

A 250000

189405

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

---

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

---

The Annual Meeting of Stockholders of Alexander's, Inc., will be held on Wednesday, January 7, 1987 at 9:00 a.m. local time, at the Alexander's store located at, and stockholders attending should use the entrance at, 58th Street and Lexington Avenue, New York, 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 1987 fiscal year.
3. A proposal to amend the Company's Restated Certificate of Incorporation to limit certain of the liabilities of directors of the Company.
4. Stockholder proposals concerning:
  - (a) disclosure regarding employees, directors and outside consultants who have served in any governmental capacity; and
  - (b) fees paid to auditors; and
5. Such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on November 10, 1986 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*

December 17, 1986

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.

**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 January 7, 1987, 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 1987 fiscal year, for the proposal to amend the Restated Certificate of Incorporation 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 an Assistant Secretary of the Company a later-dated proxy.

**BACKGROUND OF MEETING**

On November 26, 1986, The Trump-Alexander's Company purchased 917,697 shares of Common Stock from ALX Limited Partnership as well as \$2,188,000 principal amount of the Company's 5½% Convertible Subordinated Debentures due 1996, convertible into an additional 67,845 shares of Common Stock. At a meeting of the Board of Directors of the Company on the same date, Phillip Gordon and Molly M. South resigned as Class I Directors. The Board of Directors then elected Donald J. Trump and Robert S. Trump as Class I Directors to fill the vacancies created by the resignations of Mr. Gordon and Ms. South.

On December 11, 1986, the Board of Directors again met and accepted the resignations of Robert A. Moor as a Class II Director and of David G. Marshall as a Class III Director. The Board of Directors then elected Harvey I. Freeman a Class II Director and Ivana Trump as a Class III Director to fill the vacancies created by the resignations of Messrs. Marshall and Moor.

The Board of Directors then increased the size of the Board to 17 (the maximum presently provided for in the Company's By-Laws) and elected Harvey Myerson a Class I Director to fill the vacancy created by the increase in the number of directorships to 17.

**VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

At the close of business on November 10, 1986, the record date for the determination of stockholders entitled to vote at the meeting, there were 4,540,868 shares of Common Stock outstanding, each of which is entitled to one vote. This Proxy Statement is being mailed to stockholders on or about December 17, 1986.

As of November 30, 1986, 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<sup>(1)</sup></u>	<u>Percent of Class</u>
Interstate Properties ..... East 140 Ridgewood Avenue Paramus, New Jersey 07652	917,798 <sup>(2)(3)</sup>	20.0
The Trump-Alexander's Company ..... 725 Fifth Avenue New York, New York 10022	917,697 <sup>(3)</sup>	20.0

- (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) Does not include 9,700 shares owned by Steven Roth a general partner of Interstate Properties.
- (3) Does not include 67,845 shares obtainable by each of Interstate Properties and The Trump-Alexander's Company upon the conversion on December 19, 1986 of \$2,188,000 principal amount of the Company's 5½% Convertible Subordinated Debentures due 1996.

As of November 30, 1986 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>
1,059,991	23.1

## 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 II are to be elected.

<u>Name</u>	<u>Principal Occupation, Business Experience During Past Five Years and Present Directorships</u>	<u>First Became Director<sup>1</sup></u>	<u>Age</u>	<u>Amount and Nature of Beneficial Ownership of Common Stock as of November 30, 1986<sup>2</sup></u>	<u>Percent of Class</u>
<i>CLASS II. Nominees For Election For Term Expiring in 1989:</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	60	107	—
Harvey I. Freeman	Executive Vice President, The Trump Organization, Inc. which is in the business, through its affiliates and subsidiaries, of acquiring, developing and managing real estate properties	1986	48	—	—
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 <sup>3</sup>	64	—	—
Stephen Mann	Partner, Mann & Israel, attorneys; Partner from October 1981 to present of Equipment Finance Company, a privately held financing company; since January 1985, principal, Southport Realty Group, a privately held real estate company.	1980	51	100	—
Neil Underberg	Senior partner, Finley, Kumble, Wagner, Heine, Underberg, Manley, Myerson & Casey, attorneys	1980	58	500	—
<i>CLASS III. Directors Continuing for Term Expiring in 1987:</i>					
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	47	48,600	1.0
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; 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 loud speakers, and The Royal Bank and Trust Company (a wholly-owned subsidiary of The Royal Bank of Canada)	1960 <sup>4</sup>	53	92,304	2.0

Name	Principal Occupation, Business Experience During Past Five Years and Present Directorships	First Became Director <sup>1</sup>	Age	Amount and Nature of Beneficial Ownership of Common Stock as of November 30, 1986 <sup>2</sup>	Percent of Class
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 1982; prior thereto, Vice President, Allen & Co., Inc. investment bankers; Director, Diplomat Electronics Corp., a distributor of electronic parts since April 1983	1984	37	—	—
Arthur I. Sonnenblick . . . . .	President and Chief Executive Officer of Sonnenblick-Goldman Corp., mortgage bankers and realtors; in addition, until 1983, Managing Director and member of the Board of Directors of Lehman Brothers Kuhn Loeb Incorporated, investment bankers	1984 <sup>5</sup>	54	—	—
Ivana Trump . . . . .	Executive Vice President, The Trump Organization, Inc. which is in the business, through its affiliates and subsidiaries, of acquiring, developing and managing real estate properties	1986	38	— <sup>(6)</sup>	—
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, Bohemia Incorporated, a wood products manufacturer, 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	48	200	—
<i>CLASS I. Directors Continuing for Term Expiring in 1988:</i>					
David A. Goldberg . . . . .	Financial Consultant	1975	53	100	—
Donald J. Trump . . . . .	President, The Trump Organization, Inc. which is in the business, through its affiliates and subsidiaries, of acquiring, developing and managing real estate properties	1986	40	917,697 <sup>7</sup>	20.0
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	67	100	—

<u>Name</u>	<u>Principal Occupation, Business Experience During Past Five Years and Present Directorships</u>	<u>First Became Director<sup>1</sup></u>	<u>Age</u>	<u>Amount and Nature of Beneficial Ownership of Common Stock as of November 30, 1986<sup>2</sup></u>	<u>Percent of Class</u>
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	53	—	—
Harvey Myerson	Senior partner, Finley, Kumble, Wagner, Heine, Underberg, Manley, Myerson & Casey, attorneys since June 1984; prior thereto, Partner, Webster & Sheffield, attorneys	1986	47	—	—
Robert S. Trump	Executive Vice President, The Trump Organization, Inc. which is in the business, through its affiliates and subsidiaries, of acquiring, developing and managing real estate properties	1986	38	11,012 <sup>8</sup>	—

Bruce R. and Robin L. Farkas are brothers. Donald J. and Robert S. Trump are brothers. Ivana Trump is the wife of Donald J. Trump.

\* 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) 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.
- (4) Robin L. Farkas served as a director of the Company during 1960 and from 1963 to the present.
- (5) Arthur I. Sonnenblick served as a director of the Company between 1980 and 1982.
- (6) Does not include the shares deemed to be owned by Donald J. Trump as to which Ivana Trump disclaims beneficial ownership.
- (7) Donald J. Trump's share ownership is as a result of his capacity as the controlling person of the two general partners of The Trump-Alexander's Company. Donald J. Trump disclaims beneficial ownership of the 11,012 shares deemed to be owned by Robert S. Trump as a result of his capacity as a shareholder in each of the two general partners of The Trump-Alexander's Company.
- (8) Robert S. Trump's share ownership is as a result of his capacity as a shareholder in each of the two general partners of The Trump-Alexander's Company.

## 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 26, 1986. 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 eight meetings during the fiscal year ended July 26, 1986. Martin Roaman attended fewer than 75% of the meetings during the fiscal year ended July 26, 1986.

During the fiscal year ended July 26, 1986, the Company's directors were paid at the rate of \$13,500 per year by the Company as compensation for their services as directors. 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 26, 1986, Mr. Goldberg received \$30,000 from the Company for consulting.

The Company has no nominating committee and no compensation committee.

### IDENTIFICATION OF EXECUTIVE OFFICERS

<u>Name</u>	<u>Age</u>	<u>Principal Occupation and Business Experience During Past Five Years</u>	<u>First Be- came an Executive Officer</u>
Robin L. Farkas .....	53	Chairman of the Board and Chief Executive Officer since July 29, 1984; Chairman of the Board since January 1981	1960
Bruce R. Farkas .....	47	Vice Chairman of the Board since April 1982; prior thereto, Executive Vice President—Administration and, since January 1981, Chief Operating Officer; Chairman of the Executive Committee since January 1981	1961
Roger A. Barrer .....	60	Co-President since June 20, 1985; Executive Vice President—General Manager since April 1982; prior thereto, Senior Vice President—General Manager	1967
Louis Powell .....	64	Co-President since June 20, 1985; Executive Vice President—Merchandising since December 1981; prior thereto, Senior Vice President—Group Divisional Merchandise Manager	1970
Robert I. Mullen .....	49	Senior Vice President—General Merchandising Manager since October 10, 1985; President, Korner Plaza Inc. from July 1985 through September 1985; Merchandising Manager Target Stores from October 1982 through September 1985; prior thereto, President, Jordan Marsh	1985

<u>Name</u>	<u>Age</u>	<u>Principal Occupation and Business Experience During Past Five Years</u>	<u>First Became an Executive Officer</u>
William H. Pavony .....	46	Senior Vice President—Finance since October 10, 1985; prior thereto Senior Vice President, Zale Corporation	1985
Leon Peck .....	66	Senior Vice President—Control since December 5, 1985; from April 1982 to December 1985, Senior Vice President and Controller; prior thereto, Vice President and Controller	1972
Merrie Ryan .....	43	Senior Vice President—General Merchandising Manager since July 1986; from January 1985 through July 1986, Executive Vice President of Almys Stores Inc. a subsidiary of Stop & Shop Co. Inc.; prior thereto Vice President of Bradlees, a division of Stop & Shop Co. Inc.	1986
Joan R. Carstens .....	51	Vice President—Divisional Merchandise Manager	1981
Murray Cohen .....	62	Vice President—Divisional Merchandise Manager	1976
Thomas M. Coleman .....	51	Vice President—Financial Administration since December 1982; from January 1981 to December 1982, Treasurer	1981
Edwin Dreher .....	58	Vice President—Loss Prevention since February 8, 1985; from April 1984 to February 1985, Assistant Vice President—Director of Security; from August 1983 to April 1984, Director of Security; prior thereto Deputy Chief—New York Police Department	1985
Christopher Gay .....	37	Vice President—Management Information Systems since October 2, 1986; and Executive in Charge—Management Information Services since January 6, 1986; prior thereto, Director of Management Information Services for Merchantile Stores Company, Inc.	1986
Brian M. Kurtz .....	38	Vice President and Controller since December 5, 1985; from December 1982 to December 1985, Vice President—Group Controller; prior thereto, Group Controller	1982
Donald W. Madsen .....	50	Vice President—Construction and Plant	1979
Raphael Present .....	65	Vice President—Director of Stores	1981
Patrick C. Raccioppi .....	50	Vice President—Advertising Director since December 1982; prior thereto, Advertising Director	1982



<u>Name</u>	<u>Age</u>	<u>Principal Occupation and Business Experience During Past Five Years</u>	<u>First Became an Executive Officer</u>
David C. Rubin .....	41	Vice President—Divisional Merchandise Manager since December 1982; prior thereto, Divisional Merchandise Manager	1982
Donald Sharon .....	58	Vice President—Director of Warehouses	1981
Robert G. Spevak .....	54	Vice President—Divisional Merchandise Manager	1976
Harvey B. Weston .....	55	Vice President—Store Planning	1979
Herbert Paul .....	54	Tax Counsel since February 1983; President of Herbert Paul, P.C., attorney, since January 1983; prior thereto, partner, Touche Ross & Co., accountants	1983

Except as otherwise indicated, all of the officers listed in the foregoing table were elected to the offices set forth opposite their respective names at the Annual Meeting of the Board of Directors held December 5, 1985 to hold such offices until the next such Annual Meeting and the qualification of their respective successors.

### 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 26, 1986, to each of 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<sup>(1)</sup></u>
Robin L. Farkas .....	Chairman of the Board	\$ 300,000 <sup>(2)</sup>
Bruce R. Farkas .....	Vice Chairman of the Board	300,000 <sup>(2)</sup>
Roger A. Barrer .....	Co-President	275,000 <sup>(3)</sup>
Louis Powell .....	Co-President	275,000 <sup>(3)</sup>
Frances S. Leichtman .....	Senior Vice President Divisional Merchandise Manager	191,215 <sup>(3)(4)</sup>
All executive officers as a group (29 persons) .....		3,676,925 <sup>(2)(5)</sup>

(1) Includes bonuses for fiscal year 1986.

(2) See "Employment Contracts".

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

(4) Frances S. Leichtman resigned as Senior Vice President-Divisional Merchandise Manager of the Company effective July 31, 1986.

(5) 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.

## 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 Dates	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)(4)	
Louis Powell . . . . .	July 28, 1985– July 31, 1988	\$275,000(1)(2)(4)	
Frances S. Leichtman	August 1, 1980– July 31, 1986	\$165,000(3)	

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

(2) The Company and the officers have had discussions concerning 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. Powell and Barrer will be the same.

(3) Frances S. Leichtman resigned as Senior Vice President—Divisional Merchandise Manager effective July 31, 1986. Her employment agreement with the Company provides for retirement compensation of \$90,000 per annum for the first year following termination and \$60,000 for each of the next six years.

(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.

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 \$42,000), 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 26, 1986, the Company contributed an aggregate of \$4,000 to the plan for all participating executive officers

as a group, including a contribution of \$265 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.

Eight other executive officers are employed under employment contracts expiring within 27 months of the end of the Company's 1986 fiscal year. As of the date hereof, the aggregate annual salary of such eight executive officers is \$1,064,000, not including deferred compensation described below.

The contracts of two such executive officers provide for a bonus compensation of up to \$75,000 per annum to be formulated based upon the Company attaining certain earnings levels. The contract of another such executive officer provides for a bonus compensation of up to \$35,000 per annum to be formulated based upon the Company attaining certain earnings levels. The contract of another such executive officer provides for specified annual payments to a maximum of \$3,500 contingent upon the Company's attaining certain earnings levels, and for his 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. The contracts of another three such executive officers provide for participation in bonus compensation plans which the Company establishes annually based upon prescribed objectives.

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. Another former executive officer received \$75,000 during the fiscal year ended July 26, 1986 and will receive deferred compensation of \$55,000 per annum for the next four years and \$27,500 per annum for the following two years.

In addition, the contract of another executive officer provides for a bonus equal to 2½% of a subsidiary's gross revenues from third party contracts. Seven other persons who are executive officers have employment contracts for a term of two years expiring on July 25, 1987 at per annum salaries ranging from \$75,000 to \$147,500. Five 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 \$15,000 for one such person contingent upon the Company attaining certain earning levels.

#### **INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS**

During the fiscal year ended July 26, 1986, Finley, Kumble, Wagner, Heine, Underberg, Manley, Myerson & Casey, a law firm of which Mr. Underberg and Mr. Myerson, directors of the Company, are senior partners, and Alheimer & Gray, a law firm of which Phillip Gordon, a former director of the Company is a partner, performed legal services for the Company and its subsidiaries.

The Company has had discussions relating to an agreement with Sonnenblick-Goldman Corp. (the "Finder"), of which Arthur I. Sonnenblick, a director of the Company is president and chief executive officer. It is contemplated that 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 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.

Separately, prior to making the decision to retain such property, the Finder had been retained on an exclusive basis to market the real estate and improvements located at 59th Street and Lexington Avenue in New York City (the "59th Street Property"), now held by Seven Thirty One Limited Partnership ("731 Limited Partnership"), a partnership which the Company controls. The agreement under which the Finder is engaged provides for a payment to the Finder of percentages of gross proceeds of the sale of the 59th Street Property. If prior to a sale of the 59th Street Property, substantially all of the assets or stock of the Company are sold to a third party (which transaction is not anticipated), the Finder would be entitled to a flat fee of \$500,000. In addition, the Finder will be reimbursed by 731 Limited Partnership for reasonable out-of-pocket expenses incurred by it. No decision has been made as to whether to renegotiate such retention in view of the change of circumstances. Approximately one-third of the stock of the Finder is owned by Arthur I. Sonnenblick and the three general partners of Interstate Properties, which owns 20.0% of the Company's Common Stock.

During the fiscal year ended July 26, 1986, the Company purchased merchandise at a cost of approximately \$79,000 from Wonderland Fashions, the principal of which is the father of Steven Roth, a general partner of Interstate Properties. The merchandise was purchased in arms-length transactions at competitive prices and was the type normally bought by the Company.

### **LEGAL PROCEEDINGS INVOLVING 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 25, 1987. 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 1987 fiscal year.

## **AMENDMENT TO RESTATED CERTIFICATE OF INCORPORATION**

The Board of Directors has unanimously declared it advisable and unanimously recommends to the Company's stockholders that the Restated Certificate of Incorporation be amended to add the following provision as a new Article Eleventh to the Restated Certificate of Incorporation (the "Amendment"):

"ELEVENTH: No director of the Corporation shall be liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit."

Under current Delaware law, the Amendment will eliminate the directors' liability for monetary damages for breaches of the directors' fiduciary duty of care. The Amendment does not affect the directors' liability for monetary damages for breaches of the duty of loyalty, actions or omissions involving bad faith, knowing violations of the law or intentional misconduct, paying an illegal dividend, approving an illegal stock repurchase, or obtaining an improper personal benefit. See "Description and Effect of the Amendment."

### **Reasons for Amendment**

On June 18, 1986, the Governor of Delaware signed Delaware Senate Bill 533 (the "Act") into law. The Act is primarily intended to permit corporations and their stockholders to eliminate directors' exposure to liability for certain breaches of the directors' fiduciary duty, either in a suit on behalf of the corporation or in an action by stockholders of the corporation. The Act represents a legislative response to recent changes in the market for directors' liability insurance. The difficulty of obtaining such insurance, and the significantly increased cost of such insurance, was viewed by the legislature of Delaware as threatening the quality and stability of corporate governance in Delaware because many directors had become unwilling to serve without insurance protection, and those who did serve were inhibited by the unavailability of insurance from making business decisions which may have been in the best interests of the corporation. Last year the Company was unable to renew its director and officer liability insurance at its prior coverage level and the coverage that was obtained was substantially more expensive. The Board of Directors has a similar concern that the current trends in the market for director and officer liability insurance will continue, with the result that the Company may be unable to obtain adequate director and officer liability insurance when such policy expires in February 1987, or, if and to the extent adequate insurance is obtainable the cost may be unreasonably high. The Act provides that a corporation and its stockholders may amend the corporation's certificate of incorporation to limit directors' liability, and thereby provide additional protection to directors. The Amendment being proposed to the stockholders is designed to limit the directors' liability to the fullest extent permitted by the Act.

### **Description and Effect of the Amendment**

The Board of Directors proposes that the stockholders adopt the Amendment in order to take full advantage of the Act's provisions limiting director liability. Neither the Act nor the Amendment would limit the liability of officers of the Company who are not directors nor will it protect directors in their capacity as officers or majority stockholders. The Amendment, in conjunction with the Act, eliminates the liability of directors to stockholders or the Company for monetary damages arising out of the directors' breach of their fiduciary duty of care. The duty of care refers to the fiduciary

duty of directors to be reasonably diligent and careful in considering a transaction or taking or refusing to take some corporate action. If the Amendment were not adopted, a breach of the duty of care by a director would give rise to liability for monetary damage caused to the Company or the stockholders as a result of such breach. Liability for a breach of the duty of care arises when directors have failed to exercise reasonable care in reaching decisions and otherwise attending to their responsibilities as directors. The Amendment does not eliminate the duty of care; it only eliminates the payment of monetary damage awards by directors occasioned by a breach of their duty. Thus, even if the Amendment is adopted, a breach of the duty of care would remain a valid basis for a suit seeking to stop a proposed transaction from occurring through the use of an injunction or other equitable remedy or seeking to rescind a transaction. After the transaction has occurred, however, the stockholders would no longer have a claim for monetary damages based on a breach of the duty of care even if that breach involved gross negligence on the part of one or more directors. See "Advantages and Disadvantages to the Stockholders."

The Amendment would not limit or eliminate liability based on the following six types of claims: (i) liability based on a breach of the duty of loyalty to the Corporation or the stockholders; (ii) liability based on the payment of an improper dividend or an improper repurchase of the Corporation's stock under Section 174 of the Delaware General Corporation Law; (iii) liability for actions which the director knows are in violation of some law; (iv) liability arising out of intentional misconduct by the director; (v) liability for actions or omissions pursuant to which the director will receive some improper personal benefit, and (vi) liability for directors' actions not taken in good faith. Thus, liability for monetary damages would still exist under the Amendment if liability were based on one of these six grounds.

The Amendment would limit the liability of directors only for future conduct and would not limit their liability for conduct which predates the adoption of the Amendment. The Amendment would in no way affect a director's liability under the Federal securities laws. The Company is not aware of any pending or threatened claims and there is no recent litigation of the type for which liability would be limited by the Amendment.

Because the Act has only recently been enacted, there has not yet been any judicial interpretation of its precise scope or validity. Courts could rule, under various legal theories, that certain liabilities which the Act purports to eliminate remain notwithstanding an Amendment pursuant to the Act. The Amendment's coverage extends only so far as is legally permitted.

### **Advantages and Disadvantages to the Stockholders**

The Board of Directors believes that the Amendment is in the best interests of the stockholders as well as the Company, although it should be noted that the members of the Board of Directors have an interest in the approval of the Amendment since the Amendment could relieve such members of a significant potential liability if an applicable claim should arise. The Amendment preserves the Company's ability to retain and attract qualified individuals to serve as directors of the Company by assuring directors (and potential directors) that their good faith decisions will not be evaluated by a court with the benefit of hindsight. The Amendment, however, limits the remedies available to a stockholder dissatisfied with a decision of the Board of Directors which is protected by the Amendment. A stockholder's only remedy in such a circumstance is to sue to stop the completion of the action authorized by the Board. In many situations, this remedy may not be effective. Stockholders, for example, may not be aware of a transaction or an event until too late to prevent such transaction or event. In these cases, the stockholders and the Company could be injured by a careless or even a grossly negligent action taken by the Board of Directors, including action in connection with the

sale of the Company, and yet have no effective remedy. See "Description and Effect of the Amendment."

Approval of the Amendment requires the affirmative vote of the holders of at least a majority of the shares of Common Stock of the Company that are issued and outstanding as of the record date.

The Board of Directors recommends a vote for the proposal to approve the Amendment to the Company's Restated Certificate of Incorporation.

## **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 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 because of its many dealings with Federal and State agencies, and because of pending issues forthcoming in Congress and/or State and Regulatory Agencies."

"Last year the owners of 304,922 shares representing over 10.3% of shares voted, 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 a 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 15.16% (602 owners of 447,833 shares), were cast in favor of this proposal, a very large increase over the previous year. The vote against included 237 unmarked proxies.

By being informed each year in the proxy statement, one can compare whether or not the fees are up or down. If so, questions can be asked why.

The Securities and Exchange Commission rules provide for minimum information and do not prevent more when so desired by many shareholders."

"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 these reasons, 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 1987 Annual Meeting of Stockholders to be held in December 1987 must submit their proposals to the Assistant Secretary of the Company on or before July 30, 1987.

### 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

December 17, 1986

END