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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, 2004**

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**

ALEXANDERiS, 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 office)

51-0100517
(I.R.S. Employer Identification No.)

07652
(Zip Code)

(201) 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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 22, 2004, there were 5,012,850 shares of common stock, par value \$1 per share, outstanding.

**ALEXANDERIS, INC. AND SUBSIDIARIES
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[Table of Contents](#)**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****ALEXANDERIS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(amounts in thousands except share and per share amounts)

	September 30, 2004 (Unaudited)	December 31, 2003
ASSETS		
Real estate, at cost:		
Land	\$ 91,677	\$ 91,496
Buildings, leaseholds and leasehold improvements	464,681	371,353
Construction in progress	351,357	346,166
Air rights acquired for 731 Lexington Avenue	17,531	17,531
Total	925,246	826,546
Accumulated depreciation and amortization	(70,821)	(62,744)
Real estate, net	854,425	763,802
Asset held for sale	ó	432
Cash and cash equivalents	126,750	21,336
Escrow deposits and restricted cash	55,273	16,291
Accounts receivable, net of allowance for doubtful accounts of \$272 and \$55	4,124	3,101
Receivable arising from the straight-lining of rents	66,103	27,412
Deferred lease and other property costs (including unamortized leasing fees to Vornado Realty Trust (iVornado) of \$38,677 and \$31,021), net	68,443	61,594
Deferred debt expense, net	15,954	10,806
Other assets	9,757	16,222
TOTAL ASSETS	\$ 1,200,829	\$ 920,996
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt (including \$124,000 due to Vornado)	\$ 933,979	\$ 731,485
Amounts due to Vornado	47,129	34,427
Accounts payable and accrued expenses	42,355	47,402
Liability for stock appreciation rights	108,191	44,917
Other liabilities	49,570	11,842
TOTAL LIABILITIES	1,181,224	870,073
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock: \$1.00 par value per share; authorized, 3,000,000 shares; issued, none	ó	ó
Common stock: \$1.00 par value per share; authorized, 10,000,000 shares; issued, 5,173,450 shares	5,174	5,174
Additional capital	25,621	24,843
(Accumulated deficit) retained earnings	(10,296)	21,866
	20,499	51,883
Treasury shares: 160,600 and 172,600 shares at cost	(894)	(960)

TOTAL STOCKHOLDERS' EQUITY	19,605	50,923
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,200,829	\$ 920,996

See notes to consolidated financial statements.

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ALEXANDERiS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(amounts in thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
REVENUES				
Property rentals	\$ 29,009	\$ 12,478	\$ 80,712	\$ 38,259
Expense reimbursements	9,826	7,424	26,687	21,522
Total revenues	38,835	19,902	107,399	59,781
EXPENSES				
Operating (including management fees to Vornado of \$474, \$365, \$1,446 and \$1,096)	12,732	9,491	33,969	27,919
General and administrative (including stock appreciation rights compensation expense of \$26,656, \$18,708, \$63,274 and \$28,631 and management fees to Vornado of \$540 and \$1,620 in each three and nine month period).	27,627	19,668	66,488	31,534
Depreciation and amortization	3,785	1,790	11,193	5,046
Total expenses	44,144	30,949	111,650	64,499
OPERATING LOSS	(5,309)	(11,047)	(4,251)	(4,718)
Interest and other income, net	353	161	1,090	499
Interest and debt expense (including interest on loans from Vornado)	(10,599)	(2,674)	(29,813)	(8,933)
Write-off of unamortized deferred debt expense	ó	ó	(3,050)	ó
Loss before gain on sale of real estate	(15,555)	(13,560)	(36,024)	(13,152)
Gain on sale of real estate	3,862	ó	3,862	ó
NET LOSS	\$ (11,693)	\$ (13,560)	\$ (32,162)	\$ (13,152)
Net loss per common share (basic and diluted):				
Loss before gain on sale of real estate	\$ (3.10)	\$ (2.71)	\$ (7.19)	\$ (2.63)
Gain on sale of real estate	0.77	ó	0.77	ó
Net loss	\$ (2.33)	\$ (2.71)	\$ (6.42)	\$ (2.63)

See notes to consolidated financial statements.

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ALEXANDERiS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(amounts in thousands)

	Nine Months Ended September 30,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (32,162)	\$ (13,152)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Write-off of unamortized deferred debt expense	3,050	ó
Gain on sale of real estate	(3,862)	ó
Depreciation and amortization (including deferred debt expense)	13,689	7,912
Straight-lining of rental income	(38,691)	(1,313)
Change in operating assets and liabilities:		
Accounts receivable, net	(1,023)	956
Amounts due to Vornado	8,840	(382)
Accounts payable and accrued expenses	8,460	(289)
Liability for stock appreciation rights	63,274	28,631
Other liabilities	(168)	(267)
Other	(3,501)	1,463
Net cash provided by operating activities	17,906	23,559
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to real estate	(115,577)	(180,423)
Cash restricted for operating liabilities	(1,086)	(2,461)
Net proceeds from sale of real estate	4,294	ó
Net cash used in investing activities	(112,369)	(182,884)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings (including \$0 and \$5,000 from Vornado)	458,306	136,756
Repayments of borrowings	(255,812)	(2,010)
Deferred debt expense	(3,461)	ó
Exercise of share options	844	ó
Net cash provided by financing activities	199,877	134,746
Net increase (decrease) in cash and cash equivalents	105,414	(24,579)
Cash and cash equivalents at beginning of period	21,336	45,239
Cash and cash equivalents at end of period	\$ 126,750	\$ 20,660
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest (of which \$18,628 and \$28,607 have been capitalized)	\$ 45,086	\$ 34,444

See notes to consolidated financial statements.

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ALEXANDERIS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION

Alexanderis, Inc. is a real estate investment trust (iREITi), incorporated in Delaware, engaged in leasing, managing, developing and redeveloping its properties. The activities of Alexanderis, Inc. are conducted through its manager, Vornado Realty Trust (iVornadoi).

2. BASIS OF PRESENTATION

The consolidated balance sheet as of September 30, 2004, the consolidated statements of operations for the three and nine months ended September 30, 2004 and 2003, and the consolidated statements of cash flows for the nine months ended September 30, 2004 and 2003 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 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 in accordance with Article 10 of Regulation S-X and the instructions to Form 10-Q. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K of Alexanderis, Inc. for the year ended December 31, 2003 as filed with the Securities and Exchange Commission. The results of operations for the three and nine months ended September 30, 2004 are not necessarily indicative of the operating results for the full year.

The accompanying consolidated financial statements include the accounts of Alexanderis, Inc. and all of its wholly-owned subsidiaries (collectively, the iCompanyi). 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 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. Certain amounts in the prior periods consolidated financial statements have been reclassified to conform to the current period presentation.

The Company currently operates in one business segment.

3. RELATIONSHIP WITH VORNADO REALTY TRUST

Vornado owned 33.0% of the common stock of Alexanderis, Inc. as of September 30, 2004. Steven Roth is the Chairman of the Board and Chief Executive Officer of the Company, the Managing General Partner of Interstate Properties (iInterstatei), a New Jersey general partnership, and the Chairman of the Board and Chief Executive Officer of Vornado. At September 30, 2004, Mr. Roth, Interstate and its other two general partners, David Mandelbaum and Russell B. Wight, Jr. (who are also directors of the Company and trustees of Vornado) owned, in the aggregate, 27.4% of the outstanding common stock of Alexanderis, Inc., and 11.0% of the outstanding common shares of beneficial interest of Vornado.

The Company is managed, and its properties are leased and developed, by Vornado pursuant to agreements with one-year terms, expiring in March of each year, which are automatically renewable. In conjunction with the original closing of the 731 Lexington Avenue construction loan (the iConstruction Loani) on July 3, 2002, these agreements were modified to cover the Company's 731 Lexington Avenue property separately. Further, the management and development agreements with Vornado for the 731 Lexington Avenue property were amended to provide for a term lasting until substantial completion of the property with automatic renewals, and for the payment of the 731 Lexington Avenue development fee upon the earlier of January 3, 2006 or the full repayment of the Construction Loan encumbering the property.

On May 27, 2004, the Company entered into a further agreement with Vornado under which Vornado provides property management services to the Company for an annual fee of \$0.50 per square foot of tenant-occupied office and retail space at 731 Lexington Avenue. In addition, as of February 2003, the Company hired Building Maintenance Services (iBMSi), a wholly owned subsidiary of Vornado, to supervise the cleaning, engineering and security services at 731 Lexington Avenue for a fee of 6% of the Company's costs for such services. Both of these agreements expire in March of each year and are automatically renewable.

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ALEXANDERiS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Vornado is paid a development fee equal to 6% of development costs, as defined, with a minimum guaranteed fee and cash payment of \$750,000 per annum. For the Company's 731 Lexington Avenue project, the development fee is estimated to be \$26,300,000. Further, Vornado has agreed to guarantee to the construction lender, the lien free, timely completion of the construction of the 731 Lexington Avenue project and funding of project costs in excess of a stated loan budget, if not funded by the Company (the Completion Guarantee). The \$6,300,000 estimated fee payable by the Company to Vornado for the Completion Guarantee is 1% of construction costs, as defined, and is due at the same time that the development fee is due. In addition, if Vornado should advance any funds under the Completion Guarantee in excess of \$21,000,000, which was the amount available at September 30, 2004 under the line of credit with Vornado, discussed below, interest on those advances would be at 15% per annum.

The annual fee payable to Vornado for management of the Company is \$3,000,000 and, for property management at the Company's Kings Plaza Regional Shopping Center (the Mall), 3% of the Mall's annual gross income.

Vornado also provides all leasing services for the Company for a fee of (i) 3% of the gross proceeds, as defined, from the sale of an asset and (ii), in the event of a lease or sublease of an asset, 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. Such amounts are payable annually in an amount not to exceed \$2,500,000, until the present value of such installments, calculated at a discount rate of 9% per annum, equals the amount that would have been paid had they been paid at the time the transactions which gave rise to the commissions occurred. Pursuant to the leasing agreement, 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, except in connection with the Bloomberg L.P. lease, where the tenant paid the third party broker directly.

At September 30, 2004, the Company owed Vornado (i) \$17,881,000 for development fees, (ii) \$23,336,000 for leasing fees, (iii) \$4,689,000 for the guarantee fee, (iv) \$505,000 for interest, and (v) \$718,000 for management fees and property management and cleaning fees.

The following table shows the amounts accrued under the agreements discussed above.

(amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Company management fees	\$ 750	\$ 750	\$ 2,250	\$ 2,250
Development fee, guarantee fee and rent for development office	1,384	1,968	4,696	8,916
Leasing fees	790	209	10,993	834
Property management fees and payments for cleaning, engineering and security services	633	277	1,756	588
	\$ 3,557	\$ 3,204	\$ 19,695	\$ 12,588

At September 30, 2004, in addition to the fees and costs described above, the Company was indebted to Vornado in the amount of \$124,000,000 comprised of (i) a \$95,000,000 note and (ii) \$29,000,000 under a \$50,000,000 line of credit (which carries a 1% unused commitment fee). Effective April 1, 2004, the term loan and line of credit were modified to reduce the spread from 9.48% to 6.00% and accordingly, the current interest rate on the loan and line of credit is 9.00%. The rate resets quarterly using the 6.00% spread to one-year treasuries with a 3% floor for treasuries. On July 3, 2002, in conjunction with the original closing of the Construction Loan, the maturity of the Vornado debt was extended to the earlier of January 3, 2006 or the date the Construction Loan is fully repaid. The Company incurred interest (including the 1% unused commitment fee) on this debt of \$2,906,000 and \$4,010,000 in the three months ended September 30, 2004 and 2003, respectively, and \$9,745,000 and \$11,625,000 in the nine months ended September 30, 2004 and

2003, respectively.

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ALEXANDERiS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

4. 731 LEXINGTON AVENUE

731 Lexington Avenue is an approximately 1.3 million square foot multi-use building. The building contains approximately 885,000 net rentable square feet of office space, approximately 171,000 net rentable square feet of retail space and approximately 248,000 net saleable square feet of residential space consisting of 105 condominium units (through a taxable REIT subsidiary). Of the construction budget of \$630,000,000 (which excludes the development and guarantee fees to Vornado), \$468,900,000 has been expended through September 30, 2004 and there is an additional \$24,400,000 to which the Company has committed at such date. Construction is expected to be completed in 2005.

At September 30, 2004, 707,000 square feet of office space has been leased and delivered to tenants including 695,000 square feet delivered to Bloomberg L.P. in November and December 2003. Payment of base rent for the Bloomberg L.P. space commences nine months from delivery of each parcel of space; rent recognition on a straight-line basis commenced on delivery.

At September 30, 2004, 153,000 square feet of retail space has been leased of which 119,000 square feet has been delivered to tenants including (i) 83,000 square feet delivered to The Home Depot on March 29, 2004 and (ii) 27,000 square feet delivered to Hennes & Mauritz on May 15, 2004. Payment of base rent on the 119,000 square feet commences six to nine months from delivery of each space; rent recognition on a straight-line basis commenced on delivery.

The residential space is comprised of 105 condominium units. The original offering plan filed for these units, as amended for price increases through September 30, 2004, would produce an aggregate sale price of approximately \$500,000,000 (reflecting the value of existing contracts and the offering price for the remaining units). As of September 30, 2004, the Company has received deposits of \$48,321,000 on sales of the condominium units.

During the nine months ended September 30, 2004, the Company transferred approximately \$93,480,000 from iConstruction in progressi to iLandi and iBuildings, leaseholds and leasehold improvements,i representing the space delivered to tenants and placed into service during such period.

Financing of the Project

On February 13, 2004, the Company closed a \$400,000,000 mortgage financing on the office space. The loan was placed by German American Capital Corporation, an affiliate of Deutsche Bank. The loan bears interest at 5.33%, matures in February 2014 and, beginning in the third year, provides for principal payments based on a 25-year amortization schedule such that over the remaining eight years of the loan, ten years of amortization will be paid. \$7,223,000 of the \$10,692,000 of iDeferred debt expense, neti associated with this financing was included in iOther assetsi in the Consolidated Balance Sheet at December 31, 2003 and was reclassified in the three months ended March 31, 2004. Of the loan proceeds, \$253,529,000 were used to repay the entire amount outstanding under the previously existing Construction Loan with Hypo Real Estate Capital Corporation.

The Construction Loan was modified on February 13, 2004 so that the remaining availability was \$237,000,000, which was approximately the amount estimated to complete the 731 Lexington Avenue project at the closing date (not including the development and guarantee fees to Vornado). The interest rate on the Construction Loan of LIBOR plus 2.5% (4.34% at September 30, 2004) and the maturity date of January 2006, with two one-year extensions, were not changed. The collateral for the Construction Loan is the same except that the office space has been removed from the lien. Further, the Construction Loan permits the release of the retail space for a payment of \$15 million and requires all proceeds from the sale of the residential condominium units to be applied to the Construction Loan balance until it is fully repaid. In connection with reducing the principal amount of the Construction Loan, the Company wrote -off \$3,050,000, the proportionate share of unamortized deferred debt expense, in the first quarter of 2004 (shown in the Consolidated Statement of Operations as iWrite-off of unamortized deferred debt expensei). Vornado has agreed to guarantee to the construction lender, the lien free, timely completion of the construction of 731 Lexington Avenue and funding of project costs in excess of a stated loan budget, if not funded by the Company. If Vornado should advance any funds under the Completion Guarantee in excess of \$21,000,000, which was the amount available at September 30, 2004 under the line of credit with Vornado, interest on those advances would be at 15% per annum.

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ALEXANDERiS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

There can be no assurance that the 731 Lexington Avenue project will be completed on time or completed for the budgeted amount. Any failure to complete the 731 Lexington Avenue project on time or within budget may adversely affect future cash flows and the Company's financial condition.

5. LEASES

The Company leases space to tenants in retail centers and an office building. Future base rental revenue under these non-cancelable operating leases is as follows (amounts in thousands):

Year Ending December 31,		
2004	\$	20,750
2005		90,592
2006		89,607
2007		86,556
2008		90,057
Thereafter		1,666,571

Bloomberg L.P. and Sears accounted for 39% and 11% of the Company's consolidated revenues in the nine months ended September 30, 2004, respectively. Sears accounted for 20% of consolidated revenues in the nine months ended September 30, 2003.

6. DEBT

The following is a summary of the Company's outstanding debt.

(amounts in thousands except for percentages)	Maturity	Interest Rate at September 30, 2004	Balance at September 30, 2004	December 31, 2003
Fixed rate:				
First mortgage secured by the office space at 731 Lexington Avenue	Feb. 2014	5.33%	\$ 400,000	\$ 0
First mortgage secured by the Kings Plaza Regional Shopping Center	June 2011	7.46%	214,463	216,586
First mortgage secured by the Rego Park I Shopping Center	June 2009	7.25%	81,840	82,000
First mortgage secured by the Paramus property	Oct. 2011	5.92%	68,000	68,000
Variable rate:				
Term loan and line of credit to Vornado	Jan. 2006	9.00%	124,000	124,000
Construction loan secured by the retail and residential space at 731 Lexington Avenue	Jan. 2006	4.34%	45,676	240,899
			\$ 933,979	\$ 731,485

At September 30, 2004, the principal repayments for the next five years and thereafter are as follows (amounts in thousands):

Year Ending December 31,	
2004	\$ 944
2005	3,895
2006	173,875
2007	4,526
2008	4,817
Thereafter	745,922

ALEXANDERIS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

7. COMMITMENTS AND CONTINGENCIES

Neither Alexanderis, Inc. 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 routine legal actions will not be material to the Company's financial condition or results of operations.

Flushing

In the fourth quarter of 2003, the Company recognized \$1,289,000 of income representing a non-refundable deposit of \$1,875,000 from a party that had agreed to purchase the Company's Flushing property, net of \$586,000 of costs associated with the transaction, as the party had not met its obligations under a May 30, 2002 purchase contract. On September 10, 2002, November 7, 2002, and July 8, 2004, the Company received letters from the party demanding return of the deposit. The Company, after consulting with its legal counsel, does not believe the party is entitled to a return of the deposit. There can be no assurance that the party will not institute legal action and, if it does, that it will not be successful in requiring the Company to return all or a portion of the deposit.

Insurance

The Company carries comprehensive liability and all-risk property insurance (fire, flood, extended coverage and rental loss insurance) with respect to its assets but is at risk for financial loss in excess of the policies' limits. Such a loss could be material.

Pursuant to the Terrorism Risk Insurance Act of 2002, regulated insurers must offer coverage through 2005 in their commercial property policies for losses resulting from defined acts of terrorism. As a result of the legislation, since June 2003, the Company has maintained \$500,000,000 of coverage per occurrence for certified terrorist acts, as defined in the legislation, and \$200,000,000 per occurrence for non-certified acts. The Company is at risk for financial loss in excess of these limits, which loss could be material.

The Company's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company), contain customary covenants requiring the Company to maintain insurance. There can be no assurance that the lenders under these instruments will not take the position that a future exclusion from all-risk insurance coverage for losses due to terrorist acts is a breach of these debt instruments, allowing the lenders to declare an event of default and accelerate repayment of debt. In addition, if lenders insist on coverage for these risks and the Company is unable to obtain coverage once the Terrorism Risk Insurance Act of 2002 has lapsed, it may adversely affect the Company's ability to finance and/or refinance its properties and businesses.

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. The Company has delineated the contamination and has developed a remediation approach, which is ongoing. The New York State Department of Environmental Conservation ("NYDEC") has approved a portion of the remediation approach. The Company accrued \$2,675,000 in previous years, of which \$2,504,000 has been paid as of September 30, 2004, for its estimated obligation with respect to the cleanup of the site, and which includes costs of (i) remedial investigation, (ii) feasibility studies, (iii) remedial design, (iv) remedial action and (v) professional fees. If NYDEC insists on a more extensive remediation approach, the Company could incur additional obligations.

The Company has concluded that the large majority of the contamination at the site is historic and the result of past activities of third parties. Although the Company is pursuing claims against potentially responsible third parties, and negotiations are ongoing with a former owner of the property, there can be no assurance as to the extent that the Company will be successful in obtaining recovery from such parties of the remediation costs incurred. In addition, the costs associated with further pursuit of responsible parties may be prohibitive. The Company has not recorded an asset as of September 30, 2004 for possible recoveries of environmental remediation costs from potentially responsible third parties.

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ALEXANDERIS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Kings Plaza

The Company plans to construct a two-story freestanding building adjacent to the Kings Plaza Regional Shopping Center of approximately 200,000 square feet. The first floor of approximately 120,000 square feet has been leased to Lowe's Home Improvement Warehouse (iLowe's) and the lease is expected to commence in 2006. The cost of the project will be approximately \$15,000,000, net of a reimbursement from Lowe's and before reimbursement, if any, from the second story tenant(s). There can be no assurance that this project will be completed, completed on time or completed for the budgeted amount.

Letters of Credit

Approximately \$4,130,000 in standby letters of credit were issued at September 30, 2004.

8. LOSS PER SHARE

The following table sets forth the computation of basic and diluted loss per share.

(amounts in thousands except share and per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Numerator:				
Loss before gain on sale of real estate	\$ (15,555)	\$ (13,560)	\$ (36,024)	\$ (13,152)
Gain on sale of real estate	3,862	ó	3,862	ó
Net loss	\$ (11,693)	\$ (13,560)	\$ (32,162)	\$ (13,152)
Denominator:				
Denominator (basic and diluted) - weighted-average shares	5,010,627	5,000,850	5,006,660	5,000,850
Net loss per common share (basic and diluted):				
Loss before gain on sale of real estate	\$ (3.10)	\$ (2.71)	\$ (7.19)	\$ (2.63)
Gain on sale of real estate	0.77	ó	0.77	ó
Net loss	\$ (2.33)	\$ (2.71)	\$ (6.42)	\$ (2.63)

Options to purchase 93,000 shares of the common stock of Alexanderis, Inc. were not included in the computation of loss per share as they are anti-dilutive.

9. GAIN ON SALE OF REAL ESTATE

On August 12, 2004, the Company sold 1.29 acres of land in White Plains, New York for \$4,500,000, resulting in a gain of \$3,862,000. The Company paid a commission of \$135,000 to Vornado, which is included in the expenses relating to the sale.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of Alexanderís, Inc.
Paramus, New Jersey

We have reviewed the accompanying condensed consolidated balance sheet of Alexanderís, Inc. and subsidiaries as of September 30, 2004, and the related condensed consolidated statements of operations for the three-month and nine-month periods ended September 30, 2004 and 2003, and of cash flows for the nine-month periods ended September 30, 2004 and 2003. These interim financial statements are the responsibility of the Companyís management.

We conducted our reviews in accordance with 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 condensed 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 standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Alexanderís, Inc. and subsidiaries as of December 31, 2003, and the related consolidated statements of operations, stockholdersí equity, and cash flows for the year then ended (not presented herein); and in our report dated March 2, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2003 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
November 3, 2004

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained herein and throughout this Quarterly Report on Form 10-Q 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 performance. The Company's 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 "believes," "expects," "anticipates," "estimates," "intends," "plans," "would," "may," "will" 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. Factors that might cause such a material difference include, but are not limited to: (a) national, regional and local economic conditions; (b) the consequences of any armed conflict involving, or terrorist attack against, the United States; (c) our ability to secure adequate insurance; (d) local conditions, such as an oversupply of space or a reduction in demand for real estate in the area; (e) competition from other available space; (f) whether tenants consider a property attractive; (g) the financial condition of our tenants, including the extent of tenant bankruptcies or defaults; (h) whether we are able to pass some or all of any increased operating costs we incur through to our tenants; (i) how well we manage our properties; (j) any increase in interest rates; (k) any decreases in market rental rates; (l) the timing and costs associated with property development, improvements and rentals; (m) changes in taxation or zoning laws; (n) government regulations; (o) our failure to continue to qualify as a real estate investment trust; (p) the availability of financing on acceptable terms or at all; (q) potential liabilities under environmental or other laws or regulations; (r) general competitive factors; (s) dependence upon Vornado Realty Trust ("Vornado"); and (t) possible conflicts of interest with Vornado.

For these forward-looking statements, the Company claims 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 the applicable document incorporated by reference. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

Management's Discussion and Analysis of Financial Condition and Results of Operations includes a discussion of the Company's consolidated financial statements for the three and nine months ended September 30, 2004 and 2003. 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.

A summary of the Company's critical accounting policies is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 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 the nine months ended September 30, 2004.

Application of Critical Accounting Policies

Real Estate

As construction of 731 Lexington Avenue progresses and as components of the building are placed into service, the Company ceases capitalizing property operating expenses and interest expense and expenses these items, as well as depreciation, for those components. During the nine months ended September 30, 2004, the Company transferred approximately \$93,480,000 from "Construction in progress" to "Land" and "Buildings, leaseholds and leasehold improvements," representing the space delivered to tenants and placed into service during such period.

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Condominium Sales

Income on deposits received for sales of residential condominium units at the 731 Lexington Avenue project has been deferred in accordance with the deposit method of Statement of Financial Accounting Standards No. 66, *Accounting for Sales of Real Estate*. As of September 30, 2004, the Company has received deposits of \$48,321,000 on sales of the condominium units (included on the Consolidated Balance Sheets as an asset in *Escrow deposits and restricted cash* and as a liability in *Other liabilities*).

Stock Appreciation Rights

Compensation expense for each stock appreciation right (*SAR*) is measured by the excess of the 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, any previously recognized expense for a SAR would be reversed but not in excess of the net previously recognized expense. Based on Alexanderis, Inc. closing stock price of \$199.10 at September 30, 2004 (compared to \$167.74 at June 30, 2004 and \$124.66 at December 31, 2003), the Company recorded SARs compensation expense of \$26,656,000 and \$63,274,000 in the three and nine months ended September 30, 2004, respectively. The Company recorded SARs compensation expense of \$18,708,000 and \$28,631,000 in the three and nine months ended September 30, 2003, respectively.

Results of Operations

The Company had a net loss of \$11,693,000 for the quarter ended September 30, 2004, compared to a net loss \$13,560,000 in the prior year quarter. The results for the current year quarter include (i) an accrual of \$26,656,000 for SARs compensation expense, and (ii) income of \$3,862,000 from the sale of land in White Plains, New York. The results in the prior year quarter include an accrual of \$18,708,000 for SARs compensation expense.

The Company had a net loss of \$32,162,000 in the nine months ended September 30, 2004, compared to a net loss \$13,152,000 in the prior year period. The results for the current year nine months include (i) an accrual of \$63,274,000, for SARs compensation expense, (ii) expense of \$3,050,000 from the write-off of unamortized deferred debt expense in connection with the reduction of the principal amount of the construction loan for the 731 Lexington Avenue project (the *Construction Loan*), and (iii) income of \$3,862,000 from the sale of land in White Plains, New York. The results in the prior year nine months include an accrual of \$28,631,000, for SARs compensation expense.

Property rentals were \$29,009,000 in the quarter ended September 30, 2004, compared to \$12,478,000 in the prior year quarter, an increase of \$16,531,000, and \$80,712,000 in the nine months ended September 30, 2004, compared to \$38,259,000 in the prior year period, an increase of \$42,453,000. These increases were primarily attributable to rent recognition under leases with tenants to whom space was delivered at 731 Lexington Avenue. The following table shows the amounts recognized.

(amounts in thousands except square feet)

Tenant	Delivery Date	Square Feet	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2004
Bloomberg L.P.	Various	695,000	\$ 11,723	\$ 34,376
The Home Depot	Mar. 29, 2004	83,000	2,053	4,044
Hennes & Mauritz	May 15, 2004	27,000	1,412	2,117
Other tenants	Various	21,000	1,074	1,620
			\$ 16,262	\$ 42,157

Tenant expense reimbursements were \$9,826,000 in the quarter ended September 30, 2004, compared to \$7,424,000 in the prior year quarter, an increase of \$2,402,000, and \$26,687,000 in the nine months ended September 30, 2004, compared to \$21,522,000 in the prior year period, an increase of \$5,165,000. These increases were largely due to (i) reimbursements from Bloomberg L.P. and (ii) a non-recurring billing adjustment of \$394,000 for two tenants at the Kings Plaza Regional Shopping Center.

Operating expenses were \$12,732,000 in the quarter ended September 30, 2004, compared to \$9,491,000 in the prior year quarter, an increase of \$3,241,000. This increase resulted primarily from operating expenses at 731 Lexington Avenue of \$2,688,000, of which \$2,019,000 was reimbursed by Bloomberg L.P. Operating expenses were \$33,969,000 in the nine months ended September 30, 2004, compared to \$27,919,000 in the prior year period,

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an increase of \$6,050,000. This increase resulted primarily from operating expenses at 731 Lexington Avenue of \$5,469,000, of which \$4,046,000, was reimbursed by Bloomberg L.P.

General and administrative expenses were \$27,627,000 in the quarter ended September 30, 2004, compared to \$19,668,000 in the prior year quarter, an increase of \$7,959,000, and \$66,488,000 in the nine months ended September 30, 2004, compared to \$31,534,000 in the prior year period, an increase of \$34,954,000. The increases for the quarter and nine month period primarily resulted from increases in the accrual for SARs compensation expense.

Depreciation and amortization expense was \$3,785,000 in the quarter ended September 30, 2004, compared to \$1,790,000 in the prior year quarter, an increase of \$1,995,000, and \$11,193,000 in the nine months ended September 30, 2004, compared to \$5,046,000 in the prior year period, an increase of \$6,147,000. These increases were due to depreciation on the space delivered to tenants at 731 Lexington Avenue, as noted above.

Interest and other income, net, was \$353,000 in the quarter ended September 30, 2004, compared to \$161,000 in the prior year quarter, an increase of \$192,000, and \$1,090,000 in the nine months ended September 30, 2004, compared to \$499,000 in the prior year period, an increase of \$591,000. These increases resulted primarily from higher average cash balances in the current year periods.

Interest and debt expense was \$10,599,000 in the quarter ended September 30, 2004, compared to 2,674,000 in the prior year quarter, an increase of \$7,925,000, and \$29,813,000 in the nine months ended September 30, 2004, compared to \$8,933,000 in the prior year period, an increase of \$20,880,000. These increases resulted from (i) lower amounts of capitalized interest in the current year periods as the Company began to place portions of 731 Lexington Avenue in service beginning in November 2003 (interest of \$6,061,000 and \$18,628,000 has been capitalized in 2004, as compared to \$10,485,000 and \$28,607,000 in 2003) and (ii) an increase in average debt outstanding in this year's quarter of \$259,300,000 and this year's nine months of \$272,200,000, primarily due to the 731 Lexington Avenue office financing of \$400,000,000, partially offset by (iii) a decline in average interest rates of 0.76% in this year's quarter and 0.92% in this year's nine months.

In connection with reducing the principal amount of the Construction Loan on February 13, 2004, the Company wrote-off \$3,050,000, the proportionate share of unamortized deferred debt expense, in the first quarter of 2004.

On August 12, 2004, the Company sold 1.29 acres of land in White Plains, New York for \$4,500,000, resulting in a gain of \$3,862,000.

Liquidity and Capital Resources

In the aggregate, the Company's operating properties do not generate sufficient cash flow to pay all of its expenses. After the completion of the 731 Lexington Avenue property, which is expected in 2005, the Company expects that cash flow will become positive.

Development Projects

731 Lexington Avenue

731 Lexington Avenue is an approximately 1.3 million square foot multi-use building. The building contains approximately 885,000 net rentable square feet of office space, approximately 171,000 net rentable square feet of retail space and approximately 248,000 net saleable square feet of residential space consisting of 105 condominium units (through a taxable REIT subsidiary). Of the construction budget of \$630,000,000 (which excludes the development and guarantee fees to Vornado), \$468,900,000 has been expended through September 30, 2004 and there is an additional \$24,400,000 to which the Company has committed at such date. Construction is expected to be completed in 2005.

At September 30, 2004, 707,000 square feet of office space has been leased and delivered to tenants including 695,000 square feet delivered to Bloomberg L.P. in November and December 2003. Payment of base rent for the Bloomberg L.P. space commences nine months from delivery of each parcel of space; rent recognition on a straight-line basis commenced on delivery.

At September 30, 2004, 153,000 square feet of retail space has been leased of which 119,000 square feet has been delivered to tenants including (i) 83,000 square feet delivered to The Home Depot on March 29, 2004 and (ii) 27,000 square feet delivered to Hennes & Mauritz on May 15, 2004. Payment of base rent on the 119,000 square feet commences six to nine months from delivery of each space; rent recognition on a straight-line basis commenced on delivery.

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The residential space is comprised of 105 condominium units. The original offering plan filed for these units, as amended for price increases through September 30, 2004, would produce an aggregate sale price of approximately \$500,000,000 (reflecting the value of existing contracts and the offering price for the remaining units). As of September 30, 2004, the Company has received deposits of \$48,321,000 on sales of the condominium units.

During the nine months ended September 30, 2004, the Company transferred approximately \$93,480,000 from iConstruction in progressî to iLandî and iBuildings, leaseholds and leasehold improvements,î representing the space delivered to tenants and placed into service during such period.

Financing of the Project

On February 13, 2004, the Company closed a \$400,000,000 mortgage financing on the office space. The loan was placed by German American Capital Corporation, an affiliate of Deutsche Bank. The loan bears interest at 5.33%, matures in February 2014 and, beginning in the third year, provides for principal payments based on a 25-year amortization schedule such that over the remaining eight years of the loan, ten years of amortization will be paid. Of the loan proceeds, \$253,529,000 were used to repay the entire amount outstanding under the previously existing Construction Loan with Hypo Real Estate Capital Corporation.

The Construction Loan was modified on February 13, 2004 so that the remaining availability was \$237,000,000, which was approximately the amount estimated to complete the 731 Lexington Avenue project at the closing date (not including the development and guarantee fees to Vornado). The interest rate on the Construction Loan of LIBOR plus 2.5% (4.34% at September 30, 2004) and the maturity date of January 2006, with two one-year extensions, were not changed. The collateral for the Construction Loan is the same except that the office space has been removed from the lien. Further, the Construction Loan permits the release of the retail space for a payment of \$15 million and requires all proceeds from the sale of the residential condominium units to be applied to the Construction Loan balance until it is fully repaid. Vornado has agreed to guarantee to the construction lender, the lien free, timely completion of the construction of 731 Lexington Avenue and funding of project costs in excess of a stated loan budget, if not funded by the Company (the iCompletion Guaranteeî). If Vornado should advance any funds under the Completion Guarantee in excess of \$21,000,000, which was the amount available at September 30, 2004 under the line of credit with Vornado, interest on those advances would be at 15% per annum.

Proceeds from the Mortgage Financing

As noted above, \$253,529,000 of the proceeds from the \$400,000,000 mortgage financing on the 731 Lexington Avenue office space were used to repay the entire amount outstanding under the previously existing Construction Loan. The Company used approximately \$43,000,000 of the proceeds to fund capital expenditures for the 731 Lexington Avenue project in lieu of borrowings under the Construction Loan.

There can be no assurance that the 731 Lexington Avenue project will be completed on time or completed for the budgeted amount. Any failure to complete the 731 Lexington Avenue project on time or within budget may adversely affect future cash flows and funds from operations and the Company's financial condition.

Kings Plaza

The Company plans to construct a two-story freestanding building adjacent to the Kings Plaza Regional Shopping Center of approximately 200,000 square feet. The first story of approximately 120,000 square feet has been leased to Lowe's Home Improvement Warehouse (iLowe'sî) and the lease is expected to commence in 2006. The cost of the project will be approximately \$15,000,000, net of a reimbursement from Lowe's and before reimbursement, if any, from the second story tenant(s). There can be no assurance that this project will be completed, completed on time or completed for the budgeted amount.

Sale of Real Estate

On August 12, 2004, the Company sold 1.29 acres of land in White Plains, New York for \$4,500,000, resulting in a gain of \$3,862,000. The Company paid a commission of \$135,000 to Vornado, which is included in the expenses relating to the sale.

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Flushing

In the fourth quarter of 2003, the Company recognized \$1,289,000 of income representing a non-refundable deposit of \$1,875,000 from a party that had agreed to purchase the Company's Flushing property, net of \$586,000 of costs associated with the transaction, as the party had not met its obligations under a May 30, 2002 purchase contract. On September 10, 2002, November 7, 2002, and July 8, 2004, the Company received letters from the party demanding return of the deposit. The Company, after consulting with its legal counsel, does not believe the party is entitled to a return of the deposit. There can be no assurance that the party will not institute legal action and, if it does, that it will not be successful in requiring the Company to return all or a portion of the deposit.

Insurance

Pursuant to the Terrorism Risk Insurance Act of 2002, regulated insurers must offer coverage through 2005 in their commercial property policies for losses resulting from defined acts of terrorism. As a result of the legislation, since June 2003, the Company has maintained \$500,000,000 of coverage per occurrence for certified terrorist acts, as defined in the legislation, and \$200,000,000 per occurrence for non-certified acts. The Company is at risk for financial loss in excess of these limits, which loss could be material.

The Company's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company), contain customary covenants requiring the Company to maintain insurance. There can be no assurance that the lenders under these instruments will not take the position that a future exclusion from all-risk insurance coverage for losses due to terrorist acts is a breach of these debt instruments, allowing the lenders to declare an event of default and accelerate repayment of debt. In addition, if lenders insist on coverage for these risks and the Company is unable to obtain coverage once the Terrorism Risk Insurance Act of 2002 has lapsed, it may adversely affect the Company's ability to finance and/or refinance its properties and businesses.

Stock Appreciation Rights

As of September 30, 2004, 850,000 SARs were outstanding and exercisable at a weighted-average exercise price of \$71.82. The agreements for these SARs require that they be settled in cash. Had the holders of these SARs chosen to exercise their rights as of September 30, 2004, the Company would have had to pay \$108,191,000 in cash. Any further appreciation in the Alexander's, Inc. stock price from the closing stock price of \$199.10 at September 30, 2004 will increase the cash the Company would have to pay upon exercise and may impact liquidity by requiring the Company to secure additional borrowings to replace such a cash outflow.

Cash Flows

Nine Months Ended September 30, 2004

Net cash provided by operating activities of \$17,906,000 was comprised of (i) the net change in operating assets and liabilities of \$75,882,000, partially offset by (ii) a net loss of \$32,162,000 and (iii) non-cash items of \$25,814,000. The adjustments for non-cash items were comprised of (a) the effect of straight-lining of rental income of \$38,691,000, (b) the gain on sale of real estate of \$3,862,000, partially offset by (c) \$13,689,000 of depreciation and amortization and (d) \$3,050,000 resulting from the write-off of unamortized deferred debt expense.

Net cash used in investing activities of \$112,369,000 was comprised of (i) capital expenditures of \$115,577,000 and (ii) net cash restricted for operating liabilities of \$1,086,000, partially offset by net (iii) proceeds from the sale of real estate of \$4,294,000. The capital expenditures were primarily related to the 731 Lexington Avenue project.

Net cash provided by financing activities of \$199,877,000 resulted primarily from (i) borrowings collateralized by 731 Lexington Avenue of \$458,306,000, partially offset by (ii) debt repayments of \$255,812,000 and (iii) debt issuance costs of \$3,461,000.

Nine Months Ended September 30, 2003

Net cash provided by operating activities of \$23,559,000 was comprised of (i) non-cash items of \$6,599,000 and (ii) the net change in operating assets and liabilities of \$30,112,000, partially offset by (iii) a net loss of \$13,152,000. The non-cash items were comprised of depreciation and amortization of \$7,912,000, partially offset by the effect of straight-lining of rental income of \$1,313,000.

Net cash used in investing activities of \$182,884,000 was primarily comprised of capital expenditures of \$180,423,000. The capital expenditures were primarily related to the 731 Lexington Avenue project.

Net cash provided by financing activities of \$134,746,000 resulted from increased borrowings of \$136,756,000 primarily to fund

the 731 Lexington Avenue project, partially offset by debt repayments of \$2,010,000.

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Funds from Operations for the Three and Nine Months Ended September 30, 2004 and 2003

Funds from operations (iFFO) was a negative \$7,908,000 in the quarter ended September 30, 2004, compared to a negative \$11,770,000 in the prior year quarter, an increase of \$3,862,000, and a negative \$20,969,000 in the nine months ended September 30, 2004, compared to a negative \$8,106,000 in the prior year period, a decrease of \$12,863,000. FFO for the three and nine months ended September 30, 2004 includes (i) accruals for SARs compensation expense of \$26,656,000 and \$63,274,000, respectively, and (ii) \$3,862,000 resulting from the gain on the sale of non-depreciable real estate in White Plains, New York. FFO for the nine months ended September 30, 2004 includes \$3,050,000 resulting from the write-off of unamortized deferred debt expense in connection with the reduction of the principal amount of the Construction Loan for the 731 Lexington Avenue project. FFO for the three and nine months ended September 30, 2003 includes an accrual for SARs compensation expense of \$18,708,000 and \$28,631,000, respectively. The following table reconciles net loss to FFO.

(amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net loss	\$ (11,693)	\$ (13,560)	\$ (32,162)	\$ (13,152)
Depreciation and amortization of real property	3,785	1,790	11,193	5,046
Funds from operations	\$ (7,908)	\$ (11,770)	\$ (20,969)	\$ (8,106)

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (iNAREITi). NAREIT defines FFO as net income or loss determined in accordance with generally accepted accounting principles in the United States of America (iGAAPi), 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 is used by management, investors and industry analysts as a supplemental measure of operating performance of equity REITs. FFO should be evaluated along with GAAP net income and net 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 is helpful to investors as a supplemental performance measure because this measure excludes 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 have instead 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 the Company's Statements of Cash Flows. FFO should not be considered as an alternative to net loss as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following table summarizes the Company's exposure to a change in interest rates.

September 30, 2004	Weighted- Average Interest	Annual Effect of Change In Base
---------------------------	---------------------------------------	--

(amounts in thousands except per share amounts and percentages)	Balance	Rate	Rates of 1%
Variable rate	\$ 169,676	7.75%	\$ 1,697
Fixed rate	764,303	6.19%	6
	\$ 933,979		\$ 1,697
Total effect on annual net earnings per share ñ diluted.			\$ 0.34

The fair value of the Company's debt, estimated by discounting future cash flows 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 \$40,268,000 at September 30, 2004. Such fair value estimates are not necessarily indicative of the amounts that would be paid upon liquidation of the Company's debt.

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ITEM 4. CONTROLS AND PROCEDURES

(a) *Disclosure Controls and Procedures* ñ The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's 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, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

(b) *Internal Control Over Financial Reporting* ñ There have not been any changes in the Company's 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, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Neither Alexanderís, Inc. 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 routine legal actions will not be material to the Companyís financial condition or results of operations.

Item 6. Exhibits

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

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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.

ALEXANDERIS, INC.
(Registrant)

Date: November 3, 2004

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

EXHIBIT INDEX

Exhibit No.		
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 March 31, 2000.	*
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.

November 3, 2004

Alexanderis, Inc.,
210 Route 4 East
Paramus, New Jersey

We have made a review, in accordance with standards of the Public Company Accounting Oversight Board (United States), of the unaudited interim financial information of Alexanderis, Inc. and subsidiaries (the "Company") for the periods ended September 30, 2004 and 2003, as indicated in our report dated November 3, 2004; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, is incorporated by reference in Amendment No. 3 to Registration Statement No. 33-62779 on Form S-3.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

DELOITTE & TOUCHE LLP
Parsippany, New Jersey

EXHIBIT 31.1

CERTIFICATION

I, Steven Roth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alexanderis, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial

reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 3, 2004

/s/ Steven Roth

Steven Roth
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Joseph Macnow, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alexanderis, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's

internal control over financial reporting.

November 3, 2004

/s/ Joseph Macnow

Joseph Macnow
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION

**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(Subsection (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Alexanderis, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 3, 2004

/s/ Steven Roth

Name: Steven Roth
Title: Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION

**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(Subsection (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Alexanderis, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 3, 2004

/s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President and Chief
Financial Officer

End of Filing