MARKETWATCH INC
Form 10-Q/A
September 03, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2003

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 000-50562

MarketWatch, Inc.

(Formerly MarketWatch.com, Inc.)
(Exact name of Registrant as specified in its Charter)

Delaware	27-0064104
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

825 Battery Street, San Francisco, California 94111
(Address of Principal Executive Offices)

Registrant's Telephone Number, Including Area Code: (415) 733- 0500

Indicate by check mark whether the registrant (1) has filed all reports required 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 [X] NO [ ]

Indication by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act): YES [ ] NO [X]

The number of shares of the Registrants' Common Stock outstanding as of August 31, 2004 was 25,228,515.

EXPLANATORY NOTE

This amended Quarterly Report on Form 10-Q is being filed for the purpose of amending and restating Items 1, 2 and 4 of Part I and Item 6 of Part II of the Form 10-Q for the quarterly period ended March 31, 2003 to (i) reflect the restatement of our condensed consolidated financial statements as of and for the periods ended March 31, 2003 and 2002 for the adoption of a corrected method in which we calculate our quarterly CBS royalty expenses as described in Note 8 to the condensed consolidated financial statements, (ii) make revisions to "Management's Discussion and Analysis of Financial Condition and Results of Operations" as warranted by the restatement, (iii) make revisions to Item 4 of Part I to reflect our evaluation of controls and procedures as of the date of the filing of this amended Quarterly Report on Form 10-Q and (iv) update the Certifications pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 to the filing date of this amended Quarterly Report on Form 10-Q. We have made no further changes to the originally filed Form 10-Q. Although this amendment incorporates certain revisions, as noted, to historical financial data and related descriptions, all other information in this amended Quarterly Report on Form 10-Q is as of the date the Quarterly Report on Form 10-Q was originally filed. This amended Quarterly Report on Form 10-Q is not intended to provide an update of, and does not reflect, any subsequent information or events after the Quarterly Report on Form 10-Q was originally filed.

In addition, the Company is filing amended Quarterly Reports on Form 10-Q for other quarterly periods in fiscal year 2003 to restate its condensed consolidated statements of operations and cash flows for the periods ended June 30, 2003 and 2002, and September 30, 2003 and 2002 and its condensed consolidated balance sheets as of June 30, 2003 and 2002, and September 30, 2003 and 2002.

MarketWatch, Inc.

Quarterly Report on Form 10-Q/A for the Period Ended March 31, 2003

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Part I -- FINANCIAL INFORMATION

ITEM 1. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MarketWatch, Inc.
Condensed Consolidated Balance Sheets
(in thousands)

	March 31, 2003	December 31, 2002
	(as restated) (unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 43,760	$ 43,328
Accounts receivable, net	6,040	5,364
Prepaid expenses	1,312	696
Total current assets	51,112	49,388
Property and equipment, net	5,694	6,680
Goodwill, net	22,429	22,429
Other assets	148	148
Total assets	$ 79,383	$ 78,645
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,333	$ 3,198
Accrued expenses	5,244	4,233
Deferred revenue	1,139	917
Total current liabilities	8,716	8,348

Stockholders' equity:				
Preferred stock		-		-
Common stock		177		171
Additional paid-in capital		321,561		320,993
Contribution receivable		(11)		(56)
Accumulated deficit		(251,060)		(250,811)
Total stockholders' equity		70,667		70,297
Total liabilities and stockholders' equity	$	79,383	$	78,645

The accompanying notes are an integral part of these condensed consolidated financial statements.

MarketWatch, Inc.
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except per share data)

	Three Months Ended March 31,			
		2003		2002
Net revenues:		(as restated)		(as restated)
Advertising	$	5,175	$	3,526
Licensing		5,620		6,246
Subscription		323		44
Total net revenues		11,118		9,816
Cost of net revenues		4,308		4,074
Gross profit		6,810		5,742
Operating expenses:				
Product development		1,842		1,431
General and administrative		2,929		2,825
Sales and marketing		2,419		7,519
Total operating expenses		7,190		11,775
Loss from operations		(380)		(6,033)
Interest income		134		182
Income tax		(3)		--
Net loss	$	(249)	$	(5,851)
Basic and diluted net loss per share	$	(0.01)	$	(0.35)
Shares used in the calculation of basic and diluted net loss per share		17,157		16,792

The accompanying notes are an integral part of these condensed consolidated financial statements.

MarketWatch, Inc.
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended March 31,	
	2003	2002
	(as restated)	(as restated)
Cash flows provided by (used in) operating activities:		
Net loss	$ (249)	$ (5,851)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,060	1,205
Noncash charges from stockholder	45	4,850
Changes in operating assets and liabilities:		
Accounts receivable, net	(676)	919
Prepaid expenses and other assets	(616)	(659)
Accounts payable and accrued expenses	287	(748)
Deferred revenue	222	(38)
Net cash provided by (used in) operating activities	73	(322)
Cash flows used in investing activities:		
Purchase of property and equipment	(215)	(152)
Net cash used in investing activities	(215)	(152)

Cash flows provided by financing activities:		
Issuance of common stock	574	195
Net cash provided by financing activities	574	195
Net change in cash	432	(279)
Cash and cash equivalents at the beginning of the period	43,328	37,637
Cash and cash equivalents at the end of the period	$ 43,760	$ 37,358

The accompanying notes are an integral part of these condensed consolidated financial statements.

MARKETWATCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1 - Organization and Nature of Business

Basis of Presentation

The interim financial data as of March 31, 2003 and for the three months ended March 31, 2003 and 2002 is unaudited; however, in the opinion of MarketWatch, Inc. (the "Company"), the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. The results of operations for such periods are not necessarily indicative of the results expected for a full year or for any future period. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

During the first quarter ended March 31, 2003 the Company re-classified certain broadcast and membership center revenues, previously disclosed as "Other," into advertising revenues. Prior periods have been adjusted to be comparable with the current presentation.

The Company

The Company is a leading multimedia source for financial news and information. It was formed on October 29, 1997 as a Delaware limited liability company, and was jointly owned by Data Broadcasting Corporation, now known as Interactive Data Corporation ("IDC"), and CBS Broadcasting Inc. ("CBS"), with each owning a 50% interest in the Company. In January 1999, the Company reorganized as a corporation and completed an initial public offering of 3,162,500 shares of common stock. After the initial public offering, CBS and IDC each owned 34.1% of the Company. In February 2000, IDC completed a merger with the specialist asset valuation business, or the FTAM, of the Financial Times Group, which is a part of Pearson plc. ("Pearson"). In January 2001, an affiliate of Pearson plc acquired IDC's 34.1% stake in the Company.

Note 2 - Recent Accounting Pronouncements

In December 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 148 (SFAS 148), "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS 148 amends the Statement of Financial Accounting Standards Statement No. 123 (SFAS 123), "Accounting for Stock-Based Compensation." Although the standard does not require use of fair value method of accounting for stock-based employee compensation, it does provide alternative methods of transition. It also amends the disclosure provisions of SFAS 123 and APB Opinion No. 28 (APB 28), "Interim Financial Reporting," to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim consolidated financial statements. These amended transition and annual disclosure requirements are effective for interim periods and fiscal years ending after December 15, 2002. The Company has adopted the disclosure requirements of this standard for its first quarter of fiscal year 2003.

The following table illustrates the effect on income from continuing operations and earnings per share if the Company had applied the fair-value recognition provisions of SFAS No. 123 to stock-based employee compensation. The estimated fair value of each Company option is calculated using the Black-Scholes option-pricing model.

	Three Months Ended March 31,			
	2003		2002	
	(as restated)		(as restated)	
	(in thousands, except per share data)			
As reported	$	(249)	$	(5,851)
Stock-based employee compensation expense determined under fair value based method		(715)		(1,185)
Pro forma net loss	$	(964)	$	(7,036)
Net loss per share:				
As reported, basic and diluted	$	(0.01)	$	(0.35)
Pro forma net loss per share, basic and diluted	$	(0.06)	$	(0.42)

The Company calculated the fair value compensation expense associated with its stock-based employee compensation plans using the Black-Scholes model. The following assumptions were used for valuing option grants for the three months ended March 31, 2003 and 2002: no dividend yield, weighted-average expected option term of four years, risk-free interest rates of 2.6% and 4.4%, respectively, and volatility factors of 105% and 105%, respectively. The assumptions used related to calculating compensation expense associated with the employee stock purchase plan for the three months ended March 31, 2003 and 2002 were: no dividend yield, weighted-average term of six months, risk-free interest rates of 1.4% and 1.7%, respectively, and volatility factors of 107% and 105%, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

Because additional stock options are expected to be granted each year, the above pro forma disclosures are not representative of pro forma effects on reported financial results for future periods.

Note 3 - Net Loss Per Share

Basic net loss per share is computed using the weighted average number of shares of common stock. Diluted net loss per share is computed using the weighted average number of shares of common stock and common equivalent shares outstanding during the period. Common equivalent shares consist of stock options (using the treasury stock method). Common equivalent shares are excluded from the computation if their effect is anti-dilutive.

Options to purchase 3,261,054 and 2,535,102 shares of common stock were outstanding at March 31, 2003 and 2002, respectively, but were not included in the computation of diluted net loss per share because either the options' exercise price was greater than the average market price of the common shares during the period or inclusion of such options would have been anti-dilutive.

Note 4 - Related Party Transactions

Under its license agreement with CBS, the Company expensed $717,000 and $612,000 for the three months ended March 31, 2003 and 2002, respectively, related to licensing of CBS news content and trademarks. In addition, the Company recorded advertising expenses of $45,000 and $4.9 million at rate card value for the three months ended March 31, 2003 and 2002, respectively, for in-kind advertising and promotion provided by CBS. Rental payments to CBS for leasing of certain facilities were $309,000 and $273,000 for the three months ended March 31, 2003 and 2002, respectively.

Licensing revenues from IDC were $0 and $300,000 for the three months ended March 31, 2003 and 2002, respectively. License revenues from the FT.com and Financial Times, subsidiaries of Pearson, were $427,000 and $464,000 for the three months ended March 31, 2003 and 2002, respectively. The Company recognized costs to IDC of $239,000 and $237,000 for the three months ended March 31, 2003 and 2002, respectively, for data feeds. In addition, the Company recognized revenues of $628,000 and $409,000 for the three months ended March 31, 2003 and 2002, respectively, from television and radio programming on CBS stations. The Company recognized costs to CBS of $266,000 and $300,000 for the three months ended March 31, 2003 and 2002, respectively, for production of television and radio programming.

IDC purchased $0 and $25,000 for the three months ended March 31, 2003 and 2002, respectively, of advertising under an insertion order.

At March 31, 2003 and 2002, $496,000 and $770,000, respectively, were included in accounts receivable for radio and television revenue due from CBS. In addition, $42,000 and $339,000, respectively, were included in the Company's accounts receivable related to license and subscription revenues due from IDC and $6,000 and $415,000, respectively, were included in the Company's accounts receivable related to license revenues due from FT.com and Financial Times, subsidiaries of Pearson. At March 31, 2003 and 2002, the Company had a liability of $717,000 and $612,000, respectively, recorded for CBS royalty fees, a liability of $873,000 and $561,000, respectively, owed to CBS for television production and facilities costs, and a liability of $190,000 and $175,000, respectively, to IDC for data feeds.

Direct charges for subscription revenues for certain IDC data feeds were $11,000 and $20,000 for the three months ended March 31, 2003 and 2002, respectively.

Note 5 - Restructuring Charges

In the second quarter of 2001, the Company implemented a plan to reduce costs and improve operating efficiencies by discontinuing initiatives and enhancements of our wireless and broadband businesses, and recorded a restructuring charge of $1.4 million. The restructuring charge consisted primarily of severance and benefits of $300,000 related to the involuntary termination of approximately 35 employees; the estimated lease costs of $510,000 pertaining to future obligations for non-cancelable lease payments for excess facilities; and the write-off of leasehold improvements, furniture and fixtures, software and computer equipment with a net book value of $530,000. The assets were taken out of service as they were deemed unnecessary due to the reduction in workforce. In addition, the Company accrued for legal and consulting costs of $70,000 related to the restructuring. As of March 31, 2003, the Company had $84,000 remaining in its restructuring accrual for lease costs and other expenses. The remaining accrual will be paid in cash and the restructuring will be complete by December 31, 2003.

Note 6 - Change in Accounting for Goodwill and Certain Other Intangibles

In accordance with SFAS No. 142, goodwill amortization was discontinued as of January 1, 2002. The carrying amount of goodwill at March 31, 2003 totaled $22.4 million. SFAS No. 142 prescribes a two-phase process for impairment testing of goodwill. The first phase screens for impairment; while the second phase (if necessary), measures the impairment. The Company completed its first phase impairment analysis during the quarter ended December 31, 2002 and found no instances of impairment of its recorded goodwill; accordingly, the second testing phase, absent future indicators of impairment, was not necessary.

Note 7 - Segment Reporting

The Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," establishes standards for reporting information about operating segments in a company's financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. Marketwatch operates in one segment.

Note 8 - Restatement

The Company has restated its condensed consolidated statements of operations and cash flows for the three months ended March 31, 2003 and 2002 and its condensed consolidated balance sheets as of March 31, 2003 and 2002. The restatement reflects the adoption of a corrected method in which the Company calculates its quarterly CBS royalty expenses by recognizing royalty expenses based on the estimated effective annual royalty rate, which requires management to estimate the annual gross revenues subject to the CBS royalty fees and excluded revenues not subject to the CBS royalty fees, and apply the derived effective annual royalty rate to all revenues in each of the quarters within a fiscal year. Historically, the Company recognized CBS royalty expenses in the quarter in which it became obligated to pay such expenses based on the specified royalty rate applied to the relevant revenue of that quarter. The restatement has an effect on the Company's cost of net revenues, gross profits, net income (loss) and earnings (loss) per share for the periods ended March 31, 2003 and 2002.

The restatement has no impact on the Company's annual operating results, cash flow or royalty due to CBS, including fiscal 2003 and 2002 results, as the restatement relates only to the timing of the accruals of the CBS royalty expenses among the quarters within a fiscal year.

The following table presents the impact of the restatement adjustments on the statement of operations for the three months ended March 31, 2003 and 2002 (in thousands, except per share data):

Three Months Ended March 31, 2003		Three Months Ended March 31, 2002	
As Previously Reported	As Restated	As Previously Reported	As Restated
$ 4,024	$ 4,308	$ 3,874	$ 4,074

Cost of net revenues				
Gross profit	7,094	6,810	5,942	5,742
Loss from operations	(96)	(380)	(5,833)	(6,033)
Net income (loss)	35	(249)	(5,651)	(5,851)
Net income (loss) per share basic and diluted	0.00	(0.01)	(0.34)	(0.35)
Shares used in basic net income (loss) per share	17,157	17,157	16,792	16,792
Shares used in diluted net income (loss) per share	18,047	17,157	16,792	16,792

The following table presents the impact of the restatement adjustments on the balance sheet as of March 31, 2003 and 2002 (in thousands):

	March 31, 2003		March 31, 2002	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Accrued expenses	$ 4,960	$ 5,244	$ 3,963	$ 4,163
Total liabilities	8,432	8,716	7,476	7,676
Accumulated deficit	(250,776)	(251,060)	(246,809)	(247,009)
Total stockholders'	70,951	70,667	68,445	68,245

equity

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

OF OPERATIONS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words "expects", "anticipates", "intends", "believes", or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, prospective investors should carefully consider the information set forth below under the caption "Factors That May Affect Our Operating Results" in addition to the other information set forth herein. We caution investors that our business and financial performance are subject to substantial risks and uncertainties.

Overview

We completed our initial public offering in January 1999. Prior to our initial public offering, we were formed in October 1997 as a Delaware limited liability company owned 50% each by Data Broadcasting Corporation, or DBC, now known as Interactive Data Corporation and CBS. We were formed as the successor to DBC's Online/News Business, which commenced operations in October 1995. Immediately prior to the closing of our initial public offering, we were reorganized from a limited liability company into a corporation.

Since our formation, we have operated as a multi-media provider of financial news and information, with services including news articles, feature columns, financial programming and analytic tools, such as stock quotes and charting. These services are available free of charge. We sell advertising banners and sponsorships on our Web sites; earn advertising revenue from our television and radio programming; license our content and tools to electronic brokers, financial publishers and portals; and sell subscriptions to our news letters and other premium products.

We have several agreements with our principal stockholders, including the following:

- Upon our conversion from a limited liability company into a corporation, CBS agreed to contribute $30.0 million in advertising through October 2002 which was delivered in full by June 30, 2000;
- In May 2000, CBS contributed an additional $30.0 million in rate card advertising and promotion of which $29.9 million was delivered by March 31, 2003 and the delivery of the remaining $11,000 has been extended through April 25, 2003;
- CBS licenses its trademark and certain news content for royalties approximating 8% of all of our net revenues other than revenue attributable to IDC and certain other revenue. The license agreement expires in October 2005; and
- IDC provided us with part of our Web site infrastructure and certain operational and administrative services at IDC's cost, as required by the Amended and Restated Services Agreement. IDC's service obligation expires on October 29, 2005. We ceased using these services in 2001. In addition, IDC paid us a monthly, per subscriber fee for delivery of our news to IDC subscribers, subject to a minimum payment of $100,000 per month. This obligation expired in October 2002.

In January 2001, an affiliate of Pearson, plc acquired IDC's stake in our company and held 33% of our outstanding common stock as of March 31, 2003.

Our ability to generate significant revenue or maintain profitability in the future is uncertain. Further, in view of the rapidly evolving nature of our business and our limited operating history, we have little experience forecasting our revenues. Therefore, we believe that period-to-period comparisons of our financial results are not necessarily meaningful and you should not rely upon them as an indication of our future performance. To date, we have incurred substantial costs to create, introduce and enhance our services, to develop content, to build brand awareness and to grow our business. Although we achieved net income for the first time in the fourth quarter of 2002 and were cash flow positive for the twelve months ended December 31, 2002 and the first quarter of 2003, given the general economic uncertainty and the continued uncertainty of the advertising market, we may not generate net income or remain cash flow positive for fiscal 2003 or any particular fiscal quarter. We may also incur additional costs and expenses related to content creation, technology, marketing or acquisitions of businesses and technologies to respond to changes in our rapidly changing industry. These costs could have an adverse effect on our future financial condition or operating results.

Restatement

We restated our condensed consolidated statements of operations and cash flows for the three months ended March 31, 2003 and 2002 and our condensed consolidated balance sheets as of March 31, 2003 and 2002. The restatement reflects the adoption of a corrected method in which we calculate our quarterly CBS royalty expenses by recognizing royalty expenses based on the estimated effective annual royalty rate, which requires management to estimate the annual gross revenues subject to the CBS royalty fees and excluded revenues not subject to the CBS royalty fees, and apply the derived effective annual royalty rate to all revenues in each of the quarters within a fiscal year. Historically, we recognized CBS royalty expenses in the quarter in which it became obligated to pay such expenses based on the specified royalty rate applied to the relevant revenue of that quarter. The restatement has an effect on our cost of net revenues, gross profits, net income (loss) and earnings (loss) per share for the periods ended March 31, 2003 and 2002. Note 8 to the condensed consolidated financial statements in Item 1 of Part I of this report provides a summary of the restatement for the periods ended and as of March 31, 2003 and 2002. In addition, we restated our condensed consolidated statements of operations and cash flows for each of the other quarters in fiscal years 2003 and 2002 and our condensed consolidated balance sheets as of June 30, 2003 and 2002 and September 30, 2003 and 2002.

This restatement has no impact on our annual operating results, cash flow or royalty due to CBS, including fiscal 2003 and 2002 results, as the restatement relates to the timing of the accrual of the CBS royalty expenses among the quarters within the fiscal year.

Results of Operations

Net Revenues

Net revenues are derived from the sale of advertising on our Web sites, licensing of our content, distribution of television and radio broadcasts, subscription sales of our news letters and other premium products and fees from our membership center. During the first quarter ended March 31, 2003, the Company re-classified certain broadcast and membership center revenues, previously disclosed as "Other," into advertising revenues. Prior periods have been adjusted to be comparable with the current presentation.

Net revenues increased by 13% to $11.1 million for the three months ended March 31, 2003 from $9.8 million for the three months ended March 31, 2002. The increase was primarily a result of an increase in advertising and subscription revenue offset by a decrease in licensing revenue. The increase in advertising revenue was primarily due to an increase in the number of advertisers on our Web sites and an increase in the size of advertising buys. Television advertising revenue increased primarily due to an improvement in rates charged for advertising sold and radio advertising revenue improved primarily due to increased sales on current and new radio stations. The increase in subscription revenue was primarily due to the acquisition of the Hulbert Financial Digest in April 2002 and its related revenue stream. Licensing revenue declined primarily due to the expiration of a five-year licensing commitment from IDC and the consolidation of the financial services industry.

Substantially all of our advertising customers purchase advertising under short-term contracts. Customers can and have ceased advertising on short notice without penalty. Advertising revenues would be adversely affected if we were unable to renew advertising contracts with existing customers or obtain new customers. We expect to continue to derive a significant amount of our future net revenues from selling advertisements. The market for Web advertising is intensely competitive, therefore advertising rates could be subject to additional pricing pressure in the future. If we are forced to reduce our advertising rates or we experience lower CPM's (cost per thousand page views) across our Web sites for any reason, future advertising revenues could be adversely affected.

License revenues depend on customer contract renewals and could decrease further if customers choose to renew for lesser amounts, terminate early or forego renewal, or we do not obtain new customers. A significant amount of our license revenue is earned from brokerages and financial services companies, which have experienced hardship due to the recent economic downturns. The amount of license revenues depends, in part, on the number of users these customers have each month. If the number of users were to decrease, our license revenue would decrease. The growth of our license revenues could also be limited as there are a limited number of brokerages and financial services companies to license our content. In addition, certain license contracts guarantee the performance of our Web sites. If our sites do not perform as guaranteed, license revenue would be adversely affected.

Cost of Revenues

Cost of net revenues primarily consists of news staff compensation, royalties payable to CBS and content providers, bandwidth costs associated with serving pages on our Web properties and licensing clients, fees paid for data, Web site infrastructure costs, costs of serving ads, exchange fees and communication lines, and costs related to subscriptions, including printing and mailing costs.

Cost of revenues increased by 5% to $4.3 million for the three months ended March 31, 2003 from $4.1 million for the three months ended March 31, 2002. Cost of revenues increased primarily due to an increase in compensation for news personnel. As a percentage of net revenues, cost of revenues were 39% and 42% for the three months ended March 31, 2003 and 2002, respectively. Cost of revenues decreased as a percentage of net revenues primarily due to the leveraging of our fixed costs as revenues increased.

Product Development

Product development expenses primarily consist of data source fees, compensation and benefits for Web site developers, designers and engineers to maintain the sites and software engineers, and expenses for contract programmers and developers. Product development expenses increased by 29% to $1.8 million for the three months ended March 31, 2003 from $1.4 million for the three months ended March 31, 2002. Product development expenses increased primarily due to an increase in data source fees and costs associated with the development of the Hulbert Financial Digest products. Product development expenses were 17% and 15% of net revenues for the three months ended March 31, 2003 and 2002, respectively.

General and Administrative

General and administrative expenses primarily consist of compensation and benefits for finance, business development and administrative personnel, professional fees, public company costs and corporate depreciation charges. General and administrative expenses increased by 4% to $2.9 million for the three months ended March 31, 2003 from $2.8 million for the three months ended March 31, 2002 primarily due to a slight increase in professional service fees. As a percentage of net revenues, general and administrative costs were 26% and 29% for the three months ended March 31, 2003 and 2002, respectively, due to the leveraging of our fixed costs as revenues increased.

Sales and Marketing

Sales and marketing expenses primarily consist of non-cash promotion and advertising provided by CBS, online and offline advertisements, promotional materials, compensation, benefits and sales commissions to our direct sales force. Sales and marketing expenses decreased 68% to $2.4 million for the three months ended March 31, 2003 from $7.5 million for the three months ended March 31, 2002. As a percentage of net revenues, sales and marketing expenses were 22% and 77% for the three months ended March 31, 2003 and 2002, respectively. Sales and marketing expenses decreased primarily due to a decrease in CBS in-kind advertising expense. As a significant portion of the CBS in-kind advertising expired in June 2002, we utilized it to the fullest extent in the first quarter of 2002.

Interest Income

Interest income of $134,000 for the three months ended March 31, 2003 resulted from interest earned on the proceeds from additional financing from CBS and DBC received on May 5, 2000 and cash from operations. Interest income of $182,000 for the three months ended March 31, 2002 resulted from interest earned on the proceeds from additional financing from CBS and DBC received on May 5, 2000. Interest income for the three months ended March 31, 2003 decreased as a result of a decline in returns due to lower interest rates as a result of current market conditions.

Liquidity and Capital Resources

Since our inception in October 1997, we have funded our operations primarily from cash contributed and advanced by IDC and CBS, revenues from advertising and licensing sales and the proceeds from our initial public offering. Our cash and cash equivalents totaled $43.8 million at March 31, 2003, compared to $43.3 million at December 31, 2002.

Cash provided by operating activities was $73,000 for the quarter ended March 31, 2003, primarily due to non-cash charges for depreciation and amortization of $1.1 million, an increase in deferred revenue of $222,000 and an increase in accounts payable and accrued expenses of $287,000, offset by a net loss of $249,000 and an increase in prepaid expenses and accounts receivable.

Cash used in operating activities was $322,000 for the quarter ended March 31, 2002, primarily due to a net loss of $5.9 million, partially offset by non-cash charges of $4.9 million in advertising provided by CBS and $1.2 million in depreciation and amortization of property and equipment. Significant uses of cash in operations for the quarter ended March 31, 2002 included a decrease in accounts payable and accrued expenses and an increase in prepaid expenses, offset by a decrease in accounts receivable.

Cash used in investing activities was $215,000 for the quarter ended March 31, 2003 and consisted of capital expenditures for purchases of computer hardware and software.

Cash used in investing activities was $152,000 for the quarter ended March 31, 2002 and consisted of capital expenditures for purchases of computer hardware and leasehold improvements related to leased facilities.

Cash provided by financing activities was $574,000 for the quarter ended March 31, 2003 and primarily reflected proceeds from the sale of common stock through the employee stock purchase plan in February 2003 and stock option exercises during the quarter.

Cash provided by financing activities was $195,000 for the quarter ended March 31, 2002 and primarily reflected proceeds from the sale of common stock through the employee stock purchase plan in February 2002.

As of March 31, 2003, commitments under noncancellable operating leases totaled $10.8 million through December 31, 2010. Additionally, we have entered into certain agreements with America Online, Inc, or AOL, to make payments for advertising and placement of our content on their service over the next year. As of March 31, 2003, we are committed to pay $1.3 million to AOL over the next two years.

We believe our current cash position will be sufficient to meet our anticipated needs for working capital and capital expenditures for at least the next 12 months. We may need to raise funds sooner if we acquire any additional businesses, products or technologies. If additional funds were raised through the issuance of equity securities, the percentage ownership of our then-current stockholders would be reduced. However, if CBS or Pearson elects to maintain its percentage interest pursuant to the exercise of the purchase right under its stockholders' agreements then

CBS or Pearson would not necessarily suffer a reduction in its ownership. Furthermore, such equity securities may have rights, preferences or privileges senior to those of our common stock.

Factors that May Affect Our Operating Results

We May Experience Potential Fluctuations in Our Quarterly Operating Results, Face Unpredictability of Future Revenue and Continue to Incur Losses in the Future

Our quarterly operating results may fluctuate significantly in the future as a result of a variety of factors, many of which are outside our control. These factors include:

- fluctuations in traffic levels on our Web sites, which can be significant as a result of business, financial and other news events;
- weakening demand for advertising on our Web sites as well as on the Web in general;
- reductions in rates paid for Web advertising resulting from softening demand, competition, disruption of business due to threats of conflict or military action involving the United States, or other factors;
- changes in demand for licenses of our technology and news;
- our ability to develop new products and services;
- our ability to enter into or renew on favorable terms our marketing and distribution agreements;
- the amount and timing of our costs related to our marketing efforts or other initiatives;
- the amount and timing of costs related to our new product development efforts;
- fees we may pay for distribution or content agreements or other costs we incur;
- new services introduced by us or our competitors;
- the level of Web usage such as time spent online or number of pages viewed;
- competitive factors;
- costs associated with restructuring activity;
- technical difficulties or system downtime affecting the Web generally or the operation of our Web sites; or
- economic conditions specific to the Web as well as general economic conditions.

Although we generated net income for the first time in the fourth quarter of 2002 and were cash flow positive for the twelve months ended December 31, 2002 and the first quarter of 2003, you should not rely on the results for those periods as an indication of future performance. In particular, given the general economic uncertainty and the softness of the advertising market, we may not remain cash flow positive or generate net income for fiscal 2003 or any particular remaining quarter in fiscal 2003.

Over time, our revenues have come from a mix of advertising, content licensing, broadcasting and subscription service fees. Licensing revenue declined in the first quarter of 2003 primarily due to difficult market conditions faced by companies in the financial services industry. We expect our quarterly revenues and operating results to be particularly affected by the changes in the level of our advertising and licensing revenue in each quarter. Our operating expenses are based on our expectations of our future revenues and are relatively fixed in the short term. If we have lower revenues than we expect, we may not be able to quickly reduce our spending in response. Any shortfall in our revenues would have a direct impact on our operating results for a particular quarter and these fluctuations could affect the market price of our common stock in a manner unrelated to our long-term operating performance.

We Depend on the Sale of Advertisements on Our Web Sites, and If Demand for Web Advertising Continues to Soften, Our Business Would Be Harmed

We expect to derive a substantial amount of our revenues from advertising for the foreseeable future. Over the last two years, we and other Web publishers have experienced a significant softening in demand for our advertising services due to decreased spending on Web advertising by companies and due to general uncertainty about the economy. We expect this reduced demand to continue for the foreseeable future. In addition, threats of conflict or military action involving the United States may further disrupt business, curb spending by companies or otherwise slow down economic recovery. The continued decline in the advertising market would substantially harm our business and could result in a further decline in the trading price of our common stock.

We compete with traditional advertising media, such as print, radio and television, for a share of advertisers' total advertising budgets. We would lose revenue if the Web were not perceived as an effective advertising medium. Also, advertisers that have traditionally relied upon other advertising media may be reluctant to advertise on the Web especially given the general uncertainty in the economy. Advertisers that already have invested substantial resources in other advertising methods may be reluctant to adopt a new advertising strategy and may find it more difficult to measure the effectiveness of Web advertising. In addition, our online advertising packages are sold in campaigns ranging from less than two weeks to a year or more. Advertisers generally have the right to cancel a campaign with two weeks notice without penalty. Therefore, advertising revenues would be adversely affected if we fail to offer a desirable opportunity for on-line advertising.

A substantial portion of our online advertising revenue comes from Internet commerce and financial services companies that have been adversely affected by the recent market downturn, which has resulted in these companies spending less for on-line advertising. If we do not diversify our advertiser base and continue to attract advertisers from other industries, our business could be adversely affected. Moreover, diversification of our advertising base may require us to adapt to different requirements and expectations that these new advertisers may have with respect to advertising programs. If we fail to adapt accordingly, our business, operating results and financial condition may be adversely affected.

Further, some of the existing brokerage and financial services companies and customers in other markets that we target have merged and additional mergers may occur in the future, which would further reduce the number of our existing and potential customers. For example, in the prior year, Ameritrade, one of our customers, acquired Datek, which was also one of our customers. As a result, our online advertising and license revenues were adversely affected.

We Rely Significantly on Revenue from Advertising, Which Is Difficult to Forecast Accurately

A significant amount of our revenue comes from advertisements displayed on our Web sites. We derive the majority of our revenue from the sale of advertisements under short-term contracts, which are difficult to forecast accurately. In addition, our advertising packages are sold in campaigns ranging from less than two weeks to a year or more. Advertisers generally have the right to cancel a campaign with two weeks notice without penalty. In cases where the advertiser is providing services, the agreements often have payments contingent on usage levels. Some of our advertisers are Internet companies that, in certain cases, may lack financial resources to fulfill their commitments. Accordingly, it is difficult to accurately forecast these revenues. Our expense levels are based in part on expectations of future revenues and are fixed over the short term with respect to certain categories. We may be unable to adjust spending quickly enough to compensate for any unexpected revenue shortfall. Accordingly, the cancellation or deferral of advertising agreements could have a material adverse effect on our financial results.

No Standard Has Been Widely Accepted to Measure the Effectiveness of Web Advertising and Changes in Current Pricing Models Could Seriously Harm Our Operating Results

Different pricing models are used to sell advertising on the Web. It is difficult to predict which, if any, will emerge as the industry standard. This makes it difficult to project our future advertising rates and revenues. For example, advertising rates based on the number of "click throughs," or user requests for additional information made by clicking on the advertisement, instead of rates based solely on the number of impressions, or times an advertisement is displayed, could adversely affect our revenues because impression-based advertising comprises a substantial majority of our current advertising revenues. In addition, our advertising revenues could be adversely affected if we are unable to adapt to new forms of Web advertising.

Moreover, "filter" software programs that limit or prevent advertising from being delivered to a Web user's computer are available. Widespread adoption of this software could adversely affect the commercial viability of Web advertising.

We Are Susceptible to Third Party Software Programs That Serve Pop-up Advertisements on Our Web Sites

There exist third party software programs that deliver selected advertisements based on the Web sites visited by the user. These advertisements usually are in the form of pop-up ads that are often based on the content the user is viewing at a particular time. Many times this software is downloaded onto the user's computer without the user's knowledge, understanding or consent, as the software often comes bundled with other applications that the user downloads, such as file-sharing software or media players. The software can then track the user's Web surfing habits and display content, such as pop-up ads, that most users are unaware have no connection with the site they are then viewing. The pop-up ads may compete with the advertising, services and products that we sell on our Web sites, potentially infringe our copyrights, and can lead to confusion for our customers as the pop-up software deceives the user as to the origin of the advertisement. Also, our customers may blame us for defects in the services and products promoted by the pop-up ads or for fraud perpetuated against then in connection with such pop-up ads either of which could damage our reputation and result in significant damages. If the prevalence of such forms of software increase and no restrictions are placed on their usage, our business may be harmed.

We Depend on Licensing Revenues, and If Licensing Revenues Were to Decline, Our Business Could Be Harmed

We expect to derive a substantial portion of our revenues from the licensing of our content to customers. Licensing revenue depends on new customer contracts and customer contract renewals, and could decrease if new business is not found or customers renew for lesser amounts, terminate early or forego renewal. We derive a significant percentage of our licensing revenue from a small number of large clients, and from brokerages and financial services companies. In many cases, the amount of licensing revenue depends on the number of qualified account holders these customers have each month. If the number of qualified account holders were to decrease, our licensing revenue could decrease. A number of these brokerages and financial services companies have experienced a decrease in account holders as a result of the recent market downturn. The growth of our licensing revenue could also be limited as there are a limited number of brokerages and financial services companies. In addition, certain license contracts guarantee the performance of our Web sites. If our sites do not perform as guaranteed, our licensing revenue would be adversely affected.

Some of the licensing tools we have created and currently market to existing and potential customers require users to disclose personally identifiable information and allow us access to such confidential information. Due to concerns about user privacy issues, existing and potential licensing customers may be deterred from licensing these tools, which could harm our future licensing revenue.

We receive a portion of the data incorporated in our licensing products from third parties, some of which are competitors. For example, we receive data from Dow Jones and Thomson Financial Corporation. If they or others perceive us as a competitor, they may discontinue providing services to us. Also, some of our third party data providers have restrictions on access to and use of these data, which may make our licensing products incorporating such data less attractive to our existing and potential customers, which in turn may adversely affect our licensing revenue.

Further, a substantial portion of our licensing revenue comes from media and financial services companies, which have been adversely affected by the recent market downturn. If we do not diversify our client base and continue to attract customers from other industries, our business could be adversely affected. Moreover, some of the existing brokerage and financial services companies and customers in other markets that we target may have merged and additional mergers may occur in the future, which would further reduce the number of our existing and potential customers and adversely affect our licensing revenue. For example, in the prior year, Ameritrade, one of our customers, acquired Datek, which was also one of our customers. As a result, our online advertising and licensing revenues were adversely affected.

We Depend on CBS and Pearson for a Number of Services and Other Rights, and Our Business Would Be Materially Adversely Affected if Either One of Them Terminates Their Strategic Relationships With Us

Pursuant to our license agreement with CBS, we were granted the right to use the CBS name and logo, as well as CBS Television Network news content in connection with the operation of the CBS.MarketWatch.com Web site. This license agreement will expire on October 29, 2005 and CBS has no obligation to renew it. Also, under specific circumstances, CBS may terminate the license agreement earlier. If we are not able to renew our license agreement with CBS or CBS terminates the license agreement earlier than October 29, 2005, we would need to change the name of our Web site and devote substantial resources toward building a new brand name. Regardless of such expenditures, we may not be able to continue to attract a sufficient amount of user traffic and advertisers to our Web sites without the CBS name and logo or promotion from CBS.

Moreover, we are subject to a number of restrictions in consideration for the license grant and provision of news content from CBS. For example, CBS can require us to remove any content on our Web sites that it determines conflicts, interferes with or is detrimental to its reputation or business or which CBS deems inappropriate. We are also required to conform to CBS's guidelines for the use of its trademarks. CBS has the right to approve all materials, such as marketing materials, that include any CBS trademarks. CBS also has control over the visual and editorial presentation of its television news content on our Web sites. Because of these restrictions, we may not be able to perform our desired marketing activities, and if we fail to comply with these restrictions, CBS may terminate the license agreement.

Similarly, pursuant to our service agreement with Pearson, Pearson provides us with real-time financial data for dissemination to licensing clients and subscribers of certain of CBS.MarketWatch.com subscription services. If Pearson suspends delivery of delayed financial data or fails to provide such financial data satisfactorily, we would be required to perform these services ourselves or obtain these services from another provider. We may not be able to replace these services on cost effective or commercially reasonable terms or, if we choose to perform these services ourselves, we may not be able to perform them adequately. During any such transition, our services could be disrupted for an indefinite period of time and, as a result, we could lose a substantial number of users and advertisers.

The Interests of CBS and Pearson Could Conflict with the Interests of Our Other Stockholders and, Given Their Substantial Stock Ownership in the Company, We May Not Be Able to Resolve Any Future Conflict with Either of Them on Terms Favorable to Us

CBS and Pearson may experience conflicts of interest in their business dealings with us with respect to decisions involving business opportunities and other similar matters. For example:

- CBS could license its name and logo to other Web sites or Internet services that deliver general news, sports and entertainment. These sites or services could also offer financial news, so long as delivering comprehensive stock quotes and financial news to consumers in the English language is not their primary function and their principal theme and format;
- Pearson may provide hosting services to other Web sites;
- Pearson could also establish an advertising-supported Web site that does not have as its primary function and its principal theme and format the delivery of financial news and stock quotes;
- CBS or Pearson could license their respective content to other Web sites or Internet services; or
- CBS or Pearson could make certain investments in other Web sites or Internet services.

The occurrence of any of the above actions could adversely affect our business. For example, these sites or services supported by CBS or Pearson could compete with us or CBS and Pearson might promote these other sites or services more actively than they promote our Web sites.

We Depend on Our Strategic Relationships with Other Web Sites

We depend on establishing and maintaining distribution relationships with high-traffic Web sites for a portion of our traffic. There is intense competition for placements on these sites, and we may not be able to enter into such relationships on commercially reasonable terms, if at all. Even if we enter into distribution relationships with these Web sites, they themselves may not attract a significant number of users. Therefore, our sites may not receive additional users from these relationships. Moreover, we may have to pay significant fees to establish these relationships and continue to pay significant fees to maintain these types of relationships.

Occasionally, we enter into agreements with advertisers, content providers or other high-traffic Web sites that require us to exclusively feature these parties in certain sections of our Web sites. Existing and future exclusivity arrangements may prevent us from entering into other content agreements, advertising or sponsorship arrangements or other strategic relationships. Many companies we may pursue for a strategic relationship also offer competing services. As a result, these competitors may be reluctant to enter into strategic relationships with us. Our business could be adversely affected if we do not establish and maintain additional strategic relationships on commercially reasonable terms or if any of our strategic relationships do not result in increased use of our Web sites.

We Are in a Highly Competitive Industry and Some of Our Competitors May Be More Successful in Attracting and Retaining Customers

The market for Internet services and products is relatively new, intensely competitive and rapidly changing. The number of Web sites on the Internet competing for consumers' attention and spending has proliferated and we expect that competition will continue to intensify. We compete, directly and indirectly, for advertisers, viewers, members and content providers with the following categories of companies:

- publishers and distributors of traditional off-line media, such as television, radio and print, including those targeted to business, finance and investing needs, many of which have established or may establish Web sites, such as The Wall Street Journal and CNN;
- general purpose consumer online services such as AOL and Microsoft Network, each of which provides access to financial and business-related content and services;
- Web sites targeted to business, finance and investing needs, such as TheStreet.com and the Motley Fool;
- Web search and retrieval and other online services, such as Google, Yahoo!, Lycos and other high-traffic Web sites, which offer quotes, financial news and other programming and links to other business and finance-related Web sites;
- data companies that provide value-added tools, including charts, portfolios, and stock screeners, such as Reuters and Thomson Financial Corporation;
- providers of standardized and customized investment research tools, such as Pinnacor and SmartMoney; and
- publishers of financial news for an institutional audience such as Reuters and Dow Jones.

We anticipate that the number of direct and indirect competitors will increase in the future. This could result in price reductions for our advertising or licensed content and tools, reduced margins, operating losses or loss of market share, any of which would materially adversely affect our business, results of operations and financial condition.

Many of our existing competitors, as well as a number of potential new competitors, have longer operating histories in the Web market, greater name recognition, larger customer bases, higher amounts of user traffic and significantly greater financial, technical and marketing resources. Such competitors may be able to undertake more extensive marketing campaigns, adopt more aggressive pricing policies, make more attractive offers to potential employees, distribution partners, advertisers and content providers and may be able to respond more quickly to new or emerging technologies and changes in Web user requirements. Further, we cannot assure you that they will not develop services that are equal or superior to ours or that achieve greater market acceptance than our offerings. Increased competition could also result in price reductions, reduced margins or loss of market share, any of which could seriously harm our business, results of operations and financial condition.

Our Intellectual Property Rights Are Costly and Difficult to Protect

We rely primarily on a combination of copyrights, trademarks, trade secret laws, our user policy and content license agreement and user agreement restrictions on disclosure and use to protect our intellectual property, such as our content, copyrights, trademarks and trade secrets. We also enter into confidentiality agreements with our employees and consultants, and seek to control access to and distribution of our other proprietary information. Despite these precautions, it may be possible for a third-party to copy or otherwise obtain, misappropriate, infringe and use the content on our Web sites or our other intellectual property without authorization. A failure to protect our intellectual property could seriously harm our business, operating results and financial condition. In addition, we may need to engage in litigation in order to enforce our intellectual property rights in the future or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of management and other resources, either of which could have an adverse effect on our business, operating results and financial condition.

We May be Subject to Intellectual Property Infringement Claims, Which Are Costly to Defend and Could Limit Our Ability to Use Certain Technologies in the Future

We license certain technology, data and content from third parties. In these license agreements, the licensors have generally agreed to defend, indemnify and hold us harmless from any claim by a third-party that the licensed technology or content infringes any third party's intellectual property rights. However, we can not assure you that the outcome of any litigation between such licensors and a third-party or between us and a third-party will not lead to royalty obligations for which we are not indemnified or for which such indemnification is insufficient or unavailable from the licensor, or that we will be able to obtain any additional license on commercially reasonable terms if at all. In the future, we may seek to license additional technology or content in order to enhance our current features or to introduce new services, such as certain new community features. However, any such licenses may not be available on commercially reasonable terms, if at all. The loss of or inability to obtain or maintain any of these technology or content licenses could result in delays in the introduction of new services until equivalent technology or content, if available, is identified, licensed and integrated, which could harm our business, results of operations and financial condition.

In addition, in our content license agreements, we have generally agreed to defend, indemnify and hold our licensees harmless from any claim by a third-party that the licensed content infringes any third party's intellectual property rights. Infringement or other claims may be asserted or prosecuted against us and/or our clients in the future whether resulting from our internally developed intellectual property or licenses or content from third parties. Any future assertions or prosecutions could materially adversely affect our business, results of operations and financial condition. Any such claims, with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel or require us to introduce new content, technology or trademarks, develop non-infringing technology or content or enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on acceptable terms, if at all. In the event of a successful claim of infringement against us and our failure or inability to introduce new technology, content or trademarks, develop non-infringing technology or content or license the infringed or similar technology or content on a timely basis, our business, results of operations and financial condition could be materially adversely affected.

We Depend on Third-Party Software to Track and Measure the Delivery of Advertisements and It Could Be Difficult to Replace These Services

It is important to our advertisers that we accurately measure the demographics of our user base and the delivery of advertisements on our Web sites. We depend on third-party software to provide these measurement services. If the third-party is unable to provide these services in the future, we would be required to perform them ourselves or obtain them from another provider. This could cause us to incur additional costs or cause interruptions in our business during the time we are replacing these services. We have implemented and are implementing additional systems designed to record demographic data on our users. If we are not successful in developing these systems, we may not be able to accurately evaluate the demographic characteristics of our users. As a result, companies may not advertise on our Web sites or may pay less for advertising if they do not perceive our measurements or measurements made by third parties to be reliable.

Our Business Will Be Adversely Affected If We Do Not Develop and Maintain an Effective Sales Force

We depend on our sales force to sell advertising on our Web sites and license our content. This involves a number of risks including:

- our sales personnel have, in a number of cases, only worked for us for a short period of time;
- our ability to hire, retain, integrate and motivate sales and sales support personnel;
- the length of time it takes new sales personnel to become productive; and
- the competition we face from other companies in hiring and retaining sales personnel.

If we are unable to attract and retain an appropriate sales force, our revenue may fail to increase or may decline.

If We Do Not Expand Our Operations Successfully, Our Business Will be Harmed

As we grow, we may need to expand our operational systems, procedures and controls in order to support our business. If we are unable to accomplish any of these, our growth could be constrained and our business could be adversely affected.

We Must Develop New and Enhanced Services and Features for Our Web Sites

We believe that our Web sites will be more attractive to advertisers if we develop a larger audience comprised of demographically favorable users and introduce additional or enhanced services. For example, we acquired Hulbert Financial Digest and have begun to offer Hulbert newsletters through subscription. We intend to introduce additional or enhanced services in the future. If the subscription products or other services we introduce are not favorably received, we may not attract new users and our current users may not continue to access our Web sites or use our services as frequently, which would make us less attractive to advertisers. New users could also choose competitive Web sites or services over ours. Moreover, if our new services do not achieve sufficient market acceptance and generate the anticipated revenues, we would not be able to recoup the costs of developing, marketing and maintaining such services.

We may also experience difficulties that could delay or prevent us from introducing new services. Furthermore, these services may contain errors that are discovered after the services are introduced. We may need to significantly modify the design of these services on our Web sites to correct these errors. Our business could be adversely affected if we experience difficulties in introducing new services or if users do not accept these new services.

We Depend on the Continued Growth in Use of the Web, Particularly for Financial News and Information

Because we expect to depend significantly on advertising revenue for the foreseeable future, our business depends on businesses and consumers continuing to increase their use of the Web for obtaining news and financial information as well as for conducting commercial transactions. Our advertising revenue and therefore our business would be adversely affected if Web usage does not continue to grow. Web usage may be inhibited for a number of reasons, such as:

- inadequate network infrastructure;
- security concerns;
- inconsistent quality of service; and
- availability of cost-effective, high-speed service.

In the event Web usage grows, the Internet infrastructure may not be able to support the demands placed on it by this growth or its performance and reliability may decline. Web sites have experienced interruptions in their service as a result of outages and other delays occurring throughout the Internet network infrastructure. If these outages or delays frequently occur in the future, Web usage in general and usage of our Web sites in particular, could grow more slowly or decline.

We Depend on Key Personnel Who May Not Continue to Work for Us

We believe that our future success will depend in part on our continued ability to attract, integrate, retain and motivate highly qualified sales, technical, editorial and managerial personnel, and upon the continued service of our senior management. Although we have employment agreements with some of our key executives, none of our personnel are bound by an employment agreement that prevents such person from terminating his or her employment with us at any time for any reason. At times we have experienced difficulties in attracting new personnel. If we cannot successfully attract, integrate, retain and motivate a sufficient number of qualified personnel, we may be unable to conduct our business in the future.

We May Have Difficulty Scaling and Adapting Our Existing Architecture to Accommodate Increased Traffic and Technology Advances

Our business relies on our ability to serve Web pages in a consistent and timely manner. In the past, our Web sites have experienced significant increases in traffic when there were significant business or financial news stories. In addition, the number of our users has increased over time and we are seeking to further increase our user base. If the traffic on our Web sites grows at a rate that our current communication lines cannot support, our Web pages will be served at a slower rate or we will be unable to serve pages at all.

We also rely on certain third-party providers for a significant amount of our current bandwidth capacity. If these providers are unable to maintain their service level agreements or we are unable to obtain additional bandwidth as our traffic grows, our business would be adversely affected. Our Web sites have in the past and may in the future experience slower response times and other problems for a variety of reasons. Also, our Web sites have in the past and may in the future experience down time and other problems due to server problems or capacity.

We also depend on multiple information providers, such as FT Interactive Data, S&P Comstock, Dow Jones, Thomson Financial Corporation and Reuters, to provide information and data feeds on a timely basis. Our Web sites could experience disruptions or interruptions in service due to the failure or delay in the transmission or receipt of this information. In addition, our users depend on Internet service providers, online service providers and other Web site operators for access to our Web sites. Each of them has experienced significant outages in the past, and could experience outages, delays and other difficulties due to system failures unrelated to our systems in the future. These types of occurrences could cause users to perceive our Web sites as not functioning properly and therefore cause them to use other methods to obtain their business and financial news and other information.

Our market is characterized by rapidly changing technology, evolving industry standards and frequent new product announcements, which are exacerbated by the growth of the Web and the intense competition in our industry. We may fail to successfully adapt to our rapidly changing market by continually improving the performance, features and reliability of our services. We could also incur substantial costs if we need to modify our services or infrastructure in order to adapt to these changes. Our business could be adversely affected if we incurred significant costs without adequate results or cannot adapt to these changes.

Unauthorized Break-Ins and Other Disruptions to Our Site Could Harm Our Business

Our servers are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays or loss of data. In addition, unauthorized persons may improperly access our data. A number of popular Web sites have experienced attacks from "hackers" and other intrusions. Any actions like these may harm us and may be very expensive to remedy and could damage our reputation and discourage new and existing users from using our site. We also provide indemnification to some of our licensing customers for unauthorized access to and use of customer data as a result of break-ins and other unauthorized access. Our defense of any action brought against us based upon improper access to confidential customer data or indemnification of our licensing customers for similar claims brought against them could be costly and involve significant distraction of our management and other resources. Also, our operations are dependent upon our ability to protect systems against damage from fire, earthquakes, power loss, telecommunications failure, and other events beyond our control. Our insurance policies have low coverage limits and therefore our insurance may not adequately compensate us for any losses that may occur due to any failures or interruptions in our systems.

Web Security Concerns Could Hinder Internet Commerce

The need to securely transmit confidential information over the Internet has been a significant barrier to electronic commerce and communications over the Web. Any well-publicized compromise of security could deter more people from using the Web or from using it to conduct commercial transactions that involve transmitting confidential information, such as stock trades or purchases of goods or services. Because many of our advertisers seek to encourage people to use the Web to conduct financial transactions or purchase goods or services, our business could be adversely affected if our security is breached. We may also incur significant costs to protect against the threat of security breaches or to alleviate problems caused by such breaches.

We Could Face Liability Related to Our Storage of Personal Information About Our Users

Our data privacy policy is not to willfully disclose any individually identifiable information about any user to a third-party without the user's consent. Despite this policy, however, if third persons were able to penetrate our network security or otherwise misappropriate our users' personal information or credit card information, we could be subject to liability, including claims for unauthorized purchases with credit card information, impersonation or other similar fraud claims, and misuses of personal information, such as for unauthorized marketing purposes. In addition, the Federal Trade Commission and certain states have been investigating certain Internet companies regarding their use of personal information. We could incur additional expenses if new regulations regarding the use of personal information are introduced or if federal and state agencies chose to investigate our privacy practices.

We Could Face Liability for the Information Displayed on Our Web Sites

We may be subjected to claims for libel, slander, defamation, negligence, copyright or trademark infringement or based on other theories relating to the information we publish on our Web sites or license to our clients. These types of claims have been brought, sometimes successfully, against online services as well as other print publications in the past. We could also be subjected to claims based upon the content that is accessible from our Web sites through links to other Web sites. Moreover, because we license some data and content from third parties, our exposure to various claims may increase. Altach filed with the SEC an amendment to their respective Schedule 13D indicating that they, as a group, own 47.2% of our common stock. This ownership level, together with the shares owned by Messrs. Roth, Mandelbaum and Wight, makes us a “controlled” company for the purposes of the New York Stock Exchange, Inc.’s Corporate Governance Standards (the “NYSE Rules”). This means that we are not required to, among other things, have a majority of the members of our Board of Directors be independent under the NYSE Rules, have all of the members of our Compensation Committee be independent under the NYSE Rules or to have a Nominating Committee. While we have voluntarily complied with a majority of the independence requirements of the NYSE Rules, we are under no obligation to do so and this situation may change at any time.

ITEM 1A. RISK FACTORS
Material factors that may adversely affect our business, operations and financial condition are summarized below. The risks and uncertainties described herein may not be the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business, operations and financial condition. See "Forward-Looking Statements" contained herein on page 4.

OUR INVESTMENTS ARE CONCENTRATED IN THE GREATER NEW YORK CITY METROPOLITAN AREA. CIRCUMSTANCES AFFECTING THIS AREA GENERALLY COULD ADVERSELY AFFECT OUR BUSINESS.
All of our properties are in the greater New York City metropolitan area and are affected by the economic cycles and risks inherent in that area. All of our revenues come from properties located in the greater New York City metropolitan area. Real estate markets are subject to economic downturns and we cannot predict how economic conditions will impact this market in either the short or long term. Declines in the economy or declines in the real estate market in this area could hurt our financial performance and the value of our properties. In addition to the factors affecting the national economic condition generally, the factors affecting economic conditions in this area include:

- financial performance and productivity of the media, advertising, professional services, financial, technology, retail, insurance and real estate industries;
- business layoffs or downsizing;
- industry slowdowns;
- relocations of businesses;
- changing demographics;
- increased telecommuting and use of alternative work places;
- changes in the number of domestic and international tourists to our markets (including, as a result of changes in the relative strengths of world currencies);
- infrastructure quality;
- changes in the treatment of the deductibility of state and local taxes; and
- any oversupply of, or reduced demand for, real estate.

It is impossible for us to assess the future effects of trends in the economic and investment climates of the greater New York City metropolitan region, and more generally of the United States, on the real estate market in this area. Local, national or global economic downturns would negatively affect our business and profitability.

We are subject to risks that affect the general and New York City retail environments.
Certain of our properties are New York City retail properties. As such, these properties are affected by the general and New York City retail environments, including the level of consumer spending and consumer confidence, change in relative strengths of world currencies, the threat of terrorism, increasing competition from discount retailers, outlet malls, retail websites and catalog companies and the impact of technological change upon the retail environment generally. These factors could adversely affect the financial condition of our retail tenants and the willingness of retailers to lease space in our retail locations.

Terrorist attacks, such as those of September 11, 2001 in New York City, may adversely affect the value of our properties and our ability to generate cash flow.
All of our properties are located in the greater New York City metropolitan area, and our most significant property, 731 Lexington Avenue, is located on Lexington Avenue and 59th Street in Manhattan. In response to a terrorist attack or the perceived threat of terrorism, tenants in this area may choose to relocate their businesses to less populated, lower-profile areas of the United States that may be perceived to be less likely targets of future terrorist activity and fewer customers may choose to patronize businesses in this area. This, in turn, would trigger a decrease in the demand for space in these markets, which could increase vacancies in our properties and force us to lease our properties on less favorable terms. Furthermore, we may experience increased costs for security, equipment and personnel. As a result, the value of our properties and the level of our revenues could decline materially.

Natural disasters and the effects of climate change could have a concentrated impact on the area which we operate and could adversely impact our results.

Our investments are in the greater New York City metropolitan area and since they are concentrated along the Eastern Seaboard, natural disasters, including hurricanes, could impact our properties. Potentially adverse consequences of "global warming" could similarly have an impact on our properties. Over time, these conditions could result in declining demand for office space in our buildings or the inability of us to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy at our properties and requiring us to expend funds as we seek to repair and protect our properties against such risks. The incurrence of these losses, costs or business interruptions may adversely affect our operating and financial results.

REAL ESTATE INVESTMENTS' VALUE AND INCOME FLUCTUATE DUE TO VARIOUS FACTORS.

The value of real estate fluctuates depending on conditions in the general economy and the real estate business. These conditions may also adversely impact our revenues and cash flows.

The factors that affect the value of our real estate include, among other things:

- global, national, regional and local economic conditions;
- competition from other available space;
- local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- how well we manage our properties;
- the development and/or redevelopment of our properties;
- changes in market rental rates;
- the timing and costs associated with property improvements and rentals;
- whether we are able to pass all or portions of any increases in operating costs through to tenants;
- changes in real estate taxes and other expenses;
- whether tenants and users such as customers and shoppers consider a property attractive;
- changes in consumer preferences adversely affecting retailers and retail store values;
- changes in space utilization by our tenants due to technology, economic conditions and business environment;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- availability of financing on acceptable terms or at all;
- inflation or deflation;
- fluctuations in interest rates;
- our ability to obtain adequate insurance;
- changes in zoning laws and taxation;
- government regulation;
- consequences of any armed conflict involving, or terrorist attack against, the United States or individual acts of violence in public spaces, including retail centers;
- potential liability under environmental or other laws or regulations;
- natural disasters;
- general competitive factors; and
- climate changes.

The rents we receive and the occupancy levels at our properties may decline as a result of adverse changes in any of these factors. If our rental revenues and/or occupancy levels decline, we generally would expect to have less cash available to pay our indebtedness and for distribution to our stockholders. In addition, some of our major expenses, including mortgage payments, real estate taxes and maintenance costs generally do not decline when the related rents decline.

Capital markets and economic conditions can materially affect our liquidity, financial condition and results of operations as well as the value of an investment in our debt and equity securities.
There are many factors that can affect the value of our equity securities and any debt securities we may issue in the future, including the state of the capital markets and economy. Demand for office and retail space may decline nationwide as it did in 2008 and 2009 due to the economic downturn, bankruptcies, downsizing, layoffs and cost cutting. Government action or inaction may adversely affect the state of the capital markets. The cost and availability of credit may be adversely affected by illiquid credit markets and wider credit spreads, which may adversely affect our liquidity and financial condition, including our results of operations, and the liquidity and financial condition of our tenants. Our inability or the inability of our tenants to timely refinance maturing liabilities and access the capital markets to meet liquidity needs may materially affect our financial condition and results of operations and the value of our equity securities and any debt securities we may issue in the future.

U.S. federal tax reform legislation now and in the future could affect REITs generally, the geographic markets in which we operate, the trading of our shares and our results of operations, both positively and negatively, in ways that are difficult to anticipate.
The Tax Cuts and Jobs Act of 2017 (the "2017 Act") represents sweeping tax reform legislation that makes significant changes to corporate and individual tax rates and the calculation of taxes, as well as international tax rules. As a REIT, we are generally not required to pay federal taxes otherwise applicable to regular corporations if we comply with the various tax regulations governing REITs. Shareholders, however, are generally required to pay taxes on REIT dividends. The 2017 Act and future tax reform legislation could impact our share price or how shareholders and potential investors view an investment in REITs. For example, the decrease in corporate tax rates in the 2017 Act could decrease the attractiveness of the REIT structure relative to companies that are not organized as REITs. In addition, while certain elements of the 2017 Act do not impact us directly as a REIT, they could impact the geographic markets in which we operate as well as our tenants in ways, both positive and negative, that are difficult to anticipate. For example, the limitation in the 2017 Act on the deductibility of certain state and local taxes may make operating in jurisdictions that impose such taxes at higher rates less desirable than operating in jurisdictions imposing such taxes at lower rates. The overall impact of the 2017 Act also depends on the future interpretations and regulations that may be issued by U.S. tax authorities, and it is possible that future guidance could adversely impact us.

Real estate is a competitive business.
We compete with a large number of real estate property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition are rents charged, attractiveness of location, the quality of the property and the breadth and the quality of services provided. Our success depends upon, among other factors, trends of the global, national and local economies, the financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation, population and employment trends, zoning laws, and our ability to lease, sublease or sell our properties, at profitable levels.

We depend on leasing space to tenants on economically favorable terms and collecting rent from tenants who may not be able to pay.
Our financial results depend significantly on leasing space in our properties to tenants on economically favorable terms. In addition, because a majority of our income is derived from renting real property, our income, funds available to pay indebtedness and funds available for distribution to stockholders will decrease if certain of our tenants cannot pay their rent or if we are not able to maintain our occupancy levels on favorable terms. If a tenant does not pay its rent, we might not be able to enforce our rights as landlord without delays and might incur substantial legal and other costs. During periods of economic adversity for retailers or otherwise, there may be an increase in the number of tenants that cannot pay their rent and an increase in vacancy rates.

We may be unable to renew leases or relet space as leases expire.
When our tenants decide not to renew their leases upon their expiration, we may not be able to relet the space. Even if tenants do renew or we can relet the space, the terms of renewal or reletting, taking into account among other things, the cost of improvements to the property and leasing commissions, may be less favorable than the terms in the expired leases. In addition, changes in space utilization by our tenants may impact our ability to renew or relet space without the need to incur substantial costs in renovating or redesigning the internal configuration of the relevant property. If we are unable to promptly renew the leases or relet the space at similar rates or if we incur substantial costs in renewing or reletting the space, our cash flow and ability to service debt obligations and pay dividends and distributions to stockholders could be adversely affected.

Bankruptcy or insolvency of tenants may decrease our revenues, net income and available cash.
From time to time, some of our tenants have declared bankruptcy, and other tenants may declare bankruptcy or become insolvent in the future. The bankruptcy or insolvency of a major tenant could cause us to have difficulty leasing the remainder of the affected property. Our leases generally do not contain restrictions designed to ensure the creditworthiness of our tenants. As a result, the bankruptcy or insolvency of a major tenant or multiple tenants could result in a lower level of net income and funds available to pay our indebtedness or make distributions to stockholders.

731 Lexington Avenue accounts for a substantial portion of our revenues. Loss of or damage to the building would adversely affect our financial condition and results of operations.
731 Lexington Avenue accounted for revenue of $148,324,000, $147,567,000 and $137,411,000 in the years ended December 31, 2017, 2016, and 2015, respectively, representing approximately 64%, 65% and 66% of our total revenues in each year, respectively. Loss of or damage to the building in excess of our insurance coverage, including as a result of a terrorist attack, would adversely affect our results of operations and financial condition.
Bloomberg represents a significant portion of our revenues. Loss of Bloomberg as a tenant or deterioration in Bloomberg’s credit quality could adversely affect our financial condition and results of operations.
Bloomberg accounted for revenue of $105,224,000, $104,590,000 and $94,468,000 in the years ended December 31, 2017, 2016, and 2015, respectively, representing approximately 46%, 46% and 45% of our total revenues in each year, respectively. No other tenant accounted for more than 10% of our total revenues. If we were to lose Bloomberg as a tenant, or if Bloomberg were to be unable to fulfill its obligations under its lease, it would adversely affect our results of operations and financial condition.

We face risks associated with our tenants being designated “Prohibited Persons” by the Office of Foreign Assets Control and similar requirements.
Pursuant to Executive Order 13224 and other laws, the Office of Foreign Assets Control of the United States Department of the Treasury (“OFAC”) maintains a list of persons designated as terrorists or who are otherwise blocked or banned (“Prohibited Persons”) from conducting business or engaging in transactions in the United States and thereby restricts our doing business with such persons. In addition, our leases, loans and other agreements may require us to comply with OFAC and related requirements, and any failure to do so may result in a breach of such agreements. If a tenant or other party with whom we conduct business is placed on the OFAC list or is otherwise a party with whom we are prohibited from doing business, we may be required to terminate the lease or other agreement. Any such termination could result in a loss of revenue or otherwise negatively affect our financial results and cash flows.

Our business and operations would suffer in the event of system failures.
Despite system redundancy, the implementation of security measures and the existence of a disaster recovery plan for our internal information technology systems, our systems are vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional costs to remedy damages caused by such disruptions.

The occurrence of cyber incidents, or a deficiency in our cyber security, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships or reputation, all of which could negatively impact our financial results.
We face risks associated with security breaches, whether through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons who access our systems from inside or outside our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations (including managing our building systems) and, in some cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed to not be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk.

A security breach or other significant disruption involving our IT networks and related systems could disrupt the proper functioning of our networks and systems and therefore our operations and/or those of certain of our tenants; result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of, proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or which could expose us to damage claims by third-parties for disruptive, destructive or otherwise harmful purposes and outcomes; result in our inability to maintain the building systems relied upon by our tenants for the efficient use of their leased space; require significant management attention and resources to remedy any damages that result; subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or damage our reputation among our tenants and investors generally. Any or all of the foregoing could have a material adverse effect on our results of operations, financial condition and cash flows.

We may incur significant costs to comply with environmental laws and environmental contamination may impair our ability to lease and/or sell real estate.
Our operations and properties are subject to various federal, state and local laws and regulations concerning the protection of the environment, including air and water quality, hazardous or toxic substances and health and safety. Under some environmental laws, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property. The owner or operator may also be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by those parties because of the contamination. These laws often impose liability without regard to whether the owner or operator knew of the release of the substances or caused the release. The presence of contamination or the failure to remediate contamination may also impair our ability to sell or lease real estate or to borrow using the real estate as collateral. Other laws and regulations govern indoor and outdoor air quality including those that can require the abatement or removal of asbestos-containing materials in the event of damage, demolition, renovation or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The maintenance and removal of lead paint and certain electrical equipment containing polychlorinated biphenyls (PCBs) are also regulated by federal and state laws. We are also subject to risks associated with human exposure to chemical or biological contaminants such as molds, pollens, viruses and bacteria which, above certain levels, can be alleged to be connected to allergic or other health effects and symptoms in susceptible individuals. We could incur fines for environmental compliance and be held liable for the costs of remedial action with respect to the foregoing regulated substances or related claims arising out of environmental contamination or human exposure to contamination at or from our properties.

Each of our properties has been subjected to varying degrees of environmental assessment. To date, these environmental assessments have not revealed any environmental condition material to our business. However, identification of new compliance concerns or undiscovered areas of contamination, changes in the extent or known scope of contamination, human exposure to contamination or changes in clean-up or compliance requirements could result in significant costs to us.

In addition, we may become subject to costs or taxes, or increases therein, associated with natural resource or energy usage (such as a “carbon tax”). These costs or taxes could increase our operating costs and decrease the cash available to pay our obligations or distribute to equity holders.

Some of our potential losses may not be covered by insurance.
We maintain general liability insurance with limits of $300,000,000 per occurrence and per property, and all-risk property and rental value insurance coverage with limits of $1.7 billion per occurrence, including coverage for acts of terrorism, with sub-limits for certain perils such as floods and earthquakes on each of our properties.

Fifty Ninth Street Insurance Company, LLC ("FNSIC"), our wholly owned consolidated subsidiary, acts as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological ("NBCR") acts, as defined by the Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2020. Coverage for acts of terrorism (including NBCR acts) is up to $1.7 billion per occurrence and in the aggregate. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a $293,000 deductible ($306,000 effective January 1, 2018) and 17% of the balance (18% effective January 1, 2018) of a covered loss, and the Federal government is responsible for the remaining 83% (82% effective January 1, 2018) of a covered loss. We are ultimately responsible for any loss incurred by FNSIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in the future. We are responsible for deductibles and losses in excess of our insurance coverage, which could be material.

Our mortgage loans are non-recourse to us and contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance or refinance our properties.

Compliance or failure to comply with the Americans with Disabilities Act or other safety regulations and requirements could result in substantial costs.
The Americans with Disabilities Act ("ADA") generally requires that public buildings, including our properties, meet certain federal requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants and/or legal fees to their counsel. If, under the ADA, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations, as well as the amount of cash available for distribution to stockholders.

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

Changes in the method pursuant to which the LIBOR rates are determined and potential phasing out of LIBOR after 2021 may affect our financial results.
The chief executive of the United Kingdom Financial Conduct Authority ("FCA"), which regulates LIBOR, has recently announced that the FCA intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom or elsewhere. Furthermore, in the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. On August 24, 2017, the Federal Reserve Board requested public comment on a proposal by the Federal Reserve Bank of New York, in cooperation with the Office of Financial Research, to produce three new reference rates intended to serve as alternatives to LIBOR. These alternative rates are based on overnight repurchase agreement transactions secured by U.S. Treasury Securities. The Federal Reserve Bank said that the publication of these alternative rates is targeted to commence by mid-2018.
Any changes announced by the FCA, including the FCA Announcement, other regulators or any other successor governance or oversight body, or future changes adopted by such body, in the method pursuant to which the LIBOR rates are determined may result in a sudden or prolonged increase or decrease in the reported LIBOR rates. If that were to occur, the level of interest payments we incur may change. In addition, although certain of our LIBOR based obligations provide for alternative methods of calculating the interest rate payable on certain of our obligations if LIBOR is not reported, which include requesting certain rates from major reference banks in London or New York, or alternatively using LIBOR for the immediately preceding interest period or using the initial interest rate, as applicable, uncertainty as to the extent and manner of future changes may result in interest rates and/or payments that are higher than, lower than or that do not otherwise correlate over time with the interest rates and/or payments that would have been made on our obligations if LIBOR rate was available in its current form.

We depend upon anchor tenants to attract shoppers at our Rego Park I and II retail properties.
Our Rego Park I and II retail properties are anchored by well-known department stores and other tenants who generate shopping traffic. The value of these properties would be adversely affected if our anchor tenants failed to meet their contractual obligations, sought concessions in order to continue operations or ceased their operations, including as a result of bankruptcy. If the sales of stores operating in our properties were to decline significantly due to economic conditions, closing of anchors or for other reasons, tenants may be unable to pay their minimum rents or expense recovery charges. In the event of a default by a tenant or anchor, we may experience delays and costs in enforcing our rights as landlord. On April 4, 2017, Sears closed its 195,000 square foot store at our Rego Park I property. Annual revenue from Sears is approximately $10,600,000, under a lease which expires in March 2021. In its 2016 annual report on Form 10-K, Sears indicated that substantial doubt exists related to its ability to continue as a going concern.

WE MAY ACQUIRE OR SELL ASSETS OR DEVELOP PROPERTIES. OUR FAILURE OR INABILITY TO CONSUMMATE THESE TRANSACTIONS OR MANAGE THE RESULTS OF THESE TRANSACTIONS COULD ADVERSELY AFFECT OUR OPERATIONS AND FINANCIAL RESULTS.

We may acquire, develop, or redevelop properties and this may create risks.
Although our stated business strategy is not to engage in acquisitions, we may acquire or develop properties when we believe that an acquisition or development project is otherwise consistent with our business strategy. We may not succeed in (i) developing, redeveloping or acquiring properties; (ii) completing these activities on time or within budget; and (iii) leasing or selling developed, redeveloped or acquired properties at amounts sufficient to cover our costs. Competition in these activities could also significantly increase our costs. Difficulties in integrating acquisitions may prove costly or time-consuming and could divert management's attention. Acquisitions or developments in new markets or types of properties where we do not have the same level of market knowledge may result in weaker than anticipated performance. We may also abandon acquisition or development opportunities that we have begun pursuing and consequently fail to recover expenses already incurred. Furthermore, we may be exposed to the liabilities of properties acquired, some of which we may not be aware of at the time of acquisition.

It may be difficult to buy and sell real estate quickly, which may limit our flexibility.
Real estate investments are relatively difficult to buy and sell quickly. Consequently, we may have limited ability to vary our portfolio promptly in response to changes in economic or other conditions. Moreover, our ability to buy, sell, or finance real estate assets may be adversely affected during periods of uncertainty or unfavorable conditions in the credit markets as we, or potential buyers of our assets, may experience difficulty in obtaining financing.

We have an investment in marketable equity securities. The value of this investment may decline as a result of operating performance or economic or market conditions.
We have an investment in Macerich, a retail shopping center company. As of December 31, 2017, this investment had a carrying amount of $35,156,000. A significant decline in the value of this investment due to, among other reasons, Macerich's operating performance or economic or market conditions, may result in the recognition of an impairment loss, which could be material.

OUR ORGANIZATIONAL AND FINANCIAL STRUCTURE GIVES RISE TO OPERATIONAL AND FINANCIAL RISKS.
Substantially all of our assets are owned by subsidiaries. We depend on dividends and distributions from these subsidiaries. The creditors of these subsidiaries are entitled to amounts payable to them by the subsidiaries before the subsidiaries may pay any dividends or distributions to us.
Substantially all of our properties and assets are held through our subsidiaries. We depend on cash distributions and dividends from our subsidiaries for substantially all of our cash flow. The creditors of each of our direct and indirect subsidiaries are entitled to payment of that subsidiary's obligations to them when due and payable before that subsidiary may make distributions or dividends to us. Thus, our ability to pay dividends, if any, to our security holders depends on our subsidiaries' ability to first satisfy their obligations to their creditors and our ability to satisfy our obligations, if any, to our creditors.

In addition, our participation in any distribution of the assets of any of our direct or indirect subsidiaries upon the liquidation, reorganization or insolvency of the subsidiary, is only after the claims of the creditors, including trade creditors, and preferred security holders, if any, of the applicable direct or indirect subsidiaries are satisfied.

Our existing financing documents contain covenants and restrictions that may restrict our operational and financial flexibility.
As of December 31, 2017, we had outstanding mortgage indebtedness of $1,252,440,000, secured by four of our properties. These mortgages contain covenants that limit our ability to incur additional indebtedness on these properties, provide for lender approval of tenants' leases in certain circumstances, and provide for yield maintenance or defeasance premiums to prepay them. These mortgages may significantly restrict our operational and financial flexibility. In addition, if we were to fail to perform our obligations under existing indebtedness or become insolvent or were liquidated, secured creditors would be entitled to payment in full from the proceeds of the sale of the pledged assets prior to any proceeds being paid to other creditors or to any holders of our securities. In such an event, it is possible that we would have insufficient assets remaining to make payments to other creditors or to any holders of our securities.

We have a substantial amount of indebtedness that could affect our future operations.
As of December 31, 2017 total debt outstanding was $1,252,440,000. We are subject to the risks normally associated with debt financing, including the risk that our cash flow from operations will be insufficient to meet required debt service. Our debt service costs generally will not be reduced if developments at the property, such as the entry of new competitors or the loss of major tenants, cause a reduction in the income from the property. Should such events occur, our operations may be adversely affected. If a property is mortgaged to secure payment of indebtedness and income from such property is insufficient to pay that indebtedness, the property could be foreclosed upon by the mortgagee resulting in a loss of income and a decline in our total asset value.

We have outstanding debt, and the amount of debt and its cost may increase and refinancing may not be available on acceptable terms.
As of December 31, 2017, total debt outstanding was $1,252,440,000 and our ratio of total debt to total enterprise value was 42.2%. "Enterprise value" means the market equity value of our common stock, plus debt, less cash and cash equivalents at such date. In addition, we have significant debt service obligations. For the year ended December 31, 2017, our scheduled cash payments for principal and interest were $30,701,000. In the future, we may incur additional debt, and thus increase the ratio of total debt to total enterprise value. If our level of indebtedness increases, there may be an increased risk of default which could adversely affect our financial condition and results of operations. In addition, in a rising interest rate environment, the cost of refinancing our existing debt and any new debt or market rate security or instrument may increase. Continued uncertainty in the equity and credit markets may negatively impact our ability to obtain financing on reasonable terms or at all, which may negatively affect our ability to refinance our debt.

We might fail to qualify or remain qualified as a REIT, and may be required to pay income taxes at corporate rates.
Although we believe that we will remain organized and will continue to operate so as to qualify as a REIT for federal income tax purposes, we might fail to remain qualified. Qualification as a REIT for federal income tax purposes is governed by highly technical and complex provisions of the Internal Revenue Code (the "Code") for which there are only limited judicial or administrative interpretations and depends on various facts and circumstances that are not entirely within our control. In addition, legislation, new regulations, administrative interpretations or court decisions may significantly change the relevant tax laws and/or the federal income tax consequences of qualifying as a REIT. If, with respect to any taxable year, we fail to maintain our qualification as a REIT and do not qualify under statutory relief provisions, we could not deduct distributions to stockholders in computing our taxable income and would have to pay federal income tax on our taxable income at regular corporate rates. The federal income tax payable would include any applicable alternative minimum tax. If we had to pay federal income tax, the amount of money available to distribute to stockholders and pay our indebtedness would be reduced for the year or years involved, and we would no longer be required to make distributions to stockholders in that taxable year and in future years until we were able to qualify as a REIT and did so. In addition, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost, unless we were entitled to relief under the relevant statutory provisions.

We face possible adverse changes in tax laws, which may result in an increase in our tax liability.
From time to time changes in state and local tax laws or regulations are enacted, which may result in an increase in our tax liability. The shortfall in tax revenues for states and municipalities in recent years may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets or income. These increased tax costs could adversely affect our financial condition and results of operations and the amount of cash available for payment of dividends.

Loss of our key personnel could harm our operations and adversely affect the value of our common stock.
We are dependent on the efforts of Steven Roth, our Chief Executive Officer. Although we believe that we could find a replacement, the loss of his services could harm our operations and adversely affect the value of our common stock.

ALEXANDER'S CHARTER DOCUMENTS AND APPLICABLE LAW MAY HINDER ANY ATTEMPT TO ACQUIRE US.
Provisions in Alexander's certificate of incorporation and by laws, as well as provisions of the Code and Delaware corporate law, may delay or prevent a change in control of the Company or a tender offer, even if such action might be beneficial to stockholders, and limit the stockholders' opportunity to receive a potential premium for their shares of common stock over then prevailing market prices.

Primarily to facilitate maintenance of its qualification as a REIT, Alexander's certificate of incorporation generally prohibits ownership, directly, indirectly or beneficially, by any single stockholder of more than 9.9% of the outstanding shares of preferred stock of any class or 4.9% of outstanding common stock of any class. The Board of Directors may waive or modify these ownership limits with respect to one or more persons if it is satisfied that ownership in excess of these limits will not jeopardize Alexander's status as a REIT for federal income tax purposes. In addition, the Board of Directors has, subject to certain conditions and limitations, exempted Vornado and certain of its affiliates from these ownership limitations. Stock owned in violation of these ownership limits will be subject to the loss of rights and other restrictions. These ownership limits may have the effect of inhibiting or impeding a change in control.

Alexander's Board of Directors is divided into three classes of directors. Directors of each class are chosen for three-year staggered terms. Staggered terms of directors may have the effect of delaying or preventing changes in control or management, even though changes in management or a change in control might be in the best interest of our stockholders.

In addition, Alexander's charter documents authorize the Board of Directors to:

- cause Alexander's to issue additional authorized but unissued common stock or preferred stock;
- classify or reclassify, in one or more series, any unissued preferred stock; and
- set the preferences, rights and other terms of any classified or reclassified stock that Alexander's issues.

The Board of Directors could establish a series of preferred stock with terms that could delay, deter or prevent a change in control of Alexander's or other transaction that might involve a premium price or otherwise be in the best interest of our stockholders, although the Board of Directors does not, at present, intend to establish a series of preferred stock of this kind. Alexander's charter documents contain other provisions that may delay, deter or prevent a change in control of the Company or other transaction that might involve a premium price or otherwise be in the best interest of our stockholders.

In addition, Vornado, Interstate and its three general partners (each of whom are both trustees of Vornado and Directors of Alexander's) together beneficially own approximately 58.6% of our outstanding shares of common stock. This degree of ownership is likely to reduce the possibility of a tender offer or an attempt to change control of the Company by a third party.

We may change our policies without obtaining the approval of our stockholders.
Our operating and financial policies, including our policies with respect to acquisitions of real estate or other assets, growth, operations, indebtedness, capitalization and dividends, are exclusively determined by our Board of Directors. Accordingly, our stockholders do not control these policies.

OUR OWNERSHIP STRUCTURE AND RELATED-PARTY TRANSACTIONS MAY GIVE RISE TO CONFLICTS OF INTEREST.
Steven Roth, Vornado and Interstate may exercise substantial influence over us. They and some of our other directors and officers have interests or positions in other entities that may compete with us.
As of December 31, 2017, Interstate and its partners owned approximately 7.2% of the common shares of beneficial interest of Vornado and approximately 26.2% of our outstanding common stock. Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the partners of Interstate. Mr. Roth is the Chairman of our Board of Directors and Chief Executive Officer, the Chairman of the Board of Trustees and Chief Executive Officer of Vornado and the Managing General Partner of Interstate. Mr. Wight and Mr. Mandelbaum are both trustees of Vornado and members of our Board of Directors. In addition, Vornado manages and leases the real estate assets of Interstate.

As of December 31, 2017, Vornado owned 32.4% of our outstanding common stock, in addition to the 26.2% owned by Interstate and its partners. In addition to the relationships described in the immediately preceding paragraph, Dr. Richard West is a trustee of Vornado and a member of our Board of Directors and Joseph Macnow, our Treasurer, is the Executive Vice President - Chief Financial Officer and Chief Administrative Officer of Vornado. Matthew Iocco is our Chief Financial Officer and the Executive Vice President - Chief Accounting Officer of Vornado.

Because of their overlapping interests, Vornado, Mr. Roth, Interstate and the other individuals noted in the preceding paragraphs may have substantial influence over Alexander's, and on the outcome of any matters submitted to Alexander's stockholders for approval. In addition, certain decisions concerning our operations or financial structure may present conflicts of interest among Vornado, Messrs. Roth, Mandelbaum and Wight and Interstate and other security holders. Vornado, Mr. Roth and Interstate may, in the future, engage in a wide variety of activities in the real estate business which may result in conflicts of interest with respect to matters affecting us, such as, which of these entities or persons, if any, may take advantage of potential business opportunities, the business focus of these entities, the types of properties and geographic locations in which these entities make investments, potential competition between business activities conducted, or sought to be conducted, by us, competition for properties and tenants, possible corporate transactions such as acquisitions, and other strategic decisions affecting the future of these entities.

There may be conflicts of interest between Vornado, its affiliates and us.
Vornado manages, develops and leases our properties under agreements that have one-year terms expiring in March of each year, which are automatically renewable. Because we share common senior management with Vornado and because four of the trustees of Vornado are on our Board of Directors, the terms of the foregoing agreements and any future agreements may not be comparable to those we could have negotiated with an unaffiliated third party.

For a description of Interstate's ownership of Vornado and Alexander's, see "Steven Roth, Vornado and Interstate may exercise substantial influence over us. They and some of our other directors and officers have interests or positions in other entities that may compete with us." above.

THE NUMBER OF SHARES OF ALEXANDER’S COMMON STOCK AND THE MARKET FOR THOSE SHARES GIVE RISE TO VARIOUS RISKS.

The trading price of our common shares has been volatile and may continue to fluctuate.

The trading price of our common shares has been volatile and may continue to fluctuate widely as a result of a number of factors, many of which are outside of our control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations have in the past and may in the future adversely affect the market price of our common shares. Among the factors that could affect the price of our common shares are:

- our financial condition and performance;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- our dividend policy;
- the reputation of REITs and real estate investments generally and the attractiveness of REIT equity securities in comparison to other equity securities, including securities issued by other real estate companies, and fixed income securities;
- uncertainty and volatility in the equity and credit markets;
- fluctuations in interest rates;
- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to our securities or those of other REITs;
- failure to meet analysts’ revenue or earnings estimates;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- the extent of institutional investor interest in us;
- the extent of short-selling of our common shares and the shares of our competitors;
- fluctuations in the stock price and operating results of our competitors;
- general financial and economic market conditions and, in particular, developments related to market conditions for REITs and other real estate related companies;
- domestic and international economic factors unrelated to our performance;
- changes in tax laws and rules; and
- all other risk factors addressed elsewhere in this Annual Report on Form 10-K.

A significant decline in our stock price could result in substantial losses for stockholders.

Alexander’s has additional shares of its common stock available for future issuance, which could decrease the market price of the common stock currently outstanding.

The interest of our current stockholders could be diluted if we issue additional equity securities. As of December 31, 2017, we had authorized but unissued 4,826,550 shares of common stock, par value of $1.00 per share and 3,000,000 shares of preferred stock, par value $1.00 per share; of which 8,692 shares of common stock are reserved for issuance upon redemption of the deferred stock units previously granted to our Board of Directors. In addition, 497,095 shares are available for future grant under the terms of our 2016 Omnibus Stock Plan. These awards may be granted in the form of options, restricted stock, stock appreciation rights, deferred stock units, or other equity-based interests, and if granted, would reduce that number of shares available for future grants, provided however that an award that may be settled only in cash, would not reduce the number of shares available under the plan. We cannot predict the impact that future issuances of common or preferred stock or any exercise of outstanding options or grants of additional equity-based interests would have on the market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved comments from the staff of the Securities and Exchange Commission as of the date of this Annual Report on Form 10-K.

ITEM 2. PROPERTIES

The following table shows the location, ownership, approximate size (excluding parking garages) and occupancy of each of our properties as of December 31, 2017.

Property	Land Acreage	Building Square Feet	Occupancy Rate	Average Annualized Rent Per Square Foot (1)	Tenants	Lease Expiration (s) Original Term (2)	Lease Expiration (s) Option Term (3)
Operating Properties:							
731 Lexington Avenue							
New York, New York							
Office		889,000	100%	$ 115.33	Bloomberg L.P.	2029	2039
Retail		83,000			The Home Depot	2025	2035
		34,000			The Container Store	2021	N/A
		27,000			Hennes & Mauritz	2019	N/A
		30,000			Various	Various	Various
		174,000	99%	181.72			
	1.9	1,063,000					
Rego Park I							
Queens, New York							
		195,000			Sears (4)	2021	N/A
		50,000			Burlington	2022	2027
		46,000			Bed Bath & Beyond	2021	N/A
		36,000			Marshalls	2021	N/A
		16,000			Old Navy	2021	N/A
	4.8	343,000	100%	40.78			
Rego Park II							
Queens, New York							
		145,000			Costco	2034	2059
		135,000			Century 21	2030	2050
		133,000			Kohl's	2030	2050
		47,000			Toys (5)	2021	2036
		149,000			Various	Various	Various
	6.6	609,000	100%	44.72			
The Alexander apartment tower, 312 units							
Queens, New York	—	255,000	95%	44.82 (6)	Residential	(7)	N/A
Paramus							
Paramus, New Jersey	30.3	—	100%	—	IKEA (ground lessee)	2041	N/A
Flushing							
Queens, New York (ground leased through January 2037)	1	167,000	100%	17.36	New World Mall LLC	2027	2037
Property to be Developed:							
Rego Park III, adjacent to Rego Park II							
Queens, New York	3.2	—	—	—	—	—	—
		2,437,000					

(1) Represents the contractual weighted average rent per square foot, which excludes the impact of tenant concessions (such as free rent) and tenant reimbursements, as of December 31, 2017. For a discussion of our leasing activity, see Item 7 - Overview - Square Footage, Occupancy and Leasing Activity.

(2) Represents the year in which the tenant's lease expires, without consideration of any renewal or extension options. Lease expiration dates are based on noncancellable lease terms and do not extend beyond any early termination rights that tenants may have under their lease.

(3) Represents the year in which the tenant's lease expires if all renewal or extension options are exercised.

(4)

On April 4, 2017, Sears closed its store at the property. In its 2016 annual report on Form 10-K, Sears indicated that substantial doubt exists related to its ability to continue as a going concern.

(5) On September 18, 2017, Toys filed for Chapter 11 bankruptcy relief.

(6) Average monthly rent per unit is $3,078.

(7) Residential tenants have one or two year leases.

Operating Properties

731 Lexington Avenue
731 Lexington Avenue, a 1,311,000 square foot multi-use building, comprises the entire block bounded by Lexington Avenue, East 59th Street, Third Avenue and East 58th Street in Manhattan, New York, and is situated in the heart of one of Manhattan's busiest business and shopping districts, with convenient access to several subway and bus lines. The property is located across the street from Bloomingdale's flagship store and only a few blocks away from Fifth Avenue and 57th Street. The building contains 889,000 and 174,000 of net rentable square feet of office and retail space, respectively, which we own, and 248,000 square feet of residential space consisting of 105 condominium units, which we sold. Bloomberg occupies all of the office space. The Home Depot (83,000 square feet), The Container Store (34,000 square feet) and Hennes & Mauritz (27,000 square feet) are the principal retail tenants.

The office portion of 731 Lexington Avenue is encumbered by a mortgage loan with a balance of $500,000,000 as of December 31, 2017. The interest-only loan is at LIBOR plus 0.90% (2.38% as of December 31, 2017) and matures in June 2020, with four one-year extension options. In connection therewith, we purchased an interest rate cap with a notional amount of $500,000,000 that caps LIBOR at a rate of 6.0%.

The retail portion of 731 Lexington Avenue is encumbered by a mortgage loan with a balance of $350,000,000 as of December 31, 2017. The interest-only loan is at LIBOR plus 1.40% (2.78% as of December 31, 2017) and matures in August 2020, with two one-year extension options.

Rego Park I
Rego Park I, a 343,000 square foot shopping center, located on Queens Boulevard and 63rd Road in Queens, New York, is anchored by a 195,000 square foot Sears department store, a 50,000 square foot Burlington, a 46,000 square foot Bed Bath & Beyond and a 36,000 square foot Marshalls. On April 4, 2017, Sears closed its store at the property. Annual revenue from Sears is approximately $10,600,000, under a lease which expires in March 2021. In its 2016 annual report on Form 10-K, Sears indicated that substantial doubt exists related to its ability to continue as a going concern. The center contains a parking deck (1,241 spaces) that provides for paid parking.

The center is encumbered by a 100% cash collateralized loan with a balance of $78,246,000 as of December 31, 2017. The loan bears interest at 0.35%, is prepayable at any time without penalty and matures in March 2018.

Rego Park II
Rego Park II, a 609,000 square foot shopping center, adjacent to the Rego Park I shopping center in Queens, New York, is anchored by a 145,000 square foot Costco, a 135,000 square foot Century 21 and a 133,000 square foot Kohl's. In addition, 47,000 square feet is leased to Toys, a one-third owned affiliate of Vornado. On September 18, 2017, Toys filed for Chapter 11 bankruptcy relief. The center contains a parking deck (1,326 spaces) that provides for paid parking.

This center is encumbered by a first mortgage loan with a balance of $256,194,000 as of December 31, 2017. The loan bears interest at LIBOR plus 1.85% (3.42% as of December 31, 2017) and matures in November 2018. On July 28, 2017, we invested $200,000,000 to participate in the loan and are entitled to interest at LIBOR plus 1.60% (3.17% as of December 31, 2017).

The Alexander Apartment Tower

The Alexander apartment tower, located above our Rego Park II shopping center, contains 312 units aggregating 255,000 square feet and is 94.6% leased as of December 31, 2017.

Paramus
We own 30.3 acres of land located at the intersection of Routes 4 and 17 in Paramus, New Jersey. The land is located directly across from the Garden State Plaza regional shopping mall and is within two miles of three other regional shopping malls and ten miles of New York City. The land has been ground leased to IKEA Property, Inc. since 2001. The lease expires in 2041, with a purchase option in 2021 for $75,000,000. The property is encumbered by a $68,000,000 interest-only mortgage loan with a fixed rate of 2.90%, which matures on October 5, 2018. The annual triple-net rent is the sum of $700,000 plus the amount of debt service on the mortgage loan. If the purchase option is exercised, we will receive net cash proceeds of approximately $7,000,000 and recognize a gain on sale of land of approximately $60,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years would include debt service sufficient to fully amortize $68,000,000 over the remaining 20-year lease term.

Flushing
Flushing is located on Roosevelt Avenue and Main Street in the downtown, commercial section of Flushing, Queens, New York. Roosevelt Avenue and Main Street are active shopping districts and there are many national retailers located in the area. A subway entrance is located directly in front of the property with bus service across the street. The property comprises a four-floor building containing 167,000 square feet and a parking garage, which is sub-leased to New World Mall LLC for the remainder of our ground lease term, which expires in 2027 and has one 10-year extension option.

Property to be Developed

Rego Park III
We own 140,000 square feet of land adjacent to the Rego Park II shopping center in Queens, New York, at the intersection of Junction Boulevard and the Horace Harding Service Road. The land is currently being used for paid public parking. In 2016, the Company began the entitlement process.

ITEM 3. LEGAL PROCEEDINGS
We are from time to time involved in legal actions arising in the ordinary course of business. In our opinion, after consultation with our legal counsel, the outcome of such matters will not have a material effect on our financial condition, results of operations or cash flows.

In June 2014, Sears Roebuck and Co. (“Sears”) filed a lawsuit in the Supreme Court of the State of New York against Vornado and us (and certain of our subsidiaries) with regard to space that Sears leases at our Rego Park I property alleging that the defendants are liable for harm that Sears has suffered as a result of (a) water intrusions into the premises, (b) two fires in February 2014 that caused damages to those premises, and (c) alleged violations of the Americans with Disabilities Act in the premises’ parking garage. Sears asserted various causes of actions for damages and sought to compel compliance with landlord’s obligations to repair the premises and to provide security, and to compel us to abate a nuisance that Sears claims was a cause of the water intrusions into its premises. In addition to injunctive relief, Sears sought, among other things, damages of not less than $4 million and future damages it estimated would not be less than $25 million. In March 2016, Sears withdrew its claim for future damages leaving a remaining claim for property damages, which we estimate to be approximately $650,000 based on information provided by Sears. We intend to defend the remaining claim vigorously. The amount or range of reasonable possible losses, if any, is not expected to be greater than $650,000. On April 4, 2017, Sears closed its store at the property.

ITEM 4. MINE SAFETY DISCLOSURES
Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange under the symbol "ALX." Set forth below are the high and low sales prices for the shares of our common stock for each full quarterly period within the two most recent years and any dividends paid per share during such periods.

	Year Ended December 31,					
	2017			2016		
Quarter	High	Low	Dividends	High	Low	Dividends
First	$441.54	$404.48	$ 4.25	$405.89	$350.03	$ 4.00
Second	440.50	406.51	4.25	411.53	364.01	4.00
Third	436.00	408.63	4.25	450.04	405.14	4.00
Fourth	436.80	388.60	4.25	451.99	369.33	4.00

On January 17, 2018, we increased our regular quarterly dividend to $4.50 per share (a new indicated annual rate of $18.00 per share). As of January 31, 2018, there were approximately 232 holders of record of our common stock.

Recent Sales of Unregistered Securities

During 2017, we did not sell any unregistered securities.

Information relating to compensation plans under which our equity securities are authorized for issuance is set forth under Part III, Item 12 of this Annual Report on Form 10-K and such information is incorporated by reference herein.

Recent Purchases of Equity Securities

During 2017, we did not repurchase any of our equity securities.

Performance Graph

The following graph is a comparison of the five-year cumulative return of our common stock, the Standard & Poor's 500 Index (the "S&P 500 Index") and the National Association of Real Estate Investment Trusts' ("NAREIT") All Equity Index, a peer group index. The graph assumes that $100 was invested on December 31, 2012 in our common stock, the S&P 500 Index and the NAREIT All Equity Index and that all dividends were reinvested without the payment of any commissions. There can be no assurance that the performance of our stock will continue in line with the same or similar trends depicted in the graph below.

	2012	2013	2014	2015	2016	2017
Alexander's	$ 100	$ 103	$ 142	$ 129	$ 149	$ 144
S&P 500 Index	100	132	151	153	171	208
The NAREIT All Equity Index	100	103	132	135	147	160

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating data. This data should be read in conjunction with the consolidated financial statements and notes thereto and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K. This data may not be comparable to, or indicative of, future operating results.

	Year Ended December 31,				
(Amounts in thousands, except per share amounts)	2017	2016	2015	2014	2013
Total revenues	$230,574	$226,936	$207,915	$200,814	$196,459
Income from continuing operations	$80,509	$86,477	$76,907	$67,396	$54,663
Income from discontinued operations	—	—	—	529	2,252
Net income	$80,509	$86,477	$76,907	$67,925	$56,915
Income per common share:					
Income from continuing operations - basic	$15.74	$16.91	$15.04	$13.19	$10.70
Income from continuing operations - diluted	15.74	16.91	15.04	13.19	10.70
Net income per common share - basic	15.74	16.91	15.04	13.29	11.14
Net income per common share - diluted	15.74	16.91	15.04	13.29	11.14
Dividends per common share	$17.00	$16.00	$14.00	$13.00	$11.00
Balance sheet data:					
Total assets	$1,632,395	$1,451,230	$1,447,808	$1,418,392	$1,454,478
Real estate, at cost	1,037,368	1,033,551	1,029,472	993,927	919,576
Accumulated depreciation and amortization	283,044	252,737	225,533	210,025	185,375
Mortgages payable, net of deferred debt issuance costs	1,240,222	1,052,359	1,053,262	1,027,956	1,046,713
Total equity	343,955	352,845	352,880	348,399	333,581

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Alexander's, Inc. (NYSE: ALX) is a real estate investment trust ("REIT"), incorporated in Delaware, engaged in leasing, managing, developing and redeveloping its properties. All references to "we," "us," "our," "Company" and "Alexander's" refer to Alexander's, Inc. and its consolidated subsidiaries. We are managed by, and our properties are leased and developed by, Vornado Realty Trust ("Vornado") (NYSE: VNO). We have seven properties in the greater New York City metropolitan area.

We compete with a large number of property owners and developers. Our success depends upon, among other factors, trends of the global, national and local economies, the financial condition and operating results of current and prospective tenants and customers, the availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation, population and employment trends, zoning laws, and our ability to lease, sublease or sell our properties, at profitable levels. Our success is also subject to our ability to refinance existing debt on acceptable terms as it comes due.

Year Ended December 31, 2017 Financial Results Summary

Net income for the year ended December 31, 2017 was $80,509,000, or $15.74 per diluted share, compared to $86,477,000, or $16.91 per diluted share for the year ended December 31, 2016. Funds from operations ("FFO") (non-GAAP) for the year ended December 31, 2017 was $114,908,000, or $22.46 per diluted share, compared to $119,780,000, or $23.42 per diluted share for the year ended December 31, 2016. Net income for the year ended December 31, 2017 included additional depreciation and amortization of tenant improvements and deferred leasing costs of $2,444,000, or $0.48 per diluted share, resulting from a tenant lease termination at our 731 Lexington Avenue property. Net income and FFO (non-GAAP) for the year ended December 31, 2016 included rental income of $2,257,000, or $0.44 per diluted share, resulting from a tenant lease termination at our Rego Park II property. Net income for the year ended December 31, 2016 also included additional depreciation and amortization of tenant improvements and deferred leasing costs of $1,077,000, or $0.21 per diluted share, related to the tenant lease termination at our Rego Park II property.

Quarter Ended December 31, 2017 Financial Results Summary

Net income for the quarter ended December 31, 2017 was $17,883,000, or $3.50 per diluted share, compared to $21,655,000, or $4.23 per diluted share for the quarter ended December 31, 2016. FFO (non-GAAP) for the quarter ended December 31, 2017 was $28,062,000, or $5.49 per diluted share, compared to $29,582,000, or $5.78 per diluted share for the quarter ended December 31, 2016. Net income for the quarter ended December 31, 2017 included additional depreciation and amortization of tenant improvements and deferred leasing costs of $2,184,000, or $0.43 per diluted share, resulting from a tenant lease termination at our 731 Lexington Avenue property.

Square Footage, Occupancy and Leasing Activity

As of December 31, 2017 our portfolio was comprised of seven properties aggregating 2,437,000 square feet. As of December 31, 2017, our properties had an occupancy rate of 99.3%.

Tenant Matters

On April 4, 2017, Sears closed its 195,000 square foot store at our Rego Park I property. Annual revenue from Sears is approximately $10,600,000, under a lease which expires in March 2021. In its 2016 annual report on Form 10-K, Sears indicated that substantial doubt exists related to its ability to continue as a going concern. There are $3,865,000 of receivables arising from the straight-lining of rent and $406,000 of unamortized deferred leasing costs on our consolidated balance sheet related to the Sears lease as of December 31, 2017 which we will continue to assess for recoverability.

On September 18, 2017, Toys, which leases 47,000 square feet of retail space at our Rego Park II shopping center ($2,600,000 of annual revenue) filed for Chapter 11 bankruptcy relief. There are $694,000 of tenant improvements, $257,000 of unamortized deferred leasing costs and $544,000 of receivables arising from the straight-lining of rent on our consolidated balance sheet related to the Toys lease as of December 31, 2017.

Overview - continued

On September 19, 2017, the bankruptcy court approved the terms of an order stipulation between Le Cirque, a restaurant operator which leases 13,000 square feet at our 731 Lexington Avenue property (approximately $1,200,000 of annual revenue), and the Company which terminated the lease on January 5, 2018 (original lease expiration was May 2021). As a result, we began accelerating depreciation and amortization of approximately $2,780,000 of tenant improvements and deferred leasing costs over the new lease term, of which approximately $2,650,000 was recognized in the year ended December 31, 2017 and approximately $130,000 will be recognized in the quarter ending March 31, 2018.

Rego Park II Loan Participation

On July 28, 2017, we entered into a participation and servicing agreement with the lender on our Rego Park II shopping center loan, which matures on November 30, 2018. We invested $200,000,000 to participate in the loan and are entitled to interest at LIBOR plus 1.60% (3.17% as of December 31, 2017).

Financing

On June 1, 2017, we completed a $500,000,000 refinancing of the office portion of 731 Lexington Avenue. The interest-only loan is at LIBOR plus 0.90% (2.38% as of December 31, 2017) and matures in June 2020, with four one-year extension options. In connection therewith, we purchased an interest rate cap with a notional amount of $500,000,000 that caps LIBOR at a rate of 6.0%. The property was previously encumbered by a $300,000,000 interest-only mortgage at LIBOR plus 0.95% which was scheduled to mature in March 2021.

Significant Tenant

Bloomberg accounted for revenue of $105,224,000, $104,590,000 and $94,468,000 in the years ended December 31, 2017, 2016 and 2015, respectively, representing approximately 46%, 46% and 45% of our total revenues in each year, respectively. No other tenant accounted for more than 10% of our total revenues. If we were to lose Bloomberg as a tenant, or if Bloomberg were to be unable to fulfill its obligations under its lease, it would adversely affect our results of operations and financial condition. In order to assist us in our continuing assessment of Bloomberg's creditworthiness, we receive certain confidential financial information and metrics from Bloomberg. In addition, we access and evaluate financial information regarding Bloomberg from other private sources, as well as publicly available data.

Critical Accounting Policies and Estimates

Our financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Set forth below is a summary of our accounting policies that we believe are critical to the preparation of our consolidated financial statements. This summary should be read in conjunction with a more complete discussion of our accounting policies included in Note 2 – Summary of Significant Accounting Policies, to the consolidated financial statements in this Annual Report on Form 10-K.

Real Estate

Real estate is carried at cost, net of accumulated depreciation and amortization. As of December 31, 2017 and 2016, the carrying amount of our real estate, net of accumulated depreciation and amortization, was $754,324,000 and $780,814,000, respectively. Maintenance and repairs are expensed as incurred. Depreciation requires an estimate by management of the useful life of each property and improvement as well as an allocation of the costs associated with a property to its various components. If we do not allocate these costs appropriately or incorrectly estimate the useful lives of our real estate, depreciation expense may be misstated. We capitalize all property operating expenses directly associated with and attributable to, the development and construction of a project, including interest expense. The capitalization period begins when development activities are underway and ends when it is determined that the asset is substantially complete and ready for its intended use, which is typically evidenced by the receipt of a temporary certificate of occupancy. General and administrative costs are expensed as incurred.

Critical Accounting Policies and Estimates - continued

Our properties and related intangible assets, including properties to be developed in the future, are individually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment exists when the carrying amount of an asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Estimates of future cash flows are based on our current plans, intended holding periods and available market information at the time the analyses are prepared. For our development properties, estimates of future cash flows also include all future expenditures necessary to develop the asset, including interest payments that will be capitalized as part of the cost of the asset. An impairment loss is recognized only if the carrying amount of the asset is not recoverable and is measured based on the excess of the property's carrying amount over its estimated fair value. If our estimates of future cash flows, anticipated holding periods, or fair values change, based on market conditions or otherwise, our evaluation of impairment charges may be different and such differences could be material to our consolidated financial statements. Estimates of future cash flows are subjective and are based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results. Plans to hold properties over longer periods decrease the likelihood of recording impairment losses.

Allowance for Doubtful Accounts

We periodically evaluate the collectibility of amounts due from tenants, including the receivable arising from the straight-lining of rents, and maintain an allowance for doubtful accounts ($1,501,000 and $1,473,000 as of December 31, 2017 and 2016, respectively) for estimated losses resulting from the inability of tenants to make required payments under the lease agreements. We exercise judgment in establishing these allowances and consider payment history and current credit status in developing these estimates. These estimates may differ from actual results, which could be material to our consolidated financial statements.

Revenue Recognition

We have the following revenue sources and revenue recognition policies:

- Base Rent – revenue arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis, which includes the effects of rent steps and free rent abatements under the leases. We commence rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, in circumstances where we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease;

- Percentage Rent – revenue arising from retail tenant leases that is contingent upon the sales of tenants exceeding defined thresholds. These rents are recognized only after the contingency has been removed (i.e., when tenant sales thresholds have been achieved);

- Expense Reimbursements – revenue arising from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective properties. This revenue is recognized in the same periods as the expenses are incurred;

- Parking income – revenue arising from the rental of parking space at our properties. This income is recognized as the service is provided.

Before we recognize revenue, we assess, among other things, its collectibility. If our assessment of the collectibility of revenue changes, the impact on our consolidated financial statements could be material.

Income Taxes

We operate in a manner intended to enable us to continue to qualify as a REIT under Sections 856 – 860 of the Internal Revenue Code of 1986, as amended (the "Code"). In order to maintain our qualification as a REIT under the Code, we must distribute at least 90% of our taxable income to stockholders each year. We distribute to our stockholders 100% of our taxable income and therefore, no provision for Federal income taxes is required. If we fail to distribute the required amount of income to our stockholders, or fail to meet other REIT requirements, we may fail to qualify as a REIT, which may result in substantial adverse tax consequences.

Results of Operations – Year Ended December 31, 2017 compared to December 31, 2016

Property Rentals
Property rentals were $152,857,000 in the year ended December 31, 2017, compared to $151,444,000 in the prior year, an increase of $1,413,000. This increase was primarily due to higher rental income of $3,730,000 from The Alexander apartment tower, which was placed in service in phases beginning July 2015 and leased up to stabilization in September 2016, partially offset by income of $2,257,000 in 2016 resulting from a tenant lease termination at our Rego Park II property.

Expense Reimbursements
Tenant expense reimbursements were $77,717,000 in the year ended December 31, 2017, compared to $75,492,000 in the prior year, an increase of $2,225,000. This increase was primarily due to higher reimbursable real estate taxes and higher reimbursable operating expenses.

Operating Expenses
Operating expenses were $85,127,000 in the year ended December 31, 2017, compared to $82,232,000 in the prior year, an increase of $2,895,000. This increase was primarily due to (i) higher real estate taxes of $3,267,000 and (ii) higher reimbursable operating expenses of $903,000, partially offset by (iii) lower marketing costs for The Alexander apartment tower of $1,098,000 and (iv) lower bad debt expense of $504,000.

Depreciation and Amortization
Depreciation and amortization was $34,925,000 in the year ended December 31, 2017, compared to $33,807,000 in the prior year, an increase of $1,118,000. This increase was primarily due to additional depreciation and amortization of tenant improvements and deferred leasing costs of $2,444,000 related to a tenant lease termination at our 731 Lexington Avenue property in September 2017, partially offset by additional depreciation and amortization of tenant improvements and deferred leasing costs of $1,077,000 in 2016 related to a tenant lease termination at our Rego Park II property.

General and Administrative Expenses
General and administrative expenses were $5,252,000 in the year ended December 31, 2017, compared to $5,436,000 in the prior year, a decrease of $184,000. This decrease was primarily due to lower director's fees and stock-based compensation expense as a result of having one less member on our Board of Directors in 2017.

Interest and Other Income, net
Interest and other income, net was $6,716,000 in the year ended December 31, 2017, compared to $3,305,000 in the prior year, an increase of $3,411,000. This increase was primarily due to higher interest income of (i) $2,453,000 from the Rego Park II loan participation, (ii) $1,418,000 from an increase in the average interest rates and (iii) $216,000 from an increase in the average investment balances, partially offset by (iv) lower income of $429,000 in connection with bankruptcy recoveries and (v) income of $367,000 in the prior year from a cost reimbursement settlement with a retail tenant at our 731 Lexington Avenue property.

Interest and Debt Expense
Interest and debt expense was $31,474,000 in the year ended December 31, 2017, compared to $22,241,000 in the prior year, an increase of $9,233,000. This increase was primarily due to higher interest expense of (i) $5,289,000 due to an increase in average LIBOR, (ii) $2,658,000 resulting from the refinancing of the office portion of 731 Lexington Avenue on June 1, 2017 for $500,000,000 at LIBOR plus 0.90% (previously a $300,000,000 loan at LIBOR plus 0.95%) and (iii) $1,188,000 of higher amortization of debt issuance costs.

Income Taxes
Income tax expense was $3,000 in the year ended December 31, 2017, compared to $48,000 in the prior year.

Results of Operations – Year Ended December 31, 2016 compared to December 31, 2015

Property Rentals
Property rentals were $151,444,000 in the year ended December 31, 2016, compared to $138,688,000 in the prior year, an increase of $12,756,000. This increase was primarily due to (i) rental income of $7,271,000 from The Alexander apartment tower, which was placed in service in phases beginning July 2015 and leased up to stabilization in September 2016, (ii) higher rental income of $3,366,000 from the January 2016 lease amendment with Bloomberg at 731 Lexington Avenue and (iii) income of $2,257,000 resulting from a tenant lease termination at our Rego Park II property in June 2016.

Expense Reimbursements
Tenant expense reimbursements were $75,492,000 in the year ended December 31, 2016, compared to $69,227,000 in the prior year, an increase of $6,265,000. This increase was primarily due to (i) higher recoveries of real estate taxes and operating expenses from Bloomberg at 731 Lexington Avenue as a result of the January 2016 lease amendment, which converted 192,000 square feet from a gross basis to a net rent basis and (ii) higher reimbursable real estate taxes, partially offset by (iii) lower reimbursable operating expenses.

Operating Expenses
Operating expenses were $82,232,000 in the year ended December 31, 2016, compared to $76,218,000 in the prior year, an increase of $6,014,000. This increase was primarily due to (i) higher operating expenses of $2,494,000 related to The Alexander apartment tower, which was placed in service in phases beginning July 2015 and leased up to stabilization in September 2016, (ii) higher reimbursable real estate taxes of $3,703,000 and (iii) higher bad debt expense of $871,000, partially offset by (iv) lower reimbursable operating expenses of $1,068,000.

Depreciation and Amortization
Depreciation and amortization was $33,807,000 in the year ended December 31, 2016, compared to $31,086,000 in the prior year, an increase of $2,721,000. This increase was primarily due to additional depreciation related to The Alexander apartment tower, which was placed in service in phases beginning July 2015.

General and Administrative Expenses
General and administrative expenses were $5,436,000 in the year ended December 31, 2016, compared to $5,406,000 in the prior year, an increase of $30,000.

Interest and Other Income, net
Interest and other income, net was $3,305,000 in the year ended December 31, 2016, compared to $5,949,000 in the prior year, a decrease of $2,644,000. This decrease was primarily due to $2,141,000 from a special dividend from our investment in common shares of Macerich in 2015 and lower income of $1,275,000 in connection with bankruptcy recoveries.

Interest and Debt Expense
Interest and debt expense was $22,241,000 in the year ended December 31, 2016, compared to $24,239,000 in the prior year, a decrease of $1,998,000. This decrease was primarily due to savings of $5,631,000 resulting from the refinancing of the retail portion of 731 Lexington Avenue on August 5, 2015 at LIBOR plus 1.40%, or 2.05% as of December 31, 2016 (the prior loan had a fixed rate of 4.93%); partially offset by lower capitalized interest of $1,486,000 as a result of completing the development of The Alexander apartment tower, which was placed in service in phases beginning July 2015 and $2,066,000 due to an increase in average LIBOR.

Income Taxes
Income tax expense was $48,000 in the year ended December 31, 2016, compared to $8,000 in the prior year.

Related Party Transactions

Vornado

Steven Roth is the Chairman of our Board of Directors and Chief Executive Officer, the Managing General Partner of Interstate Properties (“Interstate”), a New Jersey general partnership, and the Chairman of the Board of Trustees and Chief Executive Officer of Vornado. As of December 31, 2017, 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, 26.2% of our outstanding common stock, in addition to the 2.3% they indirectly own through Vornado. Joseph Macnow, our Treasurer, is the Executive Vice President - Chief Financial Officer and Chief Administrative Officer of Vornado. Matthew Iocco, our Chief Financial Officer, is the Executive Vice President - Chief Accounting Officer of Vornado.

As of December 31, 2017, Vornado owned 32.4% of our outstanding common stock. We are managed by, and our properties are leased and developed by, Vornado, pursuant to various agreements, which expire in March of each year and are automatically renewable. These agreements are described in Note 4 – Related Party Transactions, to our consolidated financial statements in this Annual Report on Form 10-K.

Toys

Our affiliate, Vornado, owns 32.5% of Toys. Joseph Macnow, Vornado’s Executive Vice President - Chief Financial Officer and Chief Administrative Officer and Wendy A. Silverstein, a member of our Board of Directors, represent Vornado as members of Toys’ Board of Directors. Toys leases 47,000 square feet of retail space at our Rego Park II shopping center ($2,600,000 of annual revenue). On September 18, 2017, Toys filed for Chapter 11 bankruptcy relief. There are $694,000 of tenant improvements, $257,000 of unamortized deferred leasing costs and $544,000 of receivables arising from the straight-lining of rent on our consolidated balance sheet related to the Toys lease as of December 31, 2017.

Liquidity and Capital Resources

Property rental income is our primary source of cash flow and is dependent on a number of factors including the occupancy level and rental rates of our properties, as well as our tenants’ ability to pay their rents. Our properties provide us with a relatively consistent stream of cash flow that enables us to pay our operating expenses, interest expense, recurring capital expenditures and cash dividends to stockholders. Other sources of liquidity to fund cash requirements include our existing cash, proceeds from financings, including mortgage or construction loans secured by our properties and proceeds from asset sales. We anticipate that cash flows from continuing operations over the next twelve months, together with existing cash balances, will be adequate to fund our business operations, cash dividends to stockholders, debt amortization and capital expenditures.

Dividends

On January 17, 2018, we increased our regular quarterly dividend to $4.50 per share (a new indicated annual rate of $18.00 per share). The new dividend, when declared by the Board of Directors for all of 2018, will require us to pay out approximately $92,100,000.

Rego Park II Loan Participation

On July 28, 2017, we entered into a participation and servicing agreement with the lender on our Rego Park II shopping center loan, which matures on November 30, 2018. We invested $200,000,000 to participate in the loan and are entitled to interest at LIBOR plus 1.60% (3.17% as of December 31, 2017).

Financing Activities and Contractual Obligations

On June 1, 2017, we completed a $500,000,000 refinancing of the office portion of 731 Lexington Avenue. The interest-only loan is at LIBOR plus 0.90% and matures in June 2020, with four one-year extension options. In connection therewith, we purchased an interest rate cap with a notional amount of $500,000,000 that caps LIBOR at a rate of 6.0%. The property was previously encumbered by a $300,000,000 interest-only mortgage at LIBOR plus 0.95% which was scheduled to mature in March 2021.

Liquidity and Capital Resources - continued

Below is a summary of our outstanding debt and maturities as of December 31, 2017. We may refinance our maturing debt as it comes due or choose to repay it.

(Amounts in thousands)	Balance	Interest Rate	Maturity [1]
Rego Park I shopping center (100% cash collateralized)	$78,246	0.35 %	Mar. 2018
Paramus	68,000	2.90 %	Oct. 2018
Rego Park II shopping center[2]	256,194	3.42 %	Nov. 2018
731 Lexington Avenue, retail space[3]	350,000	2.78 %	Aug. 2022
731 Lexington Avenue, office space[4]	500,000	2.38 %	Jun. 2024
Total	1,252,440		
Deferred debt issuance costs, net of accumulated amortization of $6,315	(12,218)		
Total, net	$1,240,222		

(1) Represents the extended maturity where we have the unilateral right to extend.
(2) This loan bears interest at LIBOR plus 1.85%. See page 29 for details of our Rego Park II loan participation.
(3) This loan bears interest at LIBOR plus 1.40%.
(4) This loan bears interest at LIBOR plus 0.90%.

Below is a summary of our contractual obligations and commitments as of December 31, 2017.

(Amounts in thousands)	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
Contractual obligations (principal and interest)[1]:					
Long-term debt obligations	$1,385,231	$433,997	$43,921	$389,861	$517,452
Operating lease obligations	7,267	800	1,600	1,600	3,267
	$1,392,498	$434,797	$45,521	$391,461	$520,719
Commitments:					
Standby letters of credit	$1,474	$1,474	$—	$—	$—

(1) Interest on variable rate debt is computed using rates in effect as of December 31, 2017.

Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of $300,000,000 per occurrence and per property, and all-risk property and rental value insurance coverage with limits of $1.7 billion per occurrence, including coverage for acts of terrorism, with sub-limits for certain perils such as floods and earthquakes on each of our properties.

Fifty Ninth Street Insurance Company, LLC (“FNSIC”), our wholly owned consolidated subsidiary, acts as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological (“NBCR”) acts, as defined by the Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2020. Coverage for acts of terrorism (including NBCR acts) is up to $1.7 billion per occurrence and in the aggregate. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a $293,000 deductible ($306,000 effective January 1, 2018) and 17% of the balance (18% effective January 1, 2018) of a covered loss, and the Federal government is responsible for the remaining 83% (82% effective January 1, 2018) of a covered loss. We are ultimately responsible for any loss incurred by FNSIC.

Liquidity and Capital Resources - continued

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in the future. We are responsible for deductibles and losses in excess of our insurance coverage, which could be material.

Our mortgage loans are non-recourse to us and contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance our properties.

Rego Park I Litigation
In June 2014, Sears filed a lawsuit in the Supreme Court of the State of New York against Vornado and us (and certain of our subsidiaries) with regard to space that Sears leases at our Rego Park I property alleging that the defendants are liable for harm that Sears has suffered as a result of (a) water intrusions into the premises, (b) two fires in February 2014 that caused damages to those premises, and (c) alleged violations of the Americans with Disabilities Act in the premises' parking garage. Sears asserted various causes of actions for damages and sought to compel compliance with landlord's obligations to repair the premises and to provide security, and to compel us to abate a nuisance that Sears claims was a cause of the water intrusions into its premises. In addition to injunctive relief, Sears sought, among other things, damages of not less than $4 million and future damages it estimated would not be less than $25 million. In March 2016, Sears withdrew its claim for future damages leaving a remaining claim for property damages, which we estimate to be approximately $650,000 based on information provided by Sears. We intend to defend the remaining claim vigorously. The amount or range of reasonable possible losses, if any, is not expected to be greater than $650,000.

Paramus
In 2001, we leased 30.3 acres of land located in Paramus, New Jersey to IKEA Property, Inc. The lease has a purchase option in 2021 for $75,000,000. The property is encumbered by a $68,000,000 interest-only mortgage loan with a fixed rate of 2.90%, which matures on October 5, 2018. The annual triple-net rent is the sum of $700,000 plus the amount of debt service on the mortgage loan. If the purchase option is exercised, we will receive net cash proceeds of approximately $7,000,000 and recognize a gain on sale of land of approximately $60,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years would include debt service sufficient to fully amortize $68,000,000 over the remaining 20-year lease term.

Letters of Credit

Approximately $1,474,000 of standby letters of credit were outstanding as of December 31, 2017.

Other

In October 2015, the New York City Department of Finance ("NYC DOF") issued a Notice of Determination to us assessing an additional $22,910,000 of transfer taxes (including interest and penalties as of December 31, 2017) in connection with the sale of Kings Plaza Regional Shopping Center in November 2012. We believe that the NYC DOF's claim is without merit and intend to vigorously contest this assessment. We have determined that the likelihood of a loss related to this issue is not probable and, after consultation with legal counsel, that the outcome of this assessment is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

We received approximately $396,000, $825,000 and $2,100,000 from bankruptcy recoveries during the years ended December 31, 2017, 2016 and 2015, respectively, which is included as "interest and other income, net" in our consolidated statements of income.

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

Liquidity and Capital Resources - continued

Cash Flows for the Year Ended December 31, 2017
Cash and cash equivalents and restricted cash were $393,279,000 at December 31, 2017, compared to $374,678,000 at December 31, 2016, an increase of $18,601,000. This increase resulted from (i) $123,426,000 of net cash provided by operating activities, and (ii) $97,146,000 of net cash provided by financing activities, partially offset by (iii) $201,971,000 of net cash used in investing activities.

Net cash provided by operating activities of $123,426,000 was comprised of net income of $80,509,000 and adjustments for non-cash items of $43,372,000, partially offset by the net change in operating assets and liabilities of $455,000. The adjustments for non-cash items were primarily comprised of depreciation and amortization (including amortization of debt issuance costs) of $38,681,000 and straight-lining of rental income of $4,297,000.

Net cash provided by financing activities of $97,146,000 was primarily comprised of (i) $500,000,000 of proceeds from the refinancing of the office portion of 731 Lexington Avenue, partially offset by (ii) debt repayments of $303,707,000 (primarily the repayment of the former loan on the office portion of 731 Lexington Avenue) and (iii) dividends paid of $86,961,000.

Net cash used in investing activities of $201,971,000 was primarily comprised of the Rego Park II loan participation payment of $200,000,000 and construction in progress and real estate additions of $3,434,000.

Cash Flows for the Year Ended December 31, 2016
Cash and cash equivalents and restricted cash were $374,678,000 at December 31, 2016, compared to $344,656,000 at December 31, 2015, an increase of $30,022,000. This increase resulted from (i) $130,820,000 of net cash provided by operating activities, partially offset by (ii) $85,292,000 of net cash used in financing activities and (iii) $15,506,000 of net cash used in investing activities.

Net cash provided by operating activities of $130,820,000 was comprised of net income of $86,477,000, adjustments for non-cash items of $39,171,000, and the net change in operating assets and liabilities of $5,172,000. The adjustments for non-cash items were primarily comprised of depreciation and amortization (including amortization of debt issuance costs) of $36,374,000 and straight-lining of rental income of $2,347,000.

Net cash used in financing activities of $85,292,000 was primarily comprised of dividends paid of $81,822,000.

Net cash used in investing activities of $15,506,000 was comprised of construction in progress and real estate additions of $15,506,000 (primarily related to The Alexander apartment tower), including the payment of a development fee to Vornado of $5,784,000.

Cash Flows for the Year Ended December 31, 2015
Cash and cash equivalents and restricted cash were $344,656,000 at December 31, 2015, compared to $312,417,000 at December 31, 2014, an increase of $32,239,000. This increase resulted from (i) $106,201,000 of net cash provided by operating activities, partially offset by (ii) $48,839,000 of net cash used in financing activities and (iii) $25,123,000 of net cash used in investing activities.

Net cash provided by operating activities of $106,201,000 was comprised of net income of $76,907,000 and adjustments for non-cash items of $32,853,000, partially offset by the net change in operating assets and liabilities of $3,559,000. The adjustments for non-cash items were primarily comprised of depreciation and amortization of $33,671,000, partially offset by straight-lining of rental income of $1,418,000.

Net cash used in financing activities of $48,839,000 was primarily comprised of (i) debt repayments of $323,193,000 (primarily repayment of the prior loan on the retail portion of 731 Lexington Avenue) and (ii) dividends paid of $71,571,000, partially offset by (iii) $350,000,000 of proceeds from the refinancing of the retail portion of 731 Lexington Avenue in August 2015.

Net cash used in investing activities of $25,123,000 was comprised of construction in progress and real estate additions of $50,121,000 (primarily related to The Alexander apartment tower) partially offset by proceeds of $24,998,000 from short-term investments that matured during the second quarter of 2015.

Funds from Operations ("FFO") (non-GAAP)

FFO is computed in accordance with the definition adopted by the Board of Governors of NAREIT. NAREIT defines FFO as GAAP net income or loss adjusted to exclude net gains from sales of depreciated real estate assets, real estate impairment losses, depreciation and amortization expense from real estate assets and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income as a performance measure or cash flow as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies.

The following table reconciles our net income to FFO (non-GAAP):

(Amounts in thousands, except share and per share amounts)	For the Year Ended December 31,		For the Three Months Ended December 31,	
	2017	2016	2017	2016
Net income	$80,509	$86,477	$17,883	$21,655
Depreciation and amortization of real property	34,399	33,303	10,179	7,927
FFO (non-GAAP)	$114,908	$119,780	$28,062	$29,582
FFO per diluted share (non-GAAP)	$22.46	$23.42	$5.49	$5.78
Weighted average shares used in computing FFO per diluted share	5,115,501	5,114,084	5,115,982	5,114,701

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
We have exposure to fluctuations in interest rates, which are sensitive to many factors that are beyond our control. Our exposure to a change in interest rates is summarized in the table below.

(Amounts in thousands, except per share amounts)	2017 December 31, Balance	Weighted Average Interest Rate	Effect of 1% Change in Base Rates	2016 December 31, Balance	Weighted Average Interest Rate
Variable rate	$1,106,194	2.75%	$11,062	$909,901	2.08%
Fixed rate	146,246	1.54%	—	146,246	1.54%
	$1,252,440	2.61%	$11,062	$1,056,147	2.01%
Total effect on diluted earnings per share			$2.16		

As of December 31, 2017 we had an interest rate cap with a notional amount of $500,000,000 that caps LIBOR at a rate of 6.0%.

Fair Value of Debt

The fair value of our consolidated debt is calculated by discounting the future contractual cash flows of these instruments using current risk-adjusted rates available to borrowers with similar credit ratings, which are provided by a third-party specialist. As of December 31, 2017 and 2016, the estimated fair value of our consolidated debt was $1,239,000,000 and $1,045,000,000, respectively. Our fair value estimates, which are made at the end of the reporting period, may be different from the amounts that may ultimately be realized upon the disposition of our financial instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Alexander's, Inc.
Paramus, New Jersey

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Alexander's, Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with the accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 12, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 12, 2018

We have served as the Company's auditor since 1969.

ALEXANDER'S, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share amounts)

	December 31,	
ASSETS	2017	2016
Real estate, at cost:		
Land	$44,971	$44,971
Buildings and leasehold improvements	988,846	985,800
Development and construction in progress	3,551	2,780
Total	1,037,368	1,033,551
Accumulated depreciation and amortization	(283,044)	(252,737)
Real estate, net	754,324	780,814
Cash and cash equivalents	307,536	288,926
Restricted cash	85,743	85,752
Rego Park II loan participation	198,537	—
Marketable securities	35,156	37,918
Tenant and other receivables, net of allowance for doubtful accounts of $1,501 and $1,473, respectively	2,693	3,056
Receivable arising from the straight-lining of rents	174,713	179,010
Deferred lease and other property costs, net, including unamortized leasing fees to Vornado of $35,152 and $36,960, respectively	45,790	48,387
Other assets	27,903	27,367
	$1,632,395	$1,451,230
LIABILITIES AND EQUITY		
Mortgages payable, net of deferred debt issuance costs	$1,240,222	$1,052,359
Amounts due to Vornado	2,490	897
Accounts payable and accrued expenses	42,827	42,200
Other liabilities	2,901	2,929
Total liabilities	1,288,440	1,098,385
Commitments and contingencies		
Preferred stock: $1.00 par value per share; authorized, 3,000,000 shares; issued and outstanding, none	—	—
Common stock: $1.00 par value per share; authorized, 10,000,000 shares; issued, 5,173,450 shares; outstanding, 5,107,290 and 5,106,196 shares, respectively	5,173	5,173
Additional capital	31,577	31,189
Retained earnings	302,543	308,995
Accumulated other comprehensive income	5,030	7,862
	344,323	353,219
Treasury stock: 66,160 and 67,254 shares, respectively, at cost	(368)	(374)
Total equity	343,955	352,845
	$1,632,395	$1,451,230

See notes to consolidated financial statements.

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ALEXANDER’S, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except share and per share amounts)

	Year Ended December 31,		
	2017	2016	2015
REVENUES			
Property rentals	$152,857	$151,444	$138,688
Expense reimbursements	77,717	75,492	69,227
Total revenues	230,574	226,936	207,915
EXPENSES			
Operating, including fees to Vornado of $4,671, $4,590, and $4,476, respectively	85,127	82,232	76,218
Depreciation and amortization	34,925	33,807	31,086
General and administrative, including management fees to Vornado of $2,380 in each year	5,252	5,436	5,406
Total expenses	125,304	121,475	112,710
OPERATING INCOME	105,270	105,461	95,205
Interest and other income, net	6,716	3,305	5,949
Interest and debt expense	(31,474)	(22,241)	(24,239)
Income before income taxes	80,512	86,525	76,915
Income tax expense	(3)	(48)	(8)
Net income	$80,509	$86,477	$76,907
Net income per common share - basic and diluted	$15.74	$16.91	$15.04
Weighted average shares outstanding- basic and diluted	5,115,501	5,114,084	5,112,352

See notes to consolidated financial statements.

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ALEXANDER'S, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands)

	Year Ended December 31,		
	2017	2016	2015
Net income	$80,509	$86,477	$76,907
Other comprehensive (loss) income:			
Change in unrealized net gain on available-for-sale securities	(2,762)	(5,273)	(1,455)
Change in value of interest rate cap	(70)	133	—
Comprehensive income	$77,677	$81,337	$75,452

See notes to consolidated financial statements.

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ALEXANDER'S, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in thousands)

	Common Stock Shares	Amount	Additional Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Equity
Balance, December 31, 2014	5,173	$ 5,173	$ 30,139	$ 299,004	$ 14,457	$ (374)	$ 348,399
Net income	—	—	—	76,907	—	—	76,907
Dividends paid	—	—	—	(71,571)	—	—	(71,571)
Change in unrealized net gain on available-for-sale securities	—	—	—	—	(1,455)	—	(1,455)
Deferred stock unit grant	—	—	600	—	—	—	600
Balance, December 31, 2015	5,173	5,173	30,739	304,340	13,002	(374)	352,880
Net income	—	—	—	86,477	—	—	86,477
Dividends paid	—	—	—	(81,822)	—	—	(81,822)
Change in unrealized net gain on available-for-sale securities	—	—	—	—	(5,273)	—	(5,273)
Change in value of interest rate cap	—	—	—	—	133		133
Deferred stock unit grant	—	—	450	—	—	—	450
Balance, December 31, 2016	5,173	5,173	31,189	308,995	7,862	(374)	352,845
Net income	—	—	—	80,509	—	—	80,509
Dividends paid	—	—	—	(86,961)	—	—	(86,961)
Change in unrealized net gain on available-for-sale securities	—	—	—	—	(2,762)	—	(2,762)
Change in value of interest rate cap	—	—	—	—	(70)	—	(70)
Deferred stock unit grant	—	—	394	—	—	—	394
Other	—	—	(6)	—	—	6	—
Balance, December 31, 2017	5,173	$ 5,173	$ 31,577	$ 302,543	$ 5,030	$ (368)	$ 343,955

See notes to consolidated financial statements.

ALEXANDER'S, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Year Ended December 31,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$80,509	$86,477	$76,907
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization, including amortization of debt issuance costs	38,681	36,374	33,671
Straight-lining of rental income	4,297	2,347	(1,418)
Stock-based compensation expense	394	450	600
Change in operating assets and liabilities:			
Tenant and other receivables, net	363	958	(1,801)
Other assets	(2,627)	(9,894)	(4,777)
Amounts due to Vornado	1,626	(1,913)	2,228
Accounts payable and accrued expenses	211	16,049	822
Other liabilities	(28)	(28)	(31)
Net cash provided by operating activities	123,426	130,820	106,201
CASH FLOWS FROM INVESTING ACTIVITIES			
Construction in progress and real estate additions	(3,434)	(15,506)	(50,121)
Rego Park II loan participation payment	(200,000)	—	—
Proceeds from maturing short-term investments	—	—	24,998
Principal repayment proceeds from Rego Park II loan participation	1,463	—	—
Net cash used in investing activities	(201,971)	(15,506)	(25,123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Debt repayments	(303,707)	(3,440)	(323,193)
Proceeds from borrowing	500,000	—	350,000
Dividends paid	(86,961)	(81,822)	(71,571)
Debt issuance costs	(12,186)	(30)	(4,075)
Net cash provided by (used in) financing activities	97,146	(85,292)	(48,839)
Net increase in cash and cash equivalents and restricted cash	18,601	30,022	32,239
Cash and cash equivalents and restricted cash at beginning of year	374,678	344,656	312,417
Cash and cash equivalents and restricted cash at end of year	$393,279	$374,678	$344,656
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH			
Cash and cash equivalents at beginning of year	288,926	259,349	227,815
Restricted cash at beginning of year	85,752	85,307	84,602
Cash and cash equivalents and restricted cash at beginning of year	374,678	344,656	312,417
Cash and cash equivalents at end of year	307,536	288,926	259,349
Restricted cash at end of year	85,743	85,752	85,307
Cash and cash equivalents and restricted cash at end of year	393,279	374,678	344,656
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash payments for interest, excluding capitalized interest of $1,486 in 2015	$26,994	$19,517	$22,354
NON-CASH TRANSACTIONS			
Liability for real estate additions, including $21, $54 and $5,795 due to Vornado in 2017, 2016 and 2015, respectively	$705	$322	$10,139
Write-off of fully amortized and/or depreciated assets	4,265	1,691	20,786
Change in unrealized net gain on available-for-sale securities	(2,762)	(5,273)	(1,455)

See notes to consolidated financial statements.

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ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

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

We have seven properties in the greater New York City metropolitan area consisting of:

Operating properties

- 731 Lexington Avenue, a 1,311,000 square foot multi-use building, comprising the entire block bounded by Lexington Avenue, East 59th Street, Third Avenue and East 58th Street in Manhattan. The building contains 889,000 and 174,000 of net rentable square feet of office and retail space, respectively, which we own, and 248,000 square feet of residential space consisting of 105 condominium units, which we sold. Bloomberg L.P. ("Bloomberg") occupies all of the office space. The Home Depot (83,000 square feet), The Container Store (34,000 square feet) and Hennes & Mauritz (27,000 square feet) are the principal retail tenants;

- Rego Park I, a 343,000 square foot shopping center, located on Queens Boulevard and 63rd Road in Queens. The center is anchored by a 195,000 square foot Sears department store, a 50,000 square foot Burlington, a 46,000 square foot Bed Bath & Beyond and a 36,000 square foot Marshalls. On April 4, 2017, Sears closed its store at the property. Annual revenue from Sears is approximately $10,600,000, under a lease which expires in March 2021. In its 2016 annual report on Form 10-K, Sears indicated that substantial doubt exists related to its ability to continue as a going concern;

- Rego Park II, a 609,000 square foot shopping center, adjacent to the Rego Park I shopping center in Queens. The center is anchored by a 145,000 square foot Costco, a 135,000 square foot Century 21 and a 133,000 square foot Kohl's. In addition, 47,000 square feet is leased to Toys "R" Us/Babies "R" Us ("Toys"), a one-third owned affiliate of Vornado. On September 18, 2017, Toys filed for Chapter 11 bankruptcy relief;

- The Alexander apartment tower, located above our Rego Park II shopping center, contains 312 units aggregating 255,000 square feet and is 94.6% leased as of December 31, 2017;

- Paramus, located at the intersection of Routes 4 and 17 in Paramus, New Jersey, consists of 30.3 acres of land that is leased to IKEA Property, Inc.; and

- Flushing, a 167,000 square foot building, located at Roosevelt Avenue and Main Street in Queens, that is sub-leased to New World Mall LLC for the remainder of our ground lease term.

Property to be developed

- Rego Park III, a 140,000 square foot land parcel adjacent to the Rego Park II shopping center in Queens, at the intersection of Junction Boulevard and the Horace Harding Service Road.

We have determined that our properties have similar economic characteristics and meet the criteria that permit the properties to be aggregated into one reportable segment (the leasing, management, development and redeveloping of properties in the greater New York City metropolitan area). Our chief operating decision-maker assesses and measures segment operating results based on a performance measure referred to as net operating income at the individual operating segment. Net operating income for each property represents net rental revenues less operating expenses.

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying consolidated financial statements include our accounts and those of our consolidated subsidiaries. All intercompany amounts have been eliminated. Our financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Certain prior year balances have been reclassified in order to conform to current year presentation.

Recently Issued Accounting Literature – In May 2014, the Financial Accounting Standards Board ("FASB") issued an update ("ASU 2014-09") establishing Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC 606"). ASU 2014-09, as amended by subsequent ASUs on the topic, establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. This standard, which is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2017, requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures. We adopted this standard effective January 1, 2018 using the modified retrospective approach, which requires applying the new standard to all existing contracts not yet completed as of the effective date and recording a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. We have completed our evaluation of the standard's impact on our revenue streams. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In January 2016, the FASB issued an update ("ASU 2016-01") Recognition and Measurement of Financial Assets and Financial Liabilities to ASC Topic 825, Financial Instruments ("ASC 825"). ASU 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. We adopted this standard effective January 1, 2018 using the modified retrospective approach. While the adoption of this standard requires us to continue to measure "marketable securities" at fair value at each reporting date, the changes in fair value will be recognized in current period earnings as opposed to "other comprehensive (loss) income." As a result, on January 1, 2018 we recorded an increase to retained earnings of $5,156,000 to recognize the unrealized gains previously recorded within "accumulated other comprehensive income." Subsequent changes in the fair value of our marketable securities will be recorded to "interest and other income, net."

In February 2016, the FASB issued an update ("ASU 2016-02") establishing ASC Topic 842, Leases, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase. Lessees are required to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. Lessees will recognize expense based on the effective interest method for finance leases or on a straight-line basis for operating leases. The accounting applied by the lessor is largely unchanged from that applied under the existing lease standard. We are currently evaluating the overall impact of the adoption of ASU 2016-02 on our consolidated financial statements and believe that the standard will more significantly impact the accounting for leases in which we are a lessee. We will be required to record a right-of-use asset and lease liability for our Flushing property ground lease, equal to the present value of the remaining minimum lease payments, and will continue to recognize expense on a straight-line basis upon adoption of this standard. ASU 2016-02 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2018, with early adoption permitted. We will adopt this standard effective January 1, 2019 using the modified retrospective approach and will elect to use the practical expedients provided by this standard.

In March 2016, the FASB issued an update ("ASU 2016-09") Improvements to Employee Share-Based Payment Accounting to ASC Topic 718, Compensation - Stock Compensation ("ASC 718"). ASU 2016-09 amends several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 was effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. The adoption of this update as of January 1, 2017 did not have a material impact on our consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

In August 2016, the FASB issued an update ("ASU 2016-15") Classification of Certain Cash Receipts and Cash Payments to ASC Topic 230, Statement of Cash Flows. ASU 2016-15 clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows to reduce diversity in practice with respect to (i) debt prepayment or debt extinguishment costs, (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (iii) contingent consideration payments made after a business combination, (iv) proceeds from the settlement of insurance claims, (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (vi) distributions received from equity method investees, (vii) beneficial interests in securitization transactions, and (viii) separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017, with early adoption permitted. We elected to early adopt ASU 2016-15 effective January 1, 2017. The adoption of this standard did not have a material impact on our consolidated financial statements.

In November 2016, the FASB issued an update ("ASU 2016-18") Restricted Cash to ASC Topic 230, Statement of Cash Flows. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Restricted cash and restricted cash equivalents will be included with cash and cash equivalents when reconciling the beginning of period and end of period balances on the statement of cash flows upon adoption of this standard. ASU 2016-18 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017, with early adoption permitted. We elected to early adopt ASU 2016-18 effective January 1, 2017, with retrospective application to our consolidated statements of cash flows. Accordingly, the consolidated statements of cash flows present a reconciliation of the changes in cash and cash equivalents and restricted cash. Restricted cash primarily consists of cash held in a non-interest bearing escrow account in connection with our Rego Park I 100% cash collateralized mortgage, as well as security deposits and other cash escrowed under loan agreements for debt service, real estate taxes, property insurance and capital improvements.

In February 2017, the FASB issued an update ("ASU 2017-05") Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets to ASC Subtopic 610-20, Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets. ASU 2017-05 clarifies the scope of recently established guidance on nonfinancial asset derecognition, as well as the accounting for partial sales of nonfinancial assets. This update conforms the derecognition guidance on nonfinancial assets with the model for transactions in ASC 606. ASU 2017-05 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. The adoption of this standard on January 1, 2018 is not expected to have an impact on our consolidated financial statements.

In August 2017, the FASB issued an update ("ASU 2017-12") Targeted Improvements to Accounting for Hedging Activities to ASC Topic 815, Derivatives and Hedging ("ASC 815"). ASU 2017-12 amends the hedge accounting recognition and presentation requirements in ASC 815. The update is intended to more closely align hedge accounting with companies' risk management strategies, simplify the application of hedge accounting and increase transparency as to the scope and results of hedge programs. ASU 2017-12 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2018, with early adoption permitted. The adoption of this standard on January 1, 2019 is not expected to have a material impact on our consolidated financial statements.

Real Estate – Real estate is carried at cost, net of accumulated depreciation and amortization. As of December 31, 2017 and 2016, the carrying amount of our real estate, net of accumulated depreciation and amortization, was $754,324,000 and $780,814,000, respectively. Maintenance and repairs are expensed as incurred. Depreciation requires an estimate by management of the useful life of each property and improvement as well as an allocation of the costs associated with a property to its various components. We capitalize all property operating expenses directly associated with and attributable to, the development and construction of a project, including interest expense. The capitalization period begins when development activities are underway and ends when it is determined that the asset is substantially complete and ready for its intended use, which is typically evidenced by the receipt of a temporary certificate of occupancy. General and administrative costs are expensed as incurred.

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Our properties and related intangible assets, including properties to be developed in the future, are individually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment exists when the carrying amount of an asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Estimates of future cash flows are based on our current plans, intended holding periods and available market information at the time the analyses are prepared. For our development properties, estimates of future cash flows also include all future expenditures necessary to develop the asset, including interest payments that will be capitalized as part of the cost of the asset. An impairment loss is recognized only if the carrying amount of the asset is not recoverable and is measured based on the excess of the property's carrying amount over its estimated fair value. If our estimates of future cash flows, anticipated holding periods, or fair values change, based on market conditions or otherwise, our evaluation of impairment charges may be different and such differences could be material to our consolidated financial statements. Estimates of future cash flows are subjective and are based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results. Plans to hold properties over longer periods decrease the likelihood of recording impairment losses.

Cash and Cash Equivalents – Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates fair value, due to their short-term maturities. The majority of our cash and cash equivalents consist of (i) deposits at major commercial banks, which may at times exceed the Federal Deposit Insurance Corporation limit, (ii) United States Treasury Bills, (iii) money market funds, which invest in United States Treasury Bills and (iv) certificates of deposit placed through an account registry service ("CDARS"). To date we have not experienced any losses on our invested cash.

Short-term Investments – Short-term investments consist of United States Treasury Bills with original maturities greater than three but less than six months. These highly liquid investments are classified as available-for-sale and are presented at fair value on our consolidated balance sheets. Prior to January 1, 2018, unrealized gains and losses resulting from these investments were included in "other comprehensive (loss) income." Effective January 1, 2018, changes in the fair value of these investments are recognized in current period earnings in accordance with ASC 825.

Restricted Cash – Restricted cash primarily consists of cash held in a non-interest bearing escrow account in connection with our Rego Park I 100% cash collateralized mortgage, as well as security deposits and other cash escrowed under loan agreements for debt service, real estate taxes, property insurance and capital improvements.

Marketable Securities – Our marketable securities consist of common shares of The Macerich Company (NYSE: MAC) ("Macerich"), which are classified as available-for-sale. Available-for-sale securities are presented at fair value on our consolidated balance sheets. Prior to January 1, 2018, unrealized gains and losses resulting from the mark-to-market of these securities were included in "other comprehensive (loss) income." Effective January 1, 2018, changes in the fair value of these securities are recognized in current period earnings in accordance with ASC 825. We evaluate our marketable securities for impairment at the end of each reporting period. If investments have unrealized losses, we evaluate the underlying cause of the decline in value and the estimated recovery period, as well as the severity and duration of the decline. In our evaluation, we consider our ability and intent to hold our investment for a reasonable period of time sufficient for us to recover our cost basis, as well as the near-term prospects for the investment in relation to the severity and duration of the decline.

Allowance for Doubtful Accounts – We periodically evaluate the collectibility of amounts due from tenants, including the receivable arising from the straight-lining of rents, and maintain an allowance for doubtful accounts ($1,501,000 and $1,473,000 as of December 31, 2017 and 2016, respectively) for estimated losses resulting from the inability of tenants to make required payments under the lease agreements. We exercise judgment in establishing these allowances and consider payment history and current credit status in developing these estimates.

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued
Deferred Charges – Direct financing costs are deferred and amortized over the terms of the related agreements as a component of interest and debt expense. Direct costs related to leasing activities are capitalized and amortized on a straight-line basis over the lives of the related leases. All other deferred charges are amortized on a straight-line basis, which approximates the effective interest rate method, in accordance with the terms of the agreements to which they relate.

Revenue Recognition – We have the following revenue sources and revenue recognition policies:

Base Rent – revenue arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis, which includes the effects of rent steps and free rent abatements under the leases. We commence rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, in circumstances where we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease.

Percentage Rent – revenue arising from retail tenant leases that is contingent upon the sales of tenants exceeding defined thresholds. These rents are recognized only after the contingency has been removed (i.e., when tenant sales thresholds have been achieved).

Expense Reimbursements – revenue arising from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective properties. This revenue is recognized in the same periods as the expenses are incurred.

Parking Income – revenue arising from the rental of parking space at our properties. This income is recognized as the service is provided.

Income Taxes – We operate in a manner intended to enable us to continue to qualify as a REIT under Sections 856 – 860 of the Internal Revenue Code of 1986, as amended (the "Code"). In order to maintain our qualification as a REIT under the Code, we must distribute at least 90% of our taxable income to stockholders each year. We distribute to our stockholders 100% of our taxable income and therefore, no provision for Federal income taxes is required. Dividends distributed for the year ended December 31, 2017 were characterized, for federal income taxes, as 99.5% ordinary income and 0.5% long-term capital gain income. Dividends distributed for the year ended December 31, 2016 were characterized, for federal income taxes, as 97.7% ordinary income and 2.3% long-term capital gain income. Dividends distributed for the year ended December 31, 2015 were categorized, for federal income tax purposes, as 97.3% ordinary income and 2.7% long-term capital gain income.

The following table reconciles our net income to estimated taxable income for the years ended December 31, 2017, 2016 and 2015.

(Unaudited and in thousands)	Year Ended December 31,		
	2017	2016	2015
Net income	$80,509	$86,477	$76,907
Straight-line rent adjustments	4,250	2,347	(1,418)
Depreciation and amortization timing differences	3,084	(14,534)	2,477
Other	(343)	2,975	751
Estimated taxable income	$87,500	$77,265	$78,717

As of December 31, 2017, the net basis of our assets and liabilities for tax purposes are approximately $199,268,000 lower than the amount reported for financial statement purposes.

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. REGO PARK II LOAN PARTICIPATION
On July 28, 2017, we entered into a participation and servicing agreement with the lender on our Rego Park II shopping center loan, which matures on November 30, 2018. We invested $200,000,000 to participate in the loan and are entitled to interest at LIBOR plus 1.60% (3.17% as of December 31, 2017). The investment is presented as "Rego Park II loan participation" on our consolidated balance sheet as of December 31, 2017 and interest earned is recognized as "interest and other income, net" in our consolidated statement of income for the year ended December 31, 2017.

4. RELATED PARTY TRANSACTIONS
Vornado
As of December 31, 2017, Vornado owned 32.4% of our outstanding common stock. We are managed by, and our properties are leased and developed by, Vornado, pursuant to the agreements described below, which expire in March of each year and are automatically renewable.

Steven Roth is the Chairman of our Board of Directors and Chief Executive Officer, the Managing General Partner of Interstate Properties ("Interstate"), a New Jersey general partnership, and the Chairman of the Board of Trustees and Chief Executive Officer of Vornado. As of December 31, 2017, 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, 26.2% of our outstanding common stock, in addition to the 2.3% they indirectly own through Vornado. Joseph Macnow, our Treasurer, is the Executive Vice President - Chief Financial Officer and Chief Administrative Officer of Vornado. Matthew Iocco, our Chief Financial Officer, is the Executive Vice President - Chief Accounting Officer of Vornado.

Management and Development Agreements
We pay Vornado an annual management fee equal to the sum of (i) $2,800,000, (ii) 2% of gross revenue from the Rego Park II shopping center, (iii) $0.50 per square foot of the tenant-occupied office and retail space at 731 Lexington Avenue, and (iv) $306,000, escalating at 3% per annum, for managing the common area of 731 Lexington Avenue. Vornado is also entitled to a development fee equal to 6% of development costs, as defined.

Leasing and Other Agreements
Vornado also provides us with leasing services for a fee of 3% of rent for the first ten years of a lease term, 2% of rent for the eleventh through the twentieth year of a lease term, and 1% of rent for the twenty-first through thirtieth year of a lease term, subject to the payment of rents by tenants. In the event 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.

Vornado is also entitled to a commission upon the sale of any of our assets equal to 3% of gross proceeds, as defined, for asset sales less than $50,000,000 and 1% of gross proceeds, as defined, for asset sales of $50,000,000 or more.

We also have agreements with Building Maintenance Services, a wholly owned subsidiary of Vornado, to supervise (i) cleaning, engineering and security services at our Lexington Avenue property and (ii) security services at our Rego Park I and Rego Park II properties and The Alexander apartment tower.

4. RELATED PARTY TRANSACTIONS - continued

The following is a summary of fees to Vornado under the various agreements discussed above.

	Year Ended December 31,		
(Amounts in thousands)	2017	2016	2015
Company management fees	$2,800	$2,800	$2,800
Development fees	29	194	2,435
Leasing fees	1,829	7,401	2,950
Property management, cleaning, engineering and security fees	4,114	4,033	3,614
	$8,772	$14,428	$11,799

As of December 31, 2017, the amounts due to Vornado were $1,811,000 for leasing fees; $658,000 for management, property management, cleaning, engineering and security fees; and $21,000 for development fees. As of December 31, 2016, the amounts due to Vornado were $428,000 for management, property management, cleaning, engineering and security fees; $415,000 for leasing fees; and $54,000 for development fees. In January 2016, we paid an $8,916,000 leasing commission related to a lease amendment signed with Bloomberg, of which $7,200,000 was to a third party broker and $1,716,000 was to Vornado. In March 2016, we paid Vornado a development fee of $5,784,000 related to The Alexander apartment tower.

Toys

Our affiliate, Vornado, owns 32.5% of Toys. Joseph Macnow, Vornado's Executive Vice President - Chief Financial Officer and Chief Administrative Officer and Wendy A. Silverstein, a member of our Board of Directors, represent Vornado as members of Toys' Board of Directors. Toys leases 47,000 square feet of retail space at our Rego Park II shopping center ($2,600,000 of annual revenue). On September 18, 2017, Toys filed for Chapter 11 bankruptcy relief. There are $694,000 of tenant improvements, $257,000 of unamortized deferred leasing costs and $544,000 of receivables arising from the straight-lining of rent on our consolidated balance sheet related to the Toys lease as of December 31, 2017.

5. MARKETABLE SECURITIES

As of December 31, 2017 and 2016, we owned 535,265 common shares of Macerich. These shares have an economic cost of $56.05 per share, or $30,000,000 in the aggregate. As of December 31, 2017 and 2016, the fair value of these shares was $35,156,000 and $37,918,000, respectively, based on Macerich's closing share price of $65.68 per share and $70.84 per share, respectively. These shares are included in "marketable securities" on our consolidated balance sheets and are classified as available-for-sale. Available-for-sale securities are presented at fair value on our consolidated balance sheets. Prior to January 1, 2018, unrealized gains and losses resulting from the mark-to-market of these securities were included in "other comprehensive (loss) income." Effective January 1, 2018, changes in the fair value of these securities are recognized in current period earnings in accordance with ASC 825. Other comprehensive (loss) income includes unrealized losses of $2,762,000, $5,273,000 and $1,455,000 for the years ended December 31, 2017, 2016 and 2015, respectively.

In October 2015, we recognized $2,141,000 of dividend income as a result of a special dividend declared by Macerich, which is included as a component of "interest and other income, net," in our consolidated statement of income for the year ended December 31, 2015.

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. MORTGAGES PAYABLE

On June 1, 2017, we completed a $500,000,000 refinancing of the office portion of 731 Lexington Avenue. The interest-only loan is at LIBOR plus 0.90% and matures in June 2020, with four one-year extension options. In connection therewith, we purchased an interest rate cap with a notional amount of $500,000,000 that caps LIBOR at a rate of 6.0%. The property was previously encumbered by a $300,000,000 interest-only mortgage at LIBOR plus 0.95% which was scheduled to mature in March 2021.

The following is a summary of our outstanding mortgages payable. We may refinance our maturing debt as it comes due or choose to repay it.

(Amounts in thousands)	Maturity(1)	Interest Rate at December 31, 2017	Balance at December 31, 2017	2016
First mortgages secured by:				
Rego Park I shopping center (100% cash collateralized)	Mar. 2018	0.35%	$78,246	$78,246
Paramus	Oct. 2018	2.90%	68,000	68,000
Rego Park II shopping center(2)	Nov. 2018	3.42%	256,194	259,901
731 Lexington Avenue, retail space(3)	Aug. 2022	2.78%	350,000	350,000
731 Lexington Avenue, office space(4)	Jun. 2024	2.38%	500,000	300,000
Total			1,252,440	1,056,147
Deferred debt issuance costs, net of accumulated amortization of $6,315 and $6,824, respectively			(12,218)	(3,788)
			$1,240,222	$1,052,359

(1) Represents the extended maturity where we have the unilateral right to extend.
(2) This loan bears interest at LIBOR plus 1.85%. See page 47 for details of our Rego Park II loan participation.
(3) This loan bears interest at LIBOR plus 1.40%.
(4) This loan bears interest at LIBOR plus 0.90%.

All of our debt is secured by mortgages and/or pledges of the stock of the subsidiaries holding the properties. The net carrying value of real estate collateralizing the debt amounted to $640,025,000 as of December 31, 2017. Our existing financing documents contain covenants that limit our ability to incur additional indebtedness on these properties, and in certain circumstances, provide for lender approval of tenants' leases and yield maintenance to prepay them. As of December 31, 2017, the principal repayments for the next five years and thereafter are as follows:

(Amounts in thousands) Year Ending December 31,	Amount
2018	$402,440
2019	—
2020	—
2021	—
2022	350,000
Thereafter	500,000

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. FAIR VALUE MEASUREMENTS

ASC 820, Fair Value Measurement and Disclosures defines fair value and establishes a framework for measuring fair value. ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels: Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities; Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and Level 3 – unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider counterparty credit risk in our assessment of fair value.

Financial Assets and Liabilities Measured at Fair Value

Financial assets measured at fair value on our consolidated balance sheets as of December 31, 2017 and 2016 consist of marketable securities, which are presented in the table below based on their level in the fair value hierarchy, and an interest rate cap, which fair value was insignificant as of December 31, 2017 and 2016. There were no financial liabilities measured at fair value as of December 31, 2017 and 2016.

	As of December 31, 2017			
(Amounts in thousands)	Total	Level 1	Level 2	Level 3
Marketable securities	$35,156	$35,156	—	—

	As of December 31, 2016			
(Amounts in thousands)	Total	Level 1	Level 2	Level 3
Marketable securities	$37,918	$37,918	—	—

Financial Assets and Liabilities not Measured at Fair Value

Financial assets and liabilities that are not measured at fair value on our consolidated balance sheets include cash equivalents, the Rego Park II loan participation and mortgages payable. Cash equivalents are carried at cost, which approximates fair value due to their short-term maturities and are classified as Level 1. The fair values of the Rego Park II loan participation and our mortgages payable are calculated by discounting the future contractual cash flows of these instruments using current risk-adjusted rates available to borrowers with similar credit ratings, which are provided by a third-party specialist, and are classified as Level 2. The table below summarizes the carrying amount and fair value of these financial instruments as of December 31, 2017 and 2016.

	As of December 31, 2017		As of December 31, 2016	
(Amounts in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash equivalents	$273,914	$273,914	$256,370	$256,370
Rego Park II loan participation	198,537	198,000	—	—
	472,451	471,914	256,370	256,370
Liabilities:				
Mortgages payable (excluding deferred debt issuance costs, net)	$1,252,440	$1,239,000	$1,056,147	$1,045,000

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ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. LEASES
As Lessor
We lease space to tenants in an office building and in retail centers. The rental terms range from approximately 5 to 25 years. The leases provide for the payment of fixed base rents payable monthly in advance as well as reimbursements of real estate taxes, insurance and maintenance costs. Retail leases may also provide for the payment by the lessee of additional rents based on a percentage of their sales. We also lease residential space at The Alexander apartment tower with 1 or 2 year lease terms.

Future base rental revenue under these non-cancelable operating leases is as follows:

(Amounts in thousands)

Year Ending December 31,	Amount
2018	$144,712
2019	138,649
2020	136,536
2021	119,962
2022	111,533
Thereafter	783,019

These future minimum amounts do not include additional rents based on a percentage of retail tenants' sales. These rents were $174,000, $182,000 and $94,000, respectively, for the years ended December 31, 2017, 2016 and 2015.

Bloomberg accounted for revenue of $105,224,000, $104,590,000 and $94,468,000, in the years ended December 31, 2017, 2016 and 2015, respectively, representing approximately 46%, 46% and 45% of our total revenues in each year, respectively. No other tenant accounted for more than 10% of our total revenues. If we were to lose Bloomberg as a tenant, or if Bloomberg were to be unable to fulfill its obligations under its lease, it would adversely affect our results of operations and financial condition. In order to assist us in our continuing assessment of Bloomberg's creditworthiness, we receive certain confidential financial information and metrics from Bloomberg. In addition, we access and evaluate financial information regarding Bloomberg from other private sources, as well as publicly available data.

As Lessee
We are a tenant under a long-term ground lease at our Flushing property, which expires in 2027 and has one 10-year extension option. Future lease payments under this operating lease, excluding the extension option, are as follows:

(Amounts in thousands)

Year Ending December 31,	Amount
2018	$ 800
2019	800
2020	800
2021	800
2022	800
Thereafter	3,267

Rent expense was $746,000 in each of the years ended December 31, 2017, 2016 and 2015.

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. STOCK-BASED COMPENSATION

We account for stock-based compensation in accordance with ASC 718. Our 2016 Omnibus Stock Plan (the "Plan") provides for grants of incentive and non-qualified stock options, restricted stock, stock appreciation rights, deferred stock units ("DSUs") and performance shares, as defined, to the directors, officers and employees of the Company and Vornado.

On May 18, 2017, we granted each of the members of our Board of Directors 183 DSUs with a grant date fair value of $56,250 per grant, or $394,000 in the aggregate. The DSUs entitle the holders to receive shares of the Company's common stock without the payment of any consideration. The DSUs vested immediately and accordingly, were expensed on the date of grant, but the shares of common stock underlying the DSUs are not deliverable to the grantee until the grantee is no longer serving on the Company's Board of Directors. As of December 31, 2017, there were 8,692 DSUs outstanding and 497,095 shares were available for future grant under the Plan.

10. COMMITMENTS AND CONTINGENCIES

Insurance

We maintain general liability insurance with limits of $300,000,000 per occurrence and per property, and all-risk property and rental value insurance coverage with limits of $1.7 billion per occurrence, including coverage for acts of terrorism, with sub-limits for certain perils such as floods and earthquakes on each of our properties.

Fifty Ninth Street Insurance Company, LLC ("FNSIC"), our wholly owned consolidated subsidiary, acts as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological ("NBCR") acts, as defined by the Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2020. Coverage for acts of terrorism (including NBCR acts) is up to $1.7 billion per occurrence and in the aggregate. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a $293,000 deductible ($306,000 effective January 1, 2018) and 17% of the balance (18% effective January 1, 2018) of a covered loss, and the Federal government is responsible for the remaining 83% (82% effective January 1, 2018) of a covered loss. We are ultimately responsible for any loss incurred by FNSIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in the future. We are responsible for deductibles and losses in excess of our insurance coverage, which could be material.

Our mortgage loans are non-recourse to us and contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance our properties.

Tenant Matters

On April 4, 2017, Sears closed its 195,000 square foot store at our Rego Park I property. Annual revenue from Sears is approximately $10,600,000, under a lease which expires in March 2021. In its 2016 annual report on Form 10-K, Sears indicated that substantial doubt exists related to its ability to continue as a going concern. There are $3,865,000 of receivables arising from the straight-lining of rent and $406,000 of unamortized deferred leasing costs on our consolidated balance sheet related to the Sears lease as of December 31, 2017 which we will continue to assess for recoverability.

On September 19, 2017, the bankruptcy court approved the terms of an order stipulation between Le Cirque, a restaurant operator which leases 13,000 square feet at our 731 Lexington Avenue property (approximately $1,200,000 of annual revenue), and the Company which terminated the lease on January 5, 2018 (original lease expiration was May 2021). As a result, we began accelerating depreciation and amortization of approximately $2,780,000 of tenant improvements and deferred leasing costs over the new lease term, of which approximately $2,650,000 was recognized in the year ended December 31, 2017 and approximately $130,000 will be recognized in the quarter ending March 31, 2018.

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. COMMITMENTS AND CONTINGENCIES - continued

Rego Park I Litigation

In June 2014, Sears Roebuck and Co. ("Sears") filed a lawsuit in the Supreme Court of the State of New York against Vornado and us (and certain of our subsidiaries) with regard to space that Sears leases at our Rego Park I property alleging that the defendants are liable for harm that Sears has suffered as a result of (a) water intrusions into the premises, (b) two fires in February 2014 that caused damages to those premises, and (c) alleged violations of the Americans with Disabilities Act in the premises' parking garage. Sears asserted various causes of actions for damages and sought to compel compliance with landlord's obligations to repair the premises and to provide security, and to compel us to abate a nuisance that Sears claims was a cause of the water intrusions into its premises. In addition to injunctive relief, Sears sought, among other things, damages of not less than $4 million and future damages it estimated would not be less than $25 million. In March 2016, Sears withdrew its claim for future damages leaving a remaining claim for property damages, which we estimate to be approximately $650,000 based on information provided by Sears. We intend to defend the remaining claim vigorously. The amount or range of reasonably possible losses, if any, is not expected to be greater than $650,000.

Paramus

In 2001, we leased 30.3 acres of land located in Paramus, New Jersey to IKEA Property, Inc. The lease has a purchase option in 2021 for $75,000,000. The property is encumbered by a $68,000,000 interest-only mortgage loan with a fixed rate of 2.90%, which matures on October 5, 2018. The annual triple-net rent is the sum of $700,000 plus the amount of debt service on the mortgage loan. If the purchase option is exercised, we will receive net cash proceeds of approximately $7,000,000 and recognize a gain on sale of land of approximately $60,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years would include debt service sufficient to fully amortize $68,000,000 over the remaining 20 years lease term.

Letters of Credit

Approximately $1,474,000 of standby letters of credit were issued and outstanding as of December 31, 2017.

Other

In October 2015, the New York City Department of Finance ("NYC DOF") issued a Notice of Determination to us assessing an additional $22,910,000 of transfer taxes (including interest and penalties as of December 31, 2017) in connection with the sale of Kings Plaza Regional Shopping Center in November 2012. We believe that the NYC DOF's claim is without merit and intend to vigorously contest this assessment. We have determined that the likelihood of a loss related to this issue is not probable and, after consultation with legal counsel, that the outcome of this assessment is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

We received approximately $396,000, $825,000 and $2,100,000 from bankruptcy recoveries during the years ended December 31, 2017, 2016 and 2015, respectively, which is included as "interest and other income, net" in our consolidated statements of income.

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

11. MULTIEMPLOYER BENEFIT PLANS

Our subsidiaries make contributions to certain multiemployer defined benefit plans ("Multiemployer Pension Plans") and health plans ("Multiemployer Health Plans") for our union represented employees, pursuant to the respective collective bargaining agreements.

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. MULTIEMPLOYER BENEFIT PLANS - continued
Multiemployer Pension Plans

Multiemployer Pension Plans differ from single-employer pension plans in that (i) contributions to multiemployer plans may be used to provide benefits to employees of other participating employers and (ii) if other participating employers fail to make their contributions, each of our subsidiaries may be required to bear their pro rata share of unfunded obligations. If a participating subsidiary withdraws from a plan in which it participates, it may be subject to a withdrawal liability. As of December 31, 2017, our subsidiaries' participation in these plans were not significant to our consolidated financial statements.

In the years ended December 31, 2017, 2016 and 2015 our subsidiaries contributed $162,000, $147,000 and $144,000, respectively, towards Multiemployer Pension Plans. Our subsidiaries' contributions did not represent more than 5% of total employer contributions in any of these plans for the years ended December 31, 2017, 2016 and 2015.

Multiemployer Health Plans

Multiemployer Health Plans in which our subsidiaries participate provide health benefits to eligible active and retired employees. In the years ended December 31, 2017, 2016 and 2015 our subsidiaries contributed $619,000, $539,000 and $554,000, respectively, towards these plans.

12. EARNINGS PER SHARE
The following table sets forth the computation of basic and diluted income per share, including a reconciliation of net income and the number of shares used in computing basic and diluted income per share. Basic income per share is determined using the weighted average shares of common stock (including DSUs) outstanding during the period. Diluted income per share is determined using the weighted average shares of common stock (including DSUs) outstanding during the period, and assumes all potentially dilutive securities were converted into common shares at the earliest date possible. There were no potentially dilutive securities outstanding during the years ended December 31, 2017, 2016 and 2015.

	For the Year Ended December 31,		
(Amounts in thousands, except share and per share amounts)	2017	2016	2015
Net income	$ 80,509	$ 86,477	$ 76,907
Weighted average shares outstanding – basic and diluted	5,115,501	5,114,084	5,112,352
Net income per common share – basic and diluted	$ 15.74	$ 16.91	$ 15.04

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

(Amounts in thousands, except per share amounts)	Revenues	Net Income	Net Income Per Common Share(1) Basic	Diluted
2017				
December 31	$ 58,061	$ 17,883	$ 3.50	$ 3.50
September 30	58,094	20,299	3.97	3.97
June 30	57,190	20,660	4.04	4.04
March 31	57,229	21,667	4.24	4.24
2016				
December 31	$ 57,253	$ 21,655	$ 4.23	$ 4.23
September 30	57,120	21,036	4.11	4.11
June 30	57,005	21,767	4.26	4.26
March 31	55,558	22,019	4.31	4.31

(1) The total for the year may differ from the sum of the quarters as a result of weighting.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
None.

ITEM 9A. CONTROLS AND PROCEDURES
Disclosure Controls and Procedures – Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

Internal Control Over Financial Reporting – There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, as amended) during the fourth quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING

The management of Alexander's, Inc., together with its consolidated subsidiaries (the "Company"), is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

As of December 31, 2017, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2017 is effective.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's financial statements.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing on page 58 of this Annual Report on Form 10-K, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2017.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Alexander’s, Inc.
Paramus, New Jersey

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Alexander’s, Inc. and subsidiaries (the “Company”) as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017, of the Company and our report dated February 12, 2018, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 12, 2018

ITEM 9B. OTHER INFORMATION
None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE
Information relating to our directors, including our audit committee and audit committee financial expert, will be contained in a definitive Proxy Statement involving the election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. We will file the Proxy Statement with the Securities and Exchange Commission no later than 120 days after December 31, 2017. Such information is incorporated by reference herein. Also incorporated herein by reference is the information under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" of the Proxy Statement.

The following is a list of the names, ages, principal occupations and positions with us of our executive officers and the positions held by such officers during the past five years.

Name	Age	PRINCIPAL OCCUPATION, POSITION AND OFFICE (Current and during past five years with the Company unless otherwise stated)
Steven Roth	76	Chairman of the Board since May 2004 and Chief Executive Officer since March 1995; Chairman of the Board of Vornado Realty Trust since May 1989; Chief Executive Officer of Vornado Realty Trust since April 2013 and from May 1989 to May 2009; a Trustee of Vornado Realty Trust since 1979; and Managing General Partner of Interstate Properties.
Matthew Iocco	47	Chief Financial Officer since April 2017; Executive Vice President - Chief Accounting Officer of Vornado Realty Trust since May 2015; and Senior Vice President - Chief Accounting Officer of Vornado Realty Trust from May 2012 to May 2015.

We have a code of business conduct and ethics that applies to, among others, our Chief Executive Officer and Chief Financial Officer. The code is posted on our website at www.alx-inc.com. We intend to satisfy our disclosure obligation regarding amendments and waivers of this code applicable to our Chief Executive Officer and Chief Financial Officer by posting such information on our website.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to executive compensation will be contained in the Proxy Statement referred to in “Item 10. Directors, Executive Officers and Corporate Governance” of this Annual Report on Form 10-K. Such information is incorporated by reference herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information relating to security ownership of certain beneficial owners and management and related stockholder matters, except as set forth below, will be contained in the Proxy Statement referred to in “Item 10. Directors, Executive Officers and Corporate Governance” of this Annual Report on Form 10-K. Such information is incorporated by reference herein.

Equity Compensation Plan Information

The following table provides information as of December 31, 2017, regarding our equity compensation.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	8,692	$ —	497,095
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	8,692	$ —	497,095

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information relating to certain relationships and related transactions and director independence will be contained in the Proxy Statement referred to in “Item 10. Directors, Executive Officers and Corporate Governance” of this Annual Report on Form 10-K. Such information is incorporated by reference herein.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information relating to principal accounting fees and services will be contained in the Proxy Statement referred to in “Item 10. Directors, Executive Officers and Corporate Governance” of this Annual Report on Form 10-K. Such information is incorporated by reference herein.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K.

1. The consolidated financial statements are set forth in Item 8 of this Annual Report on Form 10-K.

2. The following financial statement schedules should be read in conjunction with the financial statements included in Item 8 of this Annual Report on Form 10-K.

All other financial statement schedules are omitted because they are not applicable, not required, or the information is included elsewhere in the consolidated financial statements or the notes thereto.

ALEXANDER'S, INC. AND SUBSIDIARIES
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
(Amounts in thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Year	Additions: Charged Against Operations	Deductions: Uncollectible Accounts Written Off	Balance
Allowance for doubtful accounts:				
Year Ended December 31, 2017	$ 1,473	$ 53	$ (25)	$ 1,501
Year Ended December 31, 2016	$ 918	$ 557	$ (2)	$ 1,473
Year Ended December 31, 2015	$ 1,544	$ (314)	$ (312)	$ 918

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ALEXANDER'S, INC. AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2017
(Amounts in thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E				COLUMN F	COLUMN G	COLUMN H	COLUMN I
		Initial Cost to Company(2)		Costs Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period				Accumulated Depreciation and Amortization			Life on which Depreciation in Latest Income Statement is Computed
Description	Encumbrances[1]	Land	Buildings and Leasehold Improvements		Land	Buildings and Leasehold Improvements	Development and Construction In Progress	Total[3]		Date of Construction	Date Acquired[2]	
New York, NY												
Rego Park I	$78,246	$1,647	$8,953	$53,390	$1,647	$62,268	$75	$63,990	$33,073	1959	1992	3-39 years
Rego Park II	256,194	3,127	1,467	388,890	3,127	390,118	239	393,484	83,963	2009	1992	3-40 years
The Alexander apartment tower	—	—	—	119,112	—	119,112	—	119,112	9,856	2016	1992	3-39 years
Rego Park III	—	779	—	3,740	779	503	3,237	4,519	228	N/A	1992	5-15 years
Flushing	—	—	1,660	(107)	—	1,553	—	1,553	968	1975[4]	1992	N/A
Lexington Avenue	850,000	14,432	12,355	416,002	27,497	415,292	—	442,789	154,956	2003	1992	9-39 years
Paramus, NJ	68,000	1,441	—	10,313	11,754	—	—	11,754	—	N/A	1992	N/A
Other Properties	—	167	1,804	(1,804)	167	—	—	167	—	N/A	1992	N/A
TOTAL	$1,252,440	$21,593	$26,239	$989,536	$44,971	$988,846	$3,551	$1,037,368	$283,044			

(1) Excludes deferred debt issuance costs, net of $12,218.
(2) Initial cost is as of May 15, 1992 (the date on which the Company commenced its real estate operations).
(3) The net basis of the Company's assets and liabilities for tax purposes is approximately $199,268 lower than the amount reported for financial statement purposes.
(4) Represents the date the lease was acquired.

ALEXANDER'S, INC. AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(Amounts in thousands)

	December 31,		
	2017	2016	2015
REAL ESTATE:			
Balance at beginning of period	$1,033,551	$1,029,472	$993,927
Changes during the period:			
Land	—	—	—
Buildings and leasehold improvements	3,046	12,464	112,538
Development and construction in progress	771	(6,706)	(65,803)
	1,037,368	1,035,230	1,040,662
Less: Fully depreciated assets	—	(1,679)	(11,190)
Balance at end of period	$1,037,368	$1,033,551	$1,029,472
ACCUMULATED DEPRECIATION:			
Balance at beginning of period	$252,737	$225,533	$210,025
Additions charged to operating expenses	30,307	28,883	26,698
	283,044	254,416	236,723
Less: Fully depreciated assets	—	(1,679)	(11,190)
Balance at end of period	$283,044	$252,737	$225,533

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ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES - continued

(b) Exhibits

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 3(ii) to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000	*
10.1	-	Real Estate Retention Agreement dated as of July 20, 1992, between Vornado Realty Trust and Keen Realty Consultants, Inc., each as special real estate consultants, and the Company. Incorporated herein by reference from Exhibit 10(i)(O) to the registrant's Annual Report on Form 10-K for the fiscal year ended July 25, 1992	*
10.2	-	Extension Agreement to the Real Estate Retention Agreement, dated as of February 6, 1995, between the Company and Vornado Realty Trust. Incorporated herein by reference from Exhibit 10(i)(G)(2) to the registrant's Annual Report on Form 10-K for the year ended December 31, 1994	*
10.3	-	Agreement of Lease dated as of April 30, 2001 between Seven Thirty One Limited Partnership, landlord, and Bloomberg L.P., tenant. Incorporated herein by reference from Exhibit 10(v) B to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, filed on August 2, 2001	*
10.4	-	Lease dated as of October 2, 2001 by and between ALX of Paramus LLC, as Landlord, and IKEA Property, Inc. as Tenant. Incorporated herein by reference from Exhibit 10(v)(C)(4) to the registrant's Annual Report on Form 10-K for the year ended December 31, 2001, filed on March 13, 2002	*
10.5	-	First Amendment to Real Estate Retention Agreement, dated as of July 3, 2002, by and between Alexander's, Inc. and Vornado Realty, L.P. Incorporated herein by reference from Exhibit 10(i)(E)(3) to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 7, 2002	*
10.6	-	59th Street Real Estate Retention Agreement, dated as of July 3, 2002, by and between Vornado Realty, L.P., 731 Residential LLC and 731 Commercial LLC. Incorporated herein by reference from Exhibit 10(i)(E)(4) to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 7, 2002	*
10.7	-	Amended and Restated Management and Development Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. Incorporated herein by reference from Exhibit 10(i)(F)(1) to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 7, 2002	*
10.8	-	Limited Liability Company Operating Agreement of 731 Residential LLC, dated as of July 3, 2002, among 731 Residential Holding LLC, as the sole member, Domenic A. Borriello, as an Independent Manager and Kim Lutthang, as an Independent Manager. Incorporated herein by reference from Exhibit 10(i)(A)(1) to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 7, 2002	*
10.9	-	Limited Liability Company Operating Agreement of 731 Commercial LLC, dated as of July 3, 2002, among 731 Commercial Holding LLC, as the sole member, Domenic A. Borriello, as an Independent Manager and Kim Lutthang, as an Independent Manager. Incorporated herein by reference from Exhibit 10(i)(A)(2) to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 7, 2002	*
10.10	-	Reimbursement Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., 731 Commercial LLC, 731 Residential LLC and Vornado Realty, L.P. Incorporated herein by reference from Exhibit 10(i)(C)(8) to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 7, 2002	*

* Incorporated by reference.

10.11	-	First Amendment of Lease, dated as of April 19, 2002, between Seven Thirty One Limited Partnership, landlord and Bloomberg L.P., tenant. Incorporated herein by reference from Exhibit 10(v)(B)(2) to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2002, filed on August 7, 2002	*
10.12	-	Second Amendment to Real Estate Retention Agreement, dated as of January 1, 2007, by and between Alexander's, Inc. and Vornado Realty L.P. Incorporated herein by reference from Exhibit 10.64 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed on February 26, 2007	*
10.13	-	Amendment to 59th Street Real Estate Retention agreement, dated as of January 1, 2007, by and among Vornado Realty L.P., 731 Retail One LLC, 731 Restaurant LLC, 731 Office One LLC and 731 Office Two LLC. Incorporated herein by reference from Exhibit 10.65 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed on February 26, 2007	*
10.14	-	First Amendment to Amended and Restated Management and Development Agreement, dated as of July 6, 2005, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. Incorporated herein by reference from Exhibit 10.52 to the registrant's Annual Report on Form 10-K, for the year ended December 31, 2007, filed on February 25, 2008	*
10.15	-	Second Amendment to Amended and Restated Management and Development Agreement, dated as of December 20, 2007, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. Incorporated herein by reference from Exhibit 10.53 to the registrant's Annual Report on Form 10-K, for the year ended December 31, 2007, filed on February 25, 2008	*
10.16	-	Third Amendment to Real Estate Retention Agreement, dated as of December 20, 2007, by and between Alexander's, Inc., and Vornado Realty L.P. Incorporated herein by reference from Exhibit 10.55 to the registrant's Annual Report on Form 10-K, for the year ended December 31, 2007, filed on February 25, 2008	*
10.17	-	Loan Agreement dated as of March 10, 2009 between Alexander's Rego Park Shopping Center Inc., as Borrower and U.S. Bank National Association, as Lender. Incorporated herein by reference from Exhibit 10.55 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, filed on May 4, 2009	*
10.18	-	Amended and Restated Mortgage, Security Agreement, Fixture Filing and Assignment of Leases and Rentals by and between Alexander's Rego Shopping Center, Inc. as Borrower and U.S. Bank National Association as Lender, dated as of March 10, 2009. Incorporated herein by reference from Exhibit 10.56 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, filed on May 4, 2009	*
10.19	-	Amended and Restated Promissory Note dated as of March 10, 2009, by Alexander's Rego Shopping Center Inc., in favor of U.S. Bank National Association. Incorporated herein by reference from Exhibit 10.57 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, filed on May 4, 2009	*
10.20	-	Cash Pledge Agreement dated as of March 10, 2009, executed by Alexander's Rego Shopping Center Inc. to and for the benefit of U.S. Bank National Association. Incorporated herein by reference from Exhibit 10.58 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, filed on May 4, 2009	*
10.21	-	Lease dated as of February 7, 2005, by and between 731 Office One LLC, as Landlord, and Citibank, N.A., as Tenant. Incorporated herein by reference from Exhibit 10.59 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, filed on May 4, 2009	*
10.22	-	Assignment and Assumption and Consent Agreement, dated as of March 25, 2009, by and between 731 Office One LLC, as Landlord, Citicorp North America, Inc., as Assignor, and Bloomberg L.P., as Assignee. Incorporated herein by reference from Exhibit 10.60 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, filed on May 4, 2009	*

* Incorporated by reference.

10.23	-	Third Amendment to Amended and Restated Management and Development Agreement, dated as of November 30, 2011, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. Incorporated herein by reference from Exhibit 10.49 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2011, filed on February 27, 2012	*
10.24	-	Loan and Security Agreement, dated November 30, 2011, by and between Rego II Borrower LLC, as Borrower, and the Lender. Incorporated herein by reference from Exhibit 10.50 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2011, filed on February 27, 2012	*
10.25	-	Consolidated, Amended and Restated Promissory Note, dated November 30, 2011, by and between Rego II Borrower LLC, as Maker, and the Lender. Incorporated herein by reference from Exhibit 10.51 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2011, filed on February 27, 2012	*
10.26	-	Consolidated, Amended and Restated Mortgage, Assignment of Leases and Rents and Security Agreement, dated November 30, 2011, by and between Rego II Borrower LLC, as Mortgagor, and the Mortgagee. Incorporated herein by reference from Exhibit 10.52 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2011, filed on February 27, 2012	*
10.27	-	Guarantee of Recourse Carveouts, dated November 30, 2011, by Alexander's, Inc., as Guarantor, to and for the benefit of the Lender. Incorporated herein by reference from Exhibit 10.53 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2011, filed on February 27, 2012	*
10.28	-	Environmental Indemnity Agreement, dated November 30, 2011, among Rego II Borrower LLC and Alexander's, Inc., individually or collectively as Indemnitor, in favor of the Lender. Incorporated herein by reference from Exhibit 10.54 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2011, filed on February 27, 2012	*
10.29	-	First Omnibus Loan Modification and Extension Agreement dated March 12, 2012 by and between Alexander's Rego Shopping Center, Inc., as Borrower and U.S. Bank National Association, as Lender. Incorporated herein by reference from Exhibit 10.55 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed on May 7, 2012	*
10.30	-	Mortgage Modification Agreement dated March 12, 2012 by and between Alexander's Rego Shopping Center, Inc., as Mortgagor and U.S. Bank National Association, as Mortgagee. Incorporated herein by reference from Exhibit 10.56 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed on May 7, 2012	*
10.31	-	First Amendment and Modification of Loan and Security Agreement and Other Loan Documents, dated as of June 20, 2012 by and between Rego II Borrower LLC, as Borrower, and the Lender. Incorporated herein by reference from Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, filed on August 6, 2012	*
10.32	-	Fourth Amendment to Amended and Restated Management and Development Agreement, dated as of August 1, 2012, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. Incorporated herein by reference from Exhibit 10.2 to the registrants Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, filed on November 1, 2012	*
10.33	-	Contribution Agreement and Joint Escrow Instructions, dated as of October 21, 2012, by and between Alexander's Kings Plaza LLC, Alexander's of Kings LLC and Kings Parking LLC, and Brooklyn Kings Plaza LLC. Incorporated herein by reference from Exhibit 10.53 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2012, filed on February 26, 2013	*

* Incorporated by reference.

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10.34	-	Fifth Amendment to Amended and Restated Management and Development Agreement, dated as of December 1, 2012, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. Incorporated herein by reference from Exhibit 10.54 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2012, filed on February 26, 2013	*
10.35	-	Second Omnibus Loan Modification and Extension Agreement, dated March 8, 2013, by and between Alexander's Rego Shopping Center, Inc., as Borrower and U.S. Bank National Association, as Lender. Incorporated herein by reference from Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed on May 6, 2013	*
10.36	-	Second Mortgage Modification Agreement, dated March 8, 2013, by and between Alexander's Rego Shopping Center, Inc., as Mortgator and U.S. Bank National Association, as Mortgagee. Incorporated herein by reference from Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed on May 6, 2013	*
10.37	-	Second Amendment and Modification of Loan Agreement and Other Loan Documents and Ratification of Guarantor, dated November 15, 2013, by and between Rego II Borrower LLC, as Borrower, and the Lender. Incorporated herein by reference from Exhibit 10.60 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2013, filed on February 24, 2014	*
10.38	-	Partial Release of Mortgage, dated November 15, 2013, by and between Rego II Borrower LLC, as Mortgagor, and the Mortgagee. Incorporated herein by reference from Exhibit 10.61 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2013, filed on February 24, 2014	*
10.39	-	Partial Release of Assignment of Leases and Rents, dated November 15, 2013, by and between Rego II Borrower LLC, as Assignor, and the Assignee. Incorporated herein by reference from Exhibit 10.62 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2013, filed on February 24, 2014	*
10.40	-	Loan Agreement, date as of February 28, 2014, by and between 731 Office One LLC, as Borrower, and German American Capital Corporation, as Lender. Incorporated herein by reference from Exhibit 10.1 to the registrant's Quarterly report on Form 10-Q for the quarter ended March 31, 2014, filed on May 5, 2014	*
10.41	-	Consolidated, Amended and Restated Promissory Note, dated as of February 28, 2014, by and between 731 Office One LLC, as Borrower, and German American Capital Corporation, as Lender. Incorporated herein by reference from Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 5, 2014	*
10.42	-	Amended and Restated Mortgage, Assignment of Leases and Rents and Security Agreement, dated as of February 28, 2014, by and between 731 Office One LLC, as Mortgagor, and German American Capital Corporation, as Mortgagee. Incorporated herein by reference from Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 5, 2014	*
10.43	-	Assignment of Leases and Rents dated as of February 28, 2014, by and between 731 Office One LLC, as Assignor, and German American Capital Corporation, as Assignee. Incorporated herein by reference from Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 5, 2014	*
10.44	-	Guaranty of Recourse Obligations dated as of February 28, 2014, by and between Alexander's, Inc., as Guarantor, and German American Capital Corporation, as Lender. Incorporated herein by reference from Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 5, 2014	*
10.45	-	Environmental Indemnity Agreement dated as of February 28, 2014, by and between 731 Office One LLC, as Indemnitor, and German American Capital Corporation, as Indemnitee. Incorporated herein by reference from Exhibit 10.6 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 5, 2014	*

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* Incorporated by reference.

10.46	-	Termination Agreement dated as of February 28, 2014, by and among 731 Office One LLC, Alexander's Management LLC, Vornado Realty L.P., 731 Office Two LLC, 731 Residential LLC, 731 Commercial LLC, 731 Retail One LLC and 731 Restaurant LLC. Incorporated herein by reference from Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 5, 2014	*
10.47	-	Real Estate Sub-Retention Agreement dated as of February 28, 2014, by and between Alexander's Management LLC, as Agent, and Vornado Realty L.P., as Sub-Agent. Incorporated herein by reference from Exhibit 10.8 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 5, 2014	*
10.48	-	Sixth Amendment to Amended and Restated Management and Development Agreement, dated as of March 21, 2014, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. Incorporated herein by reference from Exhibit 10.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 5, 2014	*
10.49	-	Rego Park II Residential Management and Development Agreement, dated as of March 21, 2014 by and between Alexander's of Rego Residential LLC and Vornado Management Corp. Incorporated herein by reference from Exhibit 10.10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 5, 2014	*
10.50	-	Fourth Amendment to Real Estate Retention Agreement, dated December 22, 2014 by and between Alexander's, Inc. and Vornado Realty, L.P. Incorporated herein by reference from Exhibit 10.56 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014, filed on February 17, 2015	*
10.51	-	Second Amendment to 59th Street Real Estate Retention Agreement, dated December 22, 2014 by and between 731 Retail One LLC, 731 Restaurant LLC, 731 Office Two LLC and Vornado Realty, L.P. Incorporated herein by reference from Exhibit 10.57 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014, filed on February 17, 2015	*
10.52	-	First Amendment to Rego II Real Estate Sub-Rentention Agreement, dated December 22, 2014 by and between Alexander's, Inc. and Vornado Realty L.P. Incorporated herein by reference from Exhibit 10.58 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014, filed on February 17, 2015	*
10.53	-	First Amendment to Real-Estate Sub-Retention Agreement, dated December 22, 2014 by and between Alexander's Management LLC and Vornado Realty, L.P. Incorporated herein by reference from Exhibit 10.59 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014, filed on February 17, 2015	*
10.54	-	Third Omnibus Loan Modification and Extension Agreement, dated March 10, 2015, by and between Alexander's Rego Shopping Center, Inc., as Borrower and U.S. Bank National Association, as Lender. Incorporated herein by reference from Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed on May 4, 2015	*
10.55	-	Third Mortgage Modification Agreement, dated March 10, 2015, by and between Alexander's Rego Shopping Center, Inc., as Mortgator and U. S. Bank National Association, as Mortgagee. Incorporated herein by reference from Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed on May 4, 2015	*
10.56	-	Loan Agreement, dated as of August 5, 2015, by and between 731 Retail One LLC and 731 Commercial LLC, as Borrower, and JPMorgan Chase Bank, N.A., Wells Fargo Bank, N.A., and Landesbank Baden-Württemberg, New York Branch, as Lenders. Incorporated herein by reference from Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, filed on November 2, 2015	*
10.57+	-	Second Amendment of Lease, dated as of the 12th of January 2016 between 731 Office One LLC and Bloomberg L.P. Incorporated herein by reference from Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, filed on May 2, 2016	*

* Incorporated by reference.

\+ Portions of this exhibit have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission under Rule 24b-2. The omitted confidential material has been filed separately. The location of the redacted confidential information is indicated in the exhibit as "redacted."

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10.58		-	Four Omnibus Loan Modification and Extension Agreement, dated and made effective as of March 8, 2016, by and between Alexanders Rego Shopping Center and U.S. Bank National Association. Incorporated herein by reference from Exhibit 10.2 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, filed on May 2, 2016	*
10.59		-	Fourth Mortgage Modification Agreement, dated and made effective as of March 8, 2016, by and between Alexander’s Rego Shopping Center and U.S. Bank National Association. Incorporated herein by reference from Exhibit 10.3 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, filed on May 2, 2016	*
10.60	**	-	Form of Alexander’s Inc. 2016 Omnibus Stock Plan Deferred Stock Unit Grant Agreement between the Company and certain employees. Incorporated herein by reference from Exhibit 10.4 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, filed on August 1, 2016	*
10.61		-	Loan Agreement, dated as of June 1, 2017, between 731 Office One LLC, as Borrower, and Deutsche Bank AG, New York Branch and Citigroup Global Markets Realty Corp. collectively, as Lender. Incorporated herein by reference from Exhibit 10.1 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed on July 31, 2017	*
10.62		-	Participation and Servicing Agreement for Loan and Security Agreement, dated July 28, 2017, between Bank of China, New York Branch, individually as Lender, Initial A-1 Holder and as the Agent for the Holders, and Alexander’s of Rego Park II Participating Lender LLC, individually as Initial A-2 Holder. Incorporated herein by reference from Exhibit 10.2 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed on October 30, 2017	*
12		-	Computation of Ratios	***
21		-	Subsidiaries of Registrant	***
23		-	Consent of Independent Registered Public Accounting Firm	***
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	***
101.INS		-	XBRL Instance Document	***
101.SCH		-	XBRL Taxonomy Extension Schema	***
101.CAL		-	XBRL Taxonomy Extension Calculation Linkbase	***
101.DEF		-	XBRL Taxonomy Extension Definition Linkbase	***
101.LAB		-	XBRL Taxonomy Extension Label Linkbase	***
101.PRE		-	XBRL Taxonomy Extension Presentation Linkbase	***

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* Incorporated by reference.
** Management contract or compensatory agreement.
*** Filed herewith.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALEXANDER'S, INC.
(Registrant)

Date: February 12, 2018 By: /s/ Matthew Iocco
Matthew Iocco, Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
By: /s/Steven Roth (Steven Roth)	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	February 12, 2018
By: /s/Matthew Iocco (Matthew Iocco)	Chief Financial Officer (Principal Financial and Accounting Officer)	February 12, 2018
By: /s/Thomas R. DiBenedetto (Thomas R. DiBenedetto)	Director	February 12, 2018
By: /s/David Mandelbaum (David Mandelbaum)	Director	February 12, 2018
By: /s/Wendy Silverstein (Wendy Silverstein)	Director	February 12, 2018
By: /s/Arthur Sonnenblick (Arthur Sonnenblick)	Director	February 12, 2018
By: /s/Richard R. West (Richard R. West)	Director	February 12, 2018
By: /s/Russell B. Wight Jr. (Russell B. Wight Jr)	Director	February 12, 2018