 2007 *
- 10.44 - Amendment to 59th Street Real Estate Retention agreement, dated as of January 1, 2007, by and among Vornado Realty L.P., 731 Retail One LLC, 731 Restaurant LLC, 731 Office One LLC and 731 Office Two LLC. Incorporated herein by reference from Exhibit 10.65 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2006, filed on February 26, 2007 *
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- 15.1 - Letter regarding unaudited interim financial information
- 31.1 - Rule 13a-14 (a) Certification of the Chief Executive Officer
- 31.2 - Rule 13a-14 (a) Certification of the Chief Financial Officer
- 32.1 - Section 1350 Certification of the Chief Executive Officer
- 32.2 - Section 1350 Certification of the Chief Financial Officer

* Incorporated by reference.

** Management contract or compensatory agreement