

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: March 31, 1993

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: 1-5098

VORNADO, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation
or organization)

22-1657560

(I.R.S. Employer
Identification Number)

Park 80 West, Plaza II, Saddle Brook, New Jersey

(Address of principal executive offices)

07662

(Zip Code)

(201)587-1000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

As of May 4, 1993 there were 16,077,969 shares of common stock outstanding.

VORNADO, INC

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PART I. FINANCIAL INFORMATION

VORNADO, INC.

CONSOLIDATED BALANCE SHEETS

(amounts in thousands except share amounts)

	March 31, 1993	December 31, 1992		March 31, 1993	December 31, 1992
ASSETS:					
Real estate, at cost:					
Land	\$ 45,154	\$ 45,089			
Buildings and improvements	266,661	265,487			
Leasehold improvements and equipment	4,205	4,075			
Total	316,020	314,651			
Less accumulated depreciation and amortization	(113,455)	(111,142)			
Real estate, net	202,565	203,509			
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of \$4,412 and \$10,604 U.S. treasury obligations, at amortized cost (market - \$122,761 and \$121,715)	117,887	117,029			
Marketable securities, carried at the lower of cost or market (market -\$19,169 and \$16,506)	12,734	12,998			
Due from officer	4,418	2,918			
Accounts receivable, net of allowance for doubtful accounts of \$264 and \$337	5,779	4,043			
Income taxes receivable	6,874	10,775			
Prepaid expenses	1,391	1,488			
Other assets	16,758	16,379			
TOTAL ASSETS	\$376,648	\$420,616			
LIABILITIES AND STOCKHOLDERS' (DEFICIT):					
Mortgages payable	\$340,202				
Due for U.S. treasury obligations	23,393				
Due to officer	-				
Accounts payable and accrued expenses	7,520				
Deferred income taxes	6,369				
Other liabilities	4,232				
Total liabilities	381,716				
Commitments and contingencies					
Stockholders' (deficit):					
Preferred stock: no par value per share; authorized, 1,000,000 shares; issued, none					
Common stock: \$.04 par value per share; authorized, 50,000,000 shares; issued, 21,084,993 and 21,064,134 shares	843				
Additional capital	75,969				
Retained earnings	105,875				
Less:					
Common stock held in treasury (shares substantially before stock splits), 5,007,024 shares at cost in each year	183,050				
Due from officer for purchase of shares of common stock	4,705				
Total stockholders' (deficit)	(5,068)				
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	\$376,648	\$420,616			

See notes to consolidated financial statements.

VORNADO, INC.

CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands except share amounts)

	<u>FOR THE THREE MONTHS ENDED</u>	
	<u>March 31, 1993</u>	<u>March 31, 1992</u>
Property rentals	<u>\$16,702</u>	<u>\$15,294</u>
Expenses:		
Operating, net	2,151	2,342
Depreciation and amortization	2,313	2,284
General and administrative	<u>1,171</u>	<u>952</u>
	<u>5,635</u>	<u>5,578</u>
Operating income	11,067	9,716
Interest and dividend income	2,611	2,057
Interest and debt expense	(8,394)	(8,542)
Net gain on marketable securities	<u>110</u>	<u>1,021</u>
Income from continuing operations before income taxes	5,394	4,252
Provision for federal and state income taxes	<u>2,154</u>	<u>1,740</u>
Income from continuing operations	3,240	2,512
(Loss) from discontinued operation, net of Income tax benefit of \$240	<u>(360)</u>	<u>-</u>
NET INCOME	<u>\$ 2,880</u>	<u>\$ 2,512</u>
Net Income Per Share*:		
Continuing operations	\$.20	\$.15
Discontinued operation	<u>(.02)</u>	<u>-</u>
NET INCOME	<u>\$.18</u>	<u>\$.15</u>
Weighted average number of common shares and common share equivalents outstanding during period	16,385,497	16,485,612
Dividends per share *	\$.31	\$.28

* Share and per share data for all periods presented have been adjusted retroactively for a three-for-two common stock split effected in the form of a stock dividend in March 1993.

See notes to consolidated financial statements.

VORNADO, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(amounts in thousands)

	<u>FOR THE THREE MONTHS ENDED</u>	
	<u>March 31, 1993</u>	<u>March 31, 1992</u>
Cash flows from operating activities:		
Income from continuing operations	\$ 3,240	\$ 2,512
Adjustments to reconcile net income to net cash provided by continuing operations:		
Depreciation and amortization (Including debt issuance costs)	2,869	2,824
Straight-lining of rental income	(500)	(521)
Net gain on marketable securities	(110)	(1,021)
Changes in assets and liabilities:		
Accounts receivable and prepaid expenses	(1,639)	470
Due to officer	(12,753)	-
Accounts payable and accrued expenses	1,098	(773)
Income taxes	3,901	1,594
Other	<u>(37)</u>	<u>(44)</u>
Net cash (used in) provided by operating activities of continuing operations	(3,931)	5,041
Net cash provided by operating activities of discontinued operation	<u>-</u>	<u>1,997</u>
Net cash (used in) provided by operating activities	<u>(3,931)</u>	<u>7,038</u>
Cash flows from investing activities:		
Additions to real estate, net of an insurance recovery of \$1,615 in the three months ended March 31, 1992	(1,369)	(2,598)
Purchases of marketable securities and U.S. treasury obligations	(858)	(2,085)
Proceeds from sale of marketable securities and U.S. treasury obligations	<u>374</u>	<u>1,914</u>
Net cash (used in) investing activities	<u>(1,853)</u>	<u>(2,769)</u>
Cash flows from financing activities:		
Due for U.S. treasury obligations	(29,502)	-
Payments on borrowings	(1,499)	(970)
Dividends paid	(4,950)	(4,284)
Net loans to officer	(1,500)	-
Acquisition of common stock held in treasury	<u>-</u>	<u>(89)</u>
Net cash (used in) financing activities	<u>(37,451)</u>	<u>(5,343)</u>
Net (decrease) in cash and cash equivalents	(43,235)	(1,074)
Cash and cash equivalents at beginning of period	<u>51,477</u>	<u>14,686</u>
Cash and cash equivalents at end of period	<u>\$ 8,242</u>	<u>\$ 13,612</u>
Supplemental disclosure of cash flow information:		
Cash payments for income taxes	<u>\$ -</u>	<u>\$ 251</u>
Cash payments for interest	<u>\$ 7,838</u>	<u>\$ 8,002</u>

See notes to consolidated financial statements.

VORNADO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated Financial Statements

The consolidated balance sheet as of March 31, 1993, the consolidated statements of income for the three months ended March 31, 1993 and March 31, 1992 and the consolidated statements of changes in cash flows for the three months ended March 31, 1993 and March 31, 1992 are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows at March 31, 1993 and March 31, 1992, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 1992 Annual Report on Form 10-K. The results of operations for the period ended March 31, 1993 are not necessarily indicative of the operating results for the full year.

2. Conversion to a Real Estate Investment Trust ("REIT")

A special meeting of the stockholders of Vornado, Inc. has been scheduled for May 6, 1993 to approve the merger of Vornado, Inc. into Vornado Realty Trust (the "Trust"), a Maryland real estate investment trust. Vornado Realty Trust was formed in March 1993 specifically for the purpose of the merger and will be the surviving entity in the merger.

At the effective time of the merger each share of common stock, par value \$0.04 per share of the Company (the "Company Shares"), shall be converted into one fully paid and nonassessable common share of beneficial interest, par value \$0.04 per share of the Trust. All Company Shares shall no longer be outstanding and shall be cancelled.

Vornado Realty Trust filed a Registration Statement on April 15, 1993 with the Securities and Exchange Commission for a proposed public offering of 5,000,000 common shares of beneficial interest. These two steps, together with a dividend of \$3.36 per share (approximately \$54,000,000) in accumulated earnings and profits, as determined for Federal income tax purposes, which has been declared, contingent upon the completion of the public offering, will complete the actions necessary for the Company to qualify as a REIT for Federal income tax purposes. There can, of course, be no assurance that the public offering of 5,000,000 shares will be completed, as such offering will be contingent upon market and other conditions. While it is presently contemplated that the public offering will close promptly after the date of the special meeting, should it be delayed or abandoned, the Board of Directors presently plans to delay the effectiveness of the merger until it is reasonably certain that the dilution of the holdings of the five largest stockholders, which is required for the Company to qualify as a REIT for Federal income tax purposes, will occur because there is no reason to change Vornado's corporate structure until it can so qualify. If such public offering is completed, the Company will elect REIT status for Federal income tax purposes in 1993.

3. Adoption of SFAS No. 109

Statement of Financial Accounting Standards No. 109 - Accounting for Income Taxes ("SFAS No. 109") required the Company to adopt SFAS No. 109 on January 1, 1993. This new statement requires that deferred income taxes reflect the tax consequences in future years of differences between the tax return basis of assets and liabilities and their financial statement reporting amounts.

Prior to 1993, provisions were made by the company for deferred income taxes where differences existed between the time that transactions affected taxable income and the time that these transactions entered into the determination of income for financial statement purposes.

VORNADO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company adopted SFAS No. 109 which resulted in no change to the Company's net deferred tax liability. The Company's deferred tax liabilities and assets as of January 1, 1993, are comprised of the following (in thousands):

Deferred tax liabilities:	
Accelerated depreciation	\$ 3,244
Rental income	3,849
Prepaid expenses	<u>316</u>
	<u>7,409</u>
Deferred tax assets:	
Pension expense	1,018
Other	<u>22</u>
	<u>1,040</u>
Net deferred tax liability	<u>\$ 6,369</u>

If the Company converts to a REIT, the net deferred tax liability at such time will be reversed and an income tax benefit will be recorded and will result in an increase in stockholders' equity.

4. Stock Split

On March 8, 1993, the Board of Directors approved a three-for-two stock split by declaring a dividend of one share of common stock for each two shares issued and outstanding as of the close of business on March 18, 1993. The additional shares and cash payments in lieu of fractional shares were issued March 25, 1993. The accompanying financial statements have been adjusted to reflect this event.

5. Related Party Transactions

Steven Roth, Chairman of the Board and Chief Executive Officer of the Company is a General Partner of Interstate Properties, a 44.8% stockholder of the Company.

(A) At March 31, 1993, the loan due from Mr. Roth in connection with the exercise of a stock option was \$9,122,500 (\$4,705,000 of which is reflected as a reduction in stockholders equity). In April 1993, the Company lent Mr. Roth \$2,000,000 for additional income taxes payable.

(B) In July 1992, the Company was retained by Alexander's, Inc. to act as a special real estate consultant with respect to the leasing or sale of certain assets in connection with Alexander's reorganization proceedings currently pending under Chapter XI of the Bankruptcy Code. Interstate Properties owns 1,354,568 shares or 27.2% of the common stock of Alexander's and Mr. Roth is a Director of Alexander's. The Company owns 113,100 or 2.3% of the common stock of Alexander's and because of the relationship between Interstate Properties, Mr. Roth and the Company, Interstate Properties and the Company filed as a "group" with the Securities and Exchange Commission in connection with their respective holdings in Alexander's. The Company is due a fee of approximately \$6,500,000 over a three year period for transactions completed to date providing for the leasing of, or the sale of leases on approximately two-thirds of Alexander's store properties. Such receipts are subject to payment of rents by the underlying tenants pursuant to the leases and to the prior satisfaction of all payments to which certain creditors of Alexander's are entitled under the plan of reorganization confirmed by such creditors.

VORNADO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(C) The Company is managing and leasing the seven shopping centers of Interstate Properties, pursuant to a Management Agreement, for which the Company receives a quarterly fee equal to 4% of base rent and percentage rent and certain other commissions. For the period from January 1, 1993 through March 31, 1993, \$317,000 of management fees were earned by the Company pursuant to the Management Agreement.

6. Discontinued Operation

The Company has preliminarily agreed to pay approximately \$600,000 in settlement of disputes which arose from the sale of certain assets of the Company's fleece apparel business in 1991. This expense is recorded in the quarter ended March 31, 1993 as discontinued operation expense.

VORNADO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Property rentals were \$16,702,000 for the quarter ended March 31, 1993, compared to \$15,294,000 for the quarter ended March 31, 1992, an increase of \$1,408,000. Of this increase, \$820,000 represented rental step-ups in existing tenant leases, which are not subject to the straight-line basis of revenue recognition and \$588,000 was attributable to property rentals from new tenants exceeding property rentals from vacating tenants.

Operating expenses in the first quarter were \$191,000 less than the prior year's quarter primarily as a result of an increase in tenant reimbursements in connection with leases which commenced subsequent to March 31, 1992.

Depreciation and amortization expense for the quarter ended March 31, 1993 did not change significantly from the expense for the prior year's quarter.

General and administrative expenses increased by \$219,000 primarily as a result of higher professional fees.

Investment income from cash and cash equivalents, net U.S. Treasury obligations and marketable securities (collectively, "Liquid Investments") was \$2,721,000 for the quarter ended March 31, 1993, compared to \$3,078,000 for the prior year's quarter, a decrease of \$357,000. Investment income for the quarter ended March 31, 1992 included \$509,000 in income (including \$596,000 in net gains on sale of marketable securities) from the Company's investment in a limited partnership which the Company liquidated at December 31, 1992 at book value for cash. In addition, net gains on the sale of other marketable securities decreased by \$315,000. These decreases were partially offset by a \$467,000 increase in interest and dividend income.

Interest and debt expense for the quarter ended March 31, 1993, did not change significantly from such expense for the prior year's quarter.

LIQUIDITY AND CAPITAL RESOURCES

On March 31, 1993, the Company had Liquid Investments of \$115,500,000 compared to \$128,600,000 at December 31, 1992, a decrease of \$13,100,000. The decrease in Liquid Investments resulted primarily from (i) dividends paid of \$5,000,000 (ii) net cash used in operating activities of \$3,900,000 (including payments to an officer of \$12,800,000 in connection with the exercise of a stock option and the subsequent repurchase of a portion of the shares) (iii) debt repayments of \$1,500,000 (iv) net loans to an officer of \$1,500,000 (\$3,000,000 loan in January 1993, net of a \$1,500,000 repayment in February 1993) and (v) capital expenditures of \$1,400,000.

Funds from operations, improved to \$7,700,000 for the quarter ended March 31, 1993 from \$6,100,000 in the prior year's quarter, an increase of \$1,600,000 or 26%. Funds from operations represents income from continuing operations before income taxes plus depreciation and amortization (including debt issuance costs) less straight-lining of rents and gains on the sale of marketable securities (other than gains from the Company's investment in a limited partnership). Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity.

VORNADO, INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The Company maintains a \$5,000,000 unsecured line of credit with a bank. As of March 31, 1993, approximately \$2,500,000 of standby letters of credit were outstanding under this facility.

The Board of Directors of the Company has determined that the Company should take the necessary actions to qualify as a REIT for Federal income tax purposes. Among such actions, the Company would be required to distribute to its stockholders all accumulated earnings and profits, as determined for Federal income tax purposes (see Note 2).

The Company anticipates that adequate cash from continuing operations and working capital will be available to fund its business operations, capital expenditures, continuing debt service obligations and the payment of dividends, including any dividend of accumulated earnings and profits, as determined for Federal income tax purposes.

VORNADO, INC.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

- (a) Exhibits: The following exhibits are filed with this Quarterly Report on Form 10-Q.

11 Statement Re Computation of Per Share Earnings.

- (b) Reports on Form 8-K

NONE

VORNADO, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VORNADO, INC.
(Registrant)

Date: May 4, 1993

/s/ Joseph Macnow
JOSEPH MACNOW
Vice President - Chief Financial
Officer and Chief Accounting Officer

VORNADO, INC.

EXHIBIT INDEX

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EXHIBIT 11

VORNADO, INC.

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

	<u>FOR THE THREE MONTHS ENDED</u>	
	<u>March 31, 1993</u>	<u>March 31, 1992</u>
Weighted average number of shares outstanding	16,077,969	15,296,978
Common stock equivalents for options after applying treasury stock method	<u>307,528</u>	<u>1,188,634</u>
Weighted Average Number of Shares and Common Stock Equivalents Outstanding *	<u>16,385,497</u>	<u>16,485,612</u>
Income from continuing operations	\$3,240,000	\$2,512,000
(Loss) from discontinued operation	<u>(360,000)</u>	<u>-</u>
Net income	<u>\$2,880,000</u>	<u>\$2,512,000</u>
Net income(loss) per share *:		
Continuing operations	\$.20	\$.15
Discontinued operation	<u>(.02)</u>	<u>-</u>
	<u>\$.18</u>	<u>\$.15</u>

* Share and per share data for all periods presented have been adjusted retroactively for a three-for-two common stock split effected in the form of a stock dividend in March 1993.