

ALEXANDER'S, INC.
500 Seventh Avenue
New York, New York 10018

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Alexander's, Inc., will be held on Thursday, December 5, 1985 at 10:30 a.m. local time, at the Alexander's store located at Sunrise Highway, Valley Stream, Long Island, New York for the purpose of considering and acting on the following:

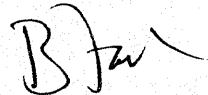
1. The election of five directors each to hold office for a three-year term.
2. The selection of auditors to examine the Company's accounts for the 1986 fiscal year.
3. Stockholder proposals concerning:
 - (a) disclosure regarding employees, directors and outside consultants who have served in any governmental capacity; and
 - (b) fees paid to auditors.
4. Such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on October 21, 1985 will be entitled to vote at the meeting or any adjournment thereof.

By order of the Board of Directors,



ROBIN L. FARKAS
Chairman of the Board



BRUCE R. FARKAS
Assistant Secretary

October 24, 1985

Please sign the enclosed proxy and return it in the envelope enclosed for your convenience, which requires no postage if mailed in the United States.

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ALEXANDER'S, INC.
500 Seventh Avenue
New York, New York 10018

PROXY STATEMENT

The enclosed proxy is solicited by the Board of Directors of Alexander's, Inc., a Delaware corporation (the "Company"), for use at the Annual Meeting of Stockholders to be held on December 5, 1985, and any adjournment thereof.

Shares represented by the proxies received by the Board of Directors will be voted in accordance with the specifications of stockholders and, in the absence thereof, will be voted for the election of the nominees as directors, for the proposal to select auditors for the 1986 fiscal year and against both stockholder proposals. The proxy is revocable at any time prior to its exercise by notice in writing to the Company, by attending the Annual Meeting and voting shares in person or by executing and delivering to the Assistant Secretary of the Company a later-dated proxy.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

At the close of business on October 21, 1985, the record date for the determination of stockholders entitled to vote at the meeting, there were 4,519,168 shares of Common Stock outstanding, each of which is entitled to one vote. This Proxy Statement is being mailed to stockholders on or about October 24, 1985.

As of September 10, 1985, the following persons were known by the Company to own beneficially more than 5% of its outstanding Common Stock:

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership⁽¹⁾</u>	<u>Percent of Class</u>
Interstate Properties ⁽²⁾ East 140 Ridgewood Avenue Paramus, N.J. 07652	803,898 ⁽³⁾	17.8
Texas Partners ⁽⁴⁾ 2700 First City Bank Tower 201 Main Street Fort Worth, Texas 76102	326,800	7.2
Robert M. Bass ⁽²⁾⁽⁴⁾ 2700 First City Bank Tower 201 Main Street Fort Worth, Texas 76102	477,097	10.6

- (1) The Company is advised that, except as otherwise indicated each of the beneficial owners listed above exercises sole voting power and sole investment power over the shares beneficially owned.
- (2) Interstate Properties and Robert M. Bass filed Schedule 13D's dated November 14, 1984 and November 13, 1984, respectively, indicating that they may be deemed to be a "group" by virtue

of the agreement dated November 9, 1984 pursuant to which Mr. Bass and Interstate Properties purchased 400,000 shares of Common Stock from Bruce R. Farkas, Robin L. Farkas and certain trusts for the benefit of the children of Robin L. Farkas. See "Change of Control."

- (3) Does not include 9,700 shares owned by Steven Roth a general partner of Interstate Properties. Interstate Properties and Steven Roth disclaim beneficial ownership of 100 shares owned by Mr. Roth's wife.
- (4) These persons have filed a Schedule 13D and amendments thereto reflecting an aggregate ownership of 803,897 shares (17.8% of those outstanding).

As of September 10, 1985, all present executive officers and directors of the Company as a group owned shares of the Common Stock of the Company as follows:

<u>Amount of Common Stock Beneficially Owned</u>	<u>Percent of Class</u>
198,058	4.4

As of September 10, 1985, all present executive officers and directors of the Company as a group owned \$30,000 principal amount of the Company's Convertible Subordinated Debentures due 1996. If such \$30,000 principal amount were converted into shares of Common Stock, such shares would constitute less than 1% of the Company's outstanding Common Stock.

CHANGE OF CONTROL

As disclosed in the Company's last proxy statement certain changes took place during the last year which might be deemed to have involved a change of control of the Company. On November 9, 1984, a special meeting of the Board of Directors of the Company (the "Board") was held to effectuate, among other things, a restructuring of the Board. Prior to such meeting, Alexander Farkas and Dr. David S. Scotch resigned as directors of the Company. At the meeting, the number of directors constituting the Board was increased to 17 (the maximum number presently provided for in the Company's Restated Certificate of Incorporation, as amended). The Board is divided into three substantially equal classes. The Board elected Phillip Gordon and Molly M. South as Class I directors, Robert A. Moor as a Class II director and Thomas R. Di Benedetto, David G. Marshall, Arthur I. Sonnenblick and Richard West as Class III directors to fill the vacancies created by the resignations and the increase in the number of directorships to 17. In addition, the Board designated the slate of directors constituting Class III as set forth below to stand for election at the last Annual Meeting of stockholders. The changes in composition of the Board and the designation of the management slate was made to be effective at the time of the closing of the stock transaction described below. At the Board meeting of November 9, 1984, employment contracts for Robin L. Farkas and Bruce R. Farkas (which are referred to under "Employment Contracts") were also approved and subsequently entered into.

On November 9, 1984, Bruce R. Farkas, Robin L. Farkas and certain trusts for the benefit of the children of Robin L. Farkas (the "Sellers") entered into an agreement (the "Agreement") with Robert M. Bass and Interstate Properties (the "Purchasers") for the sale of an aggregate of 400,000 shares of the Company's Common Stock for a price of \$23.50 per share, which sale was consummated on the same date. The Purchasers also granted to each of Bruce R. and Robin L. Farkas a "put" with

respect to all of their remaining shares (an aggregate of 187,404 shares) of the Company's Common Stock at a price of \$16.50 per share. Pursuant to the "put", individually, Bruce R. and Robin L. Farkas may require the Purchasers to purchase some or all of such remaining shares of Common Stock from them, from time to time, between October 9, 1985 and November 9, 1987.

In the Agreement, the Purchasers agreed to vote their shares of Common Stock at the last Annual Meeting of stockholders so that Bruce R. Farkas and Robin L. Farkas would be elected as Class III directors. The Purchasers also agreed to vote their shares of Common Stock at a subsequent Annual Meeting of stockholders in which Class III directors are elected in favor of Bruce R. Farkas and Robin L. Farkas, provided that Bruce R. Farkas and Robin L. Farkas are still employed under their present employment contracts or successors thereto. The Sellers also had agreed to vote their remaining shares of Common Stock for the nominees of the Purchasers. In addition, the Sellers agreed not to purchase any additional shares of Common Stock during the three years following the date of the Agreement.

As a result of these actions, designees of the Purchasers may be deemed to constitute a majority of the Board and the Purchasers may be deemed to be in control of the Company. The Purchasers and Texas Partners in the aggregate own 1,607,795 shares of Common Stock or 35.6% of the outstanding Common Stock. Prior to the action of the Board and the consummation of the sale of stock, Bruce R. Farkas, Robin L. Farkas and Interstate Properties might have been deemed to control the Company by virtue, among other things, of their stock ownership of the Company and the designation of directors made by them in 1980.

Robert M. Bass used his personal funds to purchase an aggregate of 234,097 shares of the Company's Common Stock. The purchase by Interstate Properties of an aggregate of 165,903 shares of the Company's Common Stock was funded by the borrowing of approximately \$4 million from First Fidelity Bank of New Jersey on a demand basis at the "prime rate". Such loan was secured by an amount of the Company's Common Stock with a market value equal to two times the amount borrowed.

ELECTION OF DIRECTORS

At each Annual Meeting of Stockholders, one class of directors is elected to serve for a three-year term. This year five directors in Class I are to be elected. The Board of Directors will be reduced to 16 members at the time of the forthcoming Annual Meeting since Milton E. Mermelstein will not be standing for re-election as a Class I Director.

<u>Name</u>	<u>Principal Occupation, Business Experience During Past Five Years and Present Directorships</u>	<u>First Became Director⁽¹⁾</u>	<u>Age</u>	<u>Amount and Nature of Beneficial Ownership of Common Stock as of September 10, 1985⁽²⁾</u>	<u>Percent of Class</u>
<i>CLASS I. Nominees for Election for Term Expiring in 1988:</i>					
David A. Goldberg	Financial Consultant	1975	51	100	—
Phillip Gordon*	Partner, Altheimer & Gray, attorneys	1984	42	—	—
Eugene M. Lang	Chairman of the Board and President of REFAC Technology Development Corp., an international technology transfer company engaged in the trade and manufacture of electronic components; Chairman of the Board, since 1977, of Electronic Research Associates, Inc., a manufacturer of power supplies and loudspeakers	1980	66	100	—
Martin Roaman*	Consultant and Investor since May 1984; from January 1983 to May 1984 President of Sizes Unlimited Division of the Limited Inc., specialty chain retailer; prior thereto, President and Chief Executive Officer of Roaman's, Inc., a specialty chain retailer	1981	52	1,000	—
Molly M. South	Vice President, Amermbass Realty Company since 1984; General Partner, Moor & South, a partnership formed to acquire and manage real estate and retail businesses since 1980; Vice President, Bass Brothers Realty Co. from 1980 through 1984	1984	36	150	—
<i>CLASS II. Directors Continuing for Term Expiring in 1986:</i>					
Roger A. Barrer	Co-President since June 20, 1985, from April 1982 until June 19, 1985, Executive Vice President—General Manager; prior thereto, Senior Vice President—General Manager	1968	59	622	—
Louis Powell	Co-President since June 20, 1985, from December 1982 until June 19, 1985, Executive Vice President—Merchandising; prior thereto, Senior Vice President—Merchandising	1985 ⁽⁵⁾	62	—	—
Stephen Mann	Counsel, Demov Morris Levin & Hammerling, attorneys, since September 1984; senior partner Mann Israel Jahrmarkt & Koen, attorneys from January 1980 to September 1984; partner from October 1981 to present of Equipment Finance Company, a privately held financing company; Chairman from January 1977 to December 31, 1981 and President from January 1977 to September 1980 of Computer Investors Group,	1980	50	100	—

<u>Name</u>	<u>Principal Occupation, Business Experience During Past Five Years and Present Directorships</u>	<u>First Became Director⁽¹⁾</u>	<u>Age</u>	<u>Amount and Nature of Beneficial Ownership of Common Stock as of September 10, 1985⁽²⁾</u>	<u>Percent of Class</u>
	Inc., a computer leasing, maintenance and service company; since January 1985, principal, Southport Realty Group, a privately held real estate company				
Robert A. Moor*	Vice President, Amermbass Realty Company since 1984; General Partner, Moor & South, a partnership formed to acquire and manage real estate and retail businesses since 1980; Vice President, Bass Brothers Realty Co. from 1980 through 1984	1984	41	150	—
Neil Underberg*	Senior partner, Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey, attorneys	1980	57	500	—
<i>CLASS III. Directors Continuing for Term Expiring in 1987:</i>					
Thomas R. Di Benedetto*	Managing Director, Olympic Partners, a real estate investment firm since March 1983; President, Boston International Group Securities Corp., a registered broker/dealer since October 1982; prior thereto, Vice President, Allen & Co., Inc., investment bankers; Director of Natco Industries Inc., men's specialty retail chain since October 1981; Director, Diplomat Electronics Corp., a distributor of electronic parts since April 1983	1984	36	—	—
Bruce R. Farkas*	Vice Chairman of the Board since April 1982 and, since January 1981, Chief Operating Officer; Chairman of the Executive Committee since January 1981; prior to April 1982, Executive Vice President—Administration	1961	46	71,500	1.6
Robin L. Farkas*	Chairman of the Board and Chief Executive Officer since July 29, 1984; from January 1981 until July 28, 1984, Chairman of the Board and Senior Corporate Officer; prior thereto, Senior Vice President Real Estate and Treasurer; also a Director of REFAC Technology Development Corp., an international technology transfer company engaged in the trade and manufacture of electronic components, Electronic Research Associates, Inc., a manufacturer of power supplies and loudspeakers, and The Royal Bank and Trust Company (a wholly-owned subsidiary of The Royal Bank of Canada)	1960 ^(a)	52	115,904	2.6
David G. Marshall	President, Amermbass Realty Company since 1984; Managing General Partner, David G. Marshall & Co., a real estate investment company; Director, Drew Industries Corp; President, Bass Brothers Realty Co. from 1980 through 1984	1984	46	2,000	—

<u>Name</u>	<u>Principal Occupation, Business Experience During Past Five Years and Present Directorships</u>	<u>First Became Director⁽¹⁾</u>	<u>Age</u>	<u>Amount and Nature of Beneficial Ownership of Common Stock as of September 10, 1985⁽²⁾</u>	<u>Percent of Class</u>
Arthur I. Sonnenblick ...	President and Chief Executive Officer of Sonnenblick-Goldman Corp., mortgage bankers and realtors; prior thereto, Managing Director and member of the Board of Directors of Lehman Brothers Kuhn Loeb Incorporated, investment bankers	1984 ⁽⁴⁾	53	—	—
Richard West	Since September 1984 Dean and Professor, New York University Graduate School of Business; prior thereto, Dean and Professor, Amos Tuck School, Dartmouth College; Director or Trustee of The Dorsey Corp., a manufacturer of plastic containers and commercial cargo trailers, SCM Corporation, a diversified company, Vornado, Inc., a lessor of retail and warehouse properties and a manufacturer of apparel, Addison-Wesley Publishing Company, Merrill Lynch Corporate Bond Fund, Merrill Lynch Municipal Bond Fund, Merrill Lynch International Holdings, Merrill Lynch Fund For Tomorrow, SCI/TECH Holdings, Inc., CMA Money Trust, CMA Tax Exempt Trust and CMA Government Trust	1984	47	200	—

Bruce R. and Robin L. Farkas are brothers.

* Member of the Executive Committee of the Board of Directors.

- (1) References to dates prior to 1969 are to service with Company's principal predecessor, which was merged into the Company in January 1969.
- (2) The Company is advised that, except as otherwise indicated, each of the directors exercises sole voting power and sole investment power over the shares beneficially owned.
- (3) Robin L. Farkas served as a director of the Company during 1960 and from 1963 to the present.
- (4) Arthur I. Sonnenblick served as a director of the Company between 1980 and 1982.
- (5) Louis Powell was elected a director of the Company by the Board of Directors to fill the vacancy created by the resignation of Walter S. Freedman as a director.

INFORMATION CONCERNING THE BOARD AND ITS COMMITTEES

The Company has a standing Audit Committee which consists of Richard West as Chairman, Thomas R. Di Benedetto, David A. Goldberg and Neil Underberg. The Audit Committee held three meetings during the fiscal year ended July 27, 1985. The Audit Committee reviews with the Company's outside auditors the scope of the audit prior to its commencement and the results of the audit prior to the publishing of the Annual Report to Stockholders. In addition, the Audit Committee reviews the Company's accounting and financial policies and procedures with emphasis on any major changes during the year, makes inquiry as to whether the outside auditors have any recommendations and comments, and makes such reports and recommendations to the Board of Directors as it may deem appropriate.

The Board of Directors of the Company held a total of nine meetings during the fiscal year ended July 27, 1985.

During the fiscal year ended July 27, 1985, the Company's directors were paid at the rate of \$13,500 per year by the Company as compensation for their services as directors. Mr. Alexander Farkas resigned as a director on November 8, 1984. The salaries of those officers who are paid directors' fees have been reduced by an amount equal to such fees. In addition, during the fiscal year ended July 27, 1985, Milton A. Mermelstein received \$15,000 from the Company and Mr. Goldberg received \$30,000 for consulting.

The Company has no nominating committee and no compensation committee.

EXECUTIVE COMPENSATION

The following table sets forth the compensation paid or to be paid by the Company with respect to the fiscal year ended July 27, 1985, to the five most highly compensated executive officers whose total cash compensation exceeded \$60,000, and to all the executive officers of the Company as a group.

CASH COMPENSATION TABLE

<u>Name of Individual or Number of Persons in Group</u>	<u>Capacities in Which Served</u>	<u>Cash Compensation ⁽⁵⁾</u>
Robin L. Farkas	Chairman of the Board	\$287,192 ⁽¹⁾
Bruce R. Farkas	Vice Chairman of the Board	284,346 ⁽¹⁾
Roger A. Barrer	Co-President, Executive Vice President—General Manager	272,416 ⁽¹⁾
Louis Powell	Co-President, Executive Vice President— Merchandising	286,812 ⁽¹⁾
Walter S. Freedman	Executive Vice President— Finance and Secretary	245,404 ⁽¹⁾⁽²⁾
All executive officers as a group (27 persons)		3,654,170 ⁽³⁾⁽⁴⁾

(1) Does not include deferred compensation to be paid after termination. See "Employment Contracts".

(2) Walter S. Freedman resigned as Executive Vice President—Finance and Secretary of the Company effective July 31, 1985.

(3) With respect to persons who were executive officers during only part of the year, this figure includes the compensation applicable to the period during which they were executive officers.

(4) See "Employment Contracts."

(5) Includes bonuses for fiscal year 1985.

EMPLOYMENT CONTRACTS

Four of the individuals named in the "Cash Compensation Table" are employed under employment contracts providing for an annual base salary and for bonus compensation based upon earnings for each fiscal year during the term of their employment. The table and notes also set forth information relating to future remuneration payments to be made pursuant to these contracts.

Name	Commencement and Expiration Date	Base Salary	Bonus Compensation for Current and Future Years
Robin L. Farkas	November 9, 1984– November 8, 1989	\$300,000 ⁽¹⁾	2¼% of pre-tax earnings from retail operations in excess of \$10,000,000 up to a maximum of \$125,000 per fiscal year
Bruce R. Farkas	November 9, 1984– November 8, 1989	\$300,000 ⁽¹⁾	2¼% of pre-tax earnings from retail operations in excess of \$10,000,000 up to a maximum of \$125,000 per fiscal year
Roger A. Barrer	July 28, 1985– July 31, 1988	\$275,000 ⁽¹⁾⁽²⁾ ⁽³⁾⁽⁴⁾	
Louis Powell	July 28, 1985– July 31, 1988	\$275,000 ⁽¹⁾⁽²⁾ ⁽³⁾⁽⁴⁾	
Walter S. Freedman	August 1, 1983– July 31, 1986 ⁽⁵⁾	\$175,000 ⁽¹⁾	1½% of earnings between \$2,000,000 and \$2,500,000 and 2½% of earnings in excess of \$2,500,000 ⁽⁵⁾

(1) Includes director's fee. See "INFORMATION CONCERNING THE BOARD AND ITS COMMITTEES."

(2) Base Salary was paid beginning on June 2, 1985.

(3) The Company and the Officers are negotiating the terms of a bonus to be based on retail profits but no agreement has been reached on the amount thereof or on the definition of retail profits. It is contemplated that the bonus provision for Messrs. Barrer and Powell will be the same.

(4) The employment contracts with Messrs. Barrer and Powell, each entered into as of July 28, 1985, provide for payment of deferred compensation for 10 years at \$100,000 for each of the first two years following termination and \$68,750 in each of the next eight years.

(5) Walter S. Freedman's employment agreement with the Company provided for an option to Mr. Freedman to terminate his employment on July 31, 1985. Mr. Freedman exercised his option to shorten the employment term and resigned as Executive Vice President—Finance and Secretary of the Company effective July 31, 1985. His agreement provided for deferred compensation over a seven-year period at \$75,000 for the first year following termination, \$55,000 per annum for the next four years and \$27,500 per annum for the sixth and seventh year following termination.

The Company has a profit sharing and retirement plan which is a contributory plan for eligible employees. Under the plan, the Company is required to make an annual contribution equal to the smallest of: (i) 10% of the adjusted net profits (as defined in the plan), or such other amount as the

Board determines; (ii) the maximum contribution deductible for Federal income tax purposes; or (iii) the total amounts that may be allocated under the plan to participants. If, however, the Company's consolidated annual net profits (after taxes) exceed \$2,000,000, the Company must make a minimum contribution to the plan, but the requirement would not exceed \$440,000. The annual contribution allocable to each participant together with his share of forfeitures, is a maximum of 4% of his salary up to the social security wage base (which is currently \$39,600), plus 9.7% of his salary in excess of such base. Under the plan, amounts credited to participants' accounts for the fiscal year ended July 29, 1972 and prior years are fully vested; amounts credited for subsequent years, in general, become fully vested after 15 years of service with the Company. During the fiscal year ended July 27, 1985, the Company contributed an aggregate of \$4,000 to the plan for all participating executive officers as a group, including a contribution of \$206 for each individual named in the Cash Compensation Table except Bruce R. Farkas. Amendments to the plan, which were implemented in January 1985, incorporate a cash or deferred program pursuant to Section 401(k) of the Internal Revenue Code which allows participants to make contributions to the plan in pre-tax dollars.

Five other executive officers are employed under employment contracts expiring within two years of the end of the Company's 1985 fiscal year. As of the date hereof, the aggregate annual salary of such five executive officers is \$609,000, not including deferred compensation described below. Four of these executive officers participate in bonus compensation plans which the Company establishes annually based upon prescribed objectives. The contract of one such executive officer provides for specified payments up to a maximum of \$16,500 contingent upon the Company attaining certain earning levels and retirement compensation of \$90,000 per annum for the first year following termination and \$60,000 for each of the next six years. The contract of another such executive officer was extended to July 31, 1987, with an option on the part of the Company to extend the contract an additional three years, and provides for specified annual payments to a maximum of \$5,500 contingent upon the Company attaining certain earning levels and deferred compensation following termination of \$25,000 per year for five years. The contract of another such executive officer was extended through July 31, 1987 and provides for specified annual payments to a maximum of \$3,500 contingent upon the Company attaining certain earning levels, retention as a consultant at \$7,500 per annum after termination of regular employment until April 1988, and deferred compensation following termination of \$35,000 per year for five years and one additional year of deferred compensation at \$35,000 per annum for each full, consecutive year such officer is employed by the Company from August 1, 1985 through July 31, 1987.

Pursuant to a Termination and Consulting Agreement, a former executive officer receives \$127,500 a year for consulting and past services. This arrangement is for seven years and commenced July 29, 1984.

In addition, the contract of another executive officer provides for a bonus equal to 2 1/2% of a subsidiary's gross revenues from third party contracts. Nine other persons who are executive officers have employment contracts for a term of two years expiring on July 26, 1986 at per annum salaries ranging from \$60,000 to \$135,000. Seven of such persons are eligible to participate in bonus compensation plans which the Company establishes annually based on prescribed objectives and four of such persons receive specified annual payments up to a maximum of \$24,000 for one such person contingent upon the Company attaining certain earning levels.

Subsequent to the end of the Company's 1985 fiscal year, the entering into of employment contracts with three new executive officers was authorized. It is contemplated that the aggregate annual salary of such three executive officers will be \$490,000 but that one officer may have payment

of \$15,000 per annum deferred. The contract of one such executive officer is expected to have a term of two years and provide for bonus compensation on the basis of a formula not yet finalized, but which will be based upon the Company attaining certain earning levels. The two other proposed contracts will have three year terms and provide for bonus compensation of up to \$75,000, on the basis of a formula not yet finalized, but which will be based upon the Company attaining certain earning levels.

INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

During the fiscal year ended July 27, 1985, Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey, a law firm of which Mr. Underberg, a director of the Company, is a senior partner, and Altheimer & Gray, a law firm of which Phillip Gordon, a director of the Company, is a partner, performed legal services for the Company and its subsidiaries.

The Company is presently negotiating an agreement with Sonnenblick-Goldman Corp. (the "Finder"), of which Arthur I. Sonnenblick, a director of the Company is president and chief executive officer. If such agreement is entered into, the Company will grant to the Finder the exclusive right to negotiate on behalf of the Company to obtain a commitment for the financing or development of the Company's property located at 63rd Road and Queens Boulevard in Rego Park, New York. If pursuant to such proposed agreement the Finder delivers a commitment satisfactory to the Company, it would be entitled to certain sums of money based upon percentages of the amount committed.

During the fiscal year ended July 27, 1985, the Company purchased merchandise at a cost of approximately \$85,000 from Wonderland Fashions, the principal of which is the father of Steven Roth, a general partner of Interstate Properties, which owns 17.8 % of the Company's Common Stock. The merchandise was purchased in arms-length transactions at competitive prices and was of the type normally bought by the Company.

In August 1975, a stockholder instituted an action "in the right of and for the benefit of" the Company in the Supreme Court of the State of New York, New York County, naming as defendants the Company and various others, including Alexander Farkas, Bruce R. Farkas, Jonathan Farkas, Robin L. Farkas and Milton E. Mermelstein (all of whom were then directors of the Company), and also including the parents of Messrs. Farkas, Ruth L. Farkas (individually and as trustee) and the late George Farkas. The complaint alleges that the satisfaction by the Company in 1975 of certain tax liabilities was wrongful, claiming that such liabilities arose because of a personal benefit to members of the Farkas family. The complaint further alleges that members of the Farkas family are liable to the Company by reason of an alleged indemnification agreement made in 1968. Plaintiff seeks to have the defendants account to the Company for all amounts paid by the Company to satisfy such tax liabilities, to require the defendants to repay to the Company any amount received as dividends distributed to satisfy such tax liabilities and to require members of the Farkas family to indemnify the Company pursuant to said alleged indemnification agreement. The Company has filed an answer to the complaint denying all the material allegations thereof.

SELECTION OF AUDITORS

The Board of Directors proposes and recommends the selection of Touche Ross & Co. to audit the accounts of the Company for the fiscal year ending July 26, 1986. That firm has audited the accounts of the Company since 1968 and the Company's principal predecessor continuously from 1938 until its merger into the Company in 1969. Representatives of Touche Ross & Co. intend to be present at the annual meeting and will have an opportunity to make a statement if they desire to do so. These representatives will also be available to respond to appropriate questions. The membership of the Audit Committee of the Board of Directors of the Company is set forth above under the heading "INFORMATION CONCERNING THE BOARD AND ITS COMMITTEES."

The Board of Directors recommends that stockholders vote for the selection of Touche Ross & Co. to examine the Company's accounts for the 1986 fiscal year.

STOCKHOLDER PROPOSALS

Two proposed stockholders' resolutions and statements in support thereof are set forth below. A majority of the votes cast is necessary for approval of each proposal.

I.

"RESOLVED: That the stockholders of Alexander's, Inc. assembled in annual meeting in person and by proxy hereby request the Board of Directors to have the Company furnish the stockholders each year with a list of people employed by the Corporation with the rank of Vice President or above, or as a consultant, or as a lobbyist, or as legal counsel or investment banker or director, who, in the previous five years have served in any governmental capacity, whether Federal, City or State, or as a staff member of any CONGRESSIONAL COMMITTEE or regulatory agency, and to disclose to the stockholders whether such person was engaged in any matter which had a direct bearing on the business of the Corporation and/or its subsidiaries, provided that information directly affecting the competitive position of the Corporation may be omitted.'

"REASONS: 'Full disclosure on these matters is essential at Alexander's, Inc. because of its many dealings with Federal and State agencies, and because of pending issues forthcoming in Congress and/or State and Regulatory Agencies.'

"At the last Annual Meeting the owners of 350,284 shares representing over 13% of shares voting, voted FOR this resolution.

"If you AGREE, please mark your proxy FOR this resolution."

THE BOARD OF DIRECTORS OPPOSES THIS PROPOSAL.

The fact that the Company's directors, employees, consultants and other outside experts may have previously served in a governmental position is not viewed as significant to the stockholders' understanding of the Company's operations. Information as to the principal occupation and business experience during the past five years for each nominee for, and continuing member of, the Board of Directors is supplied to the stockholders each year in the Company's proxy statement.

Numerous federal, state and local laws and regulations with respect to the employment of former government employees are designed to provide safeguards and to preclude conflicts of interest and improper use of influence. Management endeavors to avoid such conflicts of interest and to comply with applicable laws and regulations.

The compilation and distribution of the information sought by this resolution would be costly and burdensome and management does not believe that such information would serve any useful purpose.

For these reasons, the Board of Directors recommends that Stockholders vote AGAINST this proposal.

II.

"RESOLVED: That the stockholders of Alexander's, Inc., assembled in annual meeting in person and by proxy, hereby request that the Board of Directors take the steps necessary to disclose the amount of the fees paid to the auditors in the proxy statement.'

"REASONS: Strong support along the lines we suggest were shown at the last annual meeting when 15.37% (618 owners of 416,094 shares), were cast in favor of this proposal, a very large increase over the previous year. The vote against included 286 unmarked proxies.

John C. Burton, former Chief Accountant of the SEC, and dean of the Graduate School of Business at Columbia University in support on the subject stated:

"Certainly the relationship between the auditor and the stockholder is far different from that of an ordinary supplier and it seems to me that the amount of fees paid are information which should be available to the stockholder as a matter of right."

"If you agree, please mark your proxy for this resolution; otherwise it is automatically cast against it, unless you have marked to abstain."

The Board of Directors opposes this proposal.

A requirement for inclusion of the amount of fees paid to auditors in the proxy material would not be useful since specific dollar amount disclosures may result in the unfair comparison of audit fees for companies which require disparate accounting methods and services. In addition, regulations of the Securities and Exchange Commission and rules of the accounting profession require strict independence of outside auditors. The relationship between the Company and its independent auditors is also subject to the disclosure requirements of the Securities and Exchange Commission.

For reasons stated above, the Board of Directors recommends a vote AGAINST this proposal.

The names and addresses of the stockholders submitting the foregoing proposals and the number of shares of the Company's common stock held by them will be furnished by the Company, either orally or in writing as requested, promptly upon the receipt of any oral or written request therefor.

Deadline for submitting stockholder proposals for the next annual meeting:

Stockholders who intend to present proposals at the Company's 1986 Annual Meeting of Stockholders to be held in the latter part of 1986 must submit their proposals to the Assistant Secretary of the Company on or before July 30, 1986.

OTHER INFORMATION

The Board of Directors knows of no other matters to be presented at the meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the proxy to vote such proxy in accordance with their best judgment. The expenses of this solicitation will be borne by the Company. In addition to the use of mails, proxies may be solicited by telephone or telegraph or personal interview by directors, officers and employees. The Company has retained Georgeson & Co. Inc. to aid in the solicitation of proxies at an estimated cost of \$5,000.

By order of the Board of Directors

BRUCE R. FARKAS
Assistant Secretary

October 24, 1985