

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

FORM 10-K

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

For the Fiscal Year Ended: December 31, 2011

OR

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

For the transition period from
Commission File Number:

to
001-6064

ALEXANDER'S, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

51-0100517
(IRS Employer Identification No.)

210 Route 4 East, Paramus, New Jersey
(Address of principal executive offices)

07652
(Zip Code)

Registrant's telephone number, including area code

(201) 587-8541

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$1 par value per share

Name of each exchange on which registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Exchange Act.
YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act.
YES NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
 Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer
 Non-Accelerated Filer (Do not check if smaller reporting company)

Accelerated Filer
 Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

The aggregate market value of the voting and non-voting shares of common stock held by non-affiliates of the registrant, (i.e., by persons other than officers and directors of Alexander's, Inc.) was \$816,230,000 at June 30, 2011.

As of December 31, 2011 there were 5,105,936 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III: Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 24, 2012.

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(1) These items are omitted in part or in whole because the registrant will file a definitive Proxy Statement pursuant to Regulation 14A under the Securities Exchange Act of 1934 with the Securities and Exchange Commission no later than 120 days after December 31, 2011, portions of which are incorporated by reference herein.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as “approximates,” “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “would,” “may” or other similar expressions in this Annual Report on Form 10-K. We also note the following forward-looking statements: in the case of our development projects, the estimated completion date, estimated project costs and costs to complete; and estimates of dividends on shares of our common stock. Many of the factors that will determine the outcome of these and our other forward-looking statements are beyond our ability to control or predict. For a further discussion of factors that could materially affect the outcome of our forward-looking statements, see “Item 1A - Risk Factors” in this Annual Report on Form 10-K.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly, any revisions to our forward-looking statements to reflect events or circumstances occurring after the date of this Annual Report on Form 10-K.

ITEM 1. BUSINESS

GENERAL

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

- (i) the 731 Lexington Avenue property, a 1,307,000 square foot multi-use building, comprising the entire square block bounded by Lexington Avenue, East 59th Street, Third Avenue and East 58th Street in Manhattan. The building contains 885,000 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;
- (ii) the Kings Plaza Regional Shopping Center contains 1,210,000 square feet and is located on Flatbush Avenue in Brooklyn. The center is anchored by a 339,000 square foot Macy's (owned by Macy's, Inc.), a 289,000 square foot Sears department store and a 114,000 square foot Lowe's;
- (iii) the Rego Park I Shopping Center contains 343,000 square feet and is 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 Coat Factory, a 46,000 square foot Bed Bath & Beyond and a 36,000 square foot Marshalls;
- (iv) the Rego Park II Shopping Center contains 610,000 square feet and is located 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, a one-third owned affiliate of Vornado;
- (v) the Paramus property, located at the intersection of Routes 4 and 17 in Paramus, New Jersey, consists of 30.3 acres of land leased to IKEA Property, Inc.;
- (vi) the Flushing property, a 167,000 square foot building, is located at Roosevelt Avenue and Main Street in Queens and is sub-leased to New World Mall LLC for the remainder of our ground lease term; and

Property to be developed

- (vii) the Rego Park III property is a 3.4 acre land parcel adjacent to the Rego Park II Shopping Center in Queens at the intersection of Junction Boulevard and the Horace Harding Service Road.

Significant Tenants

Bloomberg accounted for \$84,526,000, \$83,137,000 and \$77,988,000, or 33%, 34% and 35% of our consolidated revenues in the years ended December 31, 2011, 2010 and 2009, respectively. No other tenant accounted for more than 10% of our consolidated revenues in any of the last three years. If we were to lose Bloomberg as a tenant, or if Bloomberg were to fail or become unable to perform its obligations under its lease, it would adversely affect our results of operations and financial condition. We receive and evaluate certain confidential financial information and metrics from Bloomberg on a semi-annual basis. In addition, we access and evaluate financial information regarding Bloomberg from private sources, as well as publicly available data.

Relationship with Vornado

At December 31, 2011, Vornado owned 32.4% of our outstanding common stock. 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 of Vornado. At December 31, 2011, Mr. Roth, Interstate and its other two general partners, David Mandelbaum and Russell B. Wight, Jr. (who are also directors of the Company and trustees of Vornado) owned, in the aggregate, 27.2% of our outstanding common stock, in addition to the 2.0% they indirectly own through Vornado. Michael D. Fascitelli, President and Chief Executive Officer of Vornado, is our President and a member of our Board of Directors. Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same position with Vornado.

We are managed by, and our properties are leased and developed by, Vornado, pursuant to agreements which expire in March of each year and are automatically renewable. Vornado is a fully-integrated REIT with significant experience in managing, leasing, developing, and operating retail and office properties.

Environmental Matters

In July 2006, we discovered an oil spill at our Kings Plaza Regional Shopping Center. We have notified the New York State Department of Environmental Conservation ("NYSDEC") about the spill and have developed a remediation plan. The NYSDEC has approved a portion of the remediation plan and clean up is ongoing. The estimated costs associated with the clean up will aggregate approximately \$2,500,000. We have paid \$500,000 of such amount and the remainder is covered under our insurance policy.

Competition

We operate in a highly competitive environment. All of our properties are located in the greater New York City metropolitan area. We compete with a large number of property owners and developers. Principal factors of competition are the amount of rent charged, attractiveness of location and quality and breadth of services provided. Our success depends upon, among other factors, trends affecting national and local economies, the financial condition and operating results of current and prospective tenants, the availability and cost of capital, interest rates, construction and renovation costs, taxes, governmental regulations and legislation, population 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 as it comes due and on acceptable terms.

Employees

We currently have 105 employees.

Executive Office

Our executive office is located at 210 Route 4 East, Paramus, New Jersey, 07652 and our telephone number is (201) 587-8541.

Available Information

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, as well as Reports on Forms 3, 4 and 5 regarding officers, directors, and 10% beneficial owners filed or furnished pursuant to Section 13(a), 15(d) or 16(a) of the Securities Exchange Act of 1934, are available free of charge on our website (www.alx-inc.com) as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). Also available on our website are copies of our Audit Committee Charter, Compensation Committee Charter, Code of Business Conduct and Ethics and Corporate Governance Guidelines. In the event of any changes to these items, revised copies will be made available on our website. Copies of these documents are also available directly from us, free of charge.

On April 11, 2000, Vornado and Interstate filed with the SEC, the 26th amendment to a Form 13D indicating that they, as a group, own in excess of 51% of our common stock. This ownership level 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 anytime.

ITEM 1A. RISK FACTORS

Material factors that may adversely affect our business and operations are summarized below.

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:

- 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;
- 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;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- availability of financing on acceptable terms or at all;
- 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;
- 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 financial condition and results of operations and the value of our debt and equity securities.

There are many factors that can affect the value of our debt and equity securities, including the state of the capital markets and economy, which over the past few years have negatively affected substantially all businesses, including ours. Demand for office and retail space may continue to decline nationwide as it did in 2008 and 2009, due to bankruptcies, downsizing, layoffs and cost cutting. The cost and availability of credit may be adversely affected by illiquid credit markets and wider credit spreads may adversely affect our liquidity and financial condition, 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 debt and equity securities.

Real estate is a competitive business.

We operate in a highly competitive environment. All of our properties are located in the greater New York City metropolitan area. 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 than we are. Principal factors of competition include rents charged, attractiveness of location, the quality of the property and breadth and quality of services provided. Our success depends upon, among other factors, trends affecting 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 and population trends.

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, there may be an increase in the number of tenants that cannot pay their rent and an increase in vacancy rates.

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. In the case of our shopping centers, 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 could result in a lower level of net income and funds available for the payment of our indebtedness or distribution to stockholders.

Some of our tenants represent a significant portion of our revenues. Loss of these tenant relationships or deterioration in the tenants' credit quality could adversely affect our financial condition or results of operations.

Bloomberg accounted for \$84,526,000, \$83,137,000 and \$77,988,000, or 33%, 34% and 35% of our consolidated revenues in the years ended December 31, 2011, 2010 and 2009, respectively. No other tenant accounted for more than 10% of our consolidated revenues in any of the last three years. If we were to lose Bloomberg as a tenant, or if Bloomberg were to fail or become unable to perform 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.

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. Our leases, loans and other agreements may require us to comply with OFAC requirements. If a tenant or other party with whom we conduct business is placed on the OFAC list 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.

Inflation or deflation may adversely affect our financial condition and results of operations.

Although neither inflation nor deflation has materially impacted our operations in the recent past, increased inflation could have a pronounced negative impact on our mortgages and interest rates and general and administrative expenses, as these costs could increase at a rate higher than our rents. Inflation could also have an adverse effect on consumer spending which could impact our tenants' sales and, in turn, our percentage rents, where applicable. Conversely, deflation could lead to downward pressure on rents and other sources of income.

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 cybersecurity, 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, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our three primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our relationship with our tenants, and private data exposure. We have implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident.

We may incur costs to comply with environmental laws.

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 such release. The presence of contamination or the failure to remediate contamination may 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) and underground storage tanks 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 tanks or related claims arising out of environmental contamination or human exposure at or from our properties.

In July 2006, we discovered an oil spill at our Kings Plaza Regional Shopping Center. We have notified the New York State Department of Environmental Conservation ("NYSDEC") about the spill and have developed a remediation plan. The NYSDEC has approved a portion of the remediation plan and clean up is ongoing. The estimated costs associated with the clean up will aggregate approximately \$2,500,000. We have paid \$500,000 of such amount and the remainder is covered under our insurance policy.

Each of our properties has been subjected to varying degrees of environmental assessment at various times. Except as referenced above, the environmental assessments did not, as of the date of this Annual Report on Form 10-K, reveal 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, discovery of additional sites, human exposure to the contamination or changes in cleanup or compliance requirements could result in significant costs to us.

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 all-risk property and rental value insurance coverage with limits of \$1.7 billion per occurrence, including coverage for terrorist acts, with sub-limits for certain perils such as floods and earthquakes on each of our properties.

In June 2011, we formed Fifty Ninth Street Insurance Company, LLC (“FNSIC”), a wholly owned consolidated subsidiary, to act as 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 of 2007 (“TRIPRA”). Coverage for acts of terrorism (including NBCR acts) is up to \$1.7 billion per occurrence. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a \$275,000 deductible and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss borne by FNSIC.

There can be no assurance that we will be able to maintain similar levels of insurance coverage in the future in amounts and on terms that are commercially reasonable. 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, except for \$75,000,000 of the \$320,000,000 mortgage on our 731 Lexington Avenue property, in the event of a substantial casualty, as defined. Our mortgage loans contain customary covenants requiring us to maintain insurance. If lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance 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. 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.

A decision to dispose of real estate assets would change the holding period assumption in our valuation analyses, which could result in material impairment losses and adversely affect our financial results.

We evaluate real estate assets for impairment based on the projected cash flow of the asset over our anticipated holding period. If we change our intended holding period, due to our intention to sell or otherwise dispose of an asset, then under accounting principles generally accepted in the United States of America, we must reevaluate whether that asset is impaired. Depending on the carrying value of the property at the time we change our intention and the amount that we estimate we would receive on disposal, we may record an impairment loss that would adversely affect our financial results. This loss could be material to our results of operations in the period that it is recognized.

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. The factors affecting economic conditions in this area include:

- financial performance and productivity of the publishing, advertising, financial, technology, retail, insurance and real estate industries;
- unemployment levels;
- business layoffs or downsizing;
- industry slowdowns;
- relocations of businesses;
- changing demographics;
- increased telecommuting and use of alternative work places;
- infrastructure quality; 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.

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. In the aftermath of a terrorist attack, tenants in this area may choose to relocate their businesses to less populated, lower-profile areas of the United States that are not as likely to be targets of future terrorist activity and fewer customers may choose to patronize businesses in this area. This 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. As a result, the value of our properties and the level of our revenues could decline materially.

We are subject to risks that affect the general retail environment.

A substantial portion of our properties are in the retail shopping center real estate market. This means that we are subject to factors that affect the retail environment generally, including the level of consumer spending and consumer confidence, unemployment rates, the threat of terrorism and increasing competition from discount retailers, outlet malls, retail websites and catalog companies. These factors could adversely affect the financial condition of our retail tenants and the willingness of retailers to lease space in our shopping centers.

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

We may acquire or develop 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, however, succeed in consummating desired acquisitions or in completing developments on time or within budget. In addition, we may face competition in pursuing acquisition or development opportunities that could increase our costs. When we do pursue a project or acquisition, we may not succeed in leasing newly-developed or acquired properties at rents sufficient to cover costs of acquisition or development and operations. 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 abandon acquisition or development opportunities that we have begun pursuing and consequently fail to recover expenses already incurred and have devoted management time to a matter not consummated.

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.

OUR ORGANIZATIONAL AND FINANCIAL STRUCTURE GIVES RISE TO OPERATIONAL AND FINANCIAL RISKS.

We depend on dividends and distributions from our direct and indirect 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.

At December 31, 2011, substantially all of the individual properties we own were encumbered by mortgages. 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 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, 2011, total debt outstanding was \$1,330,932,000. Our ratio of total debt to total enterprise value was 49.0% at December 31, 2011. "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, 2011, our scheduled cash payments for principal and interest were \$68,785,000. 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. Our 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. Our qualification as a REIT also depends on various facts and circumstances that are not entirely within our control. In addition, legislation, new regulations, administrative interpretations or court decisions might significantly change the tax laws with respect to the requirements for qualification as a REIT 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 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. Although we currently intend to operate in a manner designed to allow us to qualify as a REIT, future economic, market, legal, tax or other considerations may cause us to revoke the REIT election or fail to qualify as a REIT.

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, and Michael D. Fascitelli, our President. Although we believe that we could find replacements for these key personnel, the loss of their 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;
- set the preferences, rights and other terms of any classified or reclassified stock that Alexander's issues; and
- increase, without stockholder approval, the number of shares of beneficial interest that Alexander's may issue.

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 59.6% 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.

At December 31, 2011, Interstate and its partners owned approximately 6.3% of the common shares of beneficial interest of Vornado and approximately 27.2% 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 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.

At December 31, 2011, Vornado owned 32.4% of our outstanding common stock, in addition to the 27.2% owned by Interstate and its partners. In addition to the relationships described in the immediately preceding paragraph, Michael D. Fascitelli, President and Chief Executive Officer of Vornado, is our President and a member of our Board of Directors. Dr. Richard West is a trustee of Vornado and a member of our Board of Directors. Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same position with 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 five of the trustees of Vornado also constitute the majority of our 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 price of our common shares has been volatile and may 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;
- 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 real estate investment trusts;
- 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 real estate investment trusts and other real estate related companies;
- domestic and international economic factors unrelated to our performance; 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, 2011, 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, 1,048 shares are reserved for issuance upon redemption of the deferred stock units previously granted to our Board of Directors. In addition, 893,952 shares are available for future grant under the terms of our 2006 Omnibus Stock Plan. These awards may be granted in the form of options, restricted stock, SARs 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.

Increased market interest rates may hurt the value of our common shares.

We believe that investors consider the dividend rate on REIT shares, expressed as a percentage of the price of the shares, relative to market interest rates as an important factor in deciding whether to buy or sell the shares. If market interest rates go up, prospective purchasers of REIT shares may expect a higher dividend rate. Higher interest rates would likely increase our borrowing costs and might decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common shares to decline.

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, 2011.

Property	Land Acreage	Building Square Feet	Occupancy Rate	Average Annualized Rent Per Square Foot	Tenants	Lease Expiration/Option Expiration(s)
Operating Properties:						
731 Lexington Avenue New York, New York						
Office		697,000			Bloomberg L.P.	2029/2039
		188,000			Bloomberg L.P.	2015/2020
		<u>885,000</u>	100%	\$ 84.97		
Retail		83,000			The Home Depot	2025/2035
		34,000			The Container Store	2021
		27,000			Hennes & Mauritz	2019
		30,000			Various	Various
		<u>174,000</u>	100%	161.22		
	1.9	<u>1,059,000</u>				
Kings Plaza Regional Shopping Center Brooklyn, New York		415,000	96%	61.45	108 Mall tenants	Various
		339,000			Macy's (owned by Macy's, Inc.)	N/A
		289,000			Sears	2023/2033
		114,000			Lowe's (ground lessee)	2028/2053
		53,000			Best Buy	2032
	24.3	<u>1,210,000</u>				
Rego Park I Shopping Center Queens, New York		195,000			Sears	2021
		50,000			Burlington Coat Factory	2022/2027
		46,000			Bed Bath & Beyond	2013/2021
		36,000			Marshalls	2021
		16,000			Old Navy	2021
	4.8	<u>343,000</u>	100%	36.15		
Rego Park II Shopping Center Queens, New York		145,000			Costco	2034/2059
		135,000			Century 21	2030/2050
		133,000			Kohl's	2030/2050
		47,000			Toys "R"Us/Babies "R" Us	2021/2036
		150,000			Various	Various
	6.6	<u>610,000</u>	95%	39.26		
Paramus property Paramus, New Jersey	30.3	-	100%	-	IKEA (ground lessee)	2041
Flushing property Queens, New York (ground leased through January 2037)	1	167,000	100%	14.99	New World Mall LLC	2027/2037
Property to be Developed:						
Rego Park III, adjacent to Rego Park II Queens, New York	3.4	-	-	-	-	-
		<u>3,389,000</u>				

ITEM 2. PROPERTIES – continued**Operating Properties**731 Lexington Avenue

The 731 Lexington Avenue property, a 1,307,000 square foot multi-use building, comprises the entire square 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 885,000 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. 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 and retail spaces are encumbered by first mortgage loans with balances of \$339,890,000 and \$320,000,000, respectively, as of December 31, 2011. These loans bear interest at 5.33% and 4.93% and mature in February 2014 and July 2015, respectively.

Kings Plaza Regional Shopping Center

The Kings Plaza Regional Shopping Center contains 1,210,000 square feet and is located on Flatbush Avenue in Brooklyn, New York. The center is anchored by a 339,000 square foot Macy's (owned by Macy's, Inc.), a 289,000 square foot Sears department store and a 114,000 square foot Lowe's on land leased from us. Among the features are a marina, a parking deck (3,739 spaces) and an energy plant that generates electricity for the center.

In June 2011, we completed a \$250,000,000 refinancing of this property. The five-year interest-only loan is at LIBOR plus 1.70% (2.24% at December 31, 2011). We retained net proceeds of approximately \$95,000,000 after repaying the existing loan and costs.

Mall sales per square foot were \$612 and \$610 for the years ended December 31, 2011 and 2010, respectively. The following table sets forth the occupancy rate and the average annual rent per square foot for the Mall tenants for each of the past five years.

<u>As of December 31,</u>	<u>Occupancy Rate</u>	<u>Average Annual Base Rent Per Square Foot</u>
2011	96%	\$ 61.45
2010	94%	61.57
2009	92%	59.32
2008	94%	56.86
2007	94%	55.95

ITEM 2. PROPERTIES – continued

The following table sets forth lease expirations for the Mall tenants in the center as of December 31, 2011, for each of the next ten years, assuming none of the tenants exercise their renewal options.

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percent of Total Leased Square Feet	Annual Rent of Expiring Leases	
				Total	Per Square Foot
Month to month	4	3,938	0.9%	\$ 549,768	\$ 139.61
2012	15	53,335	12.4%	2,917,628	54.70
2013	10	37,965	8.8%	2,513,052	66.19
2014	9	40,823	9.5%	2,775,564	67.99
2015	7	10,673	2.5%	790,560	74.07
2016	10	26,832	6.2%	2,055,036	76.59
2017	14	49,030	11.4%	3,180,696	64.87
2018	8	27,622	6.4%	1,916,460	69.38
2019	12	31,806	7.4%	2,174,820	68.38
2020	7	60,938	14.1%	3,015,228	49.48
2021	4	11,406	2.6%	810,132	71.03

Rego Park I

The Rego Park I Shopping Center contains 343,000 square feet and is located on Queens Boulevard and 63rd Road in Queens, New York. The center is anchored by a 195,000 square foot Sears department store, a 50,000 square foot Burlington Coat Factory, a 46,000 square foot Bed Bath & Beyond and a 36,000 square foot Marshalls. The center contains a parking deck (1,265 spaces) that provides for paid parking.

The center is encumbered by a 100% cash collateralized loan with a balance of \$78,246,000 at December 31, 2011. The loan bears interest at 0.75%, is prepayable at any time without penalty and matures in March 2012.

Rego Park II

The Rego Park II Shopping Center, contains 610,000 square feet and is located adjacent to the Rego Park I Shopping Center in Queens, New York. 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, a one-third owned affiliate of Vornado. The center contains a parking deck (1,315 spaces) that provides paid parking.

In November 2011, we completed a \$275,000,000 refinancing of this property. The seven-year loan bears interest at LIBOR plus 1.85% (2.15% at December 31, 2011) and amortizes based on a 30-year schedule. The proceeds of the new loan were used to repay the existing loan on the property.

Paramus

We own 30.3 acres of land located at the intersection of Routes 4 and 17 in Paramus, New Jersey. The property 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. This land is leased to IKEA Property, Inc. The lease has a 40-year term expiring in 2041, with a purchase option in 2021 for \$75,000,000. On October 5, 2011, the mortgage loan on this property was refinanced in the same amount. The new \$68,000,000 interest-only mortgage loan has a fixed rate of 2.90% and matures in October 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 net gain on the sale of the land of approximately \$62,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years must include debt service sufficient to fully amortize \$68,000,000 over the remaining 20-year lease term.

ITEM 2. PROPERTIES – continued

Flushing

The Flushing property 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 approximately 3.4 acres of land adjacent to our Rego Park II property in Queens, New York, which comprises a one-quarter square block and is located at the intersection of Junction Boulevard and the Horace Harding Service Road. The land is currently being used for public paid parking and while the current plans for the development of this parcel are preliminary, it may include up to 80,000 square feet of retail space. There can be no assurance that this project will commence, be completed, completed on time or completed for the budgeted amount.

Insurance

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

In June 2011, we formed Fifty Ninth Street Insurance Company, LLC (“FNSIC”), a wholly owned consolidated subsidiary, to act as 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 of 2007 (“TRIPRA”). Coverage for acts of terrorism (including NBCR acts) is up to \$1.7 billion per occurrence. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a \$275,000 deductible and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss borne by FNSIC.

There can be no assurance that we will be able to maintain similar levels of insurance coverage in the future in amounts and on terms that are commercially reasonable. 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, except for \$75,000,000 of the \$320,000,000 mortgage on our 731 Lexington Avenue property, in the event of a substantial casualty, as defined. Our mortgage loans contain customary covenants requiring us to maintain insurance. If lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance our properties.

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.

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 closing 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.

Quarter	Year Ended December 31,									
	2011			2010						
	High	Low	Dividends	High	Low	Dividends	High	Low	Dividends	
First	\$ 419.93	\$ 363.96	\$ 3.00	\$ 312.28	\$ 267.94	\$ -				
Second	454.00	373.48	3.00	340.00	282.03	2.50				
Third	445.80	350.25	3.00	347.83	297.16	2.50				
Fourth	456.73	333.00	3.00	421.82	314.45	2.50				

As of December 31, 2011, there were approximately 354 holders of record of our common stock.

Recent Sales of Unregistered Securities

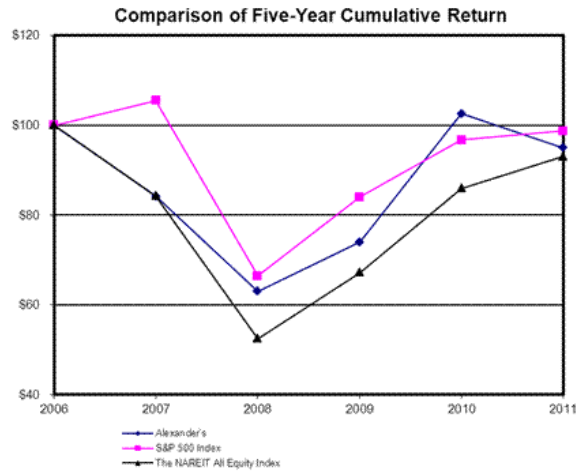
During 2011, we did not sell any unregistered securities.

Recent Purchases of Equity Securities

During 2011, 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 (excluding health care real estate investment trusts), a peer group index. The graph assumes that \$100 was invested on December 31, 2006 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.



	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Alexander's	100	84	63	74	103	95
S&P 500 Index	100	105	66	84	97	99
The NAREIT All Equity Index	100	84	53	67	86	93

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.

(Amounts in thousands, except per share amounts)	Year Ended December 31,				
	2011	2010	2009	2008	2007
Total revenues	\$ 254,252	\$ 241,350	\$ 223,529	\$ 211,097	\$ 207,980
Net income⁽¹⁾	\$ 81,046	\$ 67,445	\$ 132,941	\$ 76,295	\$ 115,509
Net income attributable to the noncontrolling interest	(1,623)	(1,016)	(751)	(7)	(1,168)
Net income attributable to Alexander's	<u>\$ 79,423</u>	<u>\$ 66,429</u>	<u>\$ 132,190</u>	<u>\$ 76,288</u>	<u>\$ 114,341</u>
Income per common share:					
Income per common share – basic	<u>\$ 15.55</u>	<u>\$ 13.01</u>	<u>\$ 25.90</u>	<u>\$ 15.05</u>	<u>\$ 22.68</u>
Income per common share – diluted	<u>\$ 15.55</u>	<u>\$ 13.01</u>	<u>\$ 25.89</u>	<u>\$ 14.96</u>	<u>\$ 22.44</u>
Dividends per common share⁽²⁾	<u>\$ 12.00</u>	<u>\$ 7.50</u>	<u>\$ -</u>	<u>\$ 7.00</u>	<u>\$ -</u>
Balance sheet data:					
Total assets	\$ 1,771,307	\$ 1,679,300	\$ 1,703,769	\$ 1,603,568	\$ 1,532,410
Real estate, at cost	1,062,208	1,050,291	1,025,234	967,975	835,081
Accumulated depreciation and amortization	184,873	157,232	132,386	114,235	96,183
Notes and mortgages payable	1,330,932	1,246,411	1,278,964	1,221,255	1,110,197
Total equity	363,245	343,776	314,626	180,751	137,426

(1) Includes reversals of stock appreciation rights ("SARs") compensation expense of \$34,275, \$20,254 and \$43,536 in 2009, 2008 and 2007, respectively, and reversals of a portion of the liability for income taxes of \$2,561, \$5,113, and \$42,472 in 2011, 2010 and 2009, respectively.

(2) We began paying a regular quarterly dividend in the second quarter of 2010. A special dividend was paid in the fourth quarter of 2008.

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 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 affecting national and local economies, the financial condition and operating results of current and prospective tenants, the availability and cost of capital, interest rates, construction and renovation costs, taxes, governmental regulations and legislation, population 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, 2011 Financial Results Summary

Net income attributable to common stockholders for the year ended December 31, 2011 was \$79,423,000, or \$15.55 per diluted share, compared to \$66,429,000, or \$13.01 per diluted share, for the year ended December 31, 2010. Funds from operations attributable to common stockholders ("FFO") for the year ended December 31, 2011 was \$112,894,000, or \$22.11 per diluted share, compared to \$97,271,000, or \$19.05 per diluted share, for the prior year.

Quarter Ended December 31, 2011 Financial Results Summary

Net income attributable to common stockholders for the quarter ended December 31, 2011 was \$20,634,000, or \$4.04 per diluted share, compared to \$17,891,000, or \$3.50 per diluted share, for the quarter ended December 31, 2010. FFO for the quarter ended December 31, 2011 was \$29,145,000, or \$5.71 per diluted share, compared to \$25,982,000, or \$5.09 per diluted share, for the prior year's quarter.

Refinancings

On June 10, 2011 we completed a \$250,000,000 refinancing of our Kings Plaza property. The five-year interest-only loan is at LIBOR plus 1.70% (2.24% at December 31, 2011). We retained net proceeds of approximately \$95,000,000 after repaying the existing loan and costs.

On October 5, 2011, the \$68,000,000 outstanding loan on our Paramus property was refinanced for the same amount. The new seven-year interest-only loan has a fixed rate of 2.90%.

On November 30, 2011 we completed a \$275,000,000 refinancing of our Rego Park II Shopping Center. The seven-year loan bears interest at LIBOR plus 1.85% (2.15% at December 31, 2011) and amortizes based on a 30-year schedule. The proceeds of the new loan were used to repay the existing loan on the property.

Significant Tenants

Bloomberg L.P. (“Bloomberg”) accounted for \$84,526,000, \$83,137,000, and \$77,988,000, or 33%, 34% and 35%, of our consolidated revenues in the years ended December 31, 2011, 2010 and 2009, respectively. No other tenant accounted for more than 10% of our consolidated revenues in any of the last three years. If we were to lose Bloomberg as a tenant, or if Bloomberg were to fail or become unable to perform its obligations under its lease, it would adversely affect our results of operations and financial condition. We receive and evaluate certain confidential financial information and metrics from Bloomberg on a semi-annual basis. In addition, we access and evaluate financial information regarding Bloomberg from private sources, as well as publicly available data.

Recently Issued Accounting Literature

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Update No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (“ASU No. 2011-04”). ASU No. 2011-04 provides a uniform framework for fair value measurements and related disclosures between GAAP and International Financial Reporting Standards (“IFRS”) and requires additional disclosures, including: (i) quantitative information about unobservable inputs used, a description of the valuation processes used, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs, for Level 3 fair value measurements; (ii) fair value of financial instruments not measured at fair value but for which disclosure of fair value is required, based on their levels in the fair value hierarchy; and (iii) transfers between Level 1 and Level 2 of the fair value hierarchy. ASU No. 2011-04 is effective for interim and annual periods beginning on or after December 15, 2011. The adoption of this update on January 1, 2012, is not expected to have a material impact on our consolidated financial statements.

In June 2011, the FASB issued Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (“ASU No. 2011-05”). ASU No. 2011-05 requires the presentation of net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. ASU No. 2011-05 is effective for interim periods beginning on or after December 15, 2011. The adoption of this update on January 1, 2012, will not have any impact on our consolidated financial statements.

In September 2011, the FASB issued Update No. 2011-09, *Compensation – Retirement Benefits (Topic 715): Disclosures about an Employer’s Participation in a Multiemployer Plan* (“ASU No. 2011-09”). ASU No. 2011-09 requires enhanced disclosures about an entity’s participation in multiemployer plans that offer pension and other postretirement benefits. ASU No. 2011-09 became effective for interim and annual periods ending on or after December 15, 2011. The adoption of this update on December 31, 2011 did not have a material impact on our consolidated financial statements.

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 to the consolidated financial statements in this Annual Report on Form 10-K.

Critical Accounting Policies and Estimates – Continued

Real Estate

Real estate is carried at cost, net of accumulated depreciation and amortization. As of December 31, 2011 and 2010, the carrying amount of our real estate, net of accumulated depreciation and amortization, was \$877,335,000 and \$893,059,000, 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. As real estate is undergoing development activities, all property operating expenses directly associated with and attributable to, the development and construction of a project, including interest expense, are capitalized to the cost of the real property to the extent that we believe such costs are recoverable through the value of the property. The capitalization period begins when development activities are underway and ends when the project is substantially complete. General and administrative costs are expensed as incurred.

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 (\$1,039,000 and \$1,047,000 as of December 31, 2011 and 2010, 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.

Critical Accounting Policies and Estimates – Continued

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 accrued 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 cash is received.

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 Real Estate Investment Trust (“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. 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, 2011 compared to December 31, 2010

Property Rentals

Property rentals were \$174,634,000 in the year ended December 31, 2011, compared to \$166,403,000 in the prior year, an increase of \$8,231,000. This increase was primarily attributable to the lease up of space at our Kings Plaza, Rego Park I and Rego Park II properties.

Expense Reimbursements

Tenant expense reimbursements were \$79,618,000 in the year ended December 31, 2011, compared to \$74,947,000 in the prior year, an increase of \$4,671,000. This increase was primarily due to higher real estate taxes and reimbursable operating expenses, and attributable to tenants at our Rego Park II property, whose space was placed into service during 2010.

Operating Expenses

Operating expenses were \$84,936,000 in the year ended December 31, 2011, compared to \$78,652,000 in the prior year, an increase of \$6,284,000. This increase was comprised of higher real estate taxes and reimbursable operating expenses of \$4,151,000 and an increase in bad debt expense and other non-reimbursable expenses of \$2,133,000.

Depreciation and Amortization

Depreciation and amortization was \$34,031,000 in the year ended December 31, 2011, compared to \$31,343,000 in the prior year, an increase of \$2,688,000. This increase resulted primarily from depreciation on the portion of Rego Park II placed into service during 2010.

General and Administrative Expenses

General and administrative expenses were \$4,357,000 in the year ended December 31, 2011, compared to \$7,792,000 in the prior year, a decrease of \$3,435,000. This decrease was primarily due to a \$3,135,000 litigation loss accrual in the prior year related to our Flushing property, of which \$807,000 was reversed in the current year in connection with the litigation's settlement, partially offset by \$405,000 of higher compensation to our Board of Directors in the current year, of which \$300,000 represents the fair value of a deferred stock unit grant.

Interest and Other Income, net

Interest and other income, net was \$2,672,000 in the year ended December 31, 2011, compared to \$851,000 in the prior year, an increase of \$1,821,000. This increase was primarily due to \$1,657,000 of income from the collection of prior period tenant utility costs.

Interest and Debt Expense

Interest and debt expense was \$52,659,000 in the year ended December 31, 2011, compared to \$58,372,000 in the prior year, a decrease of \$5,713,000. This decrease was primarily due to \$6,696,000 of interest savings from lower average interest rates (3.90% in the current year compared to 4.43% in the prior year), partially offset by higher average debt balances.

Net Loss on Early Extinguishment of Debt

Net loss on early extinguishment of debt was \$1,238,000 in the prior year and resulted from the open market purchase of \$27,500,000 of our Kings Plaza debt.

Results of Operations – Year Ended December 31, 2011 compared to December 31 2010 - continued

Income Tax Benefit

In the year ended December 31, 2011, we had a \$105,000 income tax benefit, compared to a \$2,641,000 income tax benefit in the prior year. The current year's income tax benefit resulted from a true-up of prior year's income tax liability. The prior year's income tax benefit resulted primarily from the reversal of a portion of the income tax liability due to the expiration of the applicable statute of limitations.

Net Income Attributable to the Noncontrolling Interest

Net income attributable to the noncontrolling interest was \$1,623,000 in the year ended December 31, 2011, compared to \$1,016,000 in the prior year, an increase of \$607,000. This increase was primarily due to our venture partner's 75% pro-rata share of a true-up in straight-line rental income at our consolidated partially owned entity, the Kings Plaza energy plant joint venture.

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009

Property Rentals

Property rentals were \$166,403,000 in the year ended December 31, 2010, compared to \$155,275,000 in the year ended December 31, 2009, an increase of \$11,128,000. This increase was primarily attributable to tenants at the Rego Park II property whose space was placed into service subsequent to the second half of 2009 and during 2010.

Expense Reimbursements

Tenant expense reimbursements were \$74,947,000 in the year ended December 31, 2010, compared to \$68,254,000 in the year ended December 31, 2009, an increase of \$6,693,000. This increase was primarily due to higher reimbursable operating expenses and real estate taxes and services provided to tenants. This was primarily attributable to the Rego Park II property whose space was placed into service subsequent to the second half of 2009 and during 2010.

Operating Expenses

Operating expenses were \$78,652,000 in the year ended December 31, 2010, compared to \$73,340,000 in the year ended December 31, 2009, an increase of \$5,312,000. This resulted from a \$6,115,000 increase in reimbursable operating expenses and real estate taxes, primarily attributable to the Rego Park II property whose space was placed into service subsequent to the second half of 2009 and during 2010, partially offset by an \$803,000 decrease in non-reimbursable operating expenses.

Depreciation and Amortization

Depreciation and amortization was \$31,343,000 in the year ended December 31, 2010, compared to \$27,284,000 in the year ended December 31, 2009, an increase of \$4,059,000. This increase resulted primarily from depreciation on the portion of Rego Park II placed into service subsequent to the second half of 2009 and during 2010.

General and Administrative Expenses

Excluding \$3,135,000 for a litigation loss accrual related to our Flushing property in 2010, and \$34,275,000 for the reversal of stock appreciation rights (“SARs”) compensation expense and \$1,407,000 for the write-off of previously capitalized costs at our Flushing property in 2009, general and administrative expenses increased by \$35,000 from the year ended December 31, 2009.

Interest and Other Income, net

Interest and other income, net was \$851,000 in the year ended December 31, 2010, compared to \$2,847,000 in the year ended December 31, 2009, a decrease of \$1,996,000. This decrease was primarily due to lower average yields on investments (0.13% in 2010 as compared to 0.48% in 2009).

Interest and Debt Expense

Interest and debt expense was \$58,372,000 in the year ended December 31, 2010, compared to \$57,473,000 in the year ended December 31, 2009, an increase of \$899,000. This increase was primarily due to (i) \$2,183,000 of lower capitalized interest as a result of placing a portion of our Rego Park II property into service, (ii) \$1,784,000 of interest related to our income tax liability, resulting primarily from a lower reversal of previously recognized interest expense in 2010 as compared to 2009, partially offset by (iii) interest savings of \$2,433,000 from the partial repayment of our Kings Plaza debt in March 2010 and (iv) \$351,000 of lower interest on the leasing commissions owed to Vornado.

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009 - continued

Net loss on Early Extinguishment of Debt

Net loss on early extinguishment of debt was \$1,238,000 in the year ended December 31, 2010, compared to \$519,000 in the year ended December 31, 2009, and resulted from the open market purchases of our Kings Plaza debt of \$27,500,000 and \$11,948,000 in 2010 and 2009, respectively, for \$28,738,000 and \$12,467,000 in cash, respectively.

Income Tax Benefit

Income tax benefit was \$2,641,000 in the year ended December 31, 2010, compared to \$36,935,000 in the year ended December 31, 2009, a decrease of \$34,294,000. This decrease resulted primarily from a lower reversal of our income tax liability in 2010 as compared to 2009. These liabilities were reversed as a result of the expiration of the applicable statute of limitations.

Net Income Attributable to the Noncontrolling Interest

Net income attributable to the noncontrolling interest was \$1,016,000 in the year ended December 31, 2010, compared to \$751,000 in the year ended December 31, 2009, and represents our venture partner's 75% pro rata share of net income from our consolidated partially owned entity, the Kings Plaza energy plant joint venture.

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 of Vornado. At December 31, 2011, Mr. Roth, Interstate and its other two general partners, David Mandelbaum and Russell B. Wight, Jr. (who are also directors of the Company and trustees of Vornado) owned, in the aggregate, 27.2% of our outstanding common stock, in addition to the 2.0% they indirectly own through Vornado. Michael D. Fascitelli, President and Chief Executive Officer of Vornado, is our President and a member of our Board of Directors. Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same position with Vornado.

At December 31, 2011, 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 3 – Related Party Transactions to our consolidated financial statements in this Annual Report on Form 10-K.

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 maturities, and recurring capital expenditures.

Dividends

On January 18, 2012, we increased our regular quarterly dividend to \$3.75 per share (an indicated annual rate of \$15.00 per share). This dividend policy, if continued for all of 2012, would require us to pay out approximately \$76,590,000.

Financing Activities and Contractual Obligations

Below is a summary of our outstanding debt and maturities as of December 31, 2011.

(Amounts in thousands)	Balance	Interest Rate	Maturity
Rego Park I ⁽¹⁾	\$ 78,246	0.75%	Mar. 2012
Lexington Office	339,890	5.33%	Feb. 2014
Lexington Retail ⁽²⁾	320,000	4.93%	Jul. 2015
Kings Plaza ⁽³⁾	250,000	2.24%	Jun. 2016
Paramus	68,000	2.90%	Oct. 2018
Rego Park II ⁽⁴⁾	274,796	2.15%	Nov. 2018
	<u>\$ 1,330,932</u>		

(1) This loan is 100% cash collateralized.

(2) In the event of a substantial casualty, up to \$75,000 of this loan may become recourse to us.

(3) This loan bears interest at LIBOR plus 1.70%.

(4) This loan bears interest at LIBOR plus 1.85%.

Below is a summary of our contractual obligations and commitments as of December 31, 2011.

(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	\$ 1,504,153	\$ 140,774	\$ 411,946	\$ 612,252	\$ 339,181
Operating lease obligations	12,215	802	1,605	1,605	8,203
Purchase obligations (primarily construction commitments)	105	105	-	-	-
Other obligations (primarily due to Vornado)	45,039	4,000	8,000	8,000	25,039
	<u>\$ 1,561,512</u>	<u>\$ 145,681</u>	<u>\$ 421,551</u>	<u>\$ 621,857</u>	<u>\$ 372,423</u>
Commitments:					
Standby letters of credit	\$ 4,998	\$ 4,998	\$ -	\$ -	\$ -

(1) Interest on variable rate debt is computed using rates in effect at December 31, 2011.

The table above excludes \$567,000 of liabilities for income taxes for which the timing of future cash flows is uncertain.

Liquidity and Capital Resources – continued

Commitments and Contingencies

Insurance

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

In June 2011, we formed Fifty Ninth Street Insurance Company, LLC (“FNSIC”), a wholly owned consolidated subsidiary, to act 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 of 2007 (“TRIPRA”). Coverage for acts of terrorism (including NBCR acts) is up to \$1.7 billion per occurrence. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a \$275,000 deductible and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss borne by FNSIC.

There can be no assurance that we will be able to maintain similar levels of insurance coverage in the future in amounts and on terms that are commercially reasonable. 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, except for \$75,000,000 of the \$320,000,000 mortgage on our 731 Lexington Avenue property, in the event of a substantial casualty, as defined. Our mortgage loans contain customary covenants requiring us to maintain insurance. If lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance our properties.

Environmental Remediation

In July 2006, we discovered an oil spill at our Kings Plaza Regional Shopping Center. We have notified the New York State Department of Environmental Conservation (“NYSDEC”) about the spill and have developed a remediation plan. The NYSDEC has approved a portion of the remediation plan and clean up is ongoing. The estimated costs associated with the clean up will aggregate approximately \$2,500,000. We have paid \$500,000 of such amount and the remainder is covered under our insurance policy.

Paramus

In 2001, we leased 30.3 acres of land located in Paramus, New Jersey to IKEA Property, Inc. The lease has a 40-year term with a purchase option in 2021 for \$75,000,000. On October 5, 2011, the mortgage loan on this property was refinanced in the same amount. The new \$68,000,000 interest-only mortgage loan has a fixed rate of 2.90% and matures in October 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 \$62,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years would include the debt service sufficient to fully amortize \$68,000,000 over the remaining 20-year lease term.

Other

There are various 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 condition, results of operations or cash flows.

Liquidity and Capital Resources – continued

Cash Flows

Cash and cash equivalents were \$506,619,000 at December 31, 2011, compared to \$397,220,000 at December 31, 2010, an increase of \$109,399,000. This increase resulted from \$92,514,000 of net cash provided by operating activities, \$383,000 of net cash provided by investing activities and \$16,502,000 of net cash provided by financing activities. Our consolidated outstanding debt was \$1,330,932,000 at December 31, 2011, an \$84,521,000 increase from the balance at December 31, 2010.

Year Ended December 31, 2011

Net cash provided by operating activities of \$92,514,000 was comprised of net income of \$81,046,000, and \$22,216,000 of adjustments for non-cash items, partially offset by \$10,748,000 for the net change in operating assets and liabilities. The adjustments for non-cash items were primarily comprised of (i) depreciation and amortization of \$37,086,000, partially offset by (ii) straight-lining of rental income of \$12,609,000 and (iii) a \$2,561,000 reversal of a portion of the liability for income taxes.

Net cash provided by investing activities of \$383,000 was comprised of (i) proceeds from maturing short-term investments of \$23,000,000, partially offset by (ii) \$14,415,000 of real estate additions, primarily related to the development of our Rego Park II property, (iii) purchases of short-term investments of \$5,000,000, and (iv) an increase in restricted cash of \$3,202,000.

Net cash provided by financing activities of \$16,502,000 was primarily comprised of (i) \$593,000,000 of proceeds from the refinancing of our Rego Park II, Kings Plaza and Paramus properties, partially offset by (ii) repayments of borrowings of \$508,479,000 (primarily Rego Park II, Kings Plaza and Paramus) and (iii) dividends paid on common stock of \$61,277,000.

Year Ended December 31, 2010

Cash and cash equivalents were \$397,220,000 at December 31, 2010, compared to \$412,734,000 at December 31, 2009, a decrease of \$15,514,000. This decrease resulted from \$72,143,000 of net cash used in financing activities and \$19,393,000 of net cash used in investing activities, partially offset by \$76,022,000 of net cash provided by operating activities.

Net cash provided by operating activities of \$76,022,000 was comprised of net income of \$67,445,000, and \$15,792,000 of adjustments for non-cash items, partially offset by \$7,215,000 for the net change in operating assets and liabilities. The adjustments for non-cash items were primarily comprised of (i) depreciation and amortization of \$34,849,000, partially offset by (ii) straight-lining of rental income of \$15,182,000 and (iii) a \$5,113,000 reversal of a portion of the liability for income taxes.

Net cash used in investing activities of \$19,393,000 was primarily comprised of \$42,310,000 of real estate additions, primarily related to the development of our Rego Park II property, and purchases of short-term investments of \$23,000,000, partially offset by \$40,000,000 of proceeds from maturing short-term investments.

Net cash used in financing activities of \$72,143,000 was primarily comprised of (i) dividends paid on common stock of \$38,295,000, (ii) \$27,500,000 for the purchase of a portion of our Kings Plaza debt, (iii) \$24,039,000 for the repayment of a portion of Rego Park II construction loan upon exercise of the one-year extension option and (iv) \$17,080,000 for the repayment of borrowings, partially offset by (v) \$34,828,000 of borrowings under our Rego Park II construction loan.

Liquidity and Capital Resources – continued

Year Ended December 31, 2009

Cash and cash equivalents were \$412,734,000 at December 31, 2009, compared to \$515,940,000 at December 31, 2008, a decrease of \$103,206,000. This decrease resulted from \$201,282,000 of net cash used in investing activities, partially offset by \$58,497,000 of net cash provided by financing activities and \$39,579,000 of net cash provided by operating activities.

Net cash provided by operating activities of \$39,579,000 was comprised of net income of \$132,941,000, partially offset by adjustments for non-cash items of \$67,799,000 and the net change in operating assets and liabilities of \$25,563,000. The adjustments for non-cash items were comprised of (i) a \$42,472,000 reversal of a portion of the liability for income taxes, (ii) a reversal of the liability for SARs compensation expense of \$34,275,000 and (iii) straight-lining of rental income of \$23,381,000, partially offset by (iv) depreciation and amortization of \$30,445,000 and (v) other non-cash adjustments of \$1,884,000. The net change in operating assets and liabilities of \$25,563,000 included a \$22,838,000 payment for SARs compensation expense.

Net cash used in investing activities of \$201,282,000 was primarily comprised of restricted cash of \$86,427,000, primarily related to the fully cash-collateralized mortgage at Rego Park I, capital expenditures of \$74,855,000, primarily related to the development of our Rego Park II project, and short-term investments of \$55,000,000, partially offset by \$15,000,000 of proceeds from maturing short-term investments.

Net cash provided by financing activities of \$58,497,000 was primarily comprised of \$162,961,000 of proceeds from a construction loan to fund expenditures for our Rego Park II project, partially offset by repayments of borrowings of \$105,252,000.

Funds from Operations (“FFO”)

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (“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, extraordinary items 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. A reconciliation of our net income to FFO is provided below.

FFO attributable to common stockholders for the year ended December 31, 2011 was \$112,894,000, or \$22.11 per diluted share, compared to \$97,271,000, or \$19.05 per diluted share, for the year ended December 31, 2010.

FFO attributable to common stockholders for the quarter ended December 31, 2011 was \$29,145,000, or \$5.71 per diluted share, compared to \$25,982,000, or \$5.09 per diluted share, for the quarter ended December 31, 2010.

The following table reconciles our net income to FFO:

(Amounts in thousands, except share and per share amounts)

	For the Year Ended December 31,		For the Quarter Ended December 31,	
	2011	2010	2011	2010
Net income attributable to Alexander’s	\$ 79,423	\$ 66,429	\$ 20,634	\$ 17,891
Depreciation and amortization of real property	33,471	30,842	8,511	8,091
FFO attributable to common stockholders	<u>\$ 112,894</u>	<u>\$ 97,271</u>	<u>\$ 29,145</u>	<u>\$ 25,982</u>
FFO attributable to common stockholders per diluted share	<u>\$ 22.11</u>	<u>\$ 19.05</u>	<u>\$ 5.71</u>	<u>\$ 5.09</u>
Weighted average shares used in computing diluted FFO per share	<u>5,106,568</u>	<u>5,105,936</u>	<u>5,106,984</u>	<u>5,105,936</u>

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)

	2011			2010	
	December 31, Balance	Weighted Average Interest Rate	Effect of 1% Change in Base Rates	December 31, Balance	Weighted Average Interest Rate
Variable (including \$40,728 due to Vornado)	\$ 565,524	2.16%	\$ 5,655	\$ 319,088	1.53%
Fixed Rate	806,136	4.78%	-	969,211	5.24%
	<u>\$ 1,371,660</u>		<u>\$ 5,655</u>	<u>\$ 1,288,299</u>	
Total effect on diluted earnings per share			<u>\$ 1.11</u>		

The fair value of our consolidated debt is calculated by discounting the future contractual cash flows of our existing debt using the current rates available to borrowers with similar credit ratings for the remaining terms of such debt. As of December 31, 2011 and 2010, the estimated fair value of our consolidated debt was \$1,373,772,000 and \$1,315,436,000, 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 disposition of our financial instruments.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Alexander's, Inc. and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Alexander's, Inc. and subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 27, 2012

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

ASSETS	December 31,	
	2011	2010
Real estate, at cost:		
Land	\$ 74,974	\$ 74,974
Buildings and leasehold improvements	985,637	934,782
Development and construction in progress	1,597	40,535
Total	1,062,208	1,050,291
Accumulated depreciation and amortization	(184,873)	(157,232)
Real estate, net	877,335	893,059
Cash and cash equivalents	506,619	397,220
Short-term investments	5,000	23,000
Restricted cash	88,769	85,567
Accounts receivable, net of allowance for doubtful accounts of \$1,039 and \$1,047, respectively	2,552	4,224
Receivable arising from the straight-lining of rents	188,289	175,680
Deferred lease and other property costs, net (including unamortized leasing fees to Vornado of \$48,776 and \$48,949, respectively)	66,237	68,835
Deferred debt issuance costs, net of accumulated amortization of \$15,111 and \$18,855, respectively	11,254	8,167
Other assets	25,252	23,548
	<u>\$ 1,771,307</u>	<u>\$ 1,679,300</u>
LIABILITIES AND EQUITY		
Notes and mortgages payable	\$ 1,330,932	\$ 1,246,411
Amounts due to Vornado	41,340	43,785
Accounts payable and accrued expenses	34,577	41,610
Other liabilities	1,213	3,718
Total liabilities	<u>1,408,062</u>	<u>1,335,524</u>
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, 5,105,936 shares	5,173	5,173
Additional capital	31,801	31,501
Retained earnings	322,201	304,055
	359,175	340,729
Treasury stock: 67,514 shares, at cost	(375)	(375)
Total Alexander's equity	358,800	340,354
Noncontrolling interest in consolidated subsidiary	4,445	3,422
Total equity	<u>363,245</u>	<u>343,776</u>
	<u>\$ 1,771,307</u>	<u>\$ 1,679,300</u>

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2011	2010	2009
REVENUES			
Property rentals	\$ 174,634	\$ 166,403	\$ 155,275
Expense reimbursements	79,618	74,947	68,254
Total revenues	<u>254,252</u>	<u>241,350</u>	<u>223,529</u>
EXPENSES			
Operating (including fees to Vornado of \$5,488, \$5,182, and \$4,948, respectively)	84,936	78,652	73,340
Depreciation and amortization	34,031	31,343	27,284
General and administrative (including a reversal of stock appreciation rights ("SARs") expense of \$34,275 in 2009, and management fees to Vornado of \$2,160 in each year)	4,357	7,792	(28,246)
Total expenses	<u>123,324</u>	<u>117,787</u>	<u>72,378</u>
OPERATING INCOME	130,928	123,563	151,151
Interest and other income, net	2,672	851	2,847
Interest and debt expense	(52,659)	(58,372)	(57,473)
Net loss on early extinguishment of debt	-	(1,238)	(519)
Income before income taxes	80,941	64,804	96,006
Income tax benefit	105	2,641	36,935
Net income	81,046	67,445	132,941
Net income attributable to the noncontrolling interest	(1,623)	(1,016)	(751)
Net income attributable to Alexander's	<u>\$ 79,423</u>	<u>\$ 66,429</u>	<u>\$ 132,190</u>
Net income per common share - basic	<u>\$ 15.55</u>	<u>\$ 13.01</u>	<u>\$ 25.90</u>
Weighted average shares - basic	<u>5,106,568</u>	<u>5,105,936</u>	<u>5,103,790</u>
Net income per common share - diluted	<u>\$ 15.55</u>	<u>\$ 13.01</u>	<u>\$ 25.89</u>
Weighted average shares - diluted	<u>5,106,568</u>	<u>5,105,936</u>	<u>5,105,370</u>
Dividends per common share	<u>\$ 12.00</u>	<u>\$ 7.50</u>	<u>\$ -</u>

See notes to consolidated financial statements.

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

	Common Stock		Additional Capital	Retained Earnings	Treasury Stock	Alexander's Equity	Non- controlling Interest	Total Equity
	Shares	Amount						
Balance, December 31, 2008	5,173	\$ 5,173	\$ 30,647	\$ 143,731	\$ (455)	\$ 179,096	\$ 1,655	\$ 180,751
Net income	-	-	-	132,190	-	132,190	751	132,941
Common stock issued under option plan	-	-	854	-	80	934	-	934
Balance, December 31, 2009	5,173	5,173	31,501	275,921	(375)	312,220	2,406	314,626
Net income	-	-	-	66,429	-	66,429	1,016	67,445
Dividends paid	-	-	-	(38,295)	-	(38,295)	-	(38,295)
Balance, December 31, 2010	5,173	5,173	31,501	304,055	(375)	340,354	3,422	343,776
Net income	-	-	-	79,423	-	79,423	1,623	81,046
Dividends paid	-	-	-	(61,277)	-	(61,277)	-	(61,277)
Distributions	-	-	-	-	-	-	(600)	(600)
Deferred stock unit grant	-	-	300	-	-	300	-	300
Balance, December 31, 2011	5,173	\$ 5,173	\$ 31,801	\$ 322,201	\$ (375)	\$ 358,800	\$ 4,445	\$ 363,245

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 81,046	\$ 67,445	\$ 132,941
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (including amortization of debt issuance costs)	37,086	34,849	30,445
Straight-lining of rental income	(12,609)	(15,182)	(23,381)
Reversal of income tax liability	(2,561)	(5,113)	(42,472)
Liability for stock appreciation rights	-	-	(34,275)
Stock-based compensation expense	300	-	-
Other non-cash adjustments	-	1,238	1,884
Change in operating assets and liabilities:			
Accounts receivable, net	1,672	(2,065)	4,421
Other assets	(5,484)	(6,068)	(12,421)
Payment for stock appreciation rights	-	-	(22,838)
Accounts payable and accrued expenses	(4,547)	13,273	4,668
Income tax liability of taxable REIT subsidiary	87	704	2,054
Amounts due to Vornado	(2,445)	(12,881)	(1,344)
Other liabilities	(31)	(178)	(103)
Net cash provided by operating activities	<u>92,514</u>	<u>76,022</u>	<u>39,579</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturing short-term investments	23,000	40,000	15,000
Construction in progress and real estate additions	(14,415)	(42,310)	(74,855)
Purchases of short-term investments	(5,000)	(23,000)	(55,000)
Restricted cash	(3,202)	5,917	(86,427)
Net cash provided by (used in) investing activities	<u>383</u>	<u>(19,393)</u>	<u>(201,282)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	593,000	34,828	162,961
Debt repayments	(508,479)	(68,619)	(105,252)
Dividends paid	(61,277)	(38,295)	-
Debt issuance costs	(6,142)	(57)	(146)
Distributions to the noncontrolling interest	(600)	-	-
Exercise of stock options	-	-	934
Net cash provided by (used in) financing activities	<u>16,502</u>	<u>(72,143)</u>	<u>58,497</u>
Net increase (decrease) in cash and cash equivalents	109,399	(15,514)	(103,206)
Cash and cash equivalents at beginning of year	397,220	412,734	515,940
Cash and cash equivalents at end of year	<u>\$ 506,619</u>	<u>\$ 397,220</u>	<u>\$ 412,734</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash payments for interest (of which \$1,269 and \$3,452 were capitalized in 2010 and 2009, respectively)	\$ 53,343	\$ 52,889	\$ 57,906
Non-cash additions to real estate included in accounts payable and accrued expenses	\$ 3,052	\$ -	\$ 22,409
Write-off of fully amortized and/or depreciated assets	<u>\$ 6,799</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to consolidated financial statements.

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

- (i) the 731 Lexington Avenue property, a 1,307,000 square foot multi-use building, comprising the entire square block bounded by Lexington Avenue, East 59th Street, Third Avenue and East 58th Street in Manhattan. The building contains 885,000 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;
- (ii) the Kings Plaza Regional Shopping Center contains 1,210,000 square feet and is located on Flatbush Avenue in Brooklyn. The center is anchored by a 339,000 square foot Macy's (owned by Macy's, Inc.), a 289,000 square foot Sears department store and a 114,000 square foot Lowe's;
- (iii) the Rego Park I Shopping Center contains 343,000 square feet and is 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 Coat Factory, a 46,000 square foot Bed Bath & Beyond and a 36,000 square foot Marshalls;
- (iv) the Rego Park II Shopping Center contains 610,000 square feet and is located 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, a one-third owned affiliate of Vornado;
- (v) the Paramus property, located at the intersection of Routes 4 and 17 in Paramus, New Jersey, consists of 30.3 acres of land leased to IKEA Property, Inc.;
- (vi) the Flushing property, a 167,000 square foot building, is located at Roosevelt Avenue and Main Street in Queens and is sub-leased to New World Mall LLC for the remainder of our ground lease term; and

Property to be developed

- (vii) the Rego Park III property is a 3.4 acre 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 which 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.

Recently Issued Accounting Literature – In May 2011, the Financial Accounting Standards Board (“FASB”) issued Update No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (“ASU No. 2011-04”). ASU No. 2011-04 provides a uniform framework for fair value measurements and related disclosures between GAAP and International Financial Reporting Standards (“IFRS”) and requires additional disclosures, including: (i) quantitative information about unobservable inputs used, a description of the valuation processes used, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs, for Level 3 fair value measurements; (ii) fair value of financial instruments not measured at fair value but for which disclosure of fair value is required, based on their levels in the fair value hierarchy; and (iii) transfers between Level 1 and Level 2 of the fair value hierarchy. ASU No. 2011-04 is effective for interim and annual periods beginning on or after December 15, 2011. The adoption of this update on January 1, 2012, is not expected to have a material impact on our consolidated financial statements.

In June 2011, the FASB issued Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (“ASU No. 2011-05”). ASU No. 2011-05 requires the presentation of net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. ASU No. 2011-05 is effective for interim periods beginning on or after December 15, 2011. The adoption of this update on January 1, 2012, will not have any impact on our consolidated financial statements.

In September 2011, the FASB issued Update No. 2011-09, *Compensation – Retirement Benefits (Topic 715): Disclosures about an Employer’s Participation in a Multiemployer Plan* (“ASU No. 2011-09”). ASU No. 2011-09 requires enhanced disclosures about an entity’s participation in multiemployer plans that offer pension and other postretirement benefits. ASU No. 2011-09 became effective for interim and annual periods ending on or after December 15, 2011. The adoption of this update on December 31, 2011 did not have a material impact on our consolidated financial statements.

Real Estate – Real estate is carried at cost, net of accumulated depreciation and amortization. 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. As real estate is undergoing development activities, all property operating expenses directly associated with and attributable to, the development and construction of a project, including interest expense, are capitalized to the cost of the real property to the extent that we believe such costs are recoverable through the value of the property. The capitalization period begins when development activities are underway and ends when the project is substantially complete. General and administrative costs are expensed as incurred. Depreciation is provided on a straight-line basis over estimated useful lives which range from 5 to 50 years. Tenant allowances are amortized on a straight-line basis over the lives of the related leases, which approximate the useful lives of the assets. Additions to real estate include interest expense capitalized during construction of \$1,269,000 and \$3,452,000, for the years ended December 31, 2010 and 2009, respectively.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Real Estate – 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. The majority of our cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit. To date we have not experienced any losses on our invested cash.

Short-term Investments – Short-term investments consist of certificates of deposit placed through an account registry service (“CDARS”) with original maturities greater than three but less than six months. These investments are FDIC insured and classified as available-for-sale.

Restricted Cash – Restricted cash 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.

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 (\$1,039,000 and \$1,047,000 as of December 31, 2011 and 2010, respectively) for the 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.

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 accrued 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 cash is received.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes – We operate in a manner intended to enable us to continue to qualify as a Real Estate Investment Trust (“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. 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.

The following table reconciles our net income to estimated taxable income/(loss) for the years ended December 31, 2011, 2010 and 2009.

(Unaudited and in thousands)	Years Ended December 31,		
	2011	2010	2009
Net income attributable to Alexander’s	\$ 79,423	\$ 66,429	\$ 132,190
Straight-line rent adjustments	(12,609)	(15,182)	(23,381)
Depreciation and amortization timing differences	1,263	602	1,385
Reversal of liability for income taxes	-	(3,162)	(37,307)
Interest expense	(2,425)	-	(107)
Stock appreciation rights compensation expense	-	-	(57,113)
Other	(3,429)	6,245	(3,395)
Taxable income before net operating loss (“NOL”)	62,223	54,932	12,272
NOL carried forward	-	(16,939)	(29,211)
Estimated taxable income/(loss)	\$ 62,223	\$ 37,993	\$ (16,939)

At December 31, 2011, the net basis of our assets and liabilities for tax purposes are approximately \$209,775,000 lower than the amount reported for financial statement purposes.

Under Accounting Standards Codification (“ASC”) 740, *Income Taxes*, deferred income taxes would be recognized for temporary differences between the financial reporting basis of assets and liabilities and their respective tax basis and for operating loss and tax credit carry-forwards based on enacted tax rates expected to be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of available evidence, including tax planning strategies and other factors. As of December 31, 2011 and 2010 there were no deferred tax assets or liabilities on our consolidated balance sheets.

Income Per Share – Basic income per share is computed based on weighted average shares of common stock outstanding during the period, including deferred stock units. Diluted income per share is computed based on the weighted average shares of common stock outstanding during the period, including deferred stock units, and assumes all potentially dilutive securities were converted into common stock at the earliest date possible.

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

3. 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 of Vornado. At December 31, 2011, Mr. Roth, Interstate and its other two general partners, David Mandelbaum and Russell B. Wight, Jr. (who are also directors of the Company and trustees of Vornado) owned, in the aggregate, 27.2% of our outstanding common stock, in addition to the 2.0% they indirectly own through Vornado. Michael D. Fascitelli, President and Chief Executive Officer of Vornado, is our President and a member of our Board of Directors. Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same position with Vornado.

At December 31, 2011, 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.

Management and Development Agreements

We pay Vornado an annual management fee equal to the sum of (i) \$3,000,000, (ii) 3% of gross income from the Kings Plaza Regional Shopping Center, (iii) 2% of gross income from the Rego Park II Shopping Center, (iv) \$0.50 per square foot of the tenant-occupied office and retail space at 731 Lexington Avenue, and (v) \$256,000, escalating at 3% per annum, for managing the common area of 731 Lexington Avenue.

In addition, Vornado is entitled to a development fee of 6% of development costs, as defined, with minimum guaranteed fees of \$750,000 per annum.

Leasing 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. The total of these amounts is payable in annual installments in an amount not to exceed \$4,000,000, with interest on the unpaid balance at LIBOR plus 1% (1.78% at December 31, 2011).

Other Agreements

We have agreements with Building Maintenance Services, a wholly owned subsidiary of Vornado, to supervise cleaning, engineering and security services at our Lexington Avenue and Kings Plaza properties for an annual fee of the cost for such services plus 6%.

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

(Amounts in thousands)

	Year Ended December 31,		
	2011	2010	2009
Company management fees	\$ 3,000	\$ 3,000	\$ 3,000
Development fees	750	727	3,215
Leasing fees	4,472	4,267	15,975
Property management fees and payments for cleaning, engineering and security services	4,648	4,342	4,108
	<u>\$ 12,870</u>	<u>\$ 12,336</u>	<u>\$ 26,298</u>

At December 31, 2011, we owed Vornado \$40,728,000 for leasing fees, and \$612,000 for management, property management and cleaning fees.

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

4. NOTES AND MORTGAGES PAYABLE

The following is a summary of outstanding notes and mortgages payable.

(Amounts in thousands)	Maturity	Interest Rate at December 31, 2011	Balance at December 31,	
			2011	2010
First mortgage, secured by the Rego Park I Shopping Center (100% cash collateralized)	Mar. 2012	0.75 %	\$ 78,246	\$ 78,246
First mortgage, secured by the office space at the Lexington Avenue property	Feb. 2014	5.33 %	339,890	351,751
First mortgage, secured by the retail space at the Lexington Avenue property ⁽¹⁾	Jul. 2015	4.93 %	320,000	320,000
First mortgage, secured by the Kings Plaza Regional Shopping Center ⁽²⁾	Jun. 2016	2.24 %	250,000	151,214
First mortgage, secured by the Paramus property ⁽³⁾	Oct. 2018	2.90 %	68,000	68,000
First mortgage, secured by the Rego Park II Shopping Center ⁽⁴⁾	Nov. 2018	2.15 %	274,796	277,200
			<u>\$ 1,330,932</u>	<u>\$ 1,246,411</u>

- (1) In the event of a substantial casualty, as defined, up to \$75,000 of this loan may become recourse to us.
(2) On June 10, 2011, we completed a \$250,000 refinancing of this property. The five-year interest-only loan is at LIBOR plus 1.70%. We retained net proceeds of approximately \$95,000 after repaying the existing loan and costs.
(3) On October 5, 2011, this loan was refinanced for the same amount. The new seven-year interest-only loan has a fixed rate of 2.90%.
(4) On November 30, 2011, we completed a \$275,000 refinancing of this property. The seven-year loan bears interest at LIBOR plus 1.85% and amortizes based on a 30-year schedule. The proceeds of the new loan were used to repay the existing loan on the property.

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 \$873,911,000 at December 31, 2011. Our existing financing documents 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 to prepay them. As of December 31, 2011, the principal repayments for the next five years and thereafter are as follows:

(Amounts in thousands)	Amount
Year Ending December 31,	
2012	\$ 93,262
2013	15,957
2014	317,179
2015	323,192
2016	253,440
Thereafter	327,902

We may refinance our maturing debt as it comes due or choose to repay it at maturity.

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

5. LIABILITY FOR INCOME TAXES

In accordance with the provisions of ASC 740, *Income Taxes*, we have an income tax liability of \$567,000 and \$3,041,000 as of December 31, 2011 and 2010, respectively, which is included as a component of "other liabilities," on our consolidated balance sheets. If this liability were reversed, it would result in non-cash income and reduce our effective tax rate. Interest expense related to this liability is included as a component of "interest and debt expense" on our consolidated statements of income and aggregated \$136,000, \$376,000 and \$1,807,000 in the years ended December 31, 2011, 2010 and 2009, respectively.

(Amounts in thousands)	<u>Amount</u>
Balance at January 1, 2010	\$ 7,450
Additions based on tax positions related to the current year	328
Additions for tax positions of prior years	376
Reduction for tax positions of prior years	(5,113)
Settlements & other, net	-
Balance at December 31, 2010	<u>3,041</u>
Additions based on tax positions related to the current year	-
Additions for tax positions of prior years	136
Reduction for tax positions of prior years	(2,561)
Settlements & other, net	(49)
Balance at December 31, 2011	<u>\$ 567</u>

In 2011 and 2010, we reversed \$2,561,000 and \$5,113,000, respectively, of liabilities related to income taxes as a result of the expiration of the applicable statute of limitations. Accordingly, we recognized income in 2011 and 2010, of which \$0 and \$3,162,000, respectively, were included as a component of "income tax benefit" (portion previously recognized as income tax expense) and \$2,561,000 and \$1,951,000, respectively, were included as a reduction of "interest and debt expense" (portion previously recognized as interest expense) on our consolidated statements of income.

As of December 31, 2011, Taxable REIT Subsidiary ("TRS") tax returns for the years 2005 through 2010 and REIT tax returns for the years 2008 through 2010 remain open to examination by the major taxing jurisdictions to which we are subject.

6. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurement and Disclosures* defines fair value and establishes a framework for measuring fair value. The objective of fair value is to determine the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). 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.

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

6. FAIR VALUE MEASUREMENTS - continued

Financial Assets and Liabilities Measured at Fair Value

Financial assets measured at fair value in our consolidated financial statements at December 31, 2011 and 2010 consist solely of short-term investments (CDARS classified as available-for-sale) and are presented in the table below based on their level in the fair value hierarchy. There were no financial liabilities measured at fair value at December 31, 2011 and 2010.

(Amounts in thousands)	As of December 31, 2011			
	Total	Level 1	Level 2	Level 3
Short-term investments	\$ 5,000	\$ 5,000	\$ -	\$ -

(Amounts in thousands)	As of December 31, 2010			
	Total	Level 1	Level 2	Level 3
Short-term investments	\$ 23,000	\$ 23,000	\$ -	\$ -

Financial Assets and Liabilities not Measured at Fair Value

Financial liabilities that are not measured at fair value in our consolidated financial statements consists solely of our notes and mortgages payable. The fair value of our notes and mortgages payable is calculated by discounting the future contractual cash flows of these instruments using the current rates available to borrowers with similar credit ratings for the remaining terms of such debt. As of December 31, 2011 and 2010, the estimated fair value of our consolidated debt was \$1,373,772,000 and \$1,315,436,000, 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 disposition of our financial instruments. All financial assets were measured at fair value at December 31, 2011 and 2010.

7. INTEREST AND OTHER INCOME, NET

In the second quarter of 2011, we recognized \$1,657,000 of income from the collection of prior period tenant utility costs.

8. NET LOSS ON EARLY EXTINGUISHMENT OF DEBT

In the first quarter of 2010, we acquired through the open market, \$27,500,000 of our Kings Plaza debt for \$28,738,000 in cash, which resulted in a net loss of \$1,238,000.

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

9. STOCK-BASED COMPENSATION

Our Omnibus Stock Plan (the "Plan") provides for grants of incentive and non-qualified stock options, restricted stock, stock appreciation rights ("SARs"), deferred stock units ("DSUs") and performance shares, as defined, to the directors, officers and employees of the Company and Vornado, and any other person or entity as designated by the Omnibus Stock Plan Committee of our Board of Directors. As of December 31, 2011, there were no stock options, restricted stock, SARs or performance shares outstanding under the Plan and 893,952 shares were available for future grant. We account for all stock-based compensation in accordance with ASC 718, *Compensation – Stock Compensation*.

DSUs

On May 26, 2011, the Company granted each of the members of its Board of Directors, 131 DSUs which entitle the holder to receive shares of the Company's common stock without the payment of any consideration. The DSUs vested immediately but the shares of common stock underlying the units are not deliverable to the grantee until the grantee is no longer serving on the Company's Board of Directors. In connection with this grant we expensed \$300,000, representing the fair value of these awards on the date of grant. This expense is included as a component of "general and administrative" expenses on our consolidated statements of income for the year ended December 31, 2011. There were 1,048 DSUs outstanding as of December 31, 2011.

10. LEASES

As Lessor

We lease space to tenants in retail centers and an office building. 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 also provide for the payment by the lessee of additional rents based on a percentage of their sales.

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

(Amounts in thousands)

Year Ending December 31,	Amount
2012	\$ 153,304
2013	151,302
2014	148,684
2015	148,384
2016	138,570
Thereafter	1,367,758

These future minimum amounts do not include additional rents based on a percentage of tenants' sales. For the years ended December 31, 2011, 2010, and 2009, these rents were \$574,000, \$665,000, and \$633,000, respectively.

Bloomberg accounted for \$84,526,000, \$83,137,000 and \$77,988,000, or 33%, 34% and 35% of our consolidated revenues in the years ended December 31, 2011, 2010 and 2009, respectively. No other tenant accounted for more than 10% of consolidated revenues in any of the last three years. If we were to lose Bloomberg as a tenant, or if Bloomberg were to fail or become unable to perform its obligations under its lease, it would adversely affect our results of operations and financial condition. We receive and evaluate certain confidential financial information and metrics from Bloomberg on a semi-annual basis. In addition, we access and evaluate financial information regarding Bloomberg from private sources, as well as publicly available data.

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

10. LEASES - continued

As Lessee

We are a tenant under two long-term ground leases. The Flushing property ground lease expires in 2027 and has one 10-year extension option. The ground lease under the marina adjacent to our Kings Plaza Regional Shopping Center expires in 2018 and has four 10-year extension options and one 9-year extension option. Future lease payments under these operating leases, excluding extension options, are as follows:

(Amounts in thousands)

Year Ending December 31,	Amount
2012	\$ 802
2013	803
2014	802
2015	803
2016	802
Thereafter	8,203

Rent expense was \$848,000 in each of the years ended December 31, 2011, 2010 and 2009 and is primarily related to our Flushing ground lease.

11. COMMITMENTS AND CONTINGENCIES

Insurance

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

In June 2011, we formed Fifty Ninth Street Insurance Company, LLC ("FNSIC"), a wholly owned consolidated subsidiary, to act 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 of 2007 ("TRIPRA"). Coverage for acts of terrorism (including NBCR acts) is up to \$1.7 billion per occurrence. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a \$275,000 deductible and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss borne by FNSIC.

There can be no assurance that we will be able to maintain similar levels of insurance coverage in the future in amounts and on terms that are commercially reasonable. 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, except for \$75,000,000 of the \$320,000,000 mortgage on our 731 Lexington Avenue property, in the event of a substantial casualty, as defined. Our mortgage loans contain customary covenants requiring us to maintain insurance. If lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance our properties.

Environmental Remediation

In July 2006, we discovered an oil spill at our Kings Plaza Regional Shopping Center. We have notified the New York State Department of Environmental Conservation ("NYSDEC") about the spill and have developed a remediation plan. The NYSDEC has approved a portion of the remediation plan and clean up is ongoing. The estimated costs associated with the clean up will aggregate approximately \$2,500,000. We have paid \$500,000 of such amount and the remainder is covered under our insurance policy.

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

11. COMMITMENTS AND CONTINGENCIES – continued

Flushing Property

In 2003, we recognized \$1,289,000 of income representing a non-refundable purchase deposit of \$1,875,000, net of \$586,000 of costs associated with the transaction, from a party that agreed to purchase this property, as such party had not met its obligations under a May 30, 2002 purchase contract. On December 28, 2005, the party filed a complaint against us in the New York State Court alleging that we failed to honor the terms and conditions of the agreement. In August 2010, the New York State Court entered judgment ordering us to return the deposit together with accrued interest and fees. In June 2011, we settled with the party for \$2,400,000, and reversed \$807,000 of a \$3,207,000 litigation loss accrual (of which \$3,135,000 was accrued in 2010). This reversal is included as a reduction of “general and administrative” expenses on our consolidated statement of income for the year ended December 31, 2011.

Paramus

In 2001 we leased 30.3 acres of land located in Paramus, New Jersey to IKEA Property, Inc. The lease has a 40-year term with a purchase option in 2021 for \$75,000,000. On October 5, 2011, the mortgage loan on this property was refinanced in the same amount. The new \$68,000,000 interest-only mortgage loan has a fixed rate of 2.90% and matures in October 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 \$62,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years must include the debt service sufficient to fully amortize \$68,000,000 over the remaining 20-year lease term.

Letters of Credit

Approximately \$4,998,000 of standby letters of credit were issued and outstanding as of December 31, 2011.

Other

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

12. 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.

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 participating subsidiaries may be required to bear its 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, 2011, our subsidiaries' participation in these plans were not significant to our consolidated financial statements.

In the years ended December 31, 2011, 2010 and 2009 our subsidiaries contributed \$215,000, \$229,000 and \$209,000, respectively, towards Multiemployer Pension Plans, which is included as a component of “operating” expenses on our consolidated statements of income. Our subsidiaries' contributions did not represent more than 5% of total employer contributions in any of these plans for the years ended December 31, 2011, 2010 and 2009.

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, 2011, 2010 and 2009 our subsidiaries contributed \$731,000, \$735,000 and \$703,000, respectively, towards these plans, which is included as a component of “operating” expenses on our consolidated statements of income.

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

13. 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 outstanding during the period, including deferred stock units. Diluted income per share is determined using the weighted average shares of common stock outstanding during the period, including deferred stock units, and assumes all potentially dilutive securities were converted into common shares at the earliest date possible.

(Amounts in thousands, except share and per share amounts)	For the Years Ended December 31,		
	2011	2010	2009
Net income attributable to common stockholders – basic and diluted	\$ 79,423	\$ 66,429	\$ 132,190
Weighted average shares outstanding – basic	5,106,568	5,105,936	5,103,790
Dilutive effect of stock options	-	-	1,580
Weighted average shares outstanding – diluted	5,106,568	5,105,936	5,105,370
Net income per common share – basic	\$ 15.55	\$ 13.01	\$ 25.90
Net income per common share – diluted	\$ 15.55	\$ 13.01	\$ 25.89

14. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

(Amounts in thousands, except per share amounts)	Revenues	Net Income Attributable to Common Stockholders	Income Per Common Share ⁽¹⁾	
			Basic	Diluted
2011				
December 31	\$ 64,607	\$ 20,634	\$ 4.04	\$ 4.04
September 30	64,737	20,425	4.00	4.00
June 30	62,036	20,157	3.95	3.95
March 31	62,872	18,207	3.57	3.57
2010				
December 31	\$ 62,250	\$ 17,891	\$ 3.50	\$ 3.50
September 30	61,390	17,875	3.50	3.50
June 30	59,166	15,549	3.05	3.05
March 31	58,544	15,114	2.96	2.96

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

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, 2011, 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* 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, 2011 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, 2011 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing on page 59 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, 2011.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Alexander's, Inc. and subsidiaries (the "Company") as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2011 of the Company and our report dated February 27, 2012 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 27, 2012

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, 2011. 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.

<u>Name</u>	<u>Age</u>	<u>PRINCIPAL OCCUPATION, POSITION AND OFFICE (Current and during past five years with the Company unless otherwise stated)</u>
Steven Roth	70	Chairman of the Board of Directors 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 from May 1989 through May 2009; a Trustee of Vornado Realty Trust since 1979; and Managing General Partner of Interstate Properties.
Michael D. Fascitelli	55	President since August 2000; Director of the Company since December 1996; Chief Executive Officer of Vornado Realty Trust since May 2009 and President and Trustee since December 1996; Partner at Goldman Sachs & Co., in charge of its real estate practice, from December 1992 to December 1996; and, prior thereto, Vice President at Goldman Sachs & Co.
Joseph Macnow	66	Executive Vice President and Chief Financial Officer since June 2002; Executive Vice President – Finance and Administration from March 2001 to June 2002; Vice President and Chief Financial Officer from August 1995 to March 2001; Executive Vice President – Finance and Administration of Vornado Realty Trust since January 1998 and Chief Financial Officer of Vornado Realty Trust since March 2001; and Vice President and Chief Financial Officer of Vornado Realty Trust from 1985 to January 1998.

We have a code of business conduct and ethics that applies to, among others, our Chief Executive Officer and Executive Vice President 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 Executive Vice President 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, 2011, 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	1,048	\$ -	893,952
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	1,048	\$ -	893,952

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.

	Pages in this Annual Report on Form 10-K
Schedule II – Valuation and Qualifying Accounts – years ended December 31, 2011, 2010 and 2009	65
Schedule III – Real Estate and Accumulated Depreciation as of December 31, 2011, 2010 and 2009	66

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.

3. The following exhibits listed on the Exhibit Index, which is incorporated herein by reference, are filed with this Annual Report on Form 10-K.

<u>Exhibit No.</u>	
10.49	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.
10.50	Loan and Security Agreement, dated November 30, 2011, by and between Rego II Borrower LLC, as Borrower, and the Lender.
10.51	Consolidated, Amended and Restated Promissory Note, dated November 30, 2011, by and between Rego II Borrower LLC, as Maker, and the Lender.
10.52	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.
10.53	Guarantee of Recourse Carveouts, dated November 30, 2011, by Alexander's, Inc., as Guarantor, to and for the benefit of the Lender.
10.54	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.
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
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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

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 27, 2012

By: /s/ Joseph Macnow
Joseph Macnow, Executive Vice President
and 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: <u>/s/Steven Roth</u> (Steven Roth)	Chairman of the Board of Directors (Principal Executive Officer)	February 27, 2012
By: <u>/s/Michael D. Fascitelli</u> (Michael D. Fascitelli)	President and Director	February 27, 2012
By: <u>/s/Joseph Macnow</u> (Joseph Macnow)	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 27, 2012
By: <u>/s/Thomas R. DiBenedetto</u> (Thomas R. DiBenedetto)	Director	February 27, 2012
By: <u>/s/David Mandelbaum</u> (David Mandelbaum)	Director	February 27, 2012
By: <u>/s/Arthur Sonnenblick</u> (Arthur Sonnenblick)	Director	February 27, 2012
By: <u>/s/Neil Underberg</u> (Neil Underberg)	Director	February 27, 2012
By: <u>/s/Richard R. West</u> (Richard R. West)	Director	February 27, 2012
By: <u>/s/Russell B. Wight Jr.</u> (Russell B. Wight Jr)	Director	February 27, 2012

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 at End of Year
<i>Allowance for doubtful accounts:</i>				
Year Ended December 31, 2011	\$ 1,047	\$ 427	\$ (435)	\$ 1,039
Year Ended December 31, 2010	\$ 1,736	\$ (22)	\$ (667)	\$ 1,047
Year Ended December 31, 2009	\$ 1,357	\$ 540	\$ (161)	\$ 1,736

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

DECEMBER 31, 2011

(Amounts in thousands)

COLUMN A	COLUMN B		COLUMN C		COLUMN D		COLUMN E			COLUMN F	COLUMN G	COLUMN H	COLUMN I
Description	Encumbrances	Initial Cost to Company ⁽¹⁾		Costs Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period			Construction In Progress	Total ⁽²⁾	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired ⁽¹⁾	Depreciation in Latest Income Statement is Computed
		Land	Building, Leaseholds and Leasehold Improvements		Land	Building, Leaseholds and Leasehold Improvements							
Commercial Property:													
New York, NY													
Rego Park I	\$ 78,246	\$ 1,647	\$ 8,953	\$ 47,361	\$ 1,647	\$ 56,302	\$ 12	\$ 57,961	\$ 22,986	1959	1992	5-39 years	
Rego Park II	274,796	3,127	1,467	376,948	3,127	378,415	-	381,542	21,243	2009	1992	5-40 years	
Rego Park III	-	779	-	1,541	779	450	1,091	2,320	3	N/A	1992	5-15 years	
Flushing	-	-	1,660	(107)	-	1,553	-	1,553	613	1975 ⁽³⁾	1992	N/A	
Lexington Avenue Kings Plaza Regional Shopping Center	659,890	14,432	12,355	424,823	27,498	424,112	-	451,610	91,615	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	\$ 1,330,932	\$ 22,090	\$ 35,781	\$ 1,004,337	\$ 74,974	\$ 985,637	\$ 1,597	\$ 1,062,208	\$ 184,873				

(1) Initial cost is as of May 15, 1992 (the date on which the Company commenced its real estate operations).

(2) The net basis of the Company's assets and liabilities for tax purposes is approximately \$209,775 lower than the amount reported for financial statement purposes.

(3) Represents the date the lease was acquired.

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

	December 31,		
	2011	2010	2009
REAL ESTATE:			
Balance at beginning of period	\$ 1,050,291	\$ 1,025,234	\$ 967,975
Additions (deletions) during the period:			
Land	-	-	-
Buildings and leasehold improvements	50,869	102,402	238,119
Development and construction in progress	(38,938)	(76,964)	(177,389)
	1,062,222	1,050,672	1,028,705
Less: Fully depreciated assets	(14)	(381)	(3,471)
Balance at end of period	<u>\$ 1,062,208</u>	<u>\$ 1,050,291</u>	<u>\$ 1,025,234</u>
ACCUMULATED DEPRECIATION:			
Balance at beginning of period	\$ 157,232	\$ 132,386	\$ 114,235
Additions charged to operating expenses	27,655	25,227	21,622
	184,887	157,613	135,857
Less: Fully depreciated assets	(14)	(381)	(3,471)
Balance at end of period	<u>\$ 184,873</u>	<u>\$ 157,232</u>	<u>\$ 132,386</u>

EXHIBIT INDEX

Exhibit No.		
3.1	-	Amended and Restated Certificate of Incorporation. Incorporated herein by reference from Exhibit 3.1 to the registrant's Registration Statement on Form S-3 filed on September 20, 1995
3.2	-	By-laws, as amended. Incorporated herein by reference from Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 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 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	-	Kings Plaza Management Agreement, dated as of May 31, 2001, by and between Alexander's Kings Plaza LLC and Vornado Management Corp. Incorporated herein by reference from Exhibit 10(i)(F)(3) 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 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
*		Incorporated by reference.

- 10.10 - 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 *
- 10.11 - 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 *
- 10.12 - 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 *
- 10.13 - Loan and Security Agreement, dated as of February 13, 2004, between 731 Office One LLC, as Borrower and German American Capital Corporation, as Lender. Incorporated herein by reference from Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.14 - Amended, Restated and Consolidated Mortgage, Security Agreement, Financing Statement and Assignment of Leases, Rent and Security Deposits by and between 731 Office One LLC as Borrower and German American Capital Corporation as Lender, dated as of February 13, 2004. Incorporated herein by reference from Exhibit 10.21 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.15 - Amended, Restated and Consolidated Note, dated as of February 13, 2004, by 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.22 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.16 - Assignment of Leases, Rents and Security Deposits from 731 Office One LLC to German American Capital Corporation, dated as of February 13, 2004. Incorporated herein by reference from Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.17 - Account and Control Agreement, dated as of February 13, 2004, by and among German American Capital Corporation as Lender, and 731 Office One LLC as Borrower, and JP Morgan Chase as Cash Management Bank. Incorporated herein by reference from Exhibit 10.24 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.18 - Manager's Consent and Subordination of Management Agreement dated February 13, 2004 by 731 Office One LLC and Alexander's Management LLC and German American Capital Corporation. Incorporated herein by reference from Exhibit 10.25 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *

* Incorporated by reference.

- 10.29 ** - Form of Stock Option Agreement between the Company and certain employees. Incorporated herein by reference from Exhibit 10.61 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, filed on October 27, 2005 *
- 10.30 ** - Form of Restricted Stock Option Agreement between the Company and certain employees. Incorporated herein by reference from Exhibit 10.62 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, filed on October 27, 2005 *
- 10.31 ** - Registrant's 2006 Omnibus Stock Plan dated April 4, 2006. Incorporated herein by reference from Annex B to Schedule 14A, filed by the registrant on April 28, 2006 *
- 10.32 - 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 *
- 10.33 - 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 *
- 10.34 - 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 *
- 10.35 - 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 *
- 10.36 - 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 *
- 10.37 - 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 for 10-Q for the quarter ended March 31, 2009, filed on May 4, 2009 *
- 10.38 - 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 for 10-Q for the quarter ended March 31, 2009, filed on May 4, 2009 *
- 10.39 - 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 for 10-Q for the quarter ended March 31, 2009, filed on May 4, 2009 *

* Incorporated by reference.

** Management contract or compensatory agreement.

- 10.40 - 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 for 10-Q for the quarter ended March 31, 2009, filed on May 4, 2009 *
- 10.41 - 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 for 10-Q for the quarter ended March 31, 2009, filed on May 4, 2009 *
- 10.42 - 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 *
- 10.43 ** - Alexander's, Inc. 2006 Ominibus Stock Plan Deferred Stock Unit Agreement. Incorporated herein by reference to Exhibit 99.1 to the registrant's Current Report on Form 8-K, filed on June 2, 2011 *
- 10.44 - Loan Agreement dated June 10, 2011, among Alexander's of Kings, LLC, Kings Parking, LLC, and Alexander's Kings Plaza, LLC, individually or collectively, as borrower, and the Financial Institutions and their Assignees under Section 11.15, as lenders, and Wells Fargo Bank, N.A., as administrative agent. Incorporated herein by reference from Exhibit 10.57 to the registrant's Quarterly Report on form 10-Q for the quarter ended June 30, 2011, filed on August 1, 2011. *
- 10.45 - Consolidated Amended and Restated Promissory Note dated June 10, 2011, among Alexander's of Kings, LLC, Kings Parking, LLC, and Alexander's Kings Plaza, LLC, individually or collectively, as borrower, and Wells Fargo Bank, N.A., Royal Bank of Canada, and Credit Agricole Corporate and Investment Bank, individually or collectively, as Lenders. Incorporated herein by reference from Exhibit 10.58 to the registrant's Quarterly Report on form 10-Q for the quarter ended June 30, 2011, filed on August 1, 2011 *
- 10.46 - Consolidated Amended and Restated Fee and Leasehold Mortgage, Assignment of Leases and Rents and Security Agreement dated June 10, 2011, among Alexander's of Kings, LLC, Kings Parking, LLC, and Alexander's Kings Plaza, LLC, individually or collectively, as mortgagor and Wells Fargo Bank, N.A., as mortgagee. Incorporated herein by reference from Exhibit 10.59 to the registrant's Quarterly Report on form 10-Q for the quarter ended June 30, 2011, filed on August 1, 2011 *
- 10.47 - Guaranty of Recourse Obligations, dated June 10, 2011, by Alexander's, Inc., as Guarantor, to and for the benefit of Wells Fargo Bank, N.A., as Administrative Agent. Incorporated herein by reference from Exhibit 10.60 to the registrant's Quarterly Report on form 10-Q for the quarter ended June 30, 2011, filed on August 1, 2011 *
- 10.48 - Environmental Indemnity Agreement dated June 10, 2011, by Alexander's of Kings, LLC, Kings Parking, LLC, and Alexander's Kings Plaza, LLC, and Alexander's, Inc., individually or collectively, as Indemnitor, to Wells Fargo Bank, N.A., as Administrative Agent. Incorporated herein by reference from Exhibit 10.61 to the registrant's Quarterly Report on form 10-Q for the quarter ended June 30, 2011, filed on August 1, 2011 *

* Incorporated by reference.

** Management contract or compensatory agreement.

10.49	**	-	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
10.50		-	Loan and Security Agreement, dated November 30, 2011, by and between Rego II Borrower LLC, as Borrower, and the Lender
10.51		-	Consolidated, Amended and Restated Promissory Note, dated November 30, 2011, by and between Rego II Borrower LLC, as Maker, and the Lender
10.52		-	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
10.53		-	Guarantee of Recourse Carveouts, dated November 30, 2011, by Alexander's, Inc., as Guarantor, to and for the benefit of the Lender
10.54		-	Environmental Indemnity Agreement, dated November 30, 2011, among Rego II Borrower LLC and Alexander's, Inc., individually or collectively as Indemnitator, in favor of the Lender
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
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101.PRE		-	XBRL Taxonomy Extension Presentation Linkbase
	**		<u>Management contract or compensatory agreement.</u>

THIRD AMENDMENT TO AMENDED AND RESTATED MANAGEMENT AND DEVELOPMENT AGREEMENT

THIS THIRD AMENDMENT TO AMENDED AND RESTATED MANAGEMENT AND DEVELOPMENT AGREEMENT (this "Amendment") is made as of the 30th day of November, 2011, by and among ALEXANDER'S INC., a Delaware corporation, on behalf of itself and each of the subsidiaries listed in Exhibit B attached hereto ("Alexander's"), having an address at 210 Route 4 East, Paramus, New Jersey 07652, (sometimes hereinafter referred to as "Owner"), and VORNADO MANAGEMENT CORP., a New Jersey corporation, having an office at 210 Route 4 East, Paramus, New Jersey 07652 ("Manager").

RECITALS

A. Alexander's and Manager have heretofore entered into that certain Amended and Restated Management and Development Agreement, dated July 3, 2002, as amended by First Amendment to Amended and Restated Management and Development Agreement dated as of July 6, 2005 and Second Amendment to Amended and Restated Management and Development Agreement dated as of December 20, 2007 (as so amended, the "Development Agreement").

B. As of the date hereof Manager has entered into that certain Termination of Management and Development Agreement with Alexander's of Rego Park II, Inc., terminating Manager's property management services with respect to the property located at Block 2080, Lot 101, City and State of New York (the "Rego Park II Property");

C. Whereas, Owner and Manager desire to amend the Development Agreement so that Manager can provide the entity management services provided hereunder with respect to the affiliated entities of Owner that own various portions of the Rego Park II Property.

NOW THEREFORE, in consideration of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, Owner and Manager hereby agree as follows to the following amendments to be effective from and after the date hereof (the "Effective Date"):

1. Exhibit A of the Development Agreement: Exhibit A to the Development Agreement is hereby replaced with Exhibit A attached hereto.
 2. List of Subsidiaries to the Development Agreement: The List of Subsidiaries for purposes of the introductory paragraph to the Development Agreement is hereby replaced with Exhibit B attached hereto.
 3. Management Fee. The first sentence of Article III, Section A is hereby amended to read as follows: "Owner shall pay Manager, as Manager's entire compensation for the services rendered hereunder in connection with the management of the Properties and the management of the Owner, a management fee (the "Management")."
-

Fee) equal to Two Million Four Hundred Thousand Dollars (\$2,400,000) per annum), payable in equal monthly installments, in arrears, in the amount of \$200,000 on the tenth day of each calendar month beginning with the first calendar month after the Effective Date.

4. Counterparts. This Amendment may be executed in several counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument.

5. Defined Terms. All terms capitalized but not defined herein shall have the same meaning ascribed to such terms in the Development Agreement. The marginal headings and titles to the paragraphs of this Amendment are not a part of this Amendment and shall have no effect upon the construction or interpretation of any part hereof.

6. Amendment. This Amendment is incorporated into and made a part of the Development Agreement, and the Development Agreement and all terms, conditions and provisions of the Development Agreement are ratified and confirmed in all respects and is and shall continue to be in full force and effect as modified and amended hereby.

7. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

8. No Modification. This Amendment constitutes the entire understanding of the parties with respect to the subject hereof and may not be amended except in a writing executed by the parties hereto.

9. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto, and their successors and permitted assigns.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

OWNER:

ALEXANDER'S INC., a Delaware corporation

By: /s/ Steven Santora
Name: Steven Santora
Title: Assistant Secretary

MANAGER:

VORNADO MANAGEMENT CORP.

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

EXHIBIT A

The following parcels of real property:

1. "FLUSHING PROPERTY"
ADDRESS: 136-20 through 136-30 Roosevelt Avenue,
a/k/a 40-17-19 Main Street
Queens, New York
TAX MAP DESIGNATION:
BLOCK: 5019 LOT: 5
CITY: New York COUNTY: Queens STATE: New York

2. "REGO PARK III PROPERTY"
TAX MAP DESIGNATION:
BLOCK: 2077 LOTS: 90 & 98
and
BLOCK: 2076 LOTS: 50 & 63
CITY: New York COUNTY: Queens STATE: New York]

3. "PARAMUS PROPERTY"

TAX MAP DESIGNATION:
LOT: 1 BLOCK: 1202 TAX MAP SHEET NO.: 12

The following entities:

Alexander's Department Stores of Brooklyn, Inc.
Alexander's Department Stores of New Jersey, Inc.
Alexander's of Brooklyn, Inc.
Alexander's Personnel Providers, Inc.
Alexander's of Brooklyn II, LLC
Alexander's of Kings LLC
Alexander's Kings Plaza LLC
Kings Parking LLC
Kings Plaza Lender LLC
Alexander's Rego Shopping Center, Inc.
Rego Park Commercial LLC
Rego Park Residential LLC
Alexander's Construction LLC
Alexander's Management LLC
Fifty Ninth Street Insurance Company, LLC
Sakraf Wine & Liquor Store
Ownreal Inc.

731 Office One Holding LLC
731 Office Two Holding LLC
Alexander's of Rego Park II, Inc.
731 Commercial Holding LLC
731 Commercial, LLC
731 Office One LLC
731 Office Two LLC
Rego II Borrower LLC
731 Retail One LLC
731 Restaurant LLC

EXHIBIT B

List of Subsidiaries

Alexander's of Rego Park III, Inc.
Alexander's of Flushing, Inc.
ALX of Paramus LLC

LOAN AND SECURITY AGREEMENT

Dated as of November 30, 2011

among

REGO II BORROWER LLC,
as Borrower

and

BANK OF CHINA, NEW YORK BRANCH,
as Lender

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- Exhibit B – Form of Tenant Notification Letter
- Exhibit C – Standard Form of Lease
- Exhibit D – Form of Non Disturbance Agreement

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT, dated as of November 30, 2011 (as amended, restated, replaced, supplemented or otherwise modified from time to time, this “**Agreement**”), among **REGO II BORROWER LLC**, a Delaware limited liability company (“**Borrower**”), having an office at c/o Alexander’s, Inc., 210 Route 4 East, Paramus, New Jersey 07652, and **BANK OF CHINA, NEW YORK BRANCH**, having an address at 410 Madison Avenue, New York, New York 10017 (together with its successors and assigns, “**Lender**”).

WITNESSETH:

WHEREAS, Borrower desires to obtain the Loan (as hereinafter defined) from Lender; and

WHEREAS, Lender is willing to make the Loan to Borrower, subject to and in accordance with the terms of this Agreement and the other Loan Documents (as hereinafter defined).

NOW, THEREFORE, in consideration of the making of the Loan by Lender and the covenants, agreements, representations and warranties set forth in this Agreement, the parties hereto hereby covenant, agree, represent and warrant as follows:

ARTICLE I

DEFINITIONS; PRINCIPLES OF CONSTRUCTION

Section 1.1 Definitions. For all purposes of this Agreement, except as otherwise expressly required or unless the context clearly indicates a contrary intent:

“**Account Agreement**” shall mean that certain Blocked Account Control Agreement, dated as of the date hereof, among Lender, Borrower and Collection Bank, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

“**Account Collateral**” shall have the meaning set forth in Section 3.1.2(a).

“**Act**” shall have the meaning set forth in Section 5.1.4(ff)(vi).

“**Affiliate**” shall mean, as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person or is a director or officer of such Person or of an Affiliate of such Person.

“**Agreement**” shall have the meaning set forth in the first paragraph of this Agreement.

“**ALTA**” shall mean American Land Title Association, or any successor thereto.

“**Alteration**” shall have the meaning set forth in Section 9.2.

“**Alteration Deficiency**” shall have the meaning set forth in Section 9.3(b).

“**ALX**” shall mean Alexander’s, Inc.

“**ALX Competitor**” shall mean the Persons listed on side letter dated the date hereof executed by Borrower and Lender (the “**Initial ALX Competitors**”) and such other Person(s) who are identified by Borrower to Lender from time to time (but in no event more frequently than twice in any calendar year), and, either directly or through Affiliates of such Person, are primarily in the business of owning, operating and/or developing real property; provided, however that the following entities shall be specifically excluded from this definition: (a) any pension fund, pension trust or pension account, (b) any insurance company which is subject to supervision by the insurance commissioner, or a similar official or agency, of a state or territory of the United States (including the District of Columbia), (c) a corporation organized under the banking laws of the United States or any state or territory of the United States (including the District of Columbia), and (d) any investment bank.

“**ALX Transfer**” and “**ALX Transfers**” shall have the meaning set forth in the definition of “Permitted Transfers”.

“**Annual Budget**” shall mean the operating budget for the Property prepared by either Borrower or Manager, on Borrower’s behalf, pursuant to the Management Agreement, for the applicable Fiscal Year or other period setting forth, in reasonable detail, Borrower’s or Manager’s, as applicable, good faith estimates of the anticipated results of operations of the Property, including revenues from all sources, all Operating Expenses, Management Fees, Manager Lease Fees and Capital Expenditures.

“**Applicable Interest Rate**” shall mean 2.11% per annum for the Initial Interest Accrual Period and thereafter (a) the LIBOR Rate with respect to any period when the Loan (or the applicable portion thereof) is a LIBOR Loan, or (b) the Reference Rate plus the Spread with respect to any period when the Loan (or the applicable portion thereof) is a Substitute Rate Loan.

“**Appraisal**” means a written statement setting forth an opinion of the market value of the Property that (i) has been independently and impartially prepared by a Qualified Appraiser directly engaged by Lender, (ii) complies with all applicable federal and state laws and regulations dealing with appraisals or valuations of real property, and (iii) has been reviewed as to form and content and approved by Lender, in its reasonable discretion.

“**Approved Bank**” shall mean a bank or other financial institution which has a minimum long-term unsecured debt rating of at least “A-” by S&P and a short-term unsecured debt rating of at least “A-1” by S&P.

“**Assignment of Contracts**” shall mean that certain Assignment of Contracts, Licenses and Permits, dated as of the date hereof, from Borrower, as assignor, to Lender, as assignee.

“**Assignment of Interest Rate Protection Agreement**” shall mean collectively, any Assignment(s) of Interest Rate Protection Agreement substantially in the form attached hereto as Exhibit A among Borrower or an Affiliate of Borrower, as applicable, Lender and the related Counterparty to the related Interest Rate Protection Agreement to be entered into pursuant to Section 5.1.25.

“**Assignment of Leases**” shall mean that certain first priority Assignment of Leases and Rents, dated as of the date hereof, from Borrower, as assignor, to Lender, as assignee.

“**Assignment of Management Agreement**” shall mean that certain Assignment, Consent and Subordination of Management Agreement, dated as of the date hereof, among Lender, Borrower and Manager, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

“**Assignment Opinion**” shall have the meaning set forth in Section 5.1.25(h).

“**Bankruptcy Code**” shall mean Title 11 of the United States Code entitled “Bankruptcy,” as amended from time to time, and any successor statute or statutes and all rules and regulations from time to time promulgated thereunder, and any comparable foreign laws relating to bankruptcy, insolvency or creditors’ rights.

“**BOC**” shall have the meaning set forth in Section 11.9.2.

“**BOC Group**” shall have the meaning set forth in Section 11.9.2(b).

“**Borrower**” has the meaning set forth in the first paragraph of this Agreement, together with any permitted successors or assigns, including any Successor Borrower.

“**Borrower Related Party**” shall mean Borrower, Guarantor, any Manager which is an Affiliate of Borrower or Guarantor or any other Person that is Controlled by or is under common Control with Borrower or Guarantor.

“**Borrower’s Account**” shall mean Account #2030267849959 named “Alexander’s, Inc.,” ABA# 031201467.

“**Borrower’s Architect**” shall mean Borrower’s architect, engineer or construction consultant which is licensed to practice in the State and has at least five (5) years of architectural, engineering or construction experience in connection with commercial properties in New York City.

“**Borrower’s Certificate**” shall mean a certificate executed by an authorized signatory of Borrower or Manager that is familiar with the financial condition of Borrower and the operation of the Property, as the act of Borrower and not of such authorized signatory, who shall have no personal liability in connection therewith.

“**Borrower’s Knowledge**” means the current actual knowledge of Albert Zubcak, Benjamin Schall and Ross Morrison.

“**Breakage Costs**” shall have the meaning set forth in Section 2.2.3(f).

“**Business Day**” shall mean any day other than a Saturday, Sunday or any other day on which banks in New York, New York are not open for domestic and international business.

“**Calculation Period**” shall have the meaning set forth in the definition of Debt Service Coverage Ratio.

“**Capital Expenditure Funds**” has the meaning set forth in Section 12.3.1.

“**Capital Expenditures**” shall mean any amount incurred in respect of capital items which in accordance with GAAP would not be included in Borrower’s annual financial statements for an applicable period as an operating expense of the Property and is not reasonably expected by Borrower to be a regularly recurring operating expense of the Property.

“**Capital Expenditures Reserve Account**” shall have the meaning set forth in Section 3.1.1(e).

“**Captive Insurance Company**” shall have the meaning set forth in Section 6.1.9(a).

“**Cash**” shall mean the legal tender of the United States of America.

“**Cash or Cash Equivalents**” shall mean any one or a combination of the following: (a) Cash, and (b) U.S. Obligations.

“**Cash Management Agreement**” shall mean that certain Cash Management Agreement of even date herewith among Lender, Borrower, the Deposit Bank and Manager.

“**Casualty Amount**” shall mean \$3,000,000.00.

“**Closing Date**” shall mean the date of this Agreement set forth in the introductory paragraph hereof.

“**Code**” shall mean the Internal Revenue Code of 1986, as amended, as it may be further amended from time to time, and any successor statutes thereto, and applicable U.S. Department of Treasury regulations issued pursuant thereto in temporary or final form.

“**Collateral**” shall mean all property of Borrower or any other Person in which Lender has or is intended to have a security interest hereunder, under the Mortgage, the Assignment of Leases and the other Loan Documents.

“**Collateral Accounts**” shall have the meaning set forth in Section 3.1.1.

“**Collection Account**” shall have the meaning set forth in Section 3.1.1.

“**Collection Bank**” shall mean JP Morgan Chase, or any successor Eligible Institution acting as Collection Bank under the Account Agreement or other financial institution reasonably approved by Lender.

“**Common Elements**” shall have the meaning set forth in [Section 8.8.1](#).

“**Condo Documents**” shall have the meaning set forth in [Section 8.8.2](#).

“**Condominium**” shall have the meaning set forth in [Section 8.8.1](#).

“**Contest Threshold**” shall have the meaning set forth in [Section 7.3](#).

“**Control**” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise (and Control shall not be deemed absent solely because a non-managing member, partner or shareholder shall have veto rights with respect to major decisions). The terms Controlled, Controlling and Common Control shall have correlative meanings.

“**Counterparty**” shall mean each counterparty to, or issuer of, any Interest Rate Protection Agreement other than Borrower or an Affiliate of Borrower.

“**Counterparty Opinion**” shall have the meaning set forth in [Section 5.1.25\(g\)](#).

“**Covered Disclosure Information**” has the meaning set forth in [Section 11.8.2\(a\)](#).

“**Debt**” shall mean, with respect to any Person at any time: (a) indebtedness or liability of such Person for borrowed money whether or not evidenced by bonds, debentures, notes or other instruments, or indebtedness for the deferred purchase price of property or services; (b) obligations of such Person as lessee under leases which should have been or should be, in accordance with GAAP, recorded as capital leases; (c) current liabilities of such Person in respect of unfunded vested benefits under plans covered by Title IV of ERISA; (d) obligations otherwise described in this definition of “Debt” issued for, or liabilities incurred on the account of, such Person; (e) obligations or liabilities of such Person arising under letters of credit, credit facilities or other acceptance facilities; (f) obligations of such Person under any guarantees or other agreement to become secondarily liable for any obligation of any other Person, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person or otherwise to assure a creditor against loss; (g) obligations of such Person secured by any Lien (excluding Liens for Impositions or Other Charges which are not yet due and payable) on any property of such Person, whether or not the obligations have been assumed by such Person; or (h) obligations of such Person under any interest rate or currency exchange agreement.

“**Debt Service**” shall mean, with respect to any particular period of time, scheduled principal and interest payments due under the Note (after taking into account any cap or interest payments actually received by Lender and provided by any Interest Rate Protection Agreement entered into by Borrower pursuant to [Section 5.1.25](#)).

“**Debt Service Coverage Ratio**” shall mean a ratio, as reasonably determined by Lender for the applicable period in which:

(a) the numerator is the Net Operating Income, as determined under GAAP (provided that Rents shall not be straight-lined), as stated on Borrower’s four most recent quarterly financial statements delivered to Lender pursuant to Section 10.2.1, for the twelve (12) calendar month period ending on the last day of the calendar quarter immediately prior to the applicable Determination Date (the “Calculation Period”); and

(b) the denominator is the aggregate amount of interest and principal due and payable on the Note based upon the aggregate amount of interest and principal which would be due and payable in accordance with the Note for the Calculation Period based upon (x) the Applicable Interest Rate then in effect (after taking into account the impact of any Interest Rate Protection Agreement which is then in place), and (y) a thirty (30) year amortization schedule, which amortization schedule shall be adjusted from and after any prepayment of the Loan in part to reflect the new Principal Amount but using the same assumed final payment date.

“**Debt Service Reserve Account**” shall have the meaning set forth in Section 3.1.1(a).

“**Default**” shall mean the occurrence of any event hereunder or under any of the other Loan Documents which, but for the giving of notice or passage of time, or both, would be an Event of Default.

“**Default Rate**” shall mean, with respect to an acceleration of the Loan, a rate per annum equal to the lesser of (a) the Maximum Legal Rate and (b) three percent (3%) above the Applicable Interest Rate.

“**Deficiency**” shall have the meaning set forth in Section 6.2.4(b)(ii).

“**Deposit Account**” shall have the meaning set forth in Section 3.1.1.

“**Deposit Bank**” shall mean Lender or any successor Eligible Institution thereto chosen by Lender; provided, however, that Lender shall provide not less than thirty (30) days’ prior written notice to Borrower of any change to the identity of the Deposit Bank during the term of the Loan.

“**Determination Date**” shall mean the date that is forty-five (45) days following the end of each calendar quarter occurring during the term of the Loan.

“**Disclosure Documents**” shall have the meaning set forth in Section 11.9.1.

“**DSCR Collateral Event**” shall mean, as of any Determination Date, the failure by Borrower, as reasonably determined by Lender, to maintain a Debt Service Coverage Ratio of at least 1.25 to 1.00 for the Calculation Period ending on the last day of the calendar quarter immediately preceding such Determination Date.

“**DSCR Collateral Period**” shall mean any period commencing upon any Determination Date as of which Lender reasonably determines that a DSCR Collateral Event has occurred and is continuing until such subsequent Determination Date, if any, as Lender reasonably determines that the Debt Service Coverage Ratio was greater than 1.25 to 1.00 for the Calculation Period ending on the last day of the calendar quarter immediately preceding such Determination Date.

“**Eligible Account**” shall mean a separate and identifiable account from all other funds held by the holding institution that is either (a) an account or accounts maintained with a federal or state-chartered depository institution or trust company which complies with the definition of Eligible Institution or (b) a segregated trust account or accounts maintained with a federal or state chartered depository institution or trust company acting in its fiduciary capacity which, in the case of a state chartered depository institution or trust company, is subject to regulations substantially similar to 12 C.F.R. §9.10(b), having in either case a combined capital and surplus of at least Fifty Million and 00/100 Dollars (\$50,000,000.00) and subject to supervision or examination by federal and state authority. An Eligible Account will not be evidenced by a certificate of deposit, passbook or other instrument.

“**Eligible Institution**” shall mean a depository institution or trust company, the short term unsecured debt obligations or commercial paper of which are rated at least “A-1” by S&P, “P-1” by Moody’s or “F-1” by Fitch in the case of accounts in which funds are held for thirty (30) days or less (or, in the case of accounts in which funds are held for more than thirty (30) days, the long-term unsecured debt obligations of which are rated at least “A+” by Fitch and S&P and “A1” by Moody’s). Lender shall constitute an Eligible Institution.

“**Environmental Indemnity Agreement**” shall mean that certain Environmental Indemnity Agreement dated as of the date hereof given by Borrower and Guarantor, for the benefit of Lender, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

“**Environmental Law**” shall mean any federal, state or local statute, regulation or ordinance or any judicial or administrative decree or decision, whether now existing or hereafter enacted, promulgated or issued, with respect to the protection of human health as it relates to Hazardous Material exposure, or the environment, any Hazardous Materials, Microbial Matter, drinking water, stream sediments, vegetation, groundwater, wetlands, landfills, open dumps, storage tanks, underground storage tanks, solid waste, waste water, atmosphere, soil, storm water run-off, waste emissions or wells, or the generation, manufacture, storage, handling, transportation, disposal, release, emission or discharge of any Hazardous Materials. Without limiting the generality of the foregoing, the term shall encompass each of the following statutes, and regulations promulgated thereunder, and amendments and successors to such statutes and regulations, as may be enacted and promulgated from time to time: (a) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (codified in scattered Sections of 26 U.S.C.; 33 U.S.C.; 42 U.S.C. and 42 U.S.C. § 9601 *et seq.*); (b) the Resource Conservation and Recovery Act of 1976 (42 U.S.C. § 6901 *et seq.*); (c) the Hazardous Materials

Transportation Act (49 U.S.C. § 1801 *et seq.*); (d) the Toxic Substances Control Act (15 U.S.C. § 2061 *et seq.*); (e) the Clean Water Act (33 U.S.C. § 1251 *et seq.*); (f) the Clean Air Act (42 U.S.C. § 7401 *et seq.*); (g) the Safe Drinking Water Act (21 U.S.C. § 349; 42 U.S.C. § 201 and § 300f *et seq.*); (h) the National Environmental Policy Act of 1969 (42 U.S.C. § 4321); (i) the Superfund Amendment and Reauthorization Act of 1986 (codified in scattered Sections of 10 U.S.C., 29 U.S.C., 33 U.S.C. and 42 U.S.C.); (j) Title III of the Superfund Amendment and Reauthorization Act (40 U.S.C. § 1101 *et seq.*); (k) the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 USCA 6901 *et seq.*; (l) the Emergency Planning and Community Right-to-Know Act of 1986, 42 USCA 11001 *et seq.*; (m) the River and Harbor Act of 1899, 33 USCA 401 *et seq.*; (n) the Endangered Species Act of 1973, 16 USCA 1531 *et seq.*; and (o) the Occupational Safety and Health Act of 1970, 29 USCA 651 *et seq.* The term “Environmental Law” also includes, but is not limited to, any present and future federal, state and local laws, statutes ordinances, rules, regulations and the like, conditioning transfer of property upon a negative declaration or other approval of a Governmental Authority of the environmental condition of a property; or requiring notification or disclosure of Releases of Hazardous Materials or other environmental conditions of a property to any Governmental Authority or other Person, whether or not in connection with transfer of title to or interest in property.

“**Equipment**” shall have the meaning set forth in the Mortgage.

“**ERISA**” shall mean the United States Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and the rulings issued thereunder.

“**Event of Default**” shall have the meaning set forth in Section 13.1(a).

“**Exchange Act**” shall have the meaning set forth in Section 11.9.1.

“**Exculpated Parties**” shall have the meaning set forth in Section 14.1.1.

“**Excusable Delay**” shall mean a delay solely due to acts of God, governmental restrictions, stays, judgments, orders, decrees, enemy actions, civil commotion, fire, casualty, strikes, work stoppages, shortages of labor or materials or other causes beyond the reasonable control of Borrower, but Borrower’s lack of funds in and of itself shall not be deemed a cause beyond the control of Borrower.

“**Final Member**” shall have the meaning set forth in Section 5.1.4(ff)(vii).

“**Fiscal Year**” shall mean each twelve (12) month period commencing on January 1 and ending on December 31 during each year of the term of the Loan or the portion of any such twelve (12) month period falling within the term of the Loan in the event that such twelve (12) month period occurs partially before or after, or partially during, the term of the Loan.

“**Fitch**” shall mean Fitch Ratings, Inc.

“**Fixtures**” shall have the meaning set forth in the Mortgage.

“**GAAP**” shall mean the generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession), or in such other statements by such entity as may be in general use by significant segments of the U.S. accounting profession, to the extent such principles are applicable to the facts and circumstances on the date of determination and as amended.

“**Government Lists**” has the meaning set forth in Section 4.1.40.

“**Governmental Authority**” shall mean any court, board, agency, commission, office or other authority of any nature whatsoever of any governmental unit (federal, state, county, district, municipal, city or otherwise) whether now or hereafter in existence.

“**Guarantor**” shall mean ALX, or any permitted successor thereto.

“**Guaranty**” shall mean that certain Guaranty of Recourse Obligations from Guarantor in favor of Lender.

“**Hazardous Materials**” shall mean each and every element, compound, chemical mixture, contaminant, pollutant, material, waste or other substance which is defined, determined or identified as hazardous or toxic under any Environmental Law. Without limiting the generality of the foregoing, the term shall mean and include:

(a) “hazardous substances” as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendment and Reauthorization Act of 1986, or Title III of the Superfund Amendment and Reauthorization Act, each as amended, and regulations promulgated thereunder; excluding, however, common maintenance and cleaning products regularly found at properties with a standard of operation and maintenance comparable to the Property;

(b) “hazardous waste” and “regulated substances” as defined in the Resource Conservation and Recovery Act of 1976, as amended, and regulations promulgated thereunder;

(c) “hazardous materials” as defined in the Hazardous Materials Transportation Act, as amended, and regulations promulgated thereunder;

(d) “chemical substance or mixture” as defined in the Toxic Substances Control Act, as amended, and regulations promulgated thereunder; and

(e) petroleum and petroleum products, asbestos and asbestos-containing materials, polychlorinated biphenyls, lead and radon, and compounds containing them (including gasoline, diesel fuel, oil and lead-based paint), and radioactive materials, flammables and explosives and compounds containing them, excluding, however,

products or substances which are generally used in the ordinary course of Premises operations, work projects and similar activities undertaken by or on behalf of Indemnitor or any tenants at the Premises, in each case in such quantities and concentrations as are reasonable for the intended application.

“**Impositions**” shall mean all taxes (including all ad valorem, sales (including those imposed on lease rentals), use, single business, gross receipts, value added, intangible transaction, privilege or license or similar taxes), business improvement district charges, governmental assessments (including all assessments for public improvements or benefits, whether or not commenced or completed prior to the date hereof and whether or not commenced or completed within the term of this Agreement), water, sewer or other rents and charges, excises, levies, fees (including license, permit, inspection, authorization and similar fees), and all other governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Property, and/or any Rents (including all interest and penalties thereon), which at any time prior to, during or in respect of the term hereof may be assessed or imposed on or in respect of or be a Lien upon (a) Borrower (including all income, franchise, single business or other taxes imposed on Borrower for the privilege of doing business in the jurisdiction in which the Property is located), (b) the Property, or any other Collateral delivered or pledged to Lender in connection with the Loan, or any part thereof, or any Rents therefrom or any estate, right, title or interest therein, excluding any taxes paid by Tenants directly to a taxing authority, or (c) any occupancy, operation, use or possession of, or sales from, or activity conducted on, or in connection with the Property or the leasing or use of all or any part thereof (other than obligations of Tenants under Leases and any taxes paid by Tenants directly to a taxing authority). Nothing contained in this Agreement shall be construed to require Borrower to pay any tax, assessment, levy or charge earlier than when due, or imposed on (i) any tenant occupying any portion of the Property, (ii) any third party manager of the Property, including the Manager, or (iii) Lender in the nature of a capital levy, estate, inheritance, succession, income or net revenue tax.

“**Improvements**” shall have the meaning set forth in the Mortgage.

“**Indebtedness**” shall mean (a) the Principal Amount of the Loan together with all interest accrued and unpaid thereon, the Prepayment Premium, if applicable, and all other sums due to Lender in respect of the Loan under the Note, this Agreement, the Mortgage or any other Loan Document and (b) all sums which may become due and payable by Borrower to the Counterparty pursuant to any Lender Interest Rate Protection Agreement, including, without limitation, any sums payable by Borrower to such Counterparty in connection with the termination thereof.

“**Indemnified Parties**” shall have the meaning set forth in [Section 15.12\(b\)](#).

“**Independent**” shall mean, when used with respect to any Person, a Person who: (a) does not have any direct financial interest or any material indirect financial interest in Borrower or in any Affiliate of Borrower, (b) is not connected with Borrower or any Affiliate of Borrower as an officer, employee, promoter, underwriter, trustee, partner, member, manager, creditor (other than as a result of such Person providing services to Borrower or any Affiliate) director, supplier, customer or person performing similar functions, and (c) is not a member of the immediate family of a Person described in (a) or (b) above.

“**Independent Accountant**” shall mean a firm of recognized, certified public accountants which is Independent and which is selected by Borrower and reasonably acceptable to Lender, it being agreed by Lender that any of the so-called “Big Four” accounting firms (including any successor entities thereto) are each hereby approved by Lender as the Independent Accountant.

“**Independent Architect**” shall mean an architect, engineer or construction consultant selected by Borrower which is Independent, licensed to practice in the State and has at least five (5) years of architectural, engineering or construction experience and which is reasonably acceptable to Lender.

“**Independent Manager**” shall mean a natural person who has prior experience as an independent director, independent manager or independent member with at least three years of employment experience and who is provided by a nationally recognized professional service company, and which individual is duly appointed as an Independent Manager and who shall not have been at the time of such individual’s appointment or at any time while serving as an Independent Manager be, and may not have been at any time during the preceding five (5) years:

(a) a stockholder, member, director (other than as an Independent Manager), officer, employee, partner, attorney or counsel of Borrower or any Affiliate of Borrower;

(b) a customer, supplier or other Person who derives any of its revenues from its activities with Borrower or any Affiliate of Borrower (other than as an Independent Manager);

(c) a Person or other entity controlling or under common control with any such stockholder, member, partner, customer, supplier or other Person;

(d) a member of the immediate family of any such stockholder, member, director, officer, employee, partner, customer, supplier or other Person; or

(e) or otherwise affiliated with Borrower or any stockholder, member, director, officer, employee, partner, attorney or counsel of Borrower or any guarantor.

For purposes of this definition of “Independent Manager”, (i) a “special purpose entity” is an entity, whose organizational documents contain restrictions on its activities and impose requirements intended to preserve such entity’s separateness that are substantially similar to the provisions of Section 5.1.4 hereof, (ii) a “nationally recognized professional service company” means CT Corporation, Corporation Service Company, National Registered Lenders, Inc., Wilmington Trust Company, Stewart Management Company or Lord Securities Corporation or, if none of those companies is then providing professional Independent Managers, another nationally-recognized company reasonably approved by Lender, in each case that is not an Affiliate of Borrower and that provides professional Independent Managers and other corporate services in the ordinary course of its business and (iii) the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management, policies or activities of such Person, whether through ownership of voting securities, by contract or otherwise.

“**Initial ALX Competitors**” shall have the meaning set forth in the definition of “ALX Competitor” above.

“**Initial Interest Accrual Period**” shall mean the period commencing on the Closing Date and ending on December 29th, 2011.

“**Insurance Requirements**” shall mean, collectively, (a) all material terms of any insurance policy required pursuant to this Agreement and (b) all material regulations and then current standards applicable to or affecting the Property or any part thereof or any use or condition thereof, which may, at any time, be recommended by the Board of Fire Underwriters, if any, having jurisdiction over the Property, or such other body exercising similar functions.

“**Insurance Reserve Account**” shall have the meaning set forth in [Section 3.1.1\(c\)](#).

“**Insurance Reserve Amount**” shall have the meaning set forth in [Section 12.2.1](#).

“**Interest Accrual Period**” shall have the meaning set forth in [Section 2.2.5](#).

“**Interest Rate Protection Agreement**” shall mean one or more interest rate hedge products (together with the schedules relating thereto) entered into in connection with the Loan and satisfying the requirements of [Section 5.1.25](#) and otherwise in form and substance reasonably satisfactory to Lender, with a confirmation from the Counterparty thereto, between Borrower or an Affiliate of Borrower, as applicable, and a Counterparty with a Minimum Counterparty Rating, and all amendments, restatements, replacements, supplements and modifications thereto. The term “Interest Rate Protection Agreement” shall include any Lender Interest Rate Protection Agreement.

“**Late Payment Charge**” shall have the meaning set forth in [Section 2.2.8](#).

“**Lease**” shall mean, any lease, sublease or subsublease, letting, license, concession or other agreement (whether written or oral and whether now or hereafter in effect) pursuant to which any Person is granted by Borrower a possessory interest in, or right to use or occupy all or any portion of any space in the Property, and every modification, amendment or other agreement relating to such lease, sublease, subsublease, or other agreement entered into in connection with such lease, sublease, subsublease, or other agreement and every guarantee of the performance and observance of the covenants, conditions and agreements to be performed and observed by the other party thereto.

“**Lease Modification**” shall have the meaning set forth in [Section 8.7.1](#).

“**Lease Termination Fee**” shall have the meaning set forth in [Section 12.5.1](#).

“**Lease Termination Fee Reserve Account**” shall have the meaning set forth in Section 12.5.1.

“**Lease Termination Funds**” shall have the meaning set forth in Section 12.5.1.

“**Leasing Reserve Account**” shall have the meaning set forth in Section 3.1.1(d).

“**Legal Requirements**” shall mean all present and future laws, statutes, codes, ordinances, orders, judgments, decrees, injunctions, rules, regulations and requirements, and irrespective of the nature of the work to be done, of every Governmental Authority that has jurisdiction over the Borrower, the Guarantor (in connection with the Loan) or the Property including, without limitation, Environmental Laws and all covenants, restrictions and conditions now or hereafter of record which may be applicable to Borrower or to the Property and the Improvements and the Equipment thereon, or to the use, manner of use, occupancy, possession, operation, maintenance, alteration, repair or reconstruction of the Property and the Improvements and the Equipment thereon including, without limitation, building and zoning codes and ordinances and laws relating to handicapped accessibility.

“**Lender**” shall have the meaning set forth in the introductory paragraph of this Agreement.

“**Lender Interest Rate Protection Agreement**” shall mean any Interest Rate Protection Agreement entered into by Borrower with Lender or an Affiliate of Lender as Counterparty, and only for so long as such Counterparty remains Lender (or an Affiliate of Lender).

“**Lender’s Notice**” shall have the meaning set forth in Section 2.2.3(b).

“**Letter of Credit**” or “**Letters of Credit**” shall mean one or more irrevocable, unconditional, transferable, clean sight draft letters of credit, in favor of Lender and entitling Lender to draw thereon in New York, New York, based solely on a statement executed by an officer or authorized signatory of Lender and issued by an Approved Bank. If at any time (a) the institution issuing any such Letter of Credit shall cease to be an Approved Bank or (b) the Letter of Credit is due to expire prior to the sixtieth (60th) day after the Maturity Date (without automatic renewal), Lender shall have the right immediately to draw down the same in full and hold the proceeds thereof in accordance with the provisions of this Agreement, unless Borrower shall deliver a replacement Letter of Credit from an Approved Bank within (i) as to (a) above, twenty (20) days after Lender delivers written notice to Borrower that the institution issuing the Letter of Credit has ceased to be an Approved Bank or (ii) as to (b) above, at least twenty (20) days prior to the expiration date of such Letter of Credit. Borrower shall not have or be permitted to have any liability or other obligations under any reimbursement agreement with respect to any Letter of Credit or otherwise in connection with reimbursement to the Approved Bank for draws on such Letter of Credit.

“**Liabilities**” shall have the meaning set forth in Section 11.9.2(b).

“**LIBOR**” shall mean, with respect to each Interest Accrual Period, the rate for deposits in U.S. dollars (with respect to the period equal or comparable to the applicable Interest Accrual Period) that appears on Reuters Screen LIBOR01 Page (or the successor thereto) as of 11:00 a.m., London time, on the related LIBOR Determination Date. If such rate does not appear on Reuters Screen LIBOR01 Page as of 11:00 a.m., London time, on such LIBOR Determination Date, LIBOR shall be the arithmetic mean of the offered rates (expressed as a percentage per annum) for deposits in U.S. dollars (with respect to the period equal or comparable to the applicable Interest Accrual Period) that appear on the Reuters Screen LIBOR01 Page as of 11:00 a.m., London time, on such LIBOR Determination Date, if at least two such offered rates so appear. If fewer than two such offered rates appear on the Reuters Screen LIBOR01 Page as of 11:00 a.m., London time, on such LIBOR Determination Date, Lender shall request the principal London Office of any four major reference banks in the London interbank market selected by Lender to provide such bank’s offered quotation (expressed as a percentage per annum) to prime banks in the London interbank market for deposits in U.S. dollars (with respect to the period equal or comparable to the applicable Interest Accrual Period) as of 11:00 a.m., London time, on such LIBOR Determination Date for the then Principal Amount of the Loan. If at least two (2) such offered quotations are so provided, LIBOR shall be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, Lender shall request any three (3) major banks in New York City selected by Lender to provide such bank’s rate (expressed as a percentage per annum) for loans in U.S. dollars to leading European banks for a one-month period as of approximately 11:00 a.m., New York City time on the applicable LIBOR Determination Date for the then Principal Amount of the Loan. If at least two (2) such rates are so provided, LIBOR shall be the arithmetic mean of such rates. LIBOR shall be determined by Lender and at Borrower’s request, Lender shall provide Borrower with the basis for its determination.

“**LIBOR Determination Date**” shall mean, with respect to each Interest Accrual Period where the Loan is a LIBOR Loan, the date that is two (2) London Business Days prior to the date such Interest Accrual Period commences.

“**LIBOR Rate**” shall mean, for any Interest Accrual Period, a rate per annum determined by Lender to be equal to LIBOR divided by (1 minus, the Reserve Requirement) for such Interest Accrual Period plus, the Spread.

“**LIBOR Loan**” shall mean the Loan or any portion thereof at any time in which the Applicable Interest Rate thereon is calculated at the LIBOR Rate.

“**License(s)**” shall have the meaning set forth in Section 4.1.23.

“**Lien**” shall mean any mortgage, deed of trust, lien, pledge, hypothecation, assignment, security interest, or any other encumbrance or charge on or affecting Borrower, the Property, any portion thereof or any interest of Borrower therein, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, the filing of any financing statement, and the filing of mechanic’s, materialmen’s and other similar liens and encumbrances.

“**Loan**” shall mean the loan in the original principal amount of Two Hundred Seventy-Five Million and No/100 Dollars (\$275,000,000.00) being made by Lender to Borrower with respect to the Property which is the subject of this Agreement.

“**Loan Agreement**” shall mean this Agreement.

“**Loan Documents**” shall mean, collectively, this Agreement, the Note, the Mortgage, the Assignment of Leases, the Assignment of Contracts, the Environmental Indemnity Agreement, the Assignment of Management Agreement, the Guaranty, the Assignment of Interest Rate Protection Agreement, the Account Agreement, the Cash Management Agreement, as well as all other documents now or hereafter executed and/or delivered by Borrower or Guarantor with respect to the Loan.

“**London Business Day**” shall mean any day other than a Saturday, Sunday or any other day on which commercial banks in London, England, or New York, New York, are not open for business.

“**Losses**” shall have the meaning set forth in Section 14.1.2.

“**Management Agreement**” shall mean, collectively, (x) that certain Rego Park II Management Agreement, dated as of the date hereof, by and between Borrower and Manager, and (y) that certain Rego Park II Retention Agreement, dated as of the date hereof, by and between Borrower and Manager, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time in accordance with the terms hereof.

“**Management Fees**” shall mean an amount equal to the property management fees payable to the Manager pursuant to the terms of the Management Agreement for base management services.

“**Manager**” shall mean ALX.

“**Manager Lease Fees**” shall mean the fees for leasing space at the property payable to Manager pursuant to the terms of the Management Agreement.

“**Material Action**” shall mean, with respect to any Person, to institute proceedings to have such Person be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against such Person or file a petition seeking, or consent to, reorganization or relief with respect to such Person under any applicable federal or state law relating to bankruptcy, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of such Person or a substantial part of its property, or make any assignment for the benefit of creditors of such Person, or admit in writing such Person’s inability to pay its debts generally as they become due, or declare or effectuate a moratorium on the payment of any obligation, or take action in furtherance of any such action.

“**Material Adverse Effect**” shall mean any event or condition that has a material adverse effect, in each case, taken as a whole on (a) the Property, (b) the use, operation or value of the Property, (c) the business, profits, operations or financial condition of Borrower or Guarantor, (d) the ability of Borrower to repay the principal and interest of the Loan as it becomes due or to satisfy any of Borrower’s obligations under the Loan Documents, (e) the enforceability or validity of the Loan Documents or the perfection or priority of the Liens created under the Loan Documents or (f) the rights, interests and remedies of Lender under the Loan Documents.

“**Material Alteration**” shall mean any Alteration which, when aggregated with (a) all related Alterations (other than decorative work such as painting, wall papering and carpeting and the replacement of fixtures, furnishings and equipment to the extent being of a routine and recurring nature and performed in the ordinary course of business) constituting a single project and (b) all other then-ongoing Alterations commenced after the Closing Date, involves an estimated cost exceeding the Threshold Amount with respect to such Alteration or related Alterations (including the Alteration in question) then being undertaken at the Property.

“**Material Business Terms**” shall have the meaning set forth in Section 8.7.1.

“**Maturity Date**” shall mean November 30, 2018 or such earlier date on which the final payment of principal of the Note becomes due and payable as therein or herein provided, whether at such stated maturity date, by declaration of acceleration, or otherwise.

“**Maximum Legal Rate**” shall mean the maximum non-usurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on the indebtedness evidenced by the Note and as provided for herein or the other Loan Documents, under the laws of such state or states whose laws are held by any court of competent jurisdiction to govern the interest rate provisions of the Loan.

“**Microbial Matter**” shall mean fungi or bacterial matter which reproduces through the release of spores or the splitting of cells, including, but not limited to, mold, mildew and viruses, whether or not such microbial matter is living.

“**Minimum Counterparty Rating**” shall mean a long-term unsecured debt rating of not less than “A” from S&P.

“**Monetary Default**” shall mean a Default (a) in an obligation to pay money hereunder or under any Loan Document or (b) arising pursuant to Section 13.1(a), (vi), or (vii).

“**Monthly Capital Expenditures Reserve Amount**” shall have the meaning set forth in Section 12.3.1.

“**Monthly Insurance Reserve Amount**” shall have the meaning set forth in Section 12.2.1.

“**Monthly Tax Reserve Amount**” shall have the meaning set forth in Section 12.1.1.

“**Monthly Tenant Leasing Reserve Amount**” shall have the meaning set forth in Section 12.4.1.

“**Moody’s**” shall mean Moody’s Investors Service, Inc.

“**Mortgage**” shall mean that certain first priority Consolidated, Amended and Restated Fee and Leasehold Mortgage, Assignment of Leases and Rents and Security Agreement, dated as of the date hereof, between Borrower and Lender, and encumbering the

Property, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

“**Multi-Asset Person**” shall mean a Person in respect of which the net operating income from the Property (or such portion thereof allocable to such Person) represents less than fifty percent (50%) of such Person’s aggregate gross income.

“**Net Operating Income**” shall mean the amount obtained by subtracting Operating Expenses from Operating Income.

“**New Lease**” shall have the meaning set forth in Section 8.7.1.

“**Non-Disturbance Agreement**” shall have the meaning set forth in Section 8.7.9.

“**Non-Excluded Taxes**” shall have the meaning set forth in Section 2.2.10.

“**Note**” shall mean that certain Consolidated, Amended and Restated Promissory Note, dated the date hereof, between Borrower and Lender in the principal amount of Two Hundred and Seventy-Five Million and No/100 Dollars (\$275,000,000.00), as same may be amended, supplemented, restated, increased, extended and consolidated, substituted or replaced from time to time.

“**Notice of Satisfaction**” shall mean that certain notice of satisfaction (tracking number 06DEPTECH033Q) issued by the Department of Environmental Protection of the City of New York on March 23, 2009.

“**Obligations**” shall have the meaning set forth in the Mortgage.

“**OFAC**” has the meaning set forth in Section 4.1.40.

“**Operating Expenses**” shall mean, for any period, without duplication, all expenses actually paid or payable by Borrower during such period in connection with the operation, management, maintenance, repair and use of the Property, determined on an accrual basis, and, except to the extent otherwise provided in this definition, in accordance with GAAP. Operating Expenses specifically shall include (a) all operating expenses incurred in such period based on quarterly financial statements delivered to Lender in accordance with Section 10.2.1, (b) property management fees in an amount equal to two percent (2%) of Operating Income, (c) administrative, payroll, security and general expenses for the Property, (d) the cost of utilities, inventories and fixed asset supplies consumed in the operation of the Property, (e) a reasonable reserve for uncollectible accounts (to the extent that the income relating to such accounts has been included in the determination of Operating Income), (f) costs and fees of Independent professionals (including, without limitation, legal, accounting, consultants and other professional expenses), technical consultants, operational experts (including quality assurance inspectors) or other third parties retained to perform services required or permitted hereunder, (g) cost of attendance by employees at training and manpower development programs, (h) association dues, (i) computer processing charges, (j) operational equipment and other lease payments as permitted herein or reasonably approved by Lender and (k) taxes and other Impositions, other than income taxes or other Impositions in the nature of income taxes and insurance premiums.

Notwithstanding the foregoing, Operating Expenses shall not include (a) depreciation or amortization, (b) income taxes or other Impositions in the nature of income taxes, (c) any expenses (including legal, accounting and other professional fees, expenses and disbursements) incurred in connection with the making of the Loan or the sale, exchange, transfer, financing or refinancing of all or any portion of the Property or in connection with the recovery of Proceeds which are applied to prepay the Note, (d) any expenses which in accordance with GAAP should be capitalized, (e) Debt Service, (f) any item of expense which would otherwise be considered within Operating Expenses pursuant to the provisions above but which is paid directly by any Tenant, (g) deposits required to be made to the Reserve Accounts, (h) leasing commissions, including all Manager Lease Fees, and (i) tenant improvements and allowances and other reletting costs.

“**Operating Income**” shall mean, for any period, all revenues of Borrower during such period from the use, ownership or operation of the Property as follows:

- (a) all amounts payable to Borrower by any Person as Rent and other amounts under Leases, license agreements, occupancy agreements, concession agreements or other agreements relating to the Property (provided that Rents shall not be straight-lined as required under GAAP);
- (b) business interruption or rent insurance proceeds allocable to the applicable calculation period;
- (c) payments received for utility charges, escalations, forfeited security deposits, interest on credit accounts, service fees or charges, license fees, parking fees and other pass-through reimbursements paid by Tenants under the Leases of any nature; and
- (d) all other amounts which in accordance with GAAP are included in Borrower’s annual financial statements as operating income attributable to the Property.

Notwithstanding the foregoing, Operating Income shall not include (i) any Proceeds (other than business interruption or rent insurance proceeds and only to the extent allocable to the applicable calculation period), (ii) any proceeds resulting from the Transfer of all or any portion of the Property, (iii) any Rent attributable to a Lease prior to the date on which (A) the actual payment of rent is required to commence thereunder and (B) all free rent periods have expired, except that with respect to Leases providing for recurrent free rent periods, the initial free rent period shall have expired, provided, however, that if a Lease meets the requirements set forth in clause (A) and (B) at any time during the applicable Calculation Period, the Rents attributable to such Lease shall be included in the calculation of Operating Income for such Calculation Period, (iv) any item of income otherwise included in Operating Income but paid directly by any Tenant to a Person other than Borrower as an offset or deduction against Rent payable by such Tenant, provided such item of income is for payment of an item of expense (such as payments for utilities paid directly to a utility company) and such expense is otherwise excluded from the definition of Operating Expenses pursuant to clause (f) of the definition thereof, (v) security deposits received from Tenants until forfeited or applied, (vi) any termination fees paid under any Lease in connection with the termination thereof (except to the

extent applied on a pro-rata basis over the non-terminable portion of the Lease term prior to such termination) and (vii) interest income. Operating Income shall be calculated on the accrual basis of accounting and, except to the extent otherwise provided in this definition, in accordance with GAAP.

“**Opinion of Counsel**” shall mean an opinion of counsel of a law firm selected by Borrower and reasonably acceptable to Lender.

“**Other Charges**” shall mean maintenance charges, impositions other than Impositions, and any other charges, including, without limitation, vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Property, now or hereafter levied or assessed or imposed against the Property or any part thereof by any Governmental Authority, other than those required to be paid by a Tenant pursuant to its respective Lease.

“**Patriot Act**” shall have the meaning set forth in the definition of Prescribed Laws.

“**Patriot Act Offense**” has the meaning set forth in Section 4.1.40.

“**Payment Date**” shall be the thirtieth (30) calendar day of each calendar month and if such day is not a Business Day, then the Business Day immediately succeeding such day, commencing on December 30, 2011 and continuing to and including the Maturity Date. “**Payment Date**” shall also include such earlier date, if any, on which the unpaid Principal Amount is paid in full.

“**Permitted Debt**” shall mean, collectively, (a) the Note and the other obligations, indebtedness and liabilities specifically provided for in any Loan Document and secured by this Agreement, the Mortgage and the other Loan Documents, (b) trade payables incurred in the ordinary course of Borrower’s business, not secured by Liens on the Property (other than statutory liens under the UCC and liens being properly contested in accordance with the provisions of this Agreement or the Mortgage or Liens for amounts not yet due and payable), not to exceed \$5,000,000.00 outstanding at any one time (but such calculation shall not include any amounts for which there are deposits held in the Reserve Accounts), payable by or on behalf of Borrower for or in respect of the operation of the Property in the ordinary course of operating Borrower’s business, provided that (but subject to the remaining terms of this definition) each such amount shall be paid within sixty (60) days following the date on which each such amount is incurred, except for accounting fees, which may be paid on an annual basis, and (c) amounts due under any equipment leases, provided that, at all times during the term of the Loan, the aggregate amount outstanding under the equipment leases shall not exceed \$500,000. Nothing contained herein shall be deemed to require Borrower to pay any amount, so long as Borrower is in good faith, and by proper legal proceedings, diligently contesting the validity, amount or application thereof, provided that in each case, at the time of the commencement of any such action or proceeding, and during the pendency of such action or proceeding (i) no Event of Default shall exist and be continuing hereunder, (ii) adequate reserves with respect thereto are maintained on the books of Borrower in accordance with GAAP, (iii) such contest operates to suspend collection or enforcement, as the case may be, of the contested amount and such contest is maintained and prosecuted continuously and with diligence and (iv) the amount being

contested shall not exceed \$1,500,000. Notwithstanding anything set forth herein, in no event shall Borrower be permitted under this provision to enter into a note (other than the Note and the other Loan Documents) or other instrument for borrowed money.

“**Permitted Encumbrances**” shall mean, collectively, (a) any Lien and security interest created or permitted by the Loan Documents, (b) any Lien, encumbrances and other matters disclosed in the Title Policy, (c) any Lien, if any, for Impositions, or for Other Charges, in either case which are not yet due or delinquent or are the subject of a permitted contest pursuant to Section 7.3, (d) statutory liens for labor or materials filed against the Property that are the subject of a permitted contest pursuant to Section 7.3, (e) any Lien arising after the date hereof in connection with the actions permitted to be taken by Borrower in accordance with the provisions of Section 7.3, (f) any Lien filed against equipment leased pursuant to equipment leases permitted hereunder and (g) the Leases.

“**Permitted Investments**” shall mean any one or more of the following obligations or securities with maturities of not more than three hundred sixty-five (365) days acquired at a purchase price of not greater than par, payable on demand or having a maturity date not later than the Business Day immediately prior to the first Payment Date following the date of acquiring such investment and meeting one of the appropriate standards set forth below:

(a) obligations of, or obligations fully guaranteed as to payment of principal and interest by, the United States or any agency or instrumentality thereof provided, such obligations are backed by the full faith and credit of the United States of America including, without limitation, obligations of: the U.S. Treasury (all direct or fully guaranteed obligations), the Farmers Home Administration (certificate of beneficial ownership), the General Services Administration (participation certificates), the U.S. Maritime Administration (guaranteed Title XI financing), the Small Business Administration (guaranteed participation certificates and guaranteed pool certificates), the U.S. Department of Housing and Urban Development (local authority bonds) and the Washington Metropolitan Area Transit Authority (guaranteed transit bonds); provided, however, that the investments described in this clause (a) must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index and (iii) such investments must not be subject to liquidation prior to their maturity;

(b) Federal Housing Administration debentures;

(c) obligations of the following United States government sponsored agencies: Federal Home Loan Mortgage Corp. (debt obligations), the Farm Credit System (consolidated systemwide bonds and notes), the Federal Home Loan Banks (consolidated debt obligations), the Federal National Mortgage Association (debt obligations), the Student Loan Marketing Association (debt obligations), the Financing Corp. (debt obligations), and the Resolution Funding Corp. (debt obligations); provided, however, that the investments described in this clause (c) must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if such investments have a variable rate of interest, such interest rate must be tied to a single

interest rate index plus a fixed spread (if any) and must move proportionately with that index and (iii) such investments must not be subject to liquidation prior to their maturity;

(d) federal funds, unsecured certificates of deposit, time deposits, bankers' acceptances and repurchase agreements with maturities of not more than three hundred sixty-five (365) days of any bank, the short-term obligations of which at all times are rated in the highest short-term rating category by two (2) of the Rating Agencies (or, if not rated by all Rating Agencies, rated by at least one (1) Rating Agency in the highest short-term rating category and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the then current ratings assigned to the Securities); provided, however, that the investments described in this clause (d) must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index and (iii) such investments must not be subject to liquidation prior to their maturity;

(e) fully Federal Deposit Insurance Corporation insured demand and time deposits in, or certificates of deposit of, or bankers' acceptances issued by, any bank or trust company, savings and loan association or savings bank, the short-term obligations of which at all times are rated in the highest short-term rating category by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one (1) Rating Agency in the highest short-term rating category and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the then current ratings assigned to the Securities); provided, however, that the investments described in this clause (e) must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index and (iii) such investments must not be subject to liquidation prior to their maturity;

(f) debt obligations with maturities of not more than three hundred sixty-five (365) days and at all times rated by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one (1) Rating Agency and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investments would not, in and of itself, result in a downgrade, qualification or withdrawal of the then current ratings assigned to the Securities) in its highest long-term unsecured debt rating category; provided, however, that the investments described in this clause (f) must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index and (iii) such investments must not be subject to liquidation prior to their maturity;

(g) commercial paper (including both non-interest bearing discount obligations and interest bearing obligations payable on demand or on a specified date not

more than one (1) year after the date of issuance thereof) with maturities of not more than three hundred sixty-five (365) days and that at all times is rated by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one (1) Rating Agency and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the then current ratings assigned to the Securities) in its highest short-term unsecured debt rating; provided, however, that the investments described in this clause (g) must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index and (iii) such investments must not be subject to liquidation prior to their maturity;

(h) units of taxable money market funds, which funds are regulated investment companies, seek to maintain a constant net asset value per share and invest solely in obligations backed by the full faith and credit of the United States, which funds have the highest rating available from each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one (1) Rating Agency and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the then current ratings assigned to the Securities) for money market funds; and

(i) any other security, obligation or investment which has been approved as a Permitted Investment in writing by Lender.

“**Permitted Transfers**” means any of the following, provided the same shall not result in a violation of Legal Requirements, including without limitation, ERISA and Prescribed Laws, and provided that, with respect to Permitted Transfers (other than a ALX Transfer) the same shall not cause the proposed transferee to exceed exposure limits of Lender (provided, however, that if Lender shall determine that a Transfer to such proposed transferee would exceed the exposure limits of Lender, then Lender shall so notify Borrower within ten (10) Business Days after the proposed transferee has been identified to Lender with a request for approval set forth in a written notice that states clearly (in 14-point type or larger): “THIS IS A REQUEST FOR APPROVAL OF A TRANSFEREE. LENDER SHALL HAVE NO RIGHT TO OBJECT TO THE TRANSFEREE BASED ON THE TRANSFEREE EXCEEDING THE EXPOSURE LIMITS OF LENDER IF LENDER DOES NOT RESPOND TO THIS REQUEST WITHIN TEN (10) BUSINESS DAYS” and in the event Lender fails to so notify Borrower within such ten (10) Business Day period, Lender shall have no right to object to the proposed transferee on such basis):

(a) any pledge of direct or indirect equity interests in and/or right to distributions by ALX or any Multi-Asset Person to secure a loan to any such Persons that is secured by all or a substantial portion of any of such Person’s assets;

(b) the Transfer or issuance of any securities or any direct or indirect interests in (i) any direct or indirect owner of Borrower, in either case, whose securities are publicly traded on a national exchange (including ALX) (regardless of whether such

Transfer or issuance is of publicly traded securities or interests), (ii) any Person who directly or indirectly holds such publicly traded securities or interests or (iii) any Multi-Asset Person; provided, that after such Transfer, ALX shall continue to Control Borrower; or

(c) the merger or consolidation of ALX with or into any other Person or sale of all or substantially all of the assets of ALX (each, an “**ALX Transfer**” and, collectively, “**ALX Transfers**”); provided, however, that if any ALX Transfer or series of ALX Transfers (other than the sale of publicly traded securities in ALX) shall result in a change of Control of ALX, then Lender’s prior written consent (which shall not be unreasonably withheld, conditioned or delayed) shall be required in connection with such ALX Transfer unless after giving effect to such ALX Transfer, ALX (or the successor entity thereto) shall be a Person that has and provides substantially at least the same experience and expertise as ALX prior to such Transfer, merger or consolidation in conducting business of the nature currently conducted by ALX in respect of the Property’s type.

“**Person**” shall mean any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

“**Physical Conditions Report**” shall mean Physical Conditions Report shall mean that certain Property Condition Assessment dated as of July 22, 2011, prepared by Jones, Hill, McFarland & Ellis.

“**Plan**” shall have the meaning set forth in Section 4.1.10(a).

“**Prepayment Premium**” shall mean in respect of any prepayment of the Loan (other than any prepayment of the Loan in accordance with Section 2.2.3(h), Section 2.2.9 or Section 6.2, which shall not give rise to any Prepayment Premium or penalty) during the Prepayment Premium Period, an amount equal to one percent (1%) of the Principal Amount so prepaid.

“**Prepayment Premium Period**” shall mean the period commencing on the Closing Date and ending on the first (1st) anniversary thereof.

“**Prescribed Laws**” shall mean, collectively, (a) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56) (The USA PATRIOT Act) (the “**Patriot Act**”), (b) Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, (c) the International Emergency Economic Power Act, 50 U.S.C. § 1701 *et seq.*, and (d) all other Legal Requirements relating to money laundering or terrorism.

“**Principal Amount**” shall mean the outstanding principal amount of the Loan.

“**Proceeds**” shall have the meaning set forth in Section 6.2.2.

“**Provided Information**” shall have the meaning set forth in Section 11.6.1.

“**Property**” shall have the meaning set forth in the Mortgage.

“**Qualified Appraiser**” means an independent, nationally recognized, M.A.I. certified appraiser reasonably selected by Lender.

“**Qualified Manager**” shall mean (a) ALX, VRLP or any Affiliate of ALX or VRLP, (b) a reputable and experienced management company which manages at least 5,000,000 square feet of gross leasable area exclusive of the Property and which management company shall have at least five (5) years of experience managing properties similar in class and size to the Property which are located in New York City and/or other similar metropolitan areas, or (c) any Person with respect to which Borrower shall have obtained the prior written consent of Lender, which consent shall not be unreasonably withheld.

“**Rating Agencies**” shall mean (a) prior to a Securitization, each of S&P, Moody’s and Fitch and any other nationally recognized statistical rating agency which has been approved by Lender and are reasonably anticipated by Lender to rate the Securities in the Securitization, and (b) after a Securitization has occurred, each such Rating Agency which has rated the Securities in the Securitization.

“**Rating Agency Confirmation**” shall mean a written affirmation from each of the Rating Agencies that the credit rating of the Securities by such Rating Agency immediately prior to the occurrence of the event with respect to which such Rating Agency Confirmation is sought will not be qualified, downgraded or withdrawn as a result of the occurrence of such event, which affirmation may be granted or withheld in such Rating Agency’s sole and absolute discretion; provided that in the event that a Securitization has occurred, but a Rating Agency, within the period of time provided in the Securitization’s pooling and servicing agreement (or similar agreement), has not responded to the request for a Rating Agency Confirmation or has responded in a manner that indicates that such Rating Agency is neither reviewing such request nor waiving the requirement for a Rating Agency Confirmation, then the approval of Lender shall be required in lieu of such Rating Agency Confirmation, which such approval shall be based on Lender’s good faith determination of whether such Rating Agency would issue a Rating Agency Confirmation (unless Lender has an independent approval right in respect of the matter at issue pursuant to the terms of this Agreement, in which case the discretion afforded to Lender in connection with such independent approval right shall apply instead).

“**REA**” shall mean, collectively, as the same may be amended, restated, supplemented or otherwise modified from time to time, those certain Agreements more specifically described on Schedule 1 attached hereto and made a part hereof.

“**Reference Rate**” shall mean, for any day, the rate of interest for such day from time to time announced by Citibank, N.A., at its New York City Main Branch as its prime rate (being a base rate for calculating interest on certain loans), each change in any interest rate hereunder based on the Reference Rate to take effect at the time of such change in the prime rate. The Reference Rate is not necessarily the lowest rate for commercial or other types of loans and Lender has not committed to charge interest hereunder at any lower or lowest rate at which Citibank, N.A. may now or in the future make loans to Borrower or other borrowers.

“**Regulation D**” shall mean Regulation D of the Board of Governors of the Federal Reserve System from time to time in effect, including any successor or other Regulation or official interpretation of said Board of Governors relating to Reserve Requirements applicable to member banks of the Federal Reserve System.

“**Regulatory Change**” shall mean any change after the date of this Agreement in Federal, state or foreign law or regulations (including, without limitation, Regulation D) applying to a class of banks including Lender or the adoption or making after such date of any interpretation, directive or request applying to a class of banks including Lender of or under any Federal, state or foreign law or regulations (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) by any court or government or monetary authority charged with the interpretation or administration thereof.

“**Relevant Portions**” shall have the meaning set forth in [Section 11.9.2](#).

“**Remargining Collateral**” shall have the meaning set forth in [Section 3.1.6\(b\)](#).

“**Rent Roll**” shall have the meaning set forth in [Section 4.1.27\(a\)](#).

“**Rents**” shall mean all rents, rent equivalents, moneys payable as damages or in lieu of rent or rent equivalents, royalties (including, without limitation, all oil and gas or other mineral royalties and bonuses), income, receivables, receipts, revenues, deposits (including, without limitation, security, utility and other deposits), accounts, cash, issues, profits, charges for services rendered, and other consideration of whatever form or nature received by or paid to or for the account of or benefit of Borrower, Manager (as agent of Borrower) or any of their agents or employees from any and all sources arising from or attributable to the Property, including all receivables, customer obligations, installment payment obligations and other obligations now existing or hereafter arising or created out of the sale, lease, sublease, license, concession or other grant of the right of the use and/or occupancy of the Property or rendering of services by Borrower, Manager (as agent of Borrower) or any of their agents or employees in connection with the Property and Proceeds, if any, from business interruption or other loss of income insurance required to be paid pursuant to a Lease.

“**Required Amount**” shall have the meaning set forth in [Section 3.1.5](#).

“**Reserve Accounts**” shall mean, collectively, the Tax Reserve Account, the Insurance Reserve Account, the Debt Service Reserve Account, the Leasing Reserve Account, the Lease Termination Fee Reserve Account, the Capital Expenditures Reserve Account and any other escrow fund established by the Loan Documents.

“**Reserve Requirements**” shall mean, for any day as applied to a LIBOR Loan the aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on such day, if any, (including, without limitation, any supplemental, marginal and emergency reserves) under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto dealing with reserve requirements prescribed for urocurrency funding (currently referred to as “**Eurocurrency Liabilities**” in Regulation D) required to be maintained by Lender

or its Loan participants, if any. Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by Lender or any of its Loan participants, if any, by reason of any Regulatory Change against (a) any category of liabilities that includes deposits by reference to which LIBOR is to be determined as provided in this Agreement or (b) any category of extensions of credit or other assets that includes the loans the interest rate on which is determined on the basis of rates used in determining LIBOR. Notwithstanding anything to the contrary contained herein, any increase in the reserve requirements described in the definition which arises subsequent to the date of this Agreement shall not be included within "Reserve Requirements" to the extent that Lender fails to notify Borrower of such increase within ninety (90) days after Lender should reasonably have been aware of such increase; provided, however, that at such time as Lender notifies Borrower of such increase, Lender shall be entitled to the increase for the immediately preceding period of ninety (90) days, as applicable, regardless of whether Lender should reasonably have been aware of such increase prior to the date thereof.

"**Residential Unit**" shall have the meaning set forth in Section 8.8.1.

"**Retail Unit**" shall have the meaning set forth in Section 8.8.1.

"**Retainage Release Threshold**" shall have the meaning set forth in Section 6.25.5 (a).

"**S&P**" shall mean Standard & Poor's Ratings Services, a division of The McGraw Hill Companies.

"**Securities**" shall have the meaning set forth in Section 11.6.

"**Securities Act**" shall have the meaning set forth in Section 11.9.1.

"**Securitization**" shall have the meaning set forth in Section 11.6.

"**Single Purpose Entity**" shall mean an entity meeting all of the requirements of Section 5.1.4 of this Agreement (but in the case of an entity other than Borrower, substituting the name of such entity for the term "Borrower" throughout Section 5.1.4 and otherwise revising such Section 5.1.4 to reflect the purpose and business of such entity, for purposes of determining whether such entity meets such requirements).

"**Special Member**" shall mean a Springing Member in a given Delaware limited liability company who has become a member in such limited liability company to the extent so provided in such limited liability company's operating agreement.

"**Spread**" shall mean one hundred eighty five (185) basis points.

"**Springing Member**" shall mean a Person who has signed the limited liability company agreement of a given Delaware limited liability company, which agreement provides that, upon the withdrawal, dissolution or disassociation of the last remaining member of such limited liability company, such Person shall become a member of such limited liability company having no economic interest therein.

“**Standard Form of Lease**” shall have the meaning set forth in Section 8.7.2(a).

“**State**” shall mean the State of New York.

“**Sub-Account(s)**” shall have the meaning set forth in Section 3.1.1.

“**Substitute Rate Loan**” shall mean the Loan at any time in which the Applicable Interest Rate is calculated at the Reference Rate plus the Spread in accordance herewith.

“**Substitute Rate Tranche**” shall mean the Loan or any portion thereof at any time in which the Applicable Interest Rate for the Loan or such portion thereof is calculated with reference to the Reference Rate.

“**Successor Borrower**” shall have the meaning set forth in Section 8.5.2.

“**Survey**” shall mean a survey of the Property prepared by Garden State Engineering, Surveying & Planning of New York, P.C., or a surveyor licensed in the State and satisfactory to Lender and the company or companies issuing the Title Policy, and containing either a certification of such surveyor or a certification of visual update from such surveyor, in either case reasonably satisfactory to Lender.

“**Taking**” shall mean a temporary or permanent taking by any Governmental Authority as the result or in lieu or in anticipation of the exercise of the right of condemnation or eminent domain, of all or any part of the Property, or any interest therein or right accruing thereto, including any right of access thereto or any change of grade affecting the Property or any part thereof.

“**Tax Reserve Account**” shall have the meaning set forth in Section 3.1.1(b).

“**Tax Reserve Amount**” shall have the meaning set forth in Section 12.1.1.

“**Tenant**” shall mean any Person leasing, subleasing or otherwise occupying any portion of the Property other than the Manager and its employees, agents and assigns.

“**Tenant Leasing Funds**” shall have the meaning set forth in Section 12.4.1.

“**Termination Space**” shall have the meaning set forth in Section 12.5.1.

“**Terrorism Policy**” shall have the meaning set forth in Section 6.1.1(c)(iv).

“**Terrorism Premium Limit**” shall mean, for each calendar year, an annual Insurance Premium that is equal to \$0.05 per \$100 of the “total insured value” of the Property, (where “total insured value” shall mean the 100% replacement cost of the Improvements and the personal property on the Property and the required business income value).

“**Threshold Amount**” shall mean an amount equal to Five Million and No/100 Dollars (\$5,000,000.00).

“**Title Company**” shall mean Stewart Title Insurance Company as lead title insurance company along with Chicago Title insurance Company, Commonwealth Land Title Insurance Company, Fidelity Title Insurance Company and First American Title Insurance Company, as co-insurers.

“**Title Policy**” shall mean an ALTA mortgagee title insurance policy in a form acceptable to Lender (or, if the Property is in a State which does not permit the issuance of such ALTA policy, such form as shall be permitted in such State and acceptable to Lender) issued by the Title Company on the date hereof with respect to the Property and insuring the lien of the Mortgage.

“**Total Loss**” shall mean (a) a casualty, damage or destruction of the Property which, in the reasonable judgment of Lender, (i) involves a loss of more than forty percent (40%) of the total floor area of the Improvements at the Property, or (ii) results in the cancellation of leases comprising more than forty percent (40%) of the rentable area of the Property, and in either case with respect to which Borrower is not required under the Leases to apply Proceeds to the restoration of the Property; or (b) a permanent Taking which, in the reasonable judgment of Lender, (i) involves an actual or constructive loss of more than forty percent (40%) of the land constituting the Property, or (ii) renders untenable more than forty percent (40%) of the rentable area of the Property; or (c) a casualty, damage, destruction or Taking that affects so much of the Property such that it would be impracticable, in Lender’s reasonable discretion, even after restoration, to operate the Property as an economically viable whole.

“**Transfer**” shall mean to, directly or indirectly, sell, assign, convey, mortgage, transfer, pledge, hypothecate, encumber, grant a security interest in, exchange or otherwise dispose of any beneficial interest or grant any option or warrant with respect to, or where used as a noun, a direct or indirect sale, assignment, conveyance, transfer, pledge or other disposition of any beneficial interest by any means whatsoever whether voluntary, involuntary, by operation of law or otherwise.

“**TRIA**” shall mean Terrorism Risk Insurance Program Reauthorization Act of 2007 or another similar federal statute which provides that the federal government reinsures not less than 50% of any claims made under an insurance policy insuring against acts of terrorism (or such lower percentage of claims acceptable to Lender in its reasonable discretion).

“**UCC**” or “**Uniform Commercial Code**” shall mean the Uniform Commercial Code as in effect in the State.

“**Underwriter Group**” shall have the meaning set forth in Section 11.9.2.

“**U.S. Obligations**” shall mean obligations or securities not subject to prepayment, call or early redemption which are direct obligations of, or obligations fully guaranteed as to timely payment by, the United States of America.

“**VRLP**” shall mean Vornado Realty L.P., a Delaware limited partnership.

“Work” shall have the meaning set forth in Section 6.2.4(a).

Section 1.2 Principles of Construction. All references to Sections and schedules are to Sections and schedules in or to this Agreement unless otherwise specified. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. When used herein, the term “financial statements” shall include the notes and schedules thereto unless otherwise specified. Unless otherwise specified herein or therein, all terms defined in this Agreement shall have the definitions given them in this Agreement when used in any other Loan Document or in any certificate or other document made or delivered pursuant thereto. All uses of the word “including” shall mean including, without limitation unless the context shall indicate otherwise. Unless otherwise specified, the words hereof, herein and hereunder and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise specified, all meanings attributed to defined terms herein shall be equally applicable to both the singular and plural forms of the terms so defined. Any reference in this Agreement or in any other Loan Document to any Loan Document shall be deemed to include references to such documents as the same may hereafter be amended, modified, supplemented, extended, consolidated, replaced and/or restated from time to time (and, in the case of any note or other instrument, to any instrument issued in substitution therefor).

ARTICLE II

GENERAL TERMS

Section 2.1 Loan.

2.1.1 The Loan. Subject to and upon the terms and conditions set forth herein, Lender hereby agrees to make and Borrower hereby agrees to accept the Loan on the Closing Date.

2.1.2 Single Disbursement to Borrower. Borrower shall receive only one borrowing hereunder in respect of the Loan and any amount borrowed and repaid hereunder in respect of the Loan may not be reborrowed.

2.1.3 The Note, Mortgage and Loan Documents. The Loan shall be evidenced by the Note and secured by the Mortgage, the Assignment of Leases, this Agreement and the other Loan Documents.

2.1.4 Use of Proceeds. Borrower shall use the proceeds of the Loan to repay and discharge any existing mortgage loans secured by the Property.

2.1.5 Loan Term. The term of the Loan shall commence on the Closing Date and shall end on the Maturity Date.

Section 2.2 Interest.

2.2.1 Applicable Interest Rate. The Principal Amount shall bear interest, as provided below, at the Applicable Interest Rate from time to time in effect based upon the LIBOR Rate or when specifically so provided in this Agreement, based upon the Reference Rate plus the Spread.

2.2.2 Interest Calculation. Interest on the Principal Amount shall be calculated by multiplying (a) the actual number of days elapsed in the period for which the calculation is being made by (b) a daily rate based on a three hundred sixty (360) day year (that is, the Applicable Interest Rate or the Default Rate, as then applicable, expressed as an annual rate divided by 360) by (c) the Principal Amount.

2.2.3 Determination of Applicable Interest Rate. (a) Any change in the rate of interest hereunder due to a change in the Applicable Interest Rate shall become effective as of the first day on which such change in the Applicable Interest Rate shall become effective. Each determination by Lender, which shall occur on each LIBOR Determination Date (and take effect upon the commencement of the Interest Accrual Period that is two (2) London Business Days following such LIBOR Determination Date) with respect to a LIBOR Loan and shall occur on a daily basis with respect to the Reference Rate, of the Applicable Interest Rate shall be conclusive and binding for all purposes, absent manifest error.

(b) In the event that Lender shall have reasonably determined (which determination shall be conclusive and binding upon Borrower absent manifest error) that by reason of circumstances affecting the interbank eurodollar market, adequate and reasonable means do not exist for ascertaining LIBOR, as applicable, then Lender shall, by notice to Borrower ("**Lender's Notice**"), which notice shall set forth in reasonable detail such circumstances, convert the Loan to a Substitute Rate Loan and establish the Applicable Interest Rate at the Reference Rate plus the Spread.

(c) If pursuant to the terms of this Agreement, the Loan has been converted to a Substitute Rate Loan and the event(s) or circumstance(s) which resulted in such conversion shall no longer be applicable (as reasonably determined by Lender, which determination shall be conclusive and binding upon Borrower absent manifest error), Lender shall give notice thereof to Borrower, and the Substitute Rate Loan (except for such portion thereof, if any, as Borrower shall elect to treat as a Substitute Rate Tranche) shall automatically convert to a LIBOR Loan on the effective date set forth in such notice and the Applicable Interest Rate for the initial Interest Accrual Period after such conversion shall be the LIBOR Rate.

(d) If any requirement of law, or any change therein or in the interpretation or application thereof, shall hereafter make it unlawful for Lender to make or maintain a LIBOR Loan as contemplated hereunder, (i) the obligation of Lender hereunder to make a LIBOR Loan shall be cancelled forthwith and (ii) Lender may give Borrower a Lender's Notice, converting the Loan to a Substitute Rate Loan and establishing the Applicable Interest Rate at the Reference Rate plus the Spread. In the event the condition necessitating the cancellation of Lender's obligation to make a LIBOR Loan hereunder shall cease, Lender shall promptly notify Borrower of such cessation and the Loan shall resume its characteristics as a LIBOR Loan in accordance with the terms herein from and after the first day of the Interest Accrual Period next following

such cessation. Borrower hereby agrees promptly to pay Lender, upon demand, any additional amounts necessary to compensate Lender for any reasonable third-party out-of-pocket costs incurred by Lender in making any conversion under this subsection (d) in accordance with this Agreement, including, without limitation, any interest or fees payable by Lender to lenders of funds obtained by Lender in order to make or maintain the LIBOR Loan hereunder, provided, however, that, in order for any such notice to be effective to impose on Borrower the obligation to pay any such amount, such notice must be delivered by Lender within thirty (30) days after Lender should reasonably have been aware of the event giving rise to its entitlement to compensation. Lender's notice of such costs, as certified to Borrower, shall be set forth in reasonable detail and Lender's calculation shall be conclusive absent manifest error. Lender acknowledges and agrees that, as of the date hereof, no condition exists that would permit the cancellation of Lender's obligation to make a LIBOR Loan under this subsection (d).

(e) In the event that any change subsequent to the date hereof in any requirement of law or in the interpretation or application thereof, or compliance by Lender with any request or directive (whether or not having the force of law) hereafter issued from any central bank or other Governmental Authority:

(i) shall hereafter have the effect of reducing the rate of return on Lender's capital (other than as a result of an increase in taxes) as a consequence of its obligations hereunder to a level below that which Lender could have achieved but for such adoption, change or compliance (taking into consideration Lender's consistently applied policies with respect to capital adequacy) by any amount reasonably deemed by Lender to be material;

(ii) shall hereafter impose, modify, increase or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of Lender which is not otherwise included in the determination of the rate hereunder (other than as a result of an increase in taxes); or

(iii) shall hereafter impose on Lender any other condition and the result of any of the foregoing is to increase the cost to Lender of making, renewing or maintaining loans or extensions of credit or to reduce any amount receivable hereunder;

then, in any such case, Borrower shall promptly pay Lender, upon demand, any additional amounts necessary to compensate Lender for such additional cost or reduced amount receivable which Lender reasonably deems to be material as determined by Lender; provided, however, that Borrower shall not be required under this Section 2.2.3 to pay Lender additional amounts for additional costs or reduced amounts receivable that are attributable to an increase in taxes imposed on Lender. If Lender becomes entitled to claim any additional amounts pursuant to this Section 2.2.3, Borrower shall not be required to pay same unless they are the result of requirements imposed generally on lenders similar to Lender and not the result of some specific reserve or similar requirement imposed on Lender as a result of Lender's special circumstances. If Lender becomes entitled to claim any additional amounts pursuant to this Section 2.2.3, Lender shall provide Borrower with not less than thirty (30) days' written notice specifying in reasonable detail the event by reason of which it has become so entitled and the additional amount required to fully compensate Lender for such additional cost or reduced amount. A certificate as to any additional costs or amounts payable pursuant to the foregoing sentence, executed by an authorized signatory of Lender and submitted by Lender to Borrower shall be conclusive in the absence of manifest error. This provision shall survive payment of the Note and the satisfaction of all other obligations of Borrower under this Agreement and the Loan Documents. Notwithstanding the foregoing, if reasonably feasible, Lender shall, as promptly as practicable, designate a different branch or lending office for the Loan if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the reasonable opinion of Lender, be materially disadvantageous to Lender.

(f) Borrower agrees to indemnify Lender and to hold Lender harmless from any loss or expenses arising from interest or fees payable by Lender generally to lenders of funds obtained by it in order to maintain a LIBOR Loan hereunder (other than consequential and punitive damages) which Lender sustains or incurs as a consequence of (i) any default by Borrower in payment of the principal of or interest on a LIBOR Loan, including, without limitation, any such loss or expense arising from interest or fees payable by Lender to lenders of funds obtained by it in order to maintain a LIBOR Loan hereunder, (ii) any prepayment (whether voluntary or mandatory) of the LIBOR Loan for any reason (including, without limitation, the acceleration of the maturity of the LIBOR Loan) on a day that is not a Payment Date or the scheduled Maturity Date, and (iii) the conversion (for any reason whatsoever, whether voluntary or involuntary) of the Applicable Interest Rate to the Reference Rate plus the Spread with respect to any portion of the Principal Amount on a date other than the first day of an Interest Accrual Period (such amounts referred to in clauses (i), (ii) and (iii) are herein referred to collectively as the “**Breakage Costs**”). Whenever in this Section 2.2.3 the term “interest or fees payable by Lender to lenders of funds obtained by it” is used and no such funds were actually obtained from such lenders, it shall include interest or fees which would have been payable by Lender if it had obtained funds from lenders in order to maintain a LIBOR Loan hereunder. Lender will provide to Borrower a statement detailing such Breakage Costs and the calculation thereof, and such statement shall be final absent manifest error. The parties hereto acknowledge and agree that the damages that Lender would suffer as a result of the Loan being prepaid are difficult or impossible to ascertain and, therefore, agree that the aforesaid losses, costs or expenses are a reasonable approximation of such damages and do not constitute a penalty.

(g) The provisions of this Section 2.2.3 shall survive payment of the Note in full and the satisfaction of all other obligations of Borrower under this Agreement and the other Loan Documents; provided, however, that if the additional costs set forth in this Section 2.2.3 are not claimed until after the payment or other satisfaction in full of the Indebtedness, the Lien of the Mortgage shall be released.

(h) Notwithstanding anything to the contrary contained herein, if the Loan has been converted to a Substitute Rate Loan pursuant to Section 2.2.3(b), or Section 2.2.3(d), or if pursuant to Section 2.2.3(e), increased costs are payable by Borrower, Borrower may, at its option and upon fifteen (15) days’ prior notice to Lender (or such shorter period of time as may be permitted by Lender in its sole discretion but subject to the timing requirements set forth in Section 2.3.1(c)), prepay the Indebtedness in whole, but not in part, without the payment of any Prepayment Premium or other penalty but with payment of any Breakage Costs.

(i) Notwithstanding anything to the contrary contained herein, Borrower shall be permitted to replace any Lender that is unable to maintain the Loan as a LIBOR Loan (except when the Loan is a Substitute Rate Loan pursuant to the terms of this Agreement) or requests reimbursement for amounts owing pursuant to Section 2.2.3(d) and Section 2.2.3(e), provided that (i) such replacement does not conflict with any Legal Requirements, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) the replacement financial institution shall purchase, at par, such Lender's proportional interest and other amounts owing to such replaced Lender on or prior to the date of replacement, (iv) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to BOC, (v) the Borrower shall pay all increased costs (if any) required pursuant to Sections 2.2.3(d), 2.2.3(e), and 2.2.10) in respect of any period prior to the date on which such replacement shall be consummated and for which Borrower received timely notice hereof in accordance with said provisions, (vi) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, BOC or any other Lender shall have against the replaced Lender; and (vii) in no event shall Borrower be permitted to replace BOC. Notwithstanding the foregoing, in the event Borrower is permitted to replace Lender pursuant to the terms of this Section 2.2.3(i), BOC shall have the first opportunity to acquire the interests of the Lender being replaced. If BOC does not agree to acquire the interests of the Lender being replaced within 10 Business Days of written notice from Borrower, Borrower may find an alternate replacement financial institution subject to the terms and conditions of this Section 2.2.3(i).

2.2.4 Payments before Maturity. Borrower shall pay to Lender on each Payment Date beginning on December 30, 2011 throughout the term, an amount equal to interest only computed at the Applicable Interest Rate on the Principal Amount for the applicable Interest Accrual Period, (c) on December 30, 2011 and on each Payment Date thereafter, a payment of principal based on a thirty (30) year mortgage style amortization schedule and assumed interest rate of seven and one half percent (7.5%) pursuant to Schedule 2.2.4 and (d) all amounts required, if any, in respect of Reserve Accounts as set forth in Article XII hereof, if any. In the event of any partial prepayment of the Loan in accordance with Section 2.3.2, the amortization schedule shall be adjusted by Lender based on the then Principal Amount, after giving effect to such prepayment, and based on the remaining term of the original thirty (30) year period and assumed interest rate of seven and one-half percent (7.5%).

2.2.5 Payments Generally. Each interest accrual period (each, an "**Interest Accrual Period**") shall commence on the thirtieth (30th) day of each calendar month during the term of the Loan and shall end on and include the twenty ninth (29th) day of the succeeding calendar month (or twenty eighth (28th) in the case of February if not a leap year). For purposes of making payments hereunder, but not for purposes of calculating any Interest Accrual Period, if the day on which such payment is due is not a Business Day, then amounts due on such date shall be due on the immediately succeeding Business Day. The monthly Payment Date shall not be changed to a different calendar day unless expressly agreed to by Lender and Borrower. On the Maturity Date, interest on the Principal Amount shall be payable at the Applicable Interest Rate or the Default Rate, as the case may be, through and including the day immediately preceding such Maturity Date. All amounts due pursuant to this Agreement and the other Loan Documents shall be payable without setoff, counterclaim, defense (other than prior payment) or any other deduction whatsoever.

2.2.6 Payment on Maturity Date. Borrower shall pay to Lender on the Maturity Date the Principal Amount, all accrued and unpaid interest and all other amounts due hereunder and under the Note, the Mortgage and the other Loan Documents, including, without limitation, all interest that would accrue on the Principal Amount through and including the day immediately preceding the Maturity Date.

2.2.7 Payments after Default. Upon the occurrence and during the continuance of an Event of Default, interest on the Principal Amount and, to the extent permitted by law, overdue interest and other amounts due in respect of the Loan, shall accrue at the Default Rate, calculated from the date such payment was due without regard to any grace or cure periods contained herein, if any. Any and all payments and other sums received by Lender hereunder during the continuance of an Event of Default may be applied to the Indebtedness in such order and priority as Lender shall determine in its sole discretion, including without limitation, alternating applications thereof between interest and principal. Interest at the Default Rate shall be computed and due pursuant to this Section 2.2.7 until the actual receipt and collection of the Indebtedness (or that portion thereof that is then due). To the extent permitted by applicable law, and to the extent not paid, interest at the Default Rate shall be added to the Indebtedness, shall itself accrue interest at the same rate as the Loan and shall be secured by the Mortgage. This Section 2.2.7 shall not be construed as an agreement or privilege to extend the date of the payment of the Indebtedness, nor as a waiver of any other right or remedy accruing to Lender by reason of the occurrence of any Event of Default.

2.2.8 Late Payment Charge. If any principal, interest or any other sums due under the Loan Documents (other than the Principal Amount due and payable on the Maturity Date or upon an acceleration of the Loan) is not paid by Borrower within ten (10) days following the date on which it is due, Borrower shall pay to Lender, upon demand, an amount equal to the lesser of three percent (3%) of such unpaid sum or the Maximum Legal Rate (the "**Late Payment Charge**") in order to defray the expense incurred by Lender in handling and processing such delinquent payment and to compensate Lender for the loss of the use of such delinquent payment. Any such amount shall be secured by the Mortgage and the other Loan Documents to the extent permitted by applicable law.

2.2.9 Usury Savings. This Agreement and the Note are subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the Principal Amount at a rate which could subject Lender to either civil or criminal liability as a result of being in excess of the Maximum Legal Rate. If, by the terms of this Agreement or the other Loan Documents, Borrower is at any time required or obligated to pay interest on the principal balance due under the Note at a rate in excess of the Maximum Legal Rate, then the Applicable Interest Rate or the Default Rate, as the case may be, shall be deemed to be immediately reduced to the Maximum Legal Rate and all previous payments in excess of the Maximum Legal Rate shall be deemed to have been payments in reduction of principal, without incurring any prepayment or Prepayment Premium or penalty, or any Breakage Costs, and not on account of the interest due under the Note. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the sums due under the Loan, shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Loan until payment in full so that the rate or amount of interest on account of the Loan does not exceed the Maximum Legal Rate of interest from time to time in effect and applicable to the Loan for so long as the Loan is outstanding.

2.2.10 Gross-Up for Taxes. All payments made by Borrower under this Agreement and the Note shall be made free and clear of, and without deduction or withholding for or on account of, any United States future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, hereafter imposed, levied, collected, withheld or assessed by any United States Governmental Authority, excluding income taxes, branch profits tax and franchise or other taxes (imposed in lieu of income taxes) imposed on Lender as a result of a present or former connection between Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or its Note). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings (“**Non-Excluded Taxes**”) are required to be withheld from any amounts payable to Lender hereunder or under its Note, the amounts so payable to Lender shall be increased to the extent necessary to yield to Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable with respect to the Loan at the rates or in the amounts specified in this Agreement and its Note; provided, however, notwithstanding anything to the contrary contained in this Agreement, that Borrower shall not be required to increase any such amounts payable to Lender if (a) Lender fails to comply with the requirements of Section 2.2.3 or (b) to the extent any increase in such amounts required to be withheld is not a result of a change in Law or treaty or (c) to the extent such claim is made for an amount more than thirty (30) days after Lender (or any assignee or participant of Lender) should reasonably have been aware of the event giving rise to such claim. With respect to any participant or assignee of Lender under Section 2.2.3 and this Section 2.2.10, “change in Law or treaty” shall be compared to the Law at the time such participant or assignee acquired an interest in the Loan, and not based on the Law as of the date hereof. Whenever any Non-Excluded Taxes are payable by Borrower (for which Borrower is obligated to pay additional amounts), as promptly as possible after payment thereof Borrower shall send to Lender a certified copy of an original official receipt received by Borrower showing payment thereof. If Borrower fails to pay any such Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to Lender the required receipts or other required documentary evidence, Borrower shall indemnify Lender for any incremental taxes, interest or penalties that may become payable by Lender as a result of any such failure.

Section 2.3 Prepayments.

2.3.1 Voluntary Prepayments.

(a) Lender will accept a full prepayment of the Loan made during the Prepayment Premium Period if, concurrently with, and as a condition to such prepayment, Borrower pays to Lender (i) the Prepayment Premium, (ii) all accrued interest and applicable Breakage Costs, (iii) all other amounts due to Lender under the Loan Documents, and (iv) any amounts due and payable by Borrower under any Lender Interest Rate Protection Agreement in connection with the termination thereof;

(b) Subsequent to the expiration of the Prepayment Premium Period, Borrower shall have the right to prepay the Loan, in whole only, at any time without any premium or penalty, if, concurrently with, and as a condition to such prepayment, Borrower pays to Lender (i) all accrued interest and applicable Breakage Costs, (ii) all other amounts due to Lender under the Loan Documents, and (iii) any amounts due and payable by Borrower under any Lender Interest Rate Protection Agreement in connection with the termination thereof;

(c) Prior to any prepayment of the Loan in accordance with this Section 2.3.1, Borrower shall provide prior written notice to Lender specifying the Business Day upon which the prepayment is to be made (the “**Prepayment Date**”), which notice shall be delivered to Lender not less than five (5) days prior to such Prepayment Date or such shorter period of time as may be permitted by Lender in its sole discretion as long as any such notice is delivered to Lender at least three (3) Business Days prior to such Prepayment Date; provided, that, if any such notice is provided by Borrower to Lender prior to 10 a.m. NY time, such notice shall be deemed to be effective the next Business Day and if such notice is delivered on or after 10 a.m. NY time, such notice shall be deemed to be effective two (2) Business days after the date sent. Borrower may rescind its notice of prepayment and/or adjourn the prepayment on a day-to-day basis upon two (2) Business Days written notice to Lender if such notice is received by Lender prior to 10 a.m. NY time and upon three (3) Business Days written notice to Lender if such notice is received by Lender on or after 10 a.m. NY Time (subject to payment of any reasonable out-of-pocket costs and expenses resulting from such rescission); and

(d) Borrower shall pay to Lender any and all Breakage Costs due in connection with such prepayment or rescission or adjournment thereof.

2.3.2 Mandatory Prepayments. On any Payment Date immediately following the date on which Borrower actually receives any Proceeds, if Lender is not obligated to and does not, in fact, make such Proceeds available to Borrower for the restoration of the Property (and such determination shall have been made in accordance herewith), then Borrower shall prepay the Principal Amount (without the payment of any Prepayment Premium or other penalty) in an amount equal to one hundred percent (100%) of such Proceeds, using such Proceeds, together with interest accruing on such amount calculated through and including such Payment Date and any amounts due and payable by Borrower under any Lender Interest Rate Protection Agreement in connection with the termination thereof

2.3.3 Prepayments After Default. If, after the occurrence and during the continuance of an Event of Default, payment of all or any part of the Indebtedness is tendered by Borrower or otherwise recovered by Lender, such tender or recovery shall be deemed a voluntary prepayment by Borrower and Borrower shall pay the Indebtedness, the Prepayment Premium, if the same occurs during the Prepayment Premium Period, all accrued and unpaid interest, plus Breakage Costs, all other amounts payable under the Loan Documents, and any amounts due and payable by Borrower under any Lender Interest Rate Protection Agreement in connection with the termination thereof.

Section 2.4 Intentionally Omitted.

Section 2.5 Release on Payment in Full. If Borrower shall pay or cause to be paid the Principal Amount of, and unpaid interest on, and all other sums due under, the Note, this Agreement and the other Loan Documents in accordance with the terms and provisions thereof, at the request of Borrower, Lender shall (a) assign the Note, the Mortgage and all of the other Loan Documents to any Person designated by Borrower, which assignment documents shall be in recordable form (but without representation or warranty by, or recourse to, Lender, except that Lender shall represent that such assignment(s) has been duly authorized, executed and delivered and that Lender has not assigned or encumbered the Mortgage or the other Loan Documents); provided, however, that the assignment documents shall be prepared by counsel to Borrower and delivered to Lender for its review and approval, which shall not be unreasonably withheld, conditioned or delayed, (b) deliver to or as directed by Borrower the originally executed Note and all originally executed other notes which may have been consolidated, amended and/or restated in connection with the execution of the Note or, with respect to any note where the original has been lost by Lender, destroyed or mutilated, a lost note affidavit with indemnity for the benefit of the assignee lender and the title insurance company insuring the Mortgage, as assigned, in form sufficient to permit such title insurance company to insure the lien of the Mortgage as assigned to and held by the assignee without exception for any matter relating to the lost, destroyed or mutilated note, (c) execute and deliver an allonge with respect to the Note and any other note(s) as described in the preceding clause (b), above without recourse, covenant or warranty of any nature, express or implied (except as to the Principal Amount and that Lender owns the Note and the Mortgage free of any liens and encumbrances and has the authority to execute and deliver the allonge), (d) deliver the original executed Mortgage or a certified copy of record, and (e) execute and/or deliver such other instruments of conveyance, assignment, termination, severance and release (including appropriate UCC-3 termination statements) in recordable form as may reasonably be requested by Borrower to evidence such assignment and/or severance. All reasonable out-of-pocket costs and expenses incurred by Lender, including, without limitation, reasonable attorney's fees, in connection with the foregoing shall be paid by Borrower. Concurrently with the payment to Lender of the Principal Amount of, and unpaid interest on, and all other sums due under, the Note, this Agreement and the other Loan Documents, and whether or not Borrower shall request an assignment as set forth in this Q, Lender shall deliver to Borrower (i) a payoff letter in customary form, (ii) all original insurance policies relating to the Property which are being held by or on behalf of Lender, (iii) any amounts held in escrow or in any Reserve Account pursuant to the Loan Documents or otherwise, (iv) any other Collateral that may have been delivered to Lender in connection with the Loan, and (v) a termination of any guaranties delivered to Lender in connection with the Loan (except to the extent that any portion of such guaranties are expressly intended to survive pursuant to the terms thereof), duly executed by Lender.

ARTICLE III
CASH MANAGEMENT

Section 3.1 Cash Management.

3.1.1 Establishment of Accounts. Borrower hereby confirms that, simultaneously with the execution of this Agreement, pursuant to the Account Agreement, it has established or caused to be established with Collection Bank, in the name of Borrower for the benefit of Lender, as secured party, the “**Collection Account**” (as such term is defined in the Account Agreement), which has been established as a non-interest-bearing deposit account. The Collection Account and the funds deposited therein shall serve as additional security for the Loan. Pursuant to the Account Agreement, Borrower shall irrevocably instruct and authorize Collection Bank to disregard any and all orders for withdrawal from the Collection Account made by, or at the direction of, Borrower or Manager other than to transfer all amounts on deposit in the Collection Account on a daily basis to an account established by and under the Control of Lender at the Deposit Bank (the “**Deposit Account**”). Lender shall not commingle funds in the Deposit Account with any other funds. Borrower agrees that, prior to the payment or other satisfaction in full of the Indebtedness, the terms and conditions of the Account Agreement shall not be amended or modified without the prior written consent of Lender (which consent Lender may grant or withhold in its reasonable discretion). In recognition of Lender’s security interest in the funds deposited into the Collection Account, Borrower shall identify the Collection Account with the name of Lender, as secured party. The Collection Account shall be named as follows: “Rego II Borrower LLC f/b/o Bank of China, New York Branch, as secured party, Collection Account” (Account Number # 428107085 - ABA routing # 021000021). Lender shall establish and hold the following accounts and sub-accounts of the Deposit Account (each, a “**Sub-Account**” and, collectively, the “**Sub-Accounts**” and, together with the Collection Account, the “**Collateral Accounts**”), which (a) may be ledger or book entry sub-accounts and need not be actual sub-accounts, and (b) shall each be an Eligible Account to which certain funds shall be allocated and from which disbursements shall be made pursuant to the terms of this Agreement and the Cash Management Agreement:

- (a) a sub-account for the retention of Account Collateral in respect of Debt Service payments due under the Loan (the “**Debt Service Reserve Account**”);
- (b) a sub-account for the retention of Account Collateral in respect of Impositions and Other Charges for the Property (the “**Tax Reserve Account**”);
- (c) a sub-account for the retention of Account Collateral in respect of insurance premiums for the Property (the “**Insurance Reserve Account**”);
- (d) a sub-account for the retention of Account Collateral in respect of Leasing Expenses for the Property (the “**Leasing Reserve Account**”); and
- (e) a sub-account for the retention of Account Collateral in respect of Capital Improvements for the Property (the “**Capital Expenditures Reserve Account**”).

3.1.2 Pledge of Account Collateral (a) To secure the full and punctual payment and performance of the Obligations, Borrower hereby collaterally assigns, grants a security interest in and pledges to Lender, to the extent not prohibited by applicable law, a first priority continuing security interest in and to the following property of Borrower, whether now owned or existing or hereafter acquired or arising and regardless of where located (all of the same, collectively, the “**Account Collateral**”):

(i) the Collateral Accounts and all cash, checks, drafts, securities entitlements, certificates, instruments and other property, including, without limitation, all deposits and/or wire transfers from time to time deposited or held in, credited to or made to Collateral Accounts;

(ii) any and all amounts invested in Permitted Investments held in the Collateral Accounts;

(iii) all interest, dividends, cash, instruments, securities, entitlements and other property from time to time received, receivable or otherwise payable in respect of, or in exchange for, any or all of the foregoing or purchased with funds from the Collateral Accounts; and

(iv) to the extent not covered by sub-paragraphs (i), (ii), or (iii) above, all proceeds (as defined under the UCC) of any or all of the foregoing.

(b) In addition to the rights and remedies herein set forth, Lender shall have all of the rights and remedies with respect to the Account Collateral available to a secured party at law or in equity, including, without limitation, the rights of a secured party under the UCC, as if such rights and remedies were fully set forth herein.

(c) This Agreement shall constitute a security agreement for purposes of the Uniform Commercial Code and other applicable law.

3.1.3 Maintenance of Collateral Accounts. Borrower agrees that the Collection Account is and shall be maintained (a) as a “deposit account” (as such term is defined in Section 9-102(a)(29) of the UCC), (b) in such a manner that Lender shall have control (within the meaning of Section 9-104(a)(2) of the UCC) over the Collection Account, and (c) such that neither Borrower nor Manager shall have any right of withdrawal from the Collection Account and, except as provided herein, no Account Collateral shall be released to Borrower or Manager from the Collection Account. Without limiting Borrower’s obligations under the immediately preceding sentence, Borrower shall only establish and maintain the Collection Account with a financial institution that has executed an agreement substantially in the form of the Account Agreement or in such other form acceptable to Lender in its reasonable discretion.

3.1.4 Eligible Accounts. The Collateral Accounts shall be Eligible Accounts. The Collateral Accounts shall be subject to such applicable laws, and such applicable regulations of the Board of Governors of the Federal Reserve System and of any other banking or governmental authority, as may now or hereafter be in effect. Income and interest accruing on the Collateral Accounts or any investments held in such accounts shall be periodically added to

the principal amount of such account and shall be held, disbursed and applied in the same manner as the other amounts on deposit therein in accordance with the provisions of this Agreement, the Account Agreement and the Cash Management Agreement. Borrower shall be the beneficial owner of the Collateral Accounts for federal income tax purposes and shall report all income on the Collateral Accounts.

3.1.5 Interim Release of Funds. Provided no Event of Default shall have occurred and is continuing, on the twentieth (20) day of each calendar month during the term of the Loan (or, if such day is not a Business Day, on the next succeeding Business Day), any sums that are on deposit in the Deposit Account (other than sums on deposit in the Reserve Accounts) in excess of the amount sufficient to pay the items listed in Sections 3.1.6(a)(i)-(vi) due on the next succeeding Payment Date (collectively, the “**Required Amount**”) shall be disbursed by Lender to the Borrower’s Account.

3.1.6 Payments to Sub-Accounts. (a) Provided no Event of Default shall have occurred and is continuing, Lender shall, on each Payment Date, transfer, or shall cause the transfer of, amounts from the Deposit Account, to the extent available therein in the following amounts and order of priority:

(i) First, subject to the provisions of Section 12.1.3 and Section 12.8, to the Tax Reserve Account, the amounts, if any, then required to be deposited pursuant to Section 12.1.1;

(ii) Second, subject to the provisions of Sections 12.2.2, 12.2.3, 12.2.4, and Section 12.8, to the Insurance Reserve Account, the amounts, if any, then required to be deposited pursuant to Section 12.2;

(iii) Third, to the Debt Service Reserve Account for payment to Lender, the amount of all delinquent interest and principal on the Loan, the scheduled monthly payment of Debt Service on the Loan due on the next Payment Date and all other amounts then due and payable under the Loan Documents (with any amounts with respect to principal paid last);

(iv) Fourth, to the Deposit Bank funds sufficient to pay the fees and expenses of Deposit Bank as required pursuant to the Cash Management Agreement;

(v) Fifth, subject to Section 12.3.5, Section 12.3.6 and Section 12.8, to the Capital Expenditures Reserve Account, the amounts, if any, then required to be deposited pursuant to Section 12.3.1;

(vi) Sixth, subject to Section 12.4.3, Section 12.4.4 and Section 12.8, to the Leasing Reserve Account, the amounts, if any, then required to be deposited pursuant to Section 12.4.1 and

(vii) Seventh, the amounts remaining after payment of the items set forth in clauses (i) through (vi), above, as applicable, to Borrower’s Account.

(b) Within seven (7) Business Days after notice from Lender that a DSCR Collateral Event has occurred, Borrower shall (i) prepay the Loan, or (ii) post Cash with Lender, or (iii) deliver a Letter of Credit to Lender (items (ii) and (iii), the “**Remargining Collateral**”), each, in an amount necessary to reduce the Principal Amount (or, in the case of Remargining Collateral, assuming the Remargining Collateral were applied to reduce the principal amount of the Loan) such that the Debt Service Coverage Ratio is equal to at least 1.25 to 1.00. If Borrower delivered Remargining Collateral to Lender, then within seven (7) Business Days following the written request of Borrower upon the expiration of the DSCR Collateral Period and, provided, no Event of Default shall have occurred and be continuing under this Agreement, Lender shall release such portion of the Remargining Collateral which has not been previously applied by Lender in accordance herewith to Borrower.

3.1.7 Collection Bank. (a) Lender shall have the right at Borrower’s sole cost and expense to replace the Collection Bank with a financial institution selected by Borrower and reasonably satisfactory to Lender in the event that (i) the Collection Bank fails, in any material respect, to comply with the Account Agreement or (ii) the Collection Bank is no longer an Eligible Institution, and Lender shall cause such designated replacement Collection Bank promptly to assume the obligations of the Collection Bank under the Account Agreement and/or enter into a new account and control agreement substantially similar to the Account Agreement or in such other form acceptable to both Lender and Borrower, each in its reasonable discretion. Upon the occurrence and during the continuance of an Event of Default, Lender shall have the right at Borrower’s sole cost and expense to replace the Collection Bank at any time, without notice to Borrower. Borrower shall cooperate with Lender in connection with the appointment of any replacement Collection Bank and the execution and delivery of such account control agreement.

(b) So long as no Event of Default shall have occurred and be continuing, Borrower shall have the right at its sole cost and expense to replace the Collection Bank with a financial institution that is an Eligible Institution; provided that such financial institution assumes the obligations of the Collection Bank under the Account Agreement or enters into a new account and control agreement substantially similar to the Account Agreement or in such other form acceptable to Lender in its reasonable discretion.

3.1.8 Borrower’s Account Representations, Warranties and Covenants. (a) Borrower represents, warrants and covenants that (i) no later than the seventh (7th) Business Day after the date hereof, Borrower will have directed all Tenants under the Leases to mail all checks and wire all funds with respect to any payments due under such Leases directly to the Collection Account pursuant to a letter substantially in the form of Exhibit B, and (ii) Borrower shall deliver a letter substantially in the form attached hereto as Exhibit B, to Tenants under all Leases entered into after the date hereof.

(b) Borrower further represents, warrants and covenants that (i) Borrower shall cause Manager to deposit all amounts payable to Borrower pursuant to the Management Agreement directly into the Collection Account, (ii) Borrower shall pay or cause to be paid all Rents, Cash or Cash Equivalents or other items of Operating Income not covered by the preceding paragraph (a) within two (2) Business Days after receipt thereof by Borrower or its Affiliates directly into the Collection Account and, until so deposited, any such amounts held by Borrower or Manager shall be deemed to be Account Collateral and shall be held in trust by it

for the benefit of Lender and shall not be commingled with any other funds or property of Borrower or Manager, (iii) there are no accounts other than the Collateral Accounts and the Borrower's Account or any other Person on behalf of Borrower with respect to the Property or the collection of Rents, (iv) so long as any portion of the Loan shall be outstanding, neither Borrower nor any other Person on behalf of Borrower shall open any other operating accounts with respect to the Property or the collection of Rents, except for the Collateral Accounts and Borrower's Account (except to hold funds released from the Collection Account or Deposit Account), and (v) in the event that any Rents, Cash or Cash Equivalents or other items of Operating Income are paid into an account other than the Collection Account, Borrower shall immediately, upon becoming aware of the same, cause such Rents, Cash or Cash Equivalents or other items of Operating Income to be paid into the Collection Account.

3.1.9 Account Collateral and Remedies. (a) Upon the occurrence and during the continuance of an Event of Default, without additional notice from Lender to Borrower, all funds transferred to Lender from the Collection Account may be applied by Lender in such order and priority as Lender shall determine in its sole and absolute discretion, including, but not limited to liquidating and transferring any amounts then invested in Permitted Investments to the Collateral Accounts to which they relate or reinvest such amounts in other Permitted Investments as Lender may determine in its sole discretion is necessary to perfect or protect any security interest granted or purported to be granted hereby or to enable Lender to exercise and enforce Lender's rights and remedies hereunder with respect to any Account Collateral or to preserve the value of the Account Collateral.

(b) Borrower hereby irrevocably constitutes and appoints Lender as Borrower's true and lawful attorney-in-fact, to act with full power of substitution, to, upon the occurrence and during the continuance of an Event of Default, execute, acknowledge and deliver any instruments and to exercise and enforce every right, power, remedy, option and privilege of Borrower with respect to the Account Collateral, and do in the name, place and stead of Borrower, all such acts, things and deeds for and on behalf of and in the name of Borrower, which Borrower could do or which Lender may deem necessary or desirable to more fully vest in Lender the rights and remedies provided for herein and to accomplish the purposes of this Agreement. The foregoing powers of attorney are irrevocable and coupled with an interest. Upon the occurrence and during the continuance of an Event of Default, Lender may perform or cause performance of any such agreement, and any reasonable out-of-pocket expenses of Lender incurred in connection therewith shall be paid by Borrower as provided in Section 5.1.16.

(c) Borrower hereby expressly waives, to the fullest extent permitted by law, presentment, demand, protest or any notice of any kind in connection with the Account Collateral. Borrower acknowledges and agrees that ten (10) days' prior written notice of the time and place of any public sale of the Account Collateral or any other intended disposition thereof shall be reasonable and sufficient notice to Borrower within the meaning of the UCC.

3.1.10 Transfers and Other Liens. Borrower agrees that it will not (a) sell or otherwise dispose of any of the Account Collateral or (b) create or permit to exist any Lien upon or with respect to all or any of the Account Collateral, except for the Lien granted to Lender under this Agreement and the other Loan Documents and Permitted Encumbrances

3.1.11 Reasonable Care. Beyond the exercise of reasonable care in the custody thereof, Lender shall have no duty as to any Account Collateral in its possession or control as agent therefor or bailee thereof or any income thereon or the preservation of rights against any Person or otherwise with respect thereto. Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Account Collateral in its possession if the Account Collateral is accorded treatment substantially equal to that which Lender accords its own property, it being understood that Lender shall not be liable or responsible for any loss or damage to any of the Account Collateral, or for any diminution in value thereof, by reason of the act or omission of Lender, its Affiliates, agents, employees or bailees, except to the extent that such loss or damage results from Lender's or such Affiliates', agents', employees' or bailees' gross negligence or willful misconduct. In no event shall Lender be liable either directly or indirectly for losses or delays resulting from any event which may be the basis of an Excusable Delay, computer malfunctions, interruption of communication facilities, labor difficulties or other causes beyond Lender's reasonable control or for indirect, special or consequential damages except to the extent of Lender's gross negligence or willful misconduct. Notwithstanding the foregoing, Borrower acknowledges and agrees that (a) Lender does not have custody of the Account Collateral held in the Collection Account, (b) Collection Bank has custody of the Account Collateral held in the Collection Account, (c) the initial Collection Bank was chosen by Borrower and (d) Lender has no obligation or duty to supervise Collection Bank or to see to the safe custody of the Account Collateral held in the Collection Account.

3.1.12 Lender's Liability. (a) Lender shall be responsible for the performance only of such duties with respect to the Account Collateral as are specifically set forth in this Section 3.1 or elsewhere in the Loan Documents, and no other duty shall be implied from any provision hereof. Lender shall not be under any obligation or duty to perform any act with respect to the Account Collateral which would cause it to incur any expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own monies. Borrower shall indemnify and hold Lender and its employees and officers harmless from and against any loss, cost or damage (including, without limitation, reasonable attorneys' fees and disbursements) incurred by Lender in connection with the transactions contemplated hereby with respect to the Account Collateral except as such may be caused by the gross negligence or willful misconduct of Lender and its employees, officers or agents.

(b) Lender shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper, document or signature believed by it in good faith to be genuine, and, in so acting, it may be assumed that any person purporting to give any of the foregoing in connection with the provisions hereof has been duly authorized to do so. Lender may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder and in good faith in accordance therewith.

3.1.13 Continuing Security Interest. This Agreement shall create a continuing security interest in the Account Collateral and shall remain in full force and effect until payment or other satisfaction in full of the Indebtedness. Upon payment or other satisfaction in full of the Indebtedness, this security interest shall automatically terminate without further notice from any party and Borrower shall be entitled to the return, upon its request, of such of the Account Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof and

Lender shall execute (at Borrower's expense) such instruments and documents as may be reasonably requested by Borrower to evidence such termination and the release of the Account Collateral.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Borrower Representations.

4.1.1 Organization. Borrower represents and warrants as of the Closing Date that:

(a) Borrower is a Delaware limited liability company and has been duly formed and is validly existing and in good standing pursuant to the laws of the State of Delaware with requisite power and authority to own its properties and to transact the businesses in which it is now engaged.

(b) Borrower has duly qualified to do business and is in good standing in New York and in each jurisdiction where it is required to be so qualified in connection with its properties, businesses and operations except where the failure to be so qualified would not cause a Material Adverse Effect. Borrower possesses all rights, licenses, permits and authorizations, governmental or otherwise, necessary to entitle it to own and/or lease its properties and to transact the businesses in which it is now engaged, except where the failure to possess such items would not cause a Material Adverse Effect, and the sole business of Borrower is the holding, leasing, financing, operation and management of the Property.

(c) The organizational structure of Borrower is accurately depicted by the schematic diagram attached hereto as Schedule 4.1.1 in all material respects.

(d) Borrower shall not change its name, identity, corporate structure or jurisdiction of formation unless it shall have given Lender fifteen (15) days' prior written notice of any such change and shall have taken all steps reasonably requested by Lender to grant, perfect, protect and/or preserve the security interest granted hereunder or under any of the other Loan Documents to Lender.

4.1.2 Proceedings. Borrower has full power to and has taken all necessary action to authorize the execution, delivery and performance of this Agreement and the other Loan Documents. This Agreement and the other Loan Documents have been duly executed and delivered by, or on behalf of, Borrower and constitute legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms, subject only to applicable bankruptcy, insolvency, moratorium and similar laws affecting rights of creditors generally, and to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

4.1.3 No Conflicts. The execution, delivery and performance of this Agreement and the other Loan Documents by Borrower will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of

any lien, charge or encumbrance (other than pursuant to the Loan Documents) upon any of the property or assets of Borrower pursuant to the terms of any indenture, mortgage, deed of trust, loan agreement, partnership agreement or other agreement or instrument to which Borrower is a party or by which any of Borrower's property or assets is subject (unless consents from all applicable parties thereto have been obtained), nor will such action result in any violation of the provisions of any statute or any order, rule or regulation of any Governmental Authority in each case which would reasonably be expected to have or does have a Material Adverse Effect, and any consent, approval, authorization, order, registration or qualification of or with any Governmental Authority required for the execution, delivery and performance by Borrower of this Agreement or any other Loan Documents (and the failure of which to obtain would reasonably be expected to have or does have a Material Adverse Effect) has been obtained and is in full force and effect.

4.1.4 Litigation. Except as set forth on Schedule 4.1.4 hereof and matters fully covered by insurance, there are no arbitration proceedings, governmental investigations, actions, suits or proceedings, at law or in equity, or by or before any Governmental Authority which are now pending or, to the best of Borrower's Knowledge, threatened against or affecting Borrower or the Property. None of the actions, suits, proceedings and/or investigations identified on Schedule 0, if determined against Borrower or the Property, would reasonably be expected to have or does have a Material Adverse Effect.

4.1.5 Agreements. Borrower is not a party to any agreement or instrument or subject to any restriction which would reasonably be expected to have, or does have, a Material Adverse Effect. Borrower is not in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party or by which Borrower or the Property is bound which default would be reasonably expected to have or does have a Material Adverse Effect. Borrower has no material financial obligation (contingent or otherwise) under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Borrower is a party or by which Borrower or the Property is otherwise bound, other than (a) obligations incurred in the ordinary course of the operation of the Property, (b) obligations under the Loan Documents and/or (c) Permitted Encumbrances.

4.1.6 Title. Borrower has good, marketable and insurable fee simple title to the real property comprising part of the Property and good title to the balance of the Property owned by it, free and clear of all Liens whatsoever except for Permitted Encumbrances and other Liens otherwise permitted pursuant to the Loan Documents. The Mortgage, when properly recorded in the appropriate records, together with any Uniform Commercial Code financing statements required to be filed in connection therewith, will create (a) a valid, perfected first mortgage lien on the Property and the Improvements, subject only to Permitted Encumbrances and (b) perfected security interests in and to, and perfected collateral assignments of, all personalty (including the Leases), all in accordance with the terms thereof, in each case subject only to any applicable Permitted Encumbrances. There are no claims for payment for work, labor or materials affecting the Property which are or may become a lien prior to, or of equal priority with, the Liens created by the Loan Documents other than Permitted Encumbrances. Borrower represents and warrants that none of the Permitted Encumbrances will materially adversely affect (a) the ability of Borrower to pay any of its obligations to any Person as and when due or (b) the

use or operation of the Property as of the Closing Date and thereafter as currently contemplated. Borrower shall preserve its right, title and interest in and to the Property for so long as the Note remains outstanding and will warrant and defend same and the validity and priority of the Lien hereof from and against any and all claims whatsoever other than the Permitted Encumbrances.

4.1.7 No Bankruptcy Filing. Borrower does not currently intend either the filing of a petition by it under any state or federal bankruptcy or insolvency laws or the liquidation of all or a major portion of such entity's assets or property, and Borrower has no knowledge of any Person having filed or intending to file any such petition against it.

4.1.8 Full and Accurate Disclosure. There is no fact presently known to Borrower which has not been disclosed which would reasonably be expected to have, or does have a Material Adverse Effect.

4.1.9 All Property. The Property constitutes all of the real property, personal property, equipment and fixtures currently (a) owned or leased by Borrower or (b) used by or on behalf of Borrower in the operation of the business located on the Property, other than items owned or leased by any Tenants, Manager or contractors providing services to the Property.

4.1.10 ERISA. (a) Borrower does not maintain an employee benefit plan as defined by Section 3(3) of ERISA (other than a "multiemployer plan" as defined by Section 3(37) of ERISA) which is subject to Title IV of ERISA. Borrower (i) has no knowledge of any material liability which has been incurred or is reasonably expected to be incurred by Borrower which is or remains unsatisfied for any taxes or penalties with respect to any "employee benefit plan," within the meaning of Section 3(3) of ERISA, or any "plan," within the meaning of Section 4975(e)(1) of the Code or any other benefit plan (other than a multiemployer plan) maintained, contributed to, or required to be contributed to by Borrower or by any entity that is under common control with Borrower within the meaning of ERISA Section 4001(a)(14) (a "Plan") or any plan that would be a Plan but for the fact that it is a multiemployer plan within the meaning of ERISA Section 3(37); and (ii) has made and shall continue to make when due all required contributions to all such Plans, if any. Each such Plan has been and will be administered in compliance with its terms and the applicable provisions of ERISA, the Code, and any other applicable federal or state law.

(b) Borrower is not an employee benefit plan, as defined in Section 3(3) of ERISA, subject to Title I of ERISA. None of the assets of Borrower constitutes or will, during the term of this Agreement, constitute plan assets of one or more such plans within the meaning of 29 C.F.R. Section 2510.3 101 (as modified by Section 3(42) of ERISA) and Borrower is not a governmental plan within the meaning of Section 3(32) of ERISA. Transactions by or with Borrower (excluding transactions involving any governmental plan or the assets thereof) are not subject to state statutes regulating investment of, and fiduciary obligations with respect to, governmental plans similar to the provisions of Section 406 of ERISA or Section 4975 of the Code currently in effect, which prohibit or otherwise restrict the transactions contemplated by this Agreement.

(c) With respect to any multiemployer plan to which Borrower or any entity that is under common control with Borrower within the meaning of ERISA Section 4001(a)(14) is or has been obligated to contribute, neither Borrower nor, to Borrower's Knowledge, any such entity has incurred any material liability under ERISA Section 515 or ERISA Title IV which is or remains unsatisfied.

4.1.11 Compliance. Borrower and the Property and the use thereof comply with all applicable Legal Requirements currently in effect, except as disclosed in the Physical Conditions Report and except where failure to comply would not reasonably be expected to have and does not have a Material Adverse Effect, including, without limitation, building and zoning ordinances and codes. Borrower and the Property comply with all Prescribed Laws. Borrower is not in default or in violation of any order, writ, injunction, decree or demand of any Governmental Authority which would reasonably be expected to have, or does have a Material Adverse Effect. There has not been committed by Borrower any act or omission affording the federal government or any other Governmental Authority the right of forfeiture as against the Property or any part thereof or any monies paid in performance of Borrower's obligations under any of the Loan Documents.

4.1.12 Financial Information. The operating expense statements covering the year to date period ended June 30, 2011, that have been delivered by or on behalf of Borrower to Lender as of the Closing Date in respect of the Property are true, complete and correct in all material respects and have been prepared in accordance with GAAP throughout the periods covered, except as disclosed therein. All other financial data including, without limitation, the statements of cash flow and income (other than the operating expense statements), that have been delivered by or on behalf of Borrower to Lender in respect of the Property: (a) are true, complete and correct in all material respects; (b) fairly represent the financial condition of the Property as of the date of such reports; and (c) have been prepared in accordance with GAAP throughout the periods covered, except as disclosed therein. Borrower does not have any contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments that in each case are known to Borrower and would reasonably be expected to have, or does have a Material Adverse Effect. Since the date of the financial statements of Borrower, there has been no material adverse change in the financial condition, operations or business of Borrower from that set forth in said financial statements. In addition, the Guarantor is in compliance with the Net Worth Requirement (as defined in the Guaranty).

4.1.13 Condemnation. No condemnation has been commenced or, to Borrower's Knowledge, is contemplated with respect to all or any portion of the Property or for the relocation of roadways providing access to the Property.

4.1.14 Federal Reserve Regulations. None of the proceeds of the Loan will be used by Borrower for the purpose of purchasing or carrying any "margin stock" as defined in Regulation U, Regulation X or Regulation T or for the purpose of reducing or retiring any Debt of Borrower which was originally incurred so that Borrower could purchase or carry "margin stock" or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of Regulation U or Regulation X. As of the Closing Date, Borrower does not own any "margin stock."

4.1.15 Utilities and Public Access. The Property has rights of access to public ways and is served by water, sewer, sanitary sewer and storm drain facilities adequate in all material respects to service the Property for its intended uses. All utilities necessary for the existing use of the Property are located either in the public right-of-way abutting the Property (which are connected so as to serve the Property without passing over other property) or in recorded easements serving the Property and such easements are set forth in and insured by the Title Policy. All roads necessary for the use of the Property for its current purposes have been completed and, if necessary, dedicated to public use.

4.1.16 Not a Foreign Person. Borrower is not a foreign person within the meaning of § 1445(f)(3) of the Code.

4.1.17 Separate Lots. The Property is comprised of one or more contiguous parcels which constitute a separate tax lot or lots and does not constitute or include a portion of any other tax lot not a part of the Property.

4.1.18 Assessments. To the best of Borrower's Knowledge, there are no pending or proposed special or other assessments for public improvements or otherwise affecting the Property, except as specified in the Title Policy, nor are there any contemplated improvements to the Property that may result in such special or other assessments.

4.1.19 Enforceability. The Loan Documents are not subject to any existing right of rescission, set-off, counterclaim or defense by Borrower, including the defense of usury, nor would the operation of any of the terms of the Loan Documents, or the exercise of any right thereunder, render the Loan Documents unenforceable (subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting rights of creditors generally, and subject as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing), and Borrower has not asserted any right of rescission, set-off, counterclaim or defense with respect thereto.

4.1.20 No Prior Assignment. There are no prior sales, transfers, pledges, hypothecations or assignments of the Leases or any portion of the Rents due and payable or to become due and payable which are presently outstanding following the funding of the Loan, other than those being terminated or assigned to Lender concurrently herewith.

4.1.21 Insurance. Borrower has obtained and has delivered to Lender certificates of insurance, reflecting the insurance coverages, amounts and other requirements set forth in this Agreement. Borrower has not, and to the best of Borrower's Knowledge, no Person has, done by act or omission anything which would impair the coverage of any such policy in any material respect.

4.1.22 Use of Property. The Property is used exclusively for retail purposes, other appurtenant and related uses (including parking) and the uses specified in the Leases, as a community center, and as a paid parking facility.

4.1.23 Certificate of Occupancy; Licenses. Except as otherwise specifically set forth on Schedule 4.1.23, all certifications, permits, licenses and approvals, including without limitation, certificates of completion and occupancy permits required of Borrower for the legal use, occupancy and operation of the Property as it is presently used (collectively, the “**Licenses**”), have been obtained and are in full force and effect, except for those the failure of which to obtain and maintain in full force and effect would not reasonably be expected to have and does not have a Material Adverse Effect. Borrower shall keep and maintain all Licenses necessary for the operation of the Property as it is presently used, except where failure to maintain a License would not reasonably be expected to cause or does not cause a Material Adverse Effect. Except as otherwise specifically set forth on Schedule 4.1.23, the use being made of the Property is in conformity with the temporary certificate or certificates of occupancy issued for the Property in all material respects.

4.1.24 Flood Zone. None of the Improvements on the Property are located in an area as identified by the Federal Emergency Management Agency as an area having special flood hazards.

4.1.25 Physical Condition. To the best of Borrower’s Knowledge and except as expressly disclosed in the Physical Conditions Report, the Property, including, without limitation, all buildings, Improvements, parking facilities, sidewalks, storm drainage systems, roofs, plumbing systems, HVAC systems, fire protection systems, electrical systems, equipment, elevators, exterior sidings and doors, landscaping, irrigation systems and all structural components, are in good condition, order and repair in all material respects (ordinary wear and tear excepted). To the best of Borrower’s Knowledge and except as disclosed in the Physical Conditions Report, there exists no structural or other material defects or damages in or to the Property, whether latent or otherwise, and Borrower has not received any written notice from any insurance company or bonding company of any defects or inadequacies in the Property, or any part thereof, which would materially adversely affect the insurability of the same or cause the imposition of extraordinary premiums or charges thereon or of any termination or threatened termination of any policy of insurance or bond.

4.1.26 Boundaries. To the best of Borrower’s Knowledge and in reliance on, and except as otherwise specifically disclosed in, the Survey, all of the Improvements lie wholly within the boundaries and building restriction lines of the Property, and no improvements on adjoining properties encroach upon the Property, and no easements or other encumbrances upon the Property encroach upon any of the Improvements, which would reasonably be expected to have, or does have, a Material Adverse Effect, except those which are insured against by the Title Policy.

4.1.27 Leases. (a) The Property is not subject to any Leases other than the Leases described in the rent roll delivered to Lender as of the Closing Date and attached hereto as Schedule 4.1.27 (the “**Rent Roll**”), or, to Borrower’s Knowledge, any sublease or license granted by any Tenant (or sub-tenant) under a Lease. The Rent Roll is true, complete and correct in all material respects as of the date set forth therein. Except as otherwise set forth on the Rent Roll, no Person has any possessory interest in the Property or right to occupy the same except under and pursuant to the provisions of the Leases or any sublease or license granted by any Tenant (or subtenant) under a Lease. The current Leases are in full force and effect and, to Borrower’s Knowledge, there are no material defaults thereunder by either party (other than as

expressly disclosed on the Rent Roll or the Tenant estoppel certificates delivered to Lender in connection with the closing of the Loan) and there are no conditions that, with the passage of time or the giving of notice, or both, would constitute material defaults thereunder (other than as expressly disclosed on the Rent Roll or the Tenant estoppel certificates delivered to Lender in connection with the closing of the Loan). No Tenant under any Lease has a right or option pursuant to such Lease or otherwise to purchase all or any part of the property of which the leased premises are a part, other than as expressly disclosed on the Rent Roll or the Tenant estoppel certificates delivered to Lender in connection with the closing of the Loan.

(b) Borrower represents that it has heretofore delivered to Lender true and complete copies of all Leases and any and all amendments or modifications thereof. Except as otherwise expressly disclosed (i) on the Rent Roll, (ii) on the Tenant estoppel certificates delivered to Lender in connection with the closing of the Loan, (iii) to Lender in writing, to Borrower's Knowledge, Borrower or its predecessors have complied with and performed all of its or their (i) material construction, improvement and alteration obligations with respect to the Property required as of the date hereof and (ii) other material obligations under the Leases required as of the date hereof to be performed.

4.1.28 Filing and Recording Taxes. All transfer taxes, deed stamps, intangible taxes or other amounts in the nature of transfer taxes required to be paid by any Person under applicable Legal Requirements currently in effect in connection with the transfer of the Property to Borrower have been paid and the granting and recording of the Mortgage and the UCC financing statements required to be filed in connection with the Loan. All mortgage, mortgage recording, stamp, intangible or other similar tax required to be paid by any Person under applicable Legal Requirements currently in effect in connection with the execution, delivery, recordation, filing, registration, perfection or enforcement of any of the Loan Documents, including, without limitation, the Mortgage, have been paid, and, under current Legal Requirements, the Mortgage is enforceable against Borrower in accordance with its terms by Lender (or any subsequent holder thereof) subject only to applicable bankruptcy, insolvency, moratorium and similar laws affecting rights of creditors generally, and to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

4.1.29 Single Purpose Entity/Separateness. Borrower hereby represents and warrants that from the date of its formation until the date hereof, Borrower has complied in all material respects with all of the covenants set forth in Section 5.1.4, as qualified therein, except to the extent any such covenant in Section 5.1.4 states that it is made from and after the date hereof.

4.1.30 Management Agreement. The Management Agreement is in full force and effect and there is no current material default thereunder by any party thereto and no event currently exists that, with the passage of time and/or the giving of notice, would constitute a material default thereunder which has not otherwise been waived. The Manager is an Affiliate of Borrower.

4.1.31 Illegal Activity. No portion of the Property has been or will be purchased with proceeds of any illegal activity.

4.1.32 No Change in Facts or Circumstances; Disclosure. The Rent Roll and all other financial statements submitted by Borrower in connection with the Loan are accurate, complete and correct in all material respects. All other written information, reports, certificates and other documents submitted by Borrower to Lender in connection with the Loan are, to the best of Borrower's Knowledge, accurate, complete and correct in all material respects. Except with respect to such representations and warranties contained in this Agreement or in any other Loan Document which are qualified as being made to the best of Borrower's Knowledge, all representations and warranties made by Borrower in this Agreement or in any other Loan Document, are accurate, complete and correct in all material respects. There has been no material adverse change known to Borrower in any condition, fact, circumstance or event (a) that would make any such information inaccurate, incomplete or otherwise misleading in any material respect or (b) which would reasonably be expected to have or does have a Material Adverse Effect.

4.1.33 Tax Filings. Borrower has filed (or has obtained effective extensions for filing) all federal, state and local tax returns required to be filed, it being acknowledged that Borrower is a disregarded entity for federal income tax purposes and does not currently file its own tax returns, and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments payable by Borrower.

4.1.34 Solvency/Fraudulent Conveyance. Borrower (a) has not entered into the transaction contemplated by this Agreement or any Loan Document with the actual intent to hinder, delay, or defraud any creditor and (b) has received reasonably equivalent value in exchange for its obligations under the Loan Documents. The fair saleable value of Borrower's assets exceed and will, immediately following the making of the Loan, exceed Borrower's total liabilities, including, without limitation, subordinated, unliquidated, disputed and contingent liabilities. Borrower's assets do not and, immediately following the making of the Loan will not, constitute unreasonably small capital to carry out its respective businesses as conducted or as proposed to be conducted and Borrower does not intend to, and does not believe that it will, incur Debt and liabilities (including contingent liabilities and other commitments) beyond its ability to pay such Debt and liabilities as they mature (taking into account the timing and amounts of cash to be received by Borrower and the amounts to be payable on or in respect of its obligations).

4.1.35 Investment Company Act. Borrower is not (a) an investment company or a company Controlled by an investment company, within the meaning of the Investment Company Act of 1940, as amended or (b) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

4.1.36 Labor. Borrower (a) is not involved in or, to the best of Borrower's Knowledge, threatened with any (i) labor dispute, work stoppage or labor strike or (ii) any grievance or litigation relating to labor matters involving any employees or other laborers at the Property, including, without limitation, violation of any federal, state or local labor, safety or employment laws (domestic or foreign) and/or charges of unfair labor practices or discrimination complaints which, if determined adversely to Borrower, would result in a Material Adverse Effect, (b) has not engaged, nor, to the best of Borrower's Knowledge, has there been any allegations in any proceeding that Borrower has engaged in any unfair labor practices within the meaning of the National Labor Relations Act or the Railway Labor Act, and (c) is not a party to,

or bound by, any collective bargaining agreement or union contract with respect to employees and other laborers at the Property and no such agreement or contract is currently being negotiated by Borrower or any of its Affiliates with respect to the Property.

4.1.37 Brokers. Borrower has not dealt with any broker or finder with respect to the transactions contemplated by the Loan Documents and neither party has done any acts, had any negotiations or conversations, or made any agreements or promises which will in any way create or give rise to any obligation or liability for the payment by the other party of any brokerage fee, charge, commission or other compensation to any Person with respect to the transactions contemplated by the Loan Documents. Borrower shall indemnify and hold harmless Lender from and against any loss, liability, cost or expense, including any judgments, attorneys' fees, or costs of appeal, incurred by Lender and arising out of or relating to any breach or default by the indemnifying party of its representations, warranties and/or agreements set forth in this Section 4.1.37. The provisions of this Section 4.1.37 shall survive the expiration and termination of this Agreement and the payment of the Indebtedness.

4.1.38 No Other Debt. Borrower has not borrowed or received debt financing that has not been heretofore repaid in full, other than the Permitted Debt.

4.1.39 Taxpayer Identification Number. Borrower's Federal taxpayer identification number is 45-2661556.

4.1.40 Patriot Act Compliance. (a) Neither of Borrower nor ALX (i) is listed on any Government Lists (as defined below), (ii) is a Person who has been determined by competent authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (Sept. 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC (as defined below) or in any enabling legislation or other Presidential Executive Orders in respect thereof, or (iii) has been previously indicted for or convicted of any Patriot Act Offense (as defined below). For purposes hereof, the term "**Patriot Act Offense**" means any violation of the criminal laws of the United States of America or of any of the several states, or that would be a criminal violation if committed within the jurisdiction of the United States of America or any of the several states, relating to terrorism or the laundering of monetary instruments, including any offense under (a) the criminal laws against terrorism, (b) the criminal laws against money laundering, (c) the Bank Secrecy Act, as amended, (d) the Money Laundering Control Act of 1986, as amended, or (e) the Patriot Act. "**Patriot Act Offense**" also includes the crimes of conspiracy to commit, or aiding and abetting another to commit, a Patriot Act Offense. For purposes hereof, the term "**Government Lists**" means (a) the Specially Designated Nationals and Blocked Persons Lists maintained by Office of Foreign Assets Control ("**OFAC**"), (b) any other list of terrorists, terrorist organizations or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC that Lender notified Borrower in writing is now included in "Governmental Lists", or (c) any similar lists maintained by the United States Department of State, the United States Department of Commerce or any other government authority or pursuant to any Executive Order of the President of the United States of America that Lender notified Borrower in writing is now included in "Governmental Lists".

(b) Borrower will use its good faith and commercially reasonable efforts to comply with the Patriot Act and all applicable requirements of governmental authorities having jurisdiction over Borrower and the Property, which relate to money laundering and terrorism.

If, at any time, Lender has a reasonable belief that Borrower is not in compliance with the Patriot Act or any applicable requirement of governmental authorities having jurisdiction over Borrower and the Property which relates to money laundering and/or terrorism, upon ten (10) days notice to Borrower, Lender shall have the right to audit Borrower's compliance with the Patriot Act and all applicable requirements of governmental authorities having jurisdiction over Borrower and the Property, which relate to money laundering and terrorism. In the event that Borrower fails to comply with the Patriot Act or any such requirements of governmental authorities relating to money laundering and terrorism, then Lender may, at its option, cause Borrower to comply therewith and any and all reasonable costs and expenses incurred by Lender in connection therewith shall be secured by the Mortgage and the other Loan Documents and shall be immediately due and payable.

4.1.41 Anti-Terrorism Compliance. No portion of the proceeds of the Loan will be used, are needed, or will be invested by the Borrower, any Affiliates of Borrower and/or ALX, in order to support international terrorism or activities that may contravene U.S. federal or state anti-money laundering laws and regulations. Borrower understands and hereby acknowledges that Lender has certain anti-money laundering responsibilities under various laws and regulations of the United States of America and shall deliver to Lender, in each case, as reasonably requested by Lender or, to the extent Borrower has the right to obtain such information, as requested by governmental entities administering such laws and regulations, information regarding Borrower's direct and indirect beneficial owners' identities or sources of funds or other similar information and may seek to ensure that representatives or direct or indirect beneficial owners of Borrower are not named on one of the Government Lists. Borrower agrees, upon the reasonable request of Lender, to provide Lender additional information as may be necessary or advisable in order to satisfy their anti-money laundering responsibilities under various laws and regulations of the United States of America.

4.1.42 No Default. No Default or Event of Default under the Loan Documents has occurred or is continuing or will result from the entry into of, or the performance of any transaction contemplated by, any Loan Document.

4.1.43 No Registration. Except for recordation of the Mortgage and the Assignment of Leases and the filing of any Uniform Commercial Code financing statements required by Lender in connection with the Loan, it is not necessary to file, register or record any Loan Documents in any public place or elsewhere, except as may be required by applicable securities laws and regulations, including applicable stock exchange rules.

4.1.44 No Subsidiaries. As of the Closing Date, Borrower does not have any subsidiaries.

4.1.45 REA. Each of the REAs is in full force and effect and neither Borrower nor, to Borrower's Knowledge, any other party to any such REA, is in default thereunder, that would have a Material Adverse Effect, and to the best of Borrower's Knowledge, there are no conditions which, with the passage of time or the giving of notice, or both, would constitute a default thereunder that would have a Material Adverse Effect.

Section 4.2 Survival of Representations. Borrower agrees that all of the representations and warranties of Borrower set forth in 0 and elsewhere in this Agreement and in the other Loan Documents shall be deemed given and made as of the date hereof and survive for so long as any amount remains owing to Lender under this Agreement or any of the other Loan Documents by Borrower or Guarantor unless a longer survival period is expressly stated in a Loan Document with respect to a specific representation or warranty, in which case, for such longer period.

Section 4.3 Lender's Representations.

4.3.1 Brokers. Lender has not dealt with any broker or finder with respect to the transactions contemplated by the Loan Documents and Lender has not done any acts, had any negotiations or conversations, or made any agreements or promises which will in any way create or give rise to any obligation or liability for the payment by Borrower or any Affiliate of Borrower of any brokerage fee, charge, commission or other compensation to any Person with respect to the transactions contemplated by the Loan Documents. Lender shall indemnify and hold harmless Borrower and its Affiliates from and against any loss, liability, cost or expense, including any judgments, attorneys' fees, or costs of appeal, incurred by Borrower or its Affiliates and arising out of or relating to any breach or default by the indemnifying party of its representations, warranties and/or agreements set forth in this Section 4.3.1. The provisions of this Section 4.3.1 shall survive the expiration and termination of this Agreement and the payment of the Indebtedness.

ARTICLE V

BORROWER COVENANTS

Section 5.1 Affirmative Covenants. From the Closing Date and until payment and performance in full of all obligations of Borrower under the Loan Documents, Borrower hereby covenants and agrees with Lender that:

5.1.1 Performance by Borrower. Borrower shall in a timely manner observe, perform and fulfill each and every covenant, term and provision of each Loan Document executed and delivered by, or applicable to, Borrower, and, except as provided herein or in any other Loan Document, shall not enter into or otherwise suffer or permit any amendment, waiver, supplement, termination or other modification of any Loan Document executed and delivered by, or applicable to, Borrower, as applicable, without the prior written consent of Lender or as permitted by the Loan Documents.

5.1.2 Existence; Compliance with Legal Requirements; Insurance. Subject to Borrower's right of contest pursuant to Section 7.3, Borrower shall at all times comply and cause the Property to be in compliance with all Legal Requirements applicable to Borrower and the Property and the uses permitted upon the Property where the failure to so comply would reasonably be expected to have, or does have, a Material Adverse Effect. Borrower shall do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence, rights, licenses, permits and franchises necessary to comply with all Legal Requirements applicable to it and the Property except where the failure to so comply would not

reasonably be expected to have and does not have a Material Adverse Effect. Borrower shall at all times comply with Prescribed Laws. There shall never be committed by Borrower, and Borrower shall not knowingly permit any other Person in occupancy of or involved with the operation or use of the Property to commit, any act or omission affording the federal government or any state or local government the right of forfeiture as against any material part of the Property or any monies paid in performance of Borrower's obligations under any of the Loan Documents. Borrower hereby covenants and agrees not to commit, knowingly permit or suffer to exist any act or omission affording such right of forfeiture. Borrower shall at all times maintain, preserve and protect all franchises and trade names and preserve all the remainder of its property used in the conduct of its business and shall keep the Property in good working order and repair, and from time to time make, or cause to be made, all reasonably necessary repairs, renewals, replacements, betterments and improvements thereto, all as more fully set forth in the Mortgage, in each case where the failure to do so would not reasonably be expected to result in, and does not result in a Material Adverse Effect. Borrower shall keep the Property insured at all times to such extent and against such risks, and maintain liability and such other insurance, as is more fully set forth in this Agreement.

5.1.3 Notice of Litigation and Certain Occurrences. Borrower shall give prompt written notice to Lender of any litigation or proceeding asserted against Borrower or the Property or any part thereof which would reasonably be expected to have a Material Adverse Effect.

5.1.4 Single Purpose Entity. Borrower hereby represents and warrants to, and covenants with, Lender that since the date of its formation (except with respect to any representation or warranty below that is qualified by reference to "from and after the date hereof") and at all times on and after the date thereof and until such time as the Obligations shall be paid and performed or otherwise satisfied in full:

(a) Borrower has not conducted any business or owned, does not own and shall not own any asset or property other than (i) the Property and (ii) incidental personal property necessary or appropriate for the operation of the Property;

(b) Borrower's purpose is solely to own, hold, lease, operate, finance and manage the Property, enter into and perform its obligations under the Loan Documents with Lender, to sell, exchange, Transfer, refinance or otherwise dispose of the Property to the extent permitted under the Loan Documents and transacting any and all lawful act or activity, and to exercise any power permitted to limited liability companies organized under the laws of the State of Delaware, that are related or incidental to and necessary, convenient or advisable to the accomplishment of the foregoing;

(c) Borrower has not engaged nor shall it engage in any business other than as set forth in clauses (a) and (b);

(d) Except for (i) capital contributions and capital distributions, (ii) the Guaranty, (iii) any Letter of Credit issued in connection with the Loan, (iv) any bottom-up guaranties as set forth in Section 15.23, (v) the pledge to Lender by ALX of any Interest Rate Protection Agreement, (vi) the Environmental Indemnity Agreement, and (vii) certain cash management arrangements as set forth in sub-paragraph (f) below, as applicable, Borrower has not entered nor shall it enter into any transactions with any Affiliate, any constituent party, any guarantor or indemnitor under any of the Loan Documents or any Affiliate of any such

constituent party or guarantor or indemnitor, except upon terms and conditions that are commercially reasonable and substantially similar to those that would be available on an arm's length basis with third parties; provided, that it is hereby acknowledged by Lender that the Management Agreement is on terms and conditions that are commercially reasonable and substantially similar to those that would be available on an arm's length basis with third parties;

(e) Borrower has remained at all times, and shall remain, solvent and has paid and will pay its debts and liabilities (including, as applicable, shared personnel and overhead expenses) from its assets as the same shall become due and shall not pay its debts and liabilities from the assets and funds of any other entity, except for payments made pursuant to the Guaranty, any Letter of Credit issued with respect to the Loan, the Environmental Indemnity Agreement, any bottom-up guaranties as set forth in Section 15.23, as applicable;

(f) Borrower has maintained and shall maintain all of its books, records, financial statements and bank accounts separate from those of its Affiliates and any other Person; provided, however, that Borrower's financial position, assets, results of operations and cash flows may be included in a consolidated financial statement of an Affiliate of Borrower in accordance with GAAP, so long as (i) any such consolidated financial statement contains a note indicating that Borrower and its Affiliates are each separate legal entities (or a similar statement is contained in such Affiliate's Securities and Exchange Commission Form 10-K filings and it is such Affiliate's practice to deliver its financial statements together with such filings) and (ii) such assets shall also be listed on Borrower's own separate balance sheet, except that all amounts paid to Borrower (including, without limitation, all amounts transferred from the Collection Account) may be deposited into a centralized cash management account, including, without limitation, the Borrower's Account (controlled by an Affiliate of Borrower) on behalf of Borrower and various other entities that are Affiliates of Borrower, as and when received, provided that all amounts deposited into such centralized account for the benefit of Borrower are clearly segregated, for accounting purposes, from the revenues and expenses of all other Persons.

(g) Borrower has held and shall hold itself out to the public as a legal entity separate and distinct from any other entity (including any Affiliate of Borrower, any guarantor or indemnitor under any of the Loan Documents or any constituent party of Borrower), has corrected and shall correct any known misunderstanding regarding its status as a separate entity, has conducted and shall conduct business in its own name (except with respect to actions taken by agents, including Manager, on behalf of Borrower pursuant to agreements that are on commercially reasonable terms comparable to those of an arm's-length transaction with an unrelated third party and so long as the agents under such agreements hold themselves out as an agent of Borrower and conduct such actions in a manner that Borrower continues to be a Single Purpose Entity), and has not identified and shall not identify itself or any of its Affiliates as a division or part of the other;

(h) Borrower has maintained and shall maintain, to the extent of cash flow available from operation of the Property, adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations; provided, however, that the foregoing requirements shall not require any member of Borrower to make any capital contribution to Borrower;

(i) Borrower has not commingled nor shall it commingle its funds and other assets, as applicable with those of any of its Affiliates or constituent parties, any guarantor or indemnitor under any of the Loan Documents or any other Person, except as contemplated in sub-paragraph (f) above;

(j) Borrower has maintained and shall maintain its assets in such a manner that it shall not be costly or difficult to segregate, ascertain or identify its individual assets from those of any of its Affiliates or constituent parties, any guarantor or indemnitor under any of the Loan Documents or any other Person;

(k) except for Manager pursuant to the Management Agreement, Borrower has not permitted nor shall Borrower permit any of its Affiliates or constituent parties independent access to its bank accounts, except as contemplated in sub-paragraph (f) above;

(l) Borrower shall maintain a sufficient number of employees, if any, in light of its contemplated business purpose and have paid and shall pay the salaries of its own employees (if any) from its own funds;

(m) Borrower has compensated and shall compensate its respective consultants and agents from its own funds except as contemplated in sub-paragraph (f) above;

(n) Borrower has allocated and shall allocate fairly and reasonably shared expenses, including for shared office space and for services performed by an employee of an Affiliate;

(o) Borrower has not pledged and shall not pledge any of its assets to secure the obligations of any other Person;

(p) Borrower has no, and shall not have any, obligation to indemnify its officers, directors, managers or members, as the case may be, except to the extent that such obligation is fully subordinated to the Loan and shall not constitute a claim against Borrower if cash flow (as distinct from funds from other sources, such as insurance) in excess of the amount required to pay the Obligations is insufficient to pay such obligation;

(q) Borrower has filed and shall file its own tax returns (if Borrower has not elected to be treated as a disregarded entity for tax purposes), as has been or may be required under applicable law and pay any taxes required to be paid under applicable law; and has maintained and shall maintain its books, records, resolutions and agreements as official records;

(r) Borrower has not made and shall not make any loans or advances to any third party (including any Affiliate or constituent party or Borrower, any guarantor or indemnitor under any of the Loan Documents or any Affiliate of any such constituent party or guarantor or indemnitor), other than in connection with any tenant improvement costs provided for under the Leases, nor has Borrower acquired nor shall it acquire obligations or securities of its Affiliates or of any of its members;

(s) Borrower has not assumed, guaranteed or become obligated for or held itself out to be responsible for, and Borrower shall not assume, guarantee, become obligated for or hold itself or its credit or assets out to be responsible for the debts or obligations of any other Person;

(t) except as provided in (i) the Guaranty, (ii) any bottom-up guaranties as set forth in Section 15.23, (iii) the Environmental Indemnity Agreement, or (iv) any Interest Rate Protection Agreement obtained by an Affiliate on behalf of Borrower, has not and shall not have any of its obligations guaranteed by any Affiliate;

(u) Borrower has not and shall not incur, create or assume any Debt other than Permitted Debt;

(v) Borrower does not own and shall not own or acquire any stock or securities of any Person except that Borrower may invest in those investments permitted under the Loan Documents and permit the same to remain outstanding in accordance with the applicable provisions thereof;

(w) Borrower has not formed, acquired or held, and shall not form, acquire or hold, any subsidiary (whether corporate, partnership, limited liability company or other);

(x) Borrower shall not, to the fullest extent permitted by law, engage in, seek, or consent to its dissolution, winding up, liquidation, consolidation or merger, except as provided in sub-paragraph (ff) below;

(y) from and after the date hereof, except as otherwise permitted in this Agreement, Borrower shall not engage in, seek or consent to any asset sale or permit any transfer of beneficial interests in itself;

(z) except with respect to actions taken by agents, including the Manager on behalf of Borrower in which such agent identifies itself as an agent of Borrower, Borrower has used and shall use separate stationary, invoices and checks bearing its own name;

(aa) Borrower has not and shall not buy or hold evidence of indebtedness issued by any other Person (other than cash or investment-grade securities or Permitted Investments or to the extent otherwise permitted pursuant to sub-paragraph (y) above);

(bb) Borrower has complied and shall comply with all organizational formalities necessary to maintain its separate existence, and Borrower shall not terminate or fail to comply with the provisions of Section 9 of its operating agreement;

(cc) Borrower has, and shall have, no material contingent or actual obligations not related to the Property;

(dd) Intentionally Omitted;

(ee) from and after the date hereof, Borrower's organizational documents shall provide that there shall be (and Borrower shall at all times cause there to be) at least two (2) duly appointed Independent Managers;

(ff) from and after the date hereof, Borrower's organizational documents shall provide that as long as any portion of the Obligations remains outstanding:

(i) Borrower will not cause or allow managers of the Borrower to take any action which, under the Borrower's certificate of formation or operating agreement, requires the unanimous affirmative vote of one hundred percent (100%) of the Borrower's managers unless at the time of such action there are at least two (2) Independent Managers then serving in such capacity and each Independent Manager has participated in such vote;

(ii) no resignation or removal of an Independent Manager, and no appointment of a successor Independent Manager, shall be effective until such successor shall have executed a counterpart to the Borrower's operating agreement; provided, however, that no Independent Manager shall resign or be removed, and no successor Independent Manager shall be appointed, without in each case at least five (5) day's prior written notice to the Lender;

(iii) in the event of a vacancy in the position of Independent Manager, the members of Borrower shall, subject to the preceding clause (ii), appoint a successor Independent Manager as soon as practicable;

(iv) to the fullest extent permitted by law, the Independent Managers shall consider only the interests of Borrower, including the Lender and its other creditors, and not the interests of any member of Borrower or any other direct or indirect beneficial owner of Borrower, in acting or otherwise voting on the matters referred to in clauses (hh)(v)(C) or (hh)(v)(D) below of this Section 5.1.4;

(v) Borrower will not:

(A) dissolve, merge, liquidate or consolidate, except as provided in clause (hh)(vi) below;

(B) except in connection with a sale or other transfer permitted under the Loan Documents, sell all or substantially all of its assets;

(C) amend its organizational documents with respect to the matters set forth in this Section 5.1.4 (i) without the affirmative vote of its two (2) Independent Managers and (ii) unless Lender has consented (it being understood that following a Securitization of the Loan, such consent may be conditioned on the applicable Rating Agencies having issued a Rating Agency Confirmation in connection therewith);

(D) without the affirmative vote of its two (2) Independent Manager and of all other managers of the Borrower, take any Material Action with respect to itself or to any other entity in which it has a direct or indirect legal or beneficial ownership interest;

(vi) Borrower shall be dissolved, and its affairs shall be wound up, only upon the first to occur of the following: (A) the termination of the legal existence of the last remaining member of Borrower or the occurrence of any other event which terminates the continued membership of the last remaining member of Borrower in Borrower unless the business of Borrower is continued in a manner permitted by its operating agreement or the Delaware Limited Liability Company Act (the “Act”), or (B) the entry of a decree of judicial dissolution under Section 18-802 of the Act;

(vii) upon the occurrence of any event that causes the last remaining member of Borrower or the sole member of Borrower (in each case, the “**Final Member**”) to cease to be a member of Borrower (other than (A) upon an assignment by Final Member of all of its limited liability company interest in Borrower and the admission of the transferee, if permitted pursuant to the organizational documents of Borrower and the Loan Documents, or (B) the resignation of Final Member and the admission of an additional member of Borrower, if permitted pursuant to the organizational documents of Borrower and the Loan Documents), to the fullest extent permitted by law, the personal representative of such last remaining member shall be authorized to, and shall, within ninety (90) days after the occurrence of the event that terminated the continued membership of such member in Borrower, agree in writing (I) to continue the existence of Borrower and (II) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of Borrower, effective as of the occurrence of the event that terminated the continued membership of such member in Borrower;

(viii) the bankruptcy of Final Member or a Special Member of Borrower shall not cause Final Member or such Special Member, respectively, to cease to be a member of Borrower and upon the occurrence of such an event, the business of Borrower shall continue without dissolution;

(ix) in the event of the dissolution of Borrower, Borrower shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of Borrower in an orderly manner), and the assets of Borrower shall be applied in the manner, and in the order of priority, set forth in Section 18-804 of the Act; and

(x) to the fullest extent permitted by law, each of Final Member and the Special Members of Borrower shall irrevocably waive any right or power that they might have to cause Borrower or any of its assets to be partitioned, to cause the appointment of a receiver for all or any portion of the assets of Borrower, to compel any sale of all or any portion of the assets of Borrower pursuant to any applicable law or to file a complaint or to institute any proceeding at law or in

equity to cause the dissolution, liquidation, winding up or termination of Borrower.

5.1.5 Consents. An affirmative vote of one hundred (100%) of the members of Borrower (and of the Independent Managers) shall be required to (a) file a bankruptcy or insolvency petition or otherwise institute insolvency proceedings or authorize Borrower to do so or (b) file an involuntary bankruptcy petition against any Affiliate. Furthermore, Borrower's formation documents shall expressly state that for so long as the Loan is outstanding and Borrower is the obligor under the Note, Borrower shall not be permitted (i) to the extent permitted by law, dissolve, liquidate, consolidate, merge or sell all or substantially all of its assets other than in connection with the repayment of the Loan or except as otherwise permitted hereunder or (ii) to engage in any other business activity, and such restrictions shall not be modified or violated for so long as the Loan is outstanding.

5.1.6 Access to Property. Borrower shall permit agents, representatives and employees of Lender to inspect the Property or any part thereof during normal business hours on Business Days upon reasonable advance notice (which may be given telephonically or by e-mail), subject to the rights of Tenants under their Leases and Borrower's usual and customary safety requirements and accompanied by a representative of Borrower.

5.1.7 Notice of Default. Borrower shall promptly advise Lender (a) of any event or condition that has or is reasonably likely to have a Material Adverse Effect of which Borrower has knowledge and (b) of the occurrence of any Default or Event of Default of which Borrower has knowledge.

5.1.8 Cooperate in Legal Proceedings. Borrower shall cooperate fully with Lender with respect to any proceedings before any court, board or other Governmental Authority which would reasonably be expected to have, or does have, a Material Adverse Effect and, in connection therewith, permit Lender, at its election, to participate in any such proceedings, other than those proceedings where Borrower and Lender are adverse parties.

5.1.9 Perform Loan Documents. Borrower shall observe, perform and satisfy all the terms, provisions, covenants and conditions of, and shall pay when due all costs, fees and expenses to the extent required, under the Loan Documents executed and delivered by, or applicable to, Borrower.

5.1.10 Insurance. (a) Borrower shall cooperate with Lender in obtaining for Lender (to the extent that this Agreement provides that such Proceeds are to be paid to Lender) the benefits of any Proceeds lawfully or equitably payable in connection with the Property, and Lender shall be reimbursed for any expenses incurred in connection therewith (including reasonable attorneys' fees and disbursements) out of such Proceeds.

(b) Borrower shall comply with all Insurance Requirements and shall not bring or keep or permit to be brought or kept any article upon any of the Property or cause or permit any condition to exist thereon which would be prohibited by any Insurance Requirement, or would invalidate insurance coverage required hereunder to be maintained by Borrower on or with respect to any part of the Property pursuant to Section 6.1.

5.1.11 Further Assurances; Separate Notes. (a) Borrower shall execute and acknowledge (or cause to be executed and acknowledged), and deliver to Lender, all documents, and take all actions, reasonably required by Lender from time to time in order to confirm the rights created or intended to be created under this Agreement and the other Loan Documents and any security interest created or purported to be created thereunder, to protect the validity, priority and enforceability of this Agreement and the other Loan Documents, to subject to the Loan Documents any property of Borrower intended by the terms of any one or more of the Loan Documents to be encumbered by the Loan Documents, or otherwise carry out the purposes of the Loan Documents and the transactions contemplated thereunder, provided that the foregoing shall not impose any additional material liability or obligations on, nor materially reduce the rights or remedies of, Borrower. Borrower shall reasonably promptly after written request, reasonably cooperate with Lender in connection with any request by Lender to sever the Note into two (2) or more separate substitute notes in accordance with Sections 11.4.2 and 11.5 of this Agreement, and to reapportion the Loan among such separate substitute notes, including, without limitation, by executing and delivering to Lender new substitute notes to replace the Note, amendments to or replacements of existing Loan Documents to reflect such severance and/or Opinions of Counsel with respect to such substitute notes, amendments and/or replacements, provided that Borrower shall bear no costs or expenses in connection therewith (other than internal administrative costs and internal expenses of Borrower).

(b) In addition, Borrower shall, at Borrower's sole cost and expense (except as provided in Section 5.1.11(a)), and without making any so-called "bring down representations":

(i) execute and deliver, from time to time, such further instruments (including, without limitation, delivery of any financing statements under the UCC) as may be reasonably requested by Lender to confirm the Lien of the Mortgage on any Equipment, Fixtures or any intangible assets;

(ii) execute and deliver to Lender such documents, instruments, certificates, assignments and other writings, and do such other acts as shall be reasonably necessary to evidence, preserve and/or protect the Collateral at any time securing or intended to secure the obligations of Borrower under the Loan Documents, as Lender may reasonably require; and

(iii) do and execute all and such further lawful and reasonable acts, conveyances and assurances for the carrying out of the terms and conditions of this Agreement and the other Loan Documents, as Lender shall reasonably require from time to time.

5.1.12 Mortgage Taxes. Borrower shall pay all taxes, charges, filing, registration and recording fees, excises and levies payable with respect to the Note or the Liens created or secured by the Loan Documents, other than income, franchise and doing-business taxes imposed on Lender and other than any Impositions that are not Borrower's responsibility pursuant to Q hereof or any Impositions described in Q but applicable on or prior to the date hereof.

5.1.13 Operation. Borrower shall: (a) promptly perform and/or observe in all material respects and shall use commercially reasonable efforts to cause Manager to perform and/or observe in all material respects all of the covenants and agreements required to be performed and observed by it under the Management Agreement, and do all things necessary to preserve and to keep unimpaired its material rights thereunder; (b) promptly notify Lender of any “event of default” under the Management Agreement of which it is aware; (c) promptly deliver, and shall use commercially reasonable efforts to cause Manager to deliver, to Lender, if Manager is not an Affiliate of Borrower, a copy of each financial statement, capital expenditures plan, property improvement plan and any other notice, report and estimate received by it under the Management Agreement (except to the extent the same is substantially equivalent to what Borrower otherwise delivers to Lender hereunder); and (d) enforce in a commercially reasonable manner the performance and observance of the material covenants and agreements required to be performed and/or observed by the Manager under the Management Agreement.

5.1.14 Business and Operations. Borrower shall continue to engage in the businesses presently conducted by it as and to the extent the same are necessary for the ownership, maintenance, management and operation of the Property. Borrower shall qualify to do business and shall remain in good standing under the laws of the State in which the Property is located and as and to the extent required for the ownership, maintenance, management and operation of the Property.

5.1.15 Title to the Property. Borrower shall warrant and defend (a) its fee title to the Property and the Improvements and every part thereof, subject only to Liens permitted hereunder (including Permitted Encumbrances) and (b) the validity and priority of the Liens of the Mortgage, the Assignment of Leases and this Agreement on the Property, subject only to Liens permitted hereunder (including Permitted Encumbrances), in each case against the claims of all Persons whomsoever. Borrower shall reimburse Lender for any losses, costs, damages or expenses (including reasonable attorneys’ fees and disbursements) incurred by Lender if an interest in the Property, other than as permitted hereunder, is claimed by another Person.

5.1.16 Costs of Enforcement. In the event (a) that this Agreement or the Mortgage is foreclosed upon in whole or in part or that this Agreement or the Mortgage is put into the hands of an attorney for collection, suit, action or foreclosure following an Event of Default, (b) of the foreclosure of any security agreement prior to or subordinate to this Agreement in which proceeding Lender is made a party, or a mortgage prior to or subordinate to the Mortgage in which proceeding Lender is made a party, or (c) of the bankruptcy, insolvency, rehabilitation or other similar proceeding in respect of Borrower or any of its constituent Persons or an assignment by Borrower or any of its constituent Persons for the benefit of its creditors, Borrower, its successors or assigns, shall be chargeable with and agrees to pay all costs of collection and defense, including reasonable attorneys’ fees and disbursements, incurred by Lender or Borrower in connection therewith and in connection with any appellate proceeding or post judgment action involved therein, together with all required service or use taxes.

5.1.17 Estoppel Statements.

(a) Borrower shall, from time to time, upon thirty (30) days' prior written request from Lender, execute, acknowledge and deliver to Lender, a Borrower's Certificate, stating that this Agreement and the other Loan Documents are unmodified and, to the best of Borrower's Knowledge, in full force and effect (or, if there have been modifications, that this Agreement and the other Loan Documents are in full force and effect as modified and setting forth a list of the documents by which such modifications were effected), stating, to the best of Borrower's Knowledge, the amount of accrued and unpaid interest and the Principal Amount of the Note and containing such other information with respect to Borrower, the Property and the Loan as Lender shall reasonably request. The estoppel certificate shall also state either that, to Borrower's Knowledge, no Default or Event of Default exists hereunder or, if any Default or Event of Default shall exist hereunder, shall specify such Default or Event of Default and the steps being taken to cure such Default or Event of Default.

(b) Borrower shall use its commercially reasonable efforts to deliver or cause to be delivered to Lender, upon request, estoppel certificates from each party under any REA; provided, that such certificates may be in the form required under such REA; and, provided, further, that Lender shall not request such certificates more than four (4) times during the Term and not more frequently than once per calendar year (or twice during any calendar year in which a Securitization occurs).

5.1.18 Loan Proceeds. Borrower shall use the proceeds of the Loan received by it on the Closing Date only for the purposes set forth in Section 2.1.4.

5.1.19 No Joint Assessment. Borrower shall not suffer, permit or initiate the joint assessment of the Property (a) with any other real property constituting a tax lot separate from the Property or (b) which constitutes real property with any portion of the Property which may be deemed to constitute personal property, or any other procedure whereby the lien of any taxes which may be levied against such personal property shall be assessed or levied or charged to such real property portion of the Property.

5.1.20 No Further Encumbrances. Borrower shall do, or cause to be done, all things necessary to keep and protect the Property and all portions thereof unencumbered from any Liens, easements or agreements granting rights in or restricting the use or development of the Property, except for (a) Permitted Encumbrances, (b) Liens permitted pursuant to the Loan Documents, (c) Liens for Impositions prior to the imposition of any interest, charges or expenses for the non-payment thereof and (d) any Liens permitted pursuant to Leases.

5.1.21 Intentionally Omitted.

5.1.22 Leases. Borrower shall promptly after receipt thereof deliver to Lender a copy of any notice received with respect to the Leases claiming that Borrower is in default in the performance or observance of any of the material terms, covenants or conditions of any of the Leases.

5.1.23 Notice Regarding ERISA Violation. Borrower shall give prompt written notice to Lender of any written allegation that Borrower is in violation of the requirements of ERISA.

5.1.24 Further Assurance of Title. Borrower shall further assure title if at any time Lender has reason to believe in its reasonable opinion that the Loan is not secured or will or may not be secured by the Mortgage as a first priority lien or security interest on the Improvements (subject only to the Permitted Encumbrances), and then Borrower shall do all things and matters reasonably necessary (including execution and delivery to Lender of all further documents and performance of all other acts which Lender reasonably deems necessary or appropriate) to assure to the satisfaction of Lender that the Loan is secured by the Mortgage as a first priority lien or security interest on the Improvements (subject only to the Permitted Encumbrances).

5.1.25 Interest Rate Protection Agreement.

(a) If, at any time, LIBOR shall be greater than or equal to five and one-half percent (5.5%) for a period of four (4) consecutive weeks, Borrower or an Affiliate of Borrower shall enter into an Interest Rate Protection Agreement for a notional amount equal to the outstanding balance of the Loan (taking into account the amortization schedule attached hereto as Schedule 2.2.4 or any replacement amortization schedule provided in accordance with Section 2.2.4) with a Counterparty having a Minimum Counterparty Rating and which is otherwise acceptable to Lender in its reasonable discretion and which shall effectively cap LIBOR on such amount for a period until the Maturity Date, or such shorter time period in accordance with Section 5.1.25(a), at a rate of six percent (6%) per annum, calculated on an annual basis.

(b) Borrower or an Affiliate of Borrower shall have the right to enter into an Interest Rate Protection Agreement that expires prior to the Maturity Date; provided, that Borrower or an Affiliate of Borrower enters into a replacement Interest Rate Protection Agreement upon the expiration of such existing Interest Rate Protection Agreement if LIBOR has exceeded five and one-half percent (5.5%) for the four (4) consecutive weeks prior to the expiration date of such Interest Rate Protection Agreement. Any Interest Rate Protection Agreement entered into in accordance with the provisions of this Agreement shall not be secured by or encumber any of the Collateral securing Borrower's obligations under the Loan Documents unless the same is a Lender Interest Rate Protection Agreement. Promptly upon obtaining any Interest Rate Protection Agreement, Borrower shall deliver the same to Lender.

(c) Borrower, or the applicable Affiliate of Borrower, shall comply with all of its obligations under the terms and provisions of any Interest Rate Protection Agreement. Borrower shall take, or cause its Affiliate that is party to the Interest Rate Protection Agreement to take, all action reasonably requested by Lender to enforce Lender's rights under an Interest Rate Protection Agreement in the event of a default by a Counterparty and shall not waive, amend or otherwise modify any of its rights thereunder. At any time an Interest Rate Protection Agreement is required hereunder, Borrower or the applicable Affiliate of Borrower shall not (i) without the prior written consent of Lender, modify, amend or supplement the terms of an Interest Rate Protection Agreement, (ii) without the prior written consent of Lender, cause the termination of an Interest Rate Protection Agreement prior to its stated maturity date; (iii) without the prior written consent of Lender waive or release any obligation of a Counterparty (or any successor or substitute party to the Interest Rate Protection Agreement) under an Interest Rate Protection Agreement, (iv) without the prior written consent of Lender

consent or agree to any act or omission to act on the part of a Counterparty (or any successor or substitute party to an Interest Rate Protection Agreement) which, without such consent or agreement, would constitute a default under an Interest Rate Protection Agreement, (v) fail to exercise promptly and diligently each and every material right which it may have under an Interest Rate Protection Agreement, (vi) take or omit to take any action or suffer or permit any action to be omitted or taken, the taking or omission of which would result in any right of offset against sums payable under an Interest Rate Protection Agreement or any defense by a Counterparty (or any successor or substitute party to an Interest Rate Protection Agreement) to payment or (vii) fail to give prompt notice to Lender of any notice of default given by or to Borrower under or with respect to an Interest Rate Protection Agreement, together with a complete copy of such notice; provided, however, that for the avoidance of doubt, Borrower or the Affiliate of Borrower, as applicable, shall be permitted to terminate any Assignment of Interest Rate Protection Agreement, and the restrictions set forth in clauses (i) through (vii) above with respect to any Interest Rate Protection Agreement shall not apply, after the expiration of the time period during which an Interest Rate Protection Agreement is required to be maintained pursuant to this Section 5.1.25.

(d) Borrower or the Affiliate of Borrower that is party to the Interest Rate Protection Agreement, as applicable, shall collaterally assign to Lender, pursuant to an Assignment of Interest Rate Protection Agreement, all of its right, title and interest to receive any and all payments under any Interest Rate Protection Agreement required hereunder and shall deliver to Lender an executed counterpart of such Interest Rate Protection Agreement, notify the Counterparty of such collateral assignment and obtain the agreement (either in such Interest Rate Protection Agreement or by separate instrument) of such Counterparty to make any payments to become payable under or pursuant to the Interest Rate Protection Agreement directly to Lender until such time as the Assignment of Interest Rate Protection Agreement is terminated or otherwise canceled. Notwithstanding the foregoing, if the Interest Rate Protection Agreement being assigned to Lender is a swap agreement, the parties hereto agree that if any amounts payable to the Borrower or an Affiliate of the Borrower, as applicable, pursuant to such swap agreement are in excess of the strike price required hereunder, then such amounts shall be payable to the Borrower and not Lender and the Assignment of Interest Rate Protection Agreement entered into in connection with such swap agreement shall provide for the same. At such time as the Loan is repaid in full or a new Interest Rate Protection Agreement is required pursuant to Section 5.1.25(e) below or an Interest Rate Protection Agreement is no longer required, all of Lender's right, title and interest in the existing Interest Rate Protection Agreement shall terminate and Lender shall execute and deliver, at Borrower's sole cost and expense, such documents as may be required to evidence Lender's release of such Interest Rate Protection Agreement and to notify the Counterparty of such release. If Lender receives any payments under such Interest Rate Protection Agreement (other than a payment by reason of a termination event or any other payment upon the occurrence and during the continuance of an Event of Default), Lender shall deliver the same to Borrower by depositing the same into the Collection Account or as otherwise instructed by Borrower. At any time an Interest Rate Protection Agreement is required hereunder, if Lender receives any payments under an Interest Rate Protection Agreement during the continuance of an Event of Default or by reason of a termination event under an Interest Rate Protection Agreement, Lender shall have the right to hold the same, to deposit the same in a cash collateral account as additional security for the Loan or to apply same to any portion of the Indebtedness in any order it desires or, if an

Interest Rate Protection Agreement has been partially or wholly terminated, Lender shall disburse any termination payments to Borrower to be applied to the costs of acquiring another Interest Rate Protection Agreement (if then required hereunder) in form and substance reasonably acceptable to Lender, and from a counterparty having a Minimum Counterparty Rating.

(e) If for any reason, the Counterparty's rating with respect to any Interest Rate Protection Agreement provided by a Counterparty other than Lender shall fall below the Minimum Counterparty Rating, Borrower shall within thirty (30) days following receipt of notice thereof from Lender or any other Person, procure a new Interest Rate Protection Agreement from a Counterparty satisfying the Minimum Counterparty Rating requirement, shall pledge same to Lender pursuant to an assignment of interest rate protection agreement in the form of the Assignment of Interest Rate Protection Agreement or other reasonable assignment form, and shall deliver to Lender a Counterparty Opinion with respect thereto.

(f) In the event that Borrower fails to purchase and deliver to Lender the Interest Rate Protection Agreement as and when required hereunder, Lender may purchase the Interest Rate Protection Agreement from a Counterparty having a Minimum Counterparty Rating required and the cost and expense including reasonable attorney's fees and disbursements incurred by Lender in purchasing the Interest Rate Protection Agreement shall be paid by Borrower to Lender with interest thereon at the Default Rate from the date such cost was incurred by Lender until such cost is paid to Lender.

(g) In connection with any Interest Rate Protection Agreement obtained by Borrower or an Affiliate of Borrower pursuant to the requirements of this Section 5.1.25, if such Interest Rate Protection Agreement is an "Interest Rate Cap", Borrower or such Affiliate of Borrower shall obtain and deliver to Lender an opinion of counsel from counsel for the Counterparty thereunder (upon which Lender and its successors and assigns may rely) (the "**Counterparty Opinion**"), under New York law and, if the Counterparty is a non-U.S. entity, the applicable foreign law, substantially in compliance with the requirements set forth below:

(i) The Counterparty Opinion shall be addressed to Lender, for itself and its successors and assigns, and shall state that it may be relied upon by (A) any assignee of Lender's interest in the Loan, and (B) any servicer of the Loan,

(ii) The Counterparty Opinion shall be in form and substance reasonably acceptable to Lender and shall contain the following opinions:

(A) the Counterparty under the Interest Rate Protection Agreement is duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation or formation and has the organizational power and authority to execute and deliver, and to perform its obligations under, the Interest Rate Protection Agreement;

(B) the execution and delivery of the Interest Rate Protection Agreement by the Counterparty thereunder, and any other agreement (including, without limitation, the Assignment of Interest Rate Protection Agreement) which such Counterparty has executed and delivered pursuant

thereto, and the performance of its obligations thereunder have been and remain duly authorized by all necessary action and do not contravene any provision of its certificate of incorporation or bylaws (or equivalent organizational documents) or any law, regulation or contractual restriction binding on or affecting it or its property;

(C) all consents, authorizations and approvals required for the execution and delivery by the Counterparty of the Interest Rate Protection Agreement, and any other agreement (including, without limitation, the Assignment of Interest Rate Protection Agreement) which such Counterparty has executed and delivered pursuant thereto, and the performance of its obligations thereunder have been obtained and remain in full force and effect, and no other action by, and no notice to or filing with any governmental authority or regulatory body is required for such execution, delivery or performance; and

(D) the Interest Rate Protection Agreement, and any other agreement (including, without limitation, the Assignment of Interest Rate Protection Agreement) which the Counterparty thereunder has executed and delivered pursuant thereto, has been duly executed and delivered by such Counterparty and constitutes the legal, valid and binding obligation of such Counterparty, enforceable against such Counterparty in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(iii) Depending on the nature of the transaction, the Counterparty Opinion shall contain such additional opinions on such other matters relating to the Interest Rate Protection Agreement and/or any other agreement (including, without limitation, the Assignment of Interest Rate Protection Agreement) which the Counterparty thereunder has executed and delivered pursuant thereto, as Lender shall reasonably require, and are customarily required in similar transactions, including, without limitation, the following additional opinions if the Counterparty is a foreign entity:

(A) The jurisdiction where the Counterparty is located will respect and give effect to the choice of law provisions of the Interest Rate Protection Agreement and any other agreement (including, without limitation, the Assignment of Interest Rate Protection Agreement) which the Counterparty thereunder has executed and delivered pursuant thereto; and

(B) A judgment obtained in the courts of the State of New York is enforceable in the jurisdiction where the Counterparty is located.

(h) In connection with any Interest Rate Protection Agreement obtained by Borrower or an Affiliate of Borrower pursuant to the requirements of this

Section 5.1.25,

Borrower or such Affiliate of Borrower shall obtain and deliver to Lender an opinion of counsel (upon which Lender and its successors and assigns may rely) in connection with the Assignment of Interest Rate Protection Agreement (the “**Assignment Opinion**”), under New York law substantially in compliance with the requirements set forth below and otherwise consistent with the opinions given by Borrower’s counsel at closing:

(i) The Assignment Opinion shall be addressed to Lender, for itself and its successors and assigns, and shall state that it may be relied upon by (A) any assignee of Lender’s interest in the Loan, and (B) any servicer of the Loan,

(ii) The Assignment Opinion shall be in form and substance reasonably acceptable to Lender and shall contain the following opinions:

(A) the Borrower (or such Affiliate) is duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation or formation and has the organizational power and authority to execute and deliver, and to perform its obligations under, the Assignment of Interest Rate Protection Agreement;

(B) the execution and delivery of the Assignment of Interest Rate Protection Agreement by Borrower (or such Affiliate), and the performance of its obligations thereunder have been and remain duly authorized by all necessary action and do not contravene any provision of its certificate of incorporation or bylaws (or equivalent organizational documents) or any law or regulation binding on or affecting it or its property;

(C) all consents, authorizations and approvals required for the execution and delivery by Borrower (or such Affiliate) of the Assignment of Interest Rate Protection Agreement, and the performance of its obligations thereunder have been obtained and remain in full force and effect, and no other action by, and no notice to or filing with any governmental authority or regulatory body is required for such execution, delivery or performance; and

(D) the Assignment of Interest Rate Protection Agreement has been duly executed and delivered by Borrower (or such Affiliate) and constitutes the legal, valid and binding obligation of Borrower (or such Affiliate), enforceable against Borrower (or such Affiliate) in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors’ rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

5.1.26 Building Violations. Borrower hereby covenants that Borrower shall take all commercially reasonable efforts to cause the violations described on Schedule 5.1.26 to be removed from the Property.

Section 5.2 Negative Covenants. From the Closing Date until payment and performance in full of all obligations of Borrower under the Loan Documents or the earlier release of the Lien of this Agreement or the Mortgage in accordance with the terms of this Agreement and the other Loan Documents, Borrower covenants and agrees with Lender that it will not do, directly or indirectly, any of the following:

5.2.1 Incur Debt; Transfers. Incur, create or assume any Debt other than Permitted Debt or Transfer or lease all or any part of the Property or any interest therein, except as permitted in the Loan Documents;

5.2.2 Encumbrances. Incur, create or assume or permit the incurrence, creation or assumption of any Debt secured by the Property or a direct or indirect interest in Borrower and shall not Transfer or permit the Transfer of any direct or indirect interest in Borrower except, in each case, as permitted pursuant to the Loan Documents;

5.2.3 Engage in Different Business. Engage, directly or indirectly, in any business other than that of entering into this Agreement and the other Loan Documents to which Borrower is a party and the use, ownership, management, leasing, renovation, financing, sale, exchange, transfer or refinancing, development, operation and maintenance of the Property and activities related thereto (all subject to the terms and conditions hereof and the other Loan Documents);

5.2.4 Make Advances. Make advances or make loans to any Person other than Tenants in connection with tenant improvements required pursuant to a Lease that has been approved by Lender, or for which no approval is required by Lender, in accordance with the terms of this Agreement, or hold any investments, except as expressly permitted pursuant to the terms of this Agreement or any other Loan Document;

5.2.5 Partition. Permit or petition for the partition of the Property;

5.2.6 Commingle. Subject to the provisions of Section 5.1.4(j), commingle its assets with the assets of any of its Affiliates;

5.2.7 Guaranty Obligations. Guaranty any obligations of any Person;

5.2.8 Transfer Assets. Transfer any asset other than in the ordinary course of business or Transfer any interest in the Property except as may be permitted hereby or in the other Loan Documents;

5.2.9 Amend Organizational Documents. Amend or modify any of its organizational documents without Lender's reasonable consent, other than in connection with any Transfer permitted pursuant to Article VIII, or to reflect any change in capital accounts, contributions, distributions, allocations or to otherwise amend any provisions in any respect that would not reasonably be expected to have and does not have, a Material Adverse Effect, and provided that Borrower remains in each case a Single Purpose Entity;

5.2.10 Dissolve. Dissolve, wind up, terminate, liquidate, merge with or consolidate into another Person, except as expressly permitted pursuant to this Agreement;

5.2.11 Bankruptcy. (a) File a bankruptcy or insolvency petition or otherwise institute insolvency proceedings, or (b) file or solicit the filing of an involuntary bankruptcy petition against Borrower, Manager or any Affiliate of Borrower or Manager, without obtaining the prior consent of all of the members and managers of Borrower, including, without limitation, the Independent Managers;

5.2.12 ERISA. Engage in any activity that would qualify it as an “employee benefit plan” (within the meaning of Section 3(3) of ERISA) to which ERISA applies or would cause Borrower’s assets to constitute plan assets within the meaning of 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA);

5.2.13 Distributions. During the continuance of an Event of Default, make any distributions to or for the benefit of any of its members or its or their Affiliates;

5.2.14 Manager. (a) Without the prior written consent of Lender, which consent shall not be unreasonably withheld, conditioned or delayed, materially modify, change, supplement, alter or amend the Management Agreement in any material respect or waive or release any of its material rights and remedies under the Management Agreement. Without the prior written consent of Lender, which consent shall be in Lender’s sole and absolute discretion, replace the Manager with a Person other than a Qualified Manager; provided, however, that Borrower shall have the unilateral right to replace the Manager as Borrower sees fit from time-to-time with ALX, VRLP, or an Affiliate of ALX or VRLP;

(b) Borrower shall notify Lender in writing (and deliver a copy of the proposed management agreement) of any entity proposed to be designated as a replacement manager of the Property to replace Manager not less than thirty (30) days before such replacement manager begins to manage the Property;

(c) Borrower shall, at the request of Lender, terminate the Management Agreement and replace the Manager with a Qualified Manager or a replacement manager otherwise reasonably acceptable to Lender, if (and only if) (i) an Event of Default has occurred and is continuing and the Loan has been accelerated, (ii) Manager or any replacement manager or replacement Qualified Manager shall become bankrupt or insolvent, or (iii) upon the gross negligence or willful misconduct of the Manager (other than isolated incidents which Manager remedies and for which Manager has compensated Borrower and Lender for any losses incurred as a result thereof); provided, however, that prior to Borrower’s becoming so obligated under (ii) above, Borrower shall have ten (10) Business Days, from and after the date of such request, within which to provide evidence reasonably satisfactory to Lender that Manager, replacement manager or replacement Qualified Manager is no longer insolvent or such proceeding has been dismissed, as applicable, in which case Borrower shall not become so obligated; provided, further, that in the case of (i) above, such replacement Manager shall not be an Affiliate of Borrower and, in the case of (ii) and (iii) above, if the terminated Manager is an Affiliate of Borrower, then the replacement Manager shall not be an Affiliate of Manager;

(d) Upon the retention of a replacement manager or a replacement Qualified Manager, Lender shall have the right to approve any new management agreement with such replacement manager or a replacement Qualified Manager (which approval by Lender shall not be unreasonably withheld, conditioned or delayed); provided however, that if such replacement

manager or replacement Qualified Manager is ALX, VRLP or an Affiliate of ALX or VRLP, then as long as such new management agreement is on substantially the same terms and conditions as the Management Agreement, Lender's consent to such new management agreement shall not be required; and

(e) Upon the termination of the Manager and replacement with a Qualified Manager or a replacement manager approved by Lender, such Qualified Manager or replacement manager shall constitute the Manager hereunder and Borrower and Qualified Manager shall enter into an Assignment of Management Agreement in favor of Lender in form and substance substantially similar to the Assignment of Management Agreement entered into as of the date hereof;

5.2.15 Modify Account Agreement. Except as provided in Section 3.1.7(b), without the prior consent of Lender, which shall not be unreasonably withheld, conditioned or delayed, Borrower shall not execute any modification to the Account Agreement;

5.2.16 Zoning Reclassification. Without the prior written consent of Lender, (a) initiate or consent to any zoning reclassification (other than to expand the permitted uses to include uses which are consistent with the current use of the Property or the Condominium) of any portion of the Property, (b) seek any variance under any existing zoning ordinance that could result in the use of the Property becoming a non-conforming use under any zoning ordinance or any other applicable land use law, rule or regulation, or (c) to the extent within Borrower's control, allow any portion of the Property to be used in any manner that could result in the use of the Property becoming a non-conforming use under any zoning ordinance or any other applicable land use law, rule or regulation;

5.2.17 Government Regulation. (a) Be a Person in respect of which any law, regulation, or list of any Governmental Authority (including, without limitation, the U.S. Office of Foreign Asset Control list) Lender is prohibited from making any advance or extension of credit to Borrower or from otherwise conducting business with Borrower, or (b) fail to provide within a reasonable time documentary and other evidence of Borrower's identity as may be reasonably requested by Lender at any time to enable Lender to verify Borrower's identity or to comply with any applicable law or regulation, including, without limitation, Section 326 of the Patriot Act;

5.2.18 Debt Cancellation. Cancel or otherwise forgive or release any material claim or debt owed to it by any Person, except for adequate consideration or in the ordinary course of its business or except (a) in connection with the settlement of claims, subject to the terms and provisions of Section 8.7, against Tenants or service providers to the Property in connection with such parties' Lease or other contract defaults, provided such settlements would not reasonably be expected to have, and do not have, a Material Adverse Effect and (b) for termination of a Lease as permitted by Section 8.7;

5.2.19 Misapplication of Funds. Distribute any revenue from the Property or any Proceeds in violation of the provisions of this Agreement, fail to remit amounts to the Collection Account or to Lender, as applicable, as required by Section 3.1, misappropriate any security deposit or portion thereof or apply the proceeds of the Loan in violation of Section 2.1.4; or

5.2.20 Single Purpose Entity. Fail to be a Single Purpose Entity or take or suffer any action or inaction the result of which would be to cause it to cease to be a Single Purpose Entity.

5.2.21 REA. Borrower agrees that without the prior consent of Lender, Borrower will not execute modifications to any REA if such modifications are reasonably likely to have a Material Adverse Effect.

ARTICLE VI

INSURANCE; CASUALTY; CONDEMNATION; RESTORATION

Section 6.1 Insurance Coverage

6.1.1 Insurance Coverage Requirements. Borrower shall, at its sole cost and expense, keep in full force and effect insurance coverage of the types and minimum limits as follows during the term of this Agreement:

(a) Liability insurance shall be maintained at all times during the term of the Loan as follows:

(i) Commercial General Liability insurance with no exclusion for terrorism applicable to claims for personal injury and/or bodily injury including death or property damage occurring upon, in or about the Property; occurring as a result of the construction and use and occupancy of facilities located at or on the Property; or as a result of construction thereof. Coverage shall be provided on an occurrence basis pursuant to the ISO Commercial General Liability coverage form (CG 00 01) or its equivalent, and for personal and/or bodily injury or property damage as now are or hereafter incorporated into such form and its endorsements. Such coverage shall be in amounts of not less than (A) \$1,000,000 per occurrence for Bodily Injury and Property Damage Combined, (B) \$1,000,000 per occurrence for Personal & Advertising Injury, (C) \$2,000,000 aggregate for Products and Completed Operations Liability, (D) \$100,000 for Fire Legal Liability and (E) \$2,000,000 for General Aggregate limit per location. The policy shall be written on an occurrence basis with no deductible unless otherwise approved by Lender. Such coverage shall name Lender as an additional insured and provide such additional insured coverage on a primary and non-contributory basis.

(ii) If applicable, Commercial Automobile Liability insurance providing Bodily Injury and Property Damage coverage of no less than \$1,000,000 for Combined Single Limit covering all Owned, Non-Owned and Hired vehicles. Such coverage shall name Lender as an additional insured and provide such additional insured coverage on a primary and non-contributory basis.

(iii) Commercial Umbrella/Excess Liability coverage with no exclusion for terrorism in combination no less than \$100,000,000 per occurrence and in the

annual aggregate on per location basis. Commercial Umbrella/Excess Liability Insurance shall provide additional coverage over all limits and coverages noted in paragraph (i), (ii) and Employers Liability per paragraph (iv). This limit shall be increased from time to time to reflect an amount which is customarily maintained and is generally required by institutional lenders on loans of amounts and secured by properties comparable to and in the general vicinity of the Property. This policy shall be written on an "occurrence" form basis and provide follow-form coverage or coverage as broad as the primary.

(iv) Workers Compensation and Disability insurance to the full extent as required by applicable law and Employer's Liability coverage subject to a limit of no less than (A) \$1,000,000 per Accident, (B) \$1,000,000 Disease per Employee and (C) \$1,000,000 Disease Policy Limit. Such Workers Compensation and Disability and Employer's Liability Insurance shall cover Borrower's employees engaged in any work for or related to the Property.

(v) At any time during which any construction work, structural alterations or repairs is being performed at the Property: Borrower shall cause the general contractor performing work for or related to the Property to obtain and maintain Commercial General Liability coverage, including, without limitation, products and completed operations and containing no "X", "C", "U" exclusion, and Automobile Liability insurance for owned, hired and non-owned automobiles with no less than \$100,000,000 in limits per occurrence and in the aggregate per project through primary and umbrella liability coverages. Such insurance shall name Borrower and Lender as additional insureds and provide such additional insured coverage on a primary and non-contributory basis. Borrower shall also require that all Trade Contractors performing work for or related to the Property to maintain similar coverage with limits of no less than \$3,000,000 per occurrence and in the aggregate per project. Trade Contractors' liability insurance shall include a Waiver of Subrogation in favor of Borrower and Lender and shall include Borrower and Lender as additional insureds and provide such additional insured coverage on a primary and non-contributory basis. All Persons engaged in work on the Improvements at the Property shall maintain statutory Workers Compensation and Disability insurance in force for all workers performing work for or related to the Property.

(vi) The policies described in paragraphs (a)(i), (ii) and (iii) shall cover, without limitation: elevators, escalators, Contractual Liability (covering, to the maximum extent permitted by law, Borrower's obligation to indemnify Lender as required under this Agreement), Products and Completed Operations Liability coverage.

(vii) At any time during which any construction work, structural alterations or repairs are being performed at the Property: In lieu of providing the Commercial General and Umbrella liability and Workers Compensation insurance required in paragraphs (a)(ii), (iii), (iv) and (v) above, Borrower may provide such insurance through the purchase of a Wrap up or Owner Controlled Insurance Program or Contractor Controlled Insurance Program. This program

shall provide coverage for all Persons, contractors and subcontractors of every level engaged in construction operations at the Property.

(b) Such other types and amounts of insurance with respect to the Property and the operation thereof which are customarily maintained in the case of other property and buildings similar to the Property in nature, use, location, height and type of construction as may from time to time be reasonably required by Lender.

(c) Property insurance shall be maintained at all times during the term of the Loan as follows:

(i) Insurance against loss customarily included under standard "All Risk" or "Special Form" policies including but not limited to: fire, hail, windstorm/named windstorm, vandalism, and malicious mischief, and such other insurable hazards which are customarily maintained and are generally required by institutional lenders on loans of similar amounts and secured by properties comparable to, and in the general vicinity of, the Property. The amount of such insurance shall be not less than one hundred percent (100%) of the insurable replacement cost value of the Property, including Improvements. Each such insurance policy shall either contain an Agreed Amount endorsement or confirmation that coinsurance does not apply and shall cover, without limitation, all tenant improvements and betterments (except to the extent that the Tenant is required to insure the same pursuant to the applicable Lease) on a replacement cost basis. Lender shall be named Mortgagee on a Standard Mortgagee Endorsement and Lender Loss Payee. If the Property is now or at any time during the Loan deemed to be located in a Special Hazard Flood Area, and/or area of high seismic/earthquake activity then flood and/or earthquake insurance will be required in amounts and with deductibles acceptable to Lender. If the "All Risk" or "Special Form" policy excludes coverage for windstorm/named windstorm perils then windstorm/named windstorm coverage shall be provided on a separate policy in amounts acceptable to Lender. Windstorm/Named Windstorm deductibles in high hazard counties shall not be greater than five percent (5%) of the total insured value of the Property. Such insurance policy shall also include coverage for:

(A) Loss suffered with respect to materials, equipment, heating and air conditioning machinery, machinery, and supplies, in each case owned by Borrower or required to be insured by Borrower, whether on site, in transit, or stored offsite and with respect to temporary structures, hoists, sidewalks, retaining walls, and underground property in each case owned by Borrower or required to be insured by Borrower.

(B) Law & Ordinance coverage including coverage for Value of the Undamaged Portion, Demolition Cost, Debris Removal and Increased Cost of Construction.

(1) Demolition Cost means the cost incurred to demolish all or part of your covered real property, including the cost to clear the site, if any law or ordinance that exists at the time

of loss required such demolition. Coverage is provided in such amount as is reasonably required by Lender;

(II) Value of the Undamaged Portion means the cost Borrower incurs to rebuild any undamaged part of the Property, which is required by law to be demolished after a covered loss;

(III) Increased Cost of Construction includes the increased cost Borrower incurs for materials and labor required to rebuild the damaged portion of the Property and in a manner that satisfies the minimum requirement of the applicable law or ordinance at the time of the loss.

(C) Value of the Undamaged Portion and Increased Cost of Construction are required in such amounts as may be reasonably required by Lender.

(D) At any time during which any construction work, structural alterations or repairs are being performed at the Property, and if such work is excluded from the "All Risk" or "Special Form" policy, Builders Risk insurance, on a non-reporting basis shall be provided naming Borrower as the insured. The policy shall also name Lender as First Mortgagee under a non-contributing New York standard mortgage clause or an equivalent endorsement reasonably satisfactory to Lender for real property and improvements and as Lender Loss Payee for Business Income/Revenue/Rental income. If the insurance required under clause (c)(i) is not obtained under an insurance policy containing blanket limits, then the insurance policy shall be endorsed to also provide guaranteed building Replacement Cost to the Improvements, the other portions of the Improvements and such tenant improvements & betterments in an amount to be subject to the consent of Lender, which consent shall not be unreasonably withheld.

(ii) Time Element coverages, including Extra Expense coverage, for indirect loss or damage by all risks covered by the insurance provided for in (i) above. Such coverage shall be equal to an amount not less than 100% of the projected gross income in an eighteen (18) month period commencing at the time of loss and shall provide an Extended Period of Indemnity Endorsement for at least six (6) months. Lender shall be named as First Lender Loss Payee as respects this coverage. All coinsurance provisions shall be waived. The amount of such Time Element coverage shall be determined prior to the Closing Date and at least once each year thereafter based on Borrower's reasonable estimate of the annual amount of estimated gross income for the succeeding eighteen (18) month period. In the event that all or any portion of the Property shall be damaged or destroyed, Borrower shall assign to Lender all claims under the policies of such insurance and all amounts payable and all net amounts, when collected by Borrower under such policies.

(iii) If applicable, Boiler and Machinery coverage with limits with respect to any one accident as may be reasonably requested by Lender, but in no event less than the full insurable value Replacement Cost of the Property, including Improvements. Such coverage shall insure against direct and indirect loss or damage to all building and tenant improvements and betterments that Borrower is required to insure pursuant to this agreement by explosion or breakdown of mechanical and electrical equipment, including steam boiler, air conditioning equipment, pressure vessels or similar apparatus, with exclusions for testing removed, now or hereafter installed on the Property. Coverage for indirect loss/rental interruption insurance for a period of at least eighteen (18) months from the date of loss as is reasonably required by Lender.

(iv) If the "All Risk" or "Special Form" commercial property insurance required under subsection (c)(i) above and the "All Risk Builders Risk" commercial property insurance and the rent loss and/or business interruption insurance policies required under subsection (c)(ii) above do not cover perils of terrorism or acts of terrorism, Borrower shall maintain commercial property and rent loss and/or business interruption insurance for loss resulting from perils and acts of terrorism on terms (including amounts) consistent with those required under subsections (c)(i) and (c)(ii) above (a "**Terrorism Policy**"). For the purposes of this Agreement, "terrorism" shall mean the use or threatened use of force or violence against person or property, or commission of an act dangerous to human life or property, undertaken by any person or group, whether or not acting on behalf of or in connection with any organization, government, power, authority or military force, when the effect is to intimidate, harm or coerce a government, the civilian population or any segment therefore, or to disrupt any segment of the economy. Terrorism shall also include any act which is verified or recognized by the United States Government as an act of terrorism.

(v) If applicable, insurance covering the decrease or diminution in value of the Property resulting from the enforcement of any law, building code, zoning regulation or other Legal Requirement or act of any Governmental Authority to the extent that the Property cannot legally be restored to a condition that existed prior to the Casualty (which insurance shall be in an amount acceptable to Lender in its sole discretion), provided that such insurance is available to Borrower using commercially reasonable efforts.

(d) Such other types and amounts of insurance with respect to the Property and the operation thereof which are customarily maintained in the case of other property and buildings similar to the Property in nature, use, location, height and type of construction as may from time to time be reasonably required by Lender.

6.1.2 Ratings of Insurers. All insurance policies required pursuant to Section 6.1.1 shall:

(a) be issued by companies authorized to do business in the State where the Property is located, which companies shall each have a each have a financial strength and claims paying ability rating of at least "A-" from S&P, provided that if such insurance is provided by a syndicate of five or more insurers, then only 60% of the members of the syndicate (or 75% if four or fewer insurers comprise the syndicate) must have the above rating with the remaining insurers having a rating not less than "BBB" from S&P or A-/VIII by A.M. Best. Notwithstanding the foregoing, Borrower shall be permitted to maintain the insurance policies required hereunder with insurance companies which do not meet the foregoing requirements (an "**Otherwise Rated Insurer**"), provided, Borrower obtains a "cut through" endorsement (that is, an endorsement which permits recovery against the provider of such endorsement) reasonably acceptable to Lender with respect to any Otherwise Rated Insurer from an insurance company which meets the claims paying ability ratings required above;

(b) with respect to all property insurance policies, name Lender and its successors and/or assigns as their interest may appear as mortgagee;

(c) with respect to all property insurance policies and rental loss and/or business interruption insurance policies, contain a "Standard Mortgagee Clause" and a "Lender's Loss Payable" provision, or their equivalents, naming Lender as the person to whom payments will be made as its interest shall appear;

(d) with respect to all liability policies, name Lender and its successors and/or assigns as an additional insured;

(e) contain a waiver of subrogation in favor of Lender; and

(f) contain such provisions as Lender deems reasonably necessary or desirable to protect its interest, including endorsements if not already contained in the policy language providing that neither Borrower, Lender nor any other party shall be a co-insurer under said insurance policies.

Borrower shall pay the insurance premiums as the same become due and payable and shall furnish to Lender evidence of the renewal of each of the insurance policies with receipts for the payment of the insurance premiums or other evidence of such payment reasonably satisfactory to Lender (provided, however, that Borrower shall not be required to pay such insurance premiums nor furnish such evidence of payment to Lender in the event that the amounts required to pay such insurance premiums have been deposited into the Insurance Reserve Account pursuant to Section 12.2).

6.1.3 Form of Insurance Policies; Endorsements. All insurance policies shall be in such form and with such endorsements as are reasonably satisfactory to Lender. Certificates of insurance with respect to all of the above mentioned insurance policies have been delivered to and approved by Lender and copies of all such policies shall be delivered to Lender within ten (10) days of request by Lender, provided that if Borrower is not yet in receipt of such policies Borrower shall not be obligated to deliver such policies until five (5) days after its receipt thereof. All policies (except for worker's compensation) shall name Lender as an additional

insured, shall provide that all Proceeds (except Proceeds of general liability, motor vehicle liability and workers' compensation insurance) be payable to Lender as its interests may appear. All property policies shall contain: (a) a standard "non-contributory mortgagee" provision or its equivalent relating, inter alia, to recovery by Lender notwithstanding the acts or omissions of Borrower; (b) a provision providing that no policy shall be impaired or invalidated by virtue of any act, failure to act, negligence of, or violation of declarations, warranties or conditions contained in such policy by Borrower, Lender or any other named insured, additional insured or loss payee, except for the willful misconduct of Lender knowingly in violation of the conditions of such policy (a "Lender's Loss Payable" provision shall be deemed to satisfy the requirements of this clause (b)); and (c) a provision that such policies shall not be canceled without at least thirty (30) days' prior written notice to Lender, in each instance (or ten (10) days' notice, in case of cancellation for nonpayment of premiums). Each insurance policy shall contain a provision whereby the insurer: (i) waives any right to claim any premiums and commissions against Lender, provided that the policy need not waive the requirement that the premium be paid in order for a claim to be paid to the insured; and (ii) provides that Lender at its option, shall be permitted to make payments to effect the continuation of such policy upon notice of cancellation due to non-payment of premiums. In the event any insurance policy (except for general public and other liability and workers compensation insurance) shall contain breach of warranty provisions, such policy shall provide that with respect to the interest of Lender, such insurance policy shall not be invalidated by and shall insure Lender regardless of (a) any act, unintentional failure to act, declarations or conditions contained in such policy by any named insured except for the willful misconduct of Lender committed knowingly in violation of the conditions of such policy, (b) the occupancy or use of the Property for purposes more hazardous than permitted by the terms thereof, or (c) any foreclosure or other action or proceeding taken by Lender pursuant to any provision of this Agreement.

6.1.4 Policies; Certificates. Borrower shall deliver to Lender copies of the insurance policies required to be maintained pursuant this Section 6.1, provided, however, Lender shall not be deemed by reason of the custody of such insurance policies to have knowledge of the contents thereof. Borrower also shall deliver to Lender, within ten (10) days of Lender's request, a certificate of insurance evidencing the coverages set forth herein together with evidence that all insurance premiums due thereon have been paid and that such coverages are in full force and effect. Not later than three (3) Business Days prior to the expiration date of each of the insurance policies, Borrower shall deliver to Lender a certificate of insurance, evidencing renewal of coverage as required herein of all such renewal insurance policies and if Borrower fails to provide such documentation to Lender at least three (3) Business Days prior to the expiration date of such insurance policies, Lender has the right, in its sole discretion, to force place such insurance policies provided that Lender shall use commercially reasonable efforts to provide in such forced placed insurance that the applicable insurance policies will be terminable and the premiums thereunder refundable for any period of time in which such policies are not in effect. If Lender receives such certificates of insurance and insurance company issued binders subsequent to such three (3) Business Day period but prior to the expiration of the applicable insurance policies, then Lender shall not force place such insurance policies if it has not already done so. Borrower hereby agrees that Borrower shall be responsible for all costs and expenses incurred by Lender in connection with force placing insurance in accordance with this Section 6.1.4 hereof and the subsequent termination or cancellation of any such forced placed insurance

policies. Prior to thirty (30) days after renewal, Borrower shall provide evidence satisfactory to Lender that the insurance policies for such renewal shall have been paid.

6.1.5 Loss Valuation; Deductibles; Co-Insurance; Insurable Interests other than Lender's; Separate Insurance. Borrower shall not take out separate insurance contributing in the event of loss with that required to be maintained pursuant to this Section 6.1. In addition, all policies shall contain coverage for tenant improvements and betterments that Borrower is required to insure pursuant to the applicable Leases. All Property insurance also shall include coverage on a Replacement Cost basis with a co-insurance waiver or Agreed Amount Endorsement. The amount of any deductible under any policy must be reasonably acceptable to Lender. Without Lender's prior written consent, Borrower shall not name any Person other than Lender, as Mortgagee, Lender Loss Payee or Loss Payee, as it pertains to the Property-related first party insurance coverages; provided, that, if blanket policies are obtained, this sentence shall not apply to property covered by such blanket policies other than the Improvements and such tenant improvements and betterments that Borrower is required to insure pursuant to applicable Leases.

6.1.6 Blanket Policies. Any blanket insurance policy shall provide the same protection as would a separate insurance policy insuring only the Property in compliance with the provisions of this Section 6.1. Lender, in its reasonable discretion, shall determine whether such blanket policies provide sufficient limits of insurance

6.1.7 Limitation on Terrorism Coverages. The Terrorism Policy shall be on terms consistent with those required under Section 6.1.1(c) above at all times during the term of the Loan, subject to the annual limit on insurance premiums therefore equal to the Terrorism Premium Limit.

6.1.8 Foreclosure. Upon written notice to and written approval from insurance carriers, in the event of foreclosure of the Mortgage or other transfer of title to the Property in extinguishment in whole or in part of the Indebtedness, all right, title and interest of Borrower in and to the policies that are not blanket policies then in force concerning the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure or Lender or other transferee in the event of such other transfer of title.

6.1.9 Captive Insurance Company.

(b) Notwithstanding anything to the contrary set forth in Section 6.1.1, the Terrorism Policy required pursuant to Section 6.1.1(c)(iv) may be issued by a captive insurance company wholly-owned and Controlled by an Affiliate of Borrower (a "**Captive Insurance Company**"); provided that:

(i) unless Lender agrees otherwise in writing, TRIA shall be in full force and effect;

(ii) except with respect to the deductible permitted hereunder, those covered losses which are not reinsured by the federal government under TRIA and payable directly to the insured shall be reinsured by an insurance company which satisfies the requirements of Section 6.1.2;

(iii) all re-insurance agreements between such Captive Insurance Company and all such re-insurance companies providing the referenced re-insurance shall be reasonably acceptable to Lender and Borrower shall use commercially reasonable efforts to cause such re-insurance agreements to provide for direct access to such re-insurers by all named insureds, loss payees and mortgagees which such insurance benefits;

(iv) such Captive Insurance Company shall not be the subject of bankruptcy or similar insolvency proceeding;

(v) such Captive Insurance Company shall be prohibited from conducting any business other than the issuance of terrorism insurance policies and any other contemplated insurance coverage reasonably approved by Lender for properties in which Affiliates of Guarantor have an ownership interest equal to or greater than 50%.

(vi) such Captive Insurance Company shall be licensed in the State of Vermont and qualified to issue the Terrorism Policy in accordance with all Legal Requirements;

(vii) such Captive Insurance Company shall qualify for the reinsurance and other benefits afforded insurance companies under TRIA and shall maintain minimum reinsurance of not less than fifteen percent (15%) of the insured risk to the extent commercially available;

(viii) no Governmental Authority shall have issued any statement, opinion, finding or decree that any insurance company which is similar to such Captive Insurance Company (i.e., an insurance owned and/or Controlled by a Person insured under an applicable insurance policy) does not qualify for such benefits;

(ix) Lender shall have received each of the following, each of which shall be acceptable to Lender:

(A) the organizational documents of such Captive Insurance Company;

(B) any regulatory agreements of such Captive Insurance Company;

(C) the application for licensing in the State of Vermont for such Captive Insurance Company;

(D) the form of the Policy to be used by such Captive Insurance Company to provide the insurance coverage described herein;

(E) a description of the structure and amount of reserves and capitalization of such Captive Insurance Company;

(x) the Insurance Premiums payable to such Captive Insurance Company shall be based on market conditions based on the premiums that would have been charged had the coverage been included in the All Risk policy and such premiums shall be approved by the Vermont Insurance Department

(xi) the organizational documents of such Captive Insurance Company shall not be materially amended without the prior written consent of Lender, which consent shall not be unreasonably withheld, conditioned or delayed; and

(xii) except as otherwise expressly set forth in this Section 6.1.9, all such insurance provided by such Captive Insurance Company shall otherwise comply with all other terms and conditions of Section 6.1.1 and Section 6.1.2.

(c) Notwithstanding anything to the contrary set forth in Section 6.1.2 or in this Section 6.1.9, any insurance required under Section 6.1.1 may be provided by a Captive Insurance Company with the prior written consent of Lender and subject to Lender's review and approval of Policies and other documentation reasonably requested by Lender and the satisfaction of such other conditions as Lender may reasonably require.

Section 6.2 Condemnation and Insurance Proceeds.

6.2.1 Notification. Borrower shall promptly notify Lender in writing upon obtaining knowledge of (a) the institution of any proceedings relating to any Taking (whether material or immaterial) of, or (b) the occurrence of any casualty, damage or injury to, the Property or any portion thereof, the restoration of which is estimated by Borrower in good faith to cost more than the Casualty Amount. In addition, each such notice shall set forth such good faith estimate of the cost of repairing or restoring such casualty, damage, injury or Taking in reasonable detail if the same is then available and, if not, as soon thereafter as it can reasonably be provided.

6.2.2 Proceeds. In the event of any Taking of or any casualty or other damage or injury to the Property, Borrower's right, title and interest in and to all compensation, awards, proceeds, damages, claims, insurance recoveries, causes and rights of action (whether accrued prior to or after the date hereof) and payments which Borrower may receive or to which Borrower may become entitled with respect to the Property or any part thereof other than payments received in connection with any liability or loss of rental value or business interruption insurance (collectively, "**Proceeds**"), in connection with any such Taking of, or casualty or other damage or injury to, the Property or any part thereof are, except as otherwise herein provided, hereby assigned by Borrower to Lender and shall, except as otherwise herein provided, be paid to Lender. Borrower shall, in good faith and in a commercially reasonable manner, file and prosecute the adjustment, compromise or settlement of any claim for Proceeds and, subject to Borrower's right to receive the direct payment of any Proceeds as herein provided, will cause the same to be paid directly to Lender to be held and applied in accordance with the provisions of this Agreement. Except upon the occurrence and during the continuance of an Event of Default, Borrower may settle any insurance claim with respect to Proceeds which does not exceed the Casualty Amount. Whether or not a Monetary Default or an Event of Default shall have occurred and be continuing, Lender shall have the right to approve, such approval not to be unreasonably withheld, conditioned or delayed, any settlement which would in Lender's

reasonable judgment result in any Proceeds in excess of the Casualty Amount and Borrower shall deliver or cause to be delivered to Lender all instruments reasonably requested by Lender to permit such approval. Borrower shall pay all reasonable out-of-pocket costs, fees and expenses reasonably incurred by Lender (including all reasonable attorneys' fees and expenses, the reasonable fees of insurance experts and adjusters and reasonable costs incurred in any litigation or arbitration), and interest thereon at the Default Rate to the extent not paid within fifteen (15) Business Days after delivery of a request for reimbursement by Lender, accompanied by reasonable back-up documentation, in connection with the settlement of any claim for Proceeds and the seeking and obtaining of any payment on account thereof in accordance with the foregoing provisions. If any Proceeds are received by Borrower and may be retained by Borrower pursuant to this Section 6.2, such Proceeds shall, until the completion of the related Work, be held in trust for Lender and shall be segregated from other funds of Borrower to be used to pay for the cost of the Work in accordance with the terms hereof, and to the extent such Proceeds exceed the Casualty Amount, such Proceeds shall be forthwith paid directly to and held by Lender in trust for Borrower, in each case to be applied or disbursed in accordance with this Section 6.2. If an Event of Default shall have occurred and be continuing, or if Borrower fails to file any insurance claim for a period of fifteen (15) Business Days, or to prosecute same with commercially reasonable diligence following Borrower's receipt of written notice to do so from Lender, Borrower hereby irrevocably empowers Lender, in the name of Borrower as its true and lawful attorney-in-fact, to file and prosecute such claim (including settlement thereof) with counsel reasonably satisfactory to Lender and to collect and to make receipt for any such payment, all at Borrower's expense (including payment of interest at the Default Rate for any amounts advanced by Lender pursuant to this sentence and reasonable attorneys' fees and disbursements). Notwithstanding anything to the contrary set forth in this Agreement, but excluding all situations requiring prepayment of the Note, to the extent any Proceeds (either singly or when aggregated with all other then unapplied Proceeds with respect to the Property) do not exceed the Casualty Amount, provided no Event of Default has occurred and is continuing, such Proceeds are to be paid directly to Borrower to be applied to restoration of the Property in accordance with the terms hereof (except that Proceeds paid in respect of the insurance described in Section 6.1.1(d) shall be deposited directly to the Collection Account as revenue of the Property).

6.2.3 Lender to Take Proceeds. If (a) no Event of Default shall have occurred and be continuing, (b) no Total Loss with respect to the Property shall have occurred, (c) with respect to a Condemnation, appropriate access and egress remain, (d) the Work is capable of being completed before the date which is the earlier of (x) nine (9) months prior to the Maturity Date, and (y) the expiration of Borrower's Time Element coverage referred to in Section 6.1.1(c)(ii), above, (e) the Property is capable of being restored substantially to its condition prior to such Taking or casualty and (f) Lender shall have received evidence reasonably satisfactory to Lender that upon the completion of the restoration and expiration of any extended period of indemnity pursuant to any business interruption insurance, the Debt Service Coverage Ratio will be equal to at least 1.25 to 1.00, which coverage ratio shall be determined by Lender in its reasonable discretion and in accordance with the definition of Debt Service Coverage Ratio set forth in Section 1.1 (provided that Borrower shall have the right to make prepayments or deliver cash or a Letter of Credit to Lender to achieve such coverage ratio); then in any such case, all Proceeds shall be applied to Borrower's cost of restoration in accordance with Section 6.2.4, and any Proceeds remaining after such application (including reimbursement of Lender's reasonable out-of-pocket costs and expenses actually incurred in connection with recovery of such Proceeds

and their application hereunder (including, without limitation, reasonable out-of-pocket administrative costs and inspection fees and reasonable attorneys' fees and disbursements) shall be remitted to Borrower. In the event that Lender shall not be required to apply any Proceeds to Borrower's cost of restoration, then such Proceeds may be applied by Lender to prepay the Note, in accordance with the provisions thereof, without any prepayment or Prepayment Premium or penalty or similar payment, and the balance, if any shall be paid to Borrower. If the Proceeds so applied shall be insufficient to repay the Loan in full, Borrower may repay all (but not less than all) of such balance of the Loan in full without any Prepayment Premium or penalty.

6.2.4 Borrower to Restore. (a) Promptly after the occurrence of any damage or destruction to all or any portion of the Property or a Taking of a portion of the Property, Borrower shall commence and diligently prosecute, or cause to be commenced and diligently prosecuted, to completion, subject to Excusable Delay, and delays directly caused by Lender's failure to respond within a commercially reasonable prompt time to requests for approval of plans or other requests for approvals pursuant to this Section 6.2.4 for which, in either case, a specific period of time is not specified, the repair, restoration and rebuilding of the Property (in the case of a partial Taking, to the extent it is capable of being restored) so damaged, destroyed or remaining after such Taking in full compliance with all material Legal Requirements and free and clear of any and all Liens except Permitted Encumbrances (such repair, restoration and rebuilding are sometimes collectively referred to as the "**Work**"). The plans and specifications shall require that the Work be done in a good and workmanlike manner at least substantially equivalent to the quality and character of the Property and reasonably equivalent to the value of the Property prior to the damage or destruction, so that upon completion thereof, the Property shall be at least equal in general utility and condition to the Property prior to the damage or destruction, subject to any restrictions on Borrower's ability to do so which may be imposed by any applicable Legal Requirements (provided, however, that in the case of a partial Taking, the Property restoration shall be done to the extent reasonably practicable after taking into account the consequences of such partial Taking); it being understood, however, that Borrower shall not be obligated to restore the Property to the precise condition of the Property prior to any partial Taking of, or casualty or other damage or injury to, the Property, if the Work actually performed, if any, or failed to be performed, would not reasonably be expected to have, and does not have a Material Adverse Effect on the value of the Property from the value that the Property would have had if the same had been restored to its precise condition immediately prior to such Taking, casualty or other damage or injury. Borrower shall be obligated to restore the Property suffering a casualty or which has been subject to a partial Taking in accordance with the provisions of this 0 at Borrower's sole cost and expense whether or not the Proceeds shall be sufficient, provided that, if required pursuant to this Agreement, the Proceeds shall be made available to Borrower by Lender in accordance with this Agreement;

(b) If Proceeds are not applied toward payment of the Indebtedness pursuant to the terms hereof and Borrower has satisfied all of the conditions of Section 6.2.3, then Lender shall make the Proceeds which it is holding pursuant to the terms hereof (after payment of any reasonable out-of-pocket expenses (including reasonable attorneys' fees and disbursements) actually incurred by Lender in connection with the collection thereof plus interest thereon at the Default Rate (from the date advanced through the date of reimbursement) to the extent the same are not paid within fifteen (15) Business Days after request for reimbursement by Lender, accompanied by reasonable back-up documentation) available to Borrower for payment of or reimbursement of Borrower's expenses incurred with respect to the Work, upon the terms and

subject to the conditions set forth in sub-paragraphs (i), (ii), (iii) and (iv) below and in Section 6.2.5:

(i) at the time of the requested disbursement, there shall be no continuing Event of Default;

(ii) if, at any time, the estimated cost of the Work (as estimated by the Independent Architect referred to in sub-paragraph (iv) below) shall exceed the sum of the Proceeds by more than the Threshold Amount (the amount of such excess over the Threshold Amount being a “**Deficiency**”) and for so long as a Deficiency shall exist, Lender shall not be required to make any Proceeds disbursement to Borrower unless Borrower (within a reasonable period of time after receipt of such estimate), at its election, either deposits with or delivers to Lender (a) Cash or Cash Equivalents, a Letter or Letters of Credit in an amount equal to the Deficiency or (b) such other evidence of Borrower’s ability to meet such excess costs as shall be reasonably satisfactory to Lender;

(iii) If the Work shall constitute an Alteration that would require Lender’s consent pursuant to Section 9.2, then each of Lender and the Independent Architect shall have reasonably approved the plans and specifications for the Work and any material change orders in connection with such plans and specifications; and

(iv) Lender shall, within a reasonable period of time prior to Borrower’s request for initial disbursement, be furnished with an estimate of the cost of the Work accompanied by an Independent Architect’s certification as to such costs. Borrower shall restore all Improvements such that when they are fully restored and/or repaired, such Improvements and their contemplated use fully comply with all applicable Legal Requirements including zoning, environmental and building laws, codes, ordinances and regulations.

6.2.5 Disbursement of Proceeds. (a) Disbursements of the Proceeds to Borrower hereunder shall be made from time to time (but not more frequently than once in any month) by Lender but only for so long as no Monetary Default or Event of Default shall have occurred and be continuing, as the Work progresses upon receipt by Lender of (i) a Borrower’s Certificate dated not more than ten (10) Business Days prior to the application for such payment, requesting such payment or reimbursement and describing the Work performed that is the subject of such request, the parties that performed such Work and the actual cost thereof, and also certifying that such Work and materials are or, upon disbursement of the payment requested to the parties entitled thereto, will be free and clear of Liens other than Permitted Encumbrances, (ii) evidence reasonably satisfactory to Lender that (A) all materials installed and work and labor performed in connection with such Work have been or, upon disbursement of the payment requested to the parties entitled thereto, will be paid for in full, and (B) there exists no notices of pendency, stop orders, mechanic’s liens or notices of intention to file same (unless the same is required by State law as a condition to the payment of a contractor) or any liens or encumbrances of any nature whatsoever on the Property arising out of the Work which have not been either fully bonded to the reasonable satisfaction of Lender or discharged of record or in the alternative, fully insured to the reasonable satisfaction of Lender by the Title Company that issued the Title Policy, and (iii) an Independent Architect’s certificate certifying performance of the Work together with an

estimate of the cost to complete the Work. No payment made prior to the final completion of the Work, as certified by the Independent Architect, except for payment made to contractors whose Work shall have been fully completed and from which final lien waivers have been received, shall exceed ninety percent (90%) (the “**Retainage Release Threshold**”) of the value of the Work performed and materials furnished and incorporated into the Improvements from time to time until such time as fifty percent (50%) of such Work has been satisfactorily completed (as certified by the Independent Architect), at which time the Retainage Release Threshold with respect to such Work shall be increased to ninety-five percent (95%), and at all times the undisbursed balance of said Proceeds together with all amounts deposited, bonded, guaranteed or otherwise provided for pursuant to Section 6.2.4(b)(ii), above, shall be at least sufficient to pay for the estimated cost of completion of the Work; final payment of all Proceeds remaining with Lender shall be made upon receipt by Lender of a certification by an Independent Architect, as to the completion of the Work substantially in accordance with the submitted plans and specifications and final lien releases, as certified pursuant to a Borrower’s Certificate, and delivery of a certificate of occupancy with respect to the Work, or, if not applicable, a Borrower’s Certificate to the effect that a certificate of occupancy is not required.

(b) If, after the Work is completed in accordance with the provisions hereof and Lender receives evidence that all costs of completion have been paid, there are excess Proceeds, Lender shall, provided, no Event of Default has occurred and is continuing, (i) in the event such Proceeds relate to a Taking, apply such excess Proceeds with respect to such Taking of the Property to the payment or prepayment of all or any portion of the Indebtedness secured hereby without any Prepayment Premium or penalty, and any balance thereof, shall be paid to Borrower, and (ii) in the event such Proceeds relate to a casualty to the Property, remit to Borrower such excess Proceeds with respect to such casualty to the Property.

ARTICLE VII

IMPOSITIONS, OTHER CHARGES, LIENS AND OTHER ITEMS

Section 7.1 Borrower to Pay Impositions and Other Charges. Borrower shall pay all Impositions now or hereafter levied or assessed or imposed against the Property or any part thereof and all Other Charges prior to the imposition of any interest, charges or expenses for the non-payment thereof, except to the extent provision is made for payment thereof from the Tax Reserve Account by Lender in this Section 7.1 and Section 12.1. Borrower shall deliver to Lender annually, no later than fifteen (15) Business Days after each of the same are received, all bills for Impositions and Other Charges attributable to or affecting the Property or Borrower. Subject to Borrower’s right of contest set forth in Section 7.3, and to the extent of funds available in the Tax Reserve Account, Lender, on behalf of Borrower, shall pay all Impositions and Other Charges which are attributable to or affect the Property or Borrower, prior to the date such Impositions or Other Charges shall become delinquent or late charges may be imposed thereon, directly to the applicable taxing authority with respect thereto. Lender shall pay to the taxing authority such amounts to the extent funds in the Tax Reserve Account are sufficient to pay such Impositions. Nothing contained in this Agreement or the Mortgage shall be construed to require Borrower to pay any tax, assessment, levy or charge imposed on Lender in the nature of a franchise, capital levy, estate, inheritance, succession, income or net revenue tax.

Section 7.2 No Liens. Subject to its right of contest set forth in Section 7.3, Borrower shall at all times keep, or cause to be kept, the Property free from all Liens (other than Permitted Encumbrances) and shall pay when due and payable (or bond over) all claims and demands of mechanics, materialmen, laborers and others which, if unpaid, would result in or permit the creation of a Lien on the Property or any portion thereof and shall in any event cause the prompt, full and unconditional discharge of all Liens imposed on or against the Property or any portion thereof within sixty (60) days after receiving written notice of the filing (whether from Lender, the lienor or any other Person) thereof. Upon the occurrence and during the continuance of an Event of Default with respect to Borrower's Obligations as set forth in this Article VII, Lender may (but shall not be obligated to) make such payment or discharge such Lien, and Borrower shall reimburse Lender within ten (10) Business Days after demand, accompanied by reasonable back-up documentation, for all such advances pursuant to Section 15.12 (together with interest thereon at the Default Rate).

Section 7.3 Contest. Nothing contained herein shall be deemed to require Borrower to pay, or cause to be paid, any Imposition or Other Charges, or to satisfy any Lien, or to comply with any Legal Requirement or Insurance Requirement, so long as Borrower is in good faith, and by proper legal proceedings, where appropriate, diligently contesting the validity, amount or application thereof, provided that in each case, at the time of the commencement of any such action or proceeding, and during the pendency of such action or proceeding (a) no Event of Default shall exist and be continuing hereunder, (b) Borrower shall keep Lender informed of the status of such contest at reasonable intervals, (c) if Borrower is not providing security as provided in clause (f) below, adequate reserves with respect thereto are maintained on Borrower's books in accordance with GAAP or in the Tax Reserve Account or Insurance Reserve Account, as applicable, (d) such contest operates to suspend collection or enforcement, as the case may be, of the contested Imposition, Lien or Legal Requirement, and such contest is maintained and prosecuted continuously and with diligence, (e) in the case of any Insurance Requirement, the failure of Borrower to comply therewith shall not impair the validity of any insurance required to be maintained by Borrower under Section 6.1 or the right to full payment of any claims thereunder, and (f) in the case of Impositions and Liens which are not bonded in excess of \$1,500,000.00 (the "**Contest Threshold**") individually or in the aggregate, during such contest, Borrower shall deposit with or deliver to Lender either Cash or Cash Equivalents or a Letter or Letters of Credit in an amount equal to the excess of one hundred ten percent (110%) of (i) the amount of Borrower's obligations being contested plus (ii) any additional interest, charge, or penalty arising from such contest, over the Contest Threshold, or provision reasonably satisfactory to Lender for the protection of Lender's interest in the Property is otherwise made. Notwithstanding the foregoing, the creation of any such reserves or the furnishing of other security, Borrower promptly shall comply with any contested Legal Requirement or Insurance Requirement or shall pay any contested Imposition or Lien, and compliance therewith or payment thereof shall not be deferred, if, at any time the Property or any portion thereof shall be, in Lender's reasonable judgment, in imminent danger of being forfeited or lost or Lender is likely to be subject to civil or criminal damages as a result thereof. If such action or proceeding is terminated or discontinued adversely to Borrower, Borrower shall deliver to Lender reasonable evidence of Borrower's compliance with such contested Imposition, Lien, Legal Requirements or Insurance Requirements, as the case may be.

ARTICLE VIII

TRANSFERS, INDEBTEDNESS , SUBORDINATE LIENS AND CONDOMINIUM

Section 8.1 Restrictions on Transfers. Unless such action is permitted by the provisions of this Article VIII or elsewhere in the Loan Documents, Borrower shall not permit or effect any Transfer of all or any portion of the Property or direct or indirect interest therein or any direct or indirect interest in Borrower other than (a) Permitted Transfers and (c) Permitted Encumbrances, provided, that, in connection with any of the foregoing Transfers the Property shall continue to be managed by the Manager, a Qualified Manager or a replacement manager acceptable to Lender in its sole discretion. _

Section 8.2 Sale of Equipment. Borrower may Transfer or dispose of Equipment which is being replaced or which is no longer necessary in connection with the operation of the Property free from the Lien of the Mortgage, provided that such Transfer or disposal would not reasonably be expected to have, and does not have, a Material Adverse Effect and provided, further, that any new Equipment acquired by Borrower (and not so disposed of) shall be subject to the Lien of the Mortgage. Lender shall, from time to time, upon receipt of a Borrower's Certificate requesting the same and confirming satisfaction of the conditions set forth above, execute a written instrument in form reasonably satisfactory to Lender to confirm that such Equipment which is to be, or has been, sold or disposed of is free from the Lien of the Mortgage.

Section 8.3 Immaterial Transfers and Easements, etc. Borrower may, without the consent of Lender, (a) make immaterial Transfers of portions of the Property to Governmental Authorities for dedication or public use or portions of the Property to third parties for the purpose of erecting and operating additional structures whose use is integrated with the use of the Property, and (b) grant easements, restrictions, covenants, reservations and rights-of-way in the ordinary course of business for access, water and sewer lines, telephone or other fiber optic or other data transmission lines, electric lines or other utilities or for other similar purposes, provided that no such Transfer, conveyance or encumbrance set forth in the foregoing clauses (a) or (b) shall materially impair the utility and operation of the Property or be reasonably expected to have a Material Adverse Effect. In connection with any Transfer permitted pursuant to this Section 8.3, Lender shall execute and deliver any instrument reasonably necessary or appropriate, in the case of the Transfers referred to in clause (a) above, to release the portion of the Property affected by such Taking or such Transfer from the Lien of the Mortgage or, in the case of clause (b) above, to subordinate the Lien of the Mortgage to such easements, restrictions, covenants, reservations and rights-of-way or other similar grants upon receipt by Lender of:

- (i) fifteen (15) days' prior written notice thereof;
- (ii) a copy of the instrument or instruments of Transfer;

(iii) a Borrower's Certificate stating (A) with respect to any Transfer, the consideration, if any, being paid for the Transfer, and (B) that such Transfer does not materially impair the utility and operation of the Property or would reasonably be expected to have or does have a Material Adverse Effect; and

(iv) reimbursement of all of Lender's reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees and disbursements) incurred in connection with such Transfer.

Section 8.4 Debt. Except for Permitted Debt, Borrower shall not incur, create or assume any Debt or incur any liabilities without the consent of Lender.

Section 8.5 Interest Transfers; Property Transfers.

8.5.1 Interest Transfers. Transfers of (but not a mortgage, pledge, hypothecation, encumbrance or grant of a security interest in) up to seventy five percent (75%) of direct or indirect beneficial interests in Borrower shall be permitted without Lender's consent provided: (a) Lender receives not less than thirty (30) days prior written notice thereof, (b) immediately prior to such Transfer or as a result of such Transfer, no Event of Default shall have occurred and be continuing or shall occur, (c) subsequent to such Transfer, Borrower will continue to be a Single Purpose Entity, and its organizational documents and structure insofar as the same relate to its Single Purpose Entity status shall be reasonably acceptable to Lender, (d) after giving effect to any such Transfer, (x) ALX shall directly or indirectly own a minimum of twenty-five percent (25%) of the direct or indirect equity interests in Borrower and shall Control Borrower, (y) Vornado Realty Trust and/or Interstate Properties (or other entity Controlled by Steven Roth) shall continue to collectively own not less than twenty-five percent (25%) of the direct or indirect equity interests in ALX, and (z) if any Person (or group of related Persons) shall own a direct or indirect interest in Borrower of ten percent (10%) or greater, Lender shall, to the extent not previously obtained by Lender in respect of such Person, obtain and be satisfied with the results of background and credit searches in respect of such Person (provided, however, in the event the background searches on such Person fail to disclose any prior history of (1) bankruptcies or other insolvencies, (2) felony convictions, or (3) any violations of the rules and regulations of Patriot Act or OFAC, then such searches shall be deemed to be approved by Lender), (e) such Transfer does not result in a violation of any Legal Requirements, including, without limitation, ERISA and Prescribed Laws, and (f) with respect to Transfers (other than a ALX Transfer) of in excess of twenty-five percent (25%) of the direct or indirect interests in Borrower with respect to Borrower, the same shall not cause the proposed transferee to exceed exposure limits of Lender (provided, however, that if Lender shall determine that a Transfer to such proposed transferee would exceed the exposure limits of Lender, then Lender shall so notify Borrower within ten (10) Business Days after the proposed transferee has been identified to Lender with a request for approval set forth in a written notice that states clearly (in 14-point type or larger): "THIS IS A REQUEST FOR APPROVAL OF A TRANSFEREE. LENDER SHALL HAVE NO RIGHT TO OBJECT TO THE TRANSFEREE BASED ON THE TRANSFEREE EXCEEDING THE EXPOSURE LIMITS OF LENDER IF LENDER DOES NOT RESPOND TO THIS REQUEST WITHIN TEN (10) BUSINESS DAYS", and in the event Lender fails to so notify Borrower within such ten (10) Business Day period, Lender shall have no right to object to the proposed transferee on such basis).

8.5.2 Property Transfers. Transfers of the Property shall be permitted without Lender's consent provided: (a) Lender receives not less than thirty (30) days prior written notice thereof, (b) immediately prior to such Transfer or as a result of such Transfer, no Event of Default shall have occurred and be continuing or shall occur, (c) subsequent to such Transfer, the transferee of the Property (the "**Successor Borrower**") will be a Single Purpose Entity, and its organizational documents and structure insofar as the same relate to its Single Purpose Entity status shall be reasonably acceptable to Lender, (d) after giving effect to any such Transfer, (x) ALX shall directly or indirectly own a minimum of twenty-five percent (25%) of the direct or indirect equity interests in Successor Borrower and shall Control Successor Borrower, (y) Vornado Realty Trust, VRLP, and/or Interstate Properties (or other entity Controlled by Steven Roth) shall continue to collectively own not less than twenty-five percent (25%) of the direct or indirect equity interests in ALX, and (z) if any Person (or group of related Persons) shall own a direct or indirect interest in Successor Borrower of ten percent (10%) or greater, Lender shall, to the extent not previously obtained by Lender, obtain and be satisfied with the results of background and credit searches in respect of such Person (provided, however, in the event the background searches on such Person fail to disclose any prior history of (1) bankruptcies or other insolvencies, (2) felony convictions, or (3) any violations of the rules and regulations of Patriot Act or OFAC, then such searches shall be deemed to be approved by Lender), (e) such Transfer does not result in a violation of any Legal Requirements, including, without limitation, ERISA and Prescribed Laws, and (f) such Transfer shall not cause the Successor Borrower to exceed exposure limits of Lender (provided, however, that if Lender shall determine that a Transfer to such proposed transferee would exceed the exposure limits of Lender, then Lender shall so notify Borrower within ten (10) Business Days after the proposed transferee has been identified to Lender with a request for approval set forth in a written notice that states clearly (in 14-point type or larger): "THIS IS A REQUEST FOR APPROVAL OF A TRANSFEREE. LENDER SHALL HAVE NO RIGHT TO OBJECT TO THE TRANSFEREE BASED ON THE TRANSFEREE EXCEEDING THE EXPOSURE LIMITS OF LENDER IF LENDER DOES NOT RESPOND TO THIS REQUEST WITHIN TEN (10) BUSINESS DAYS", and in the event Lender fails to so notify Borrower within such ten (10) Business Day period, Lender shall have no right to object to the proposed transferee on such basis).

Section 8.6 Deliveries to Lender. Not less than fifteen (15) days prior to the closing of any transaction which, subject to the provisions of this Article VIII, requires prior notice to Lender, Borrower shall deliver to Lender Borrower's Certificate describing the proposed transaction and stating that such transaction is permitted by this Article VIII, together with any appraisal or other documents upon which such Borrower's Certificate is based. In addition, Borrower shall provide Lender with copies of executed deeds, assignments and/or other similar closing documents within ten (10) Business Days after such closing.

Section 8.7 Leases.

8.7.1 New Leases and Lease Modifications. Except as otherwise provided in Section 8.7.2 or Section 8.7.4, Borrower shall not (a) enter into any Lease or renew or extend an existing Lease (unless required to do so by the terms of such Lease) (a "**New Lease**"), (b) consent to the assignment of any Lease (unless required to do so by the terms of such Lease) that releases the original Tenant from its obligations under the Lease, (c) modify any Lease (including, without limitation, accept a surrender of any portion of the Property subject to a

Lease (unless otherwise required by law or such Lease)), allow a reduction in the term of any Lease or a reduction in the Rent payable under any Lease, change any renewal provisions of any Lease in a manner materially adverse to Borrower or Lender, materially increase the obligations of the landlord or materially decrease the obligations of any Tenant, or (d) terminate any Lease (any such action referred to in clauses (b), (c) or (d), being referred to herein as a “**Lease Modification**”), in each instance without the prior written consent of Lender (unless such Lease Modification is made pursuant to an express right of Tenant pursuant to the terms of the related Lease), which consent shall not be unreasonably withheld, conditioned or delayed. In addition, Borrower may request Lender’s approval of any material change to the Standard Form of Lease, which approval shall not be unreasonably withheld. Each request for approval and consent of a New Lease or Lease Modification or modification to the Standard Form of Lease shall contain a legend in capitalized bold letters on the top of the cover page stating: “THIS IS A REQUEST FOR CONSENT TO A [NEW LEASE] [LEASE MODIFICATION] [MODIFICATION OF STANDARD FORM OF LEASE]. LENDER’S RESPONSE IS REQUESTED WITHIN TEN (10) BUSINESS DAYS. LENDER’S FAILURE TO RESPOND WITHIN SUCH TIME PERIOD SHALL RESULT IN LENDER’S CONSENT BEING DEEMED TO HAVE BEEN GRANTED” and Borrower shall include the following documentation with such request: (a) the New Lease or Lease Modification, as applicable, and (b) all other materials reasonably necessary in order for Lender to evaluate such New Lease or Lease Modification. In the event that Lender fails to grant or withhold its approval and consent to such New Lease, Lease Modification, or modification to the Standard Form of Lease within such ten (10) Business Day period (and, in the case of a withholding of consent, stating the grounds therefor in reasonable detail), then Lender’s approval and consent shall be deemed to have been granted. In addition, Borrower may, at Borrower’s option, prior to delivering to Lender a draft of any such New Lease or Lease Modification for Lender’s approval, first deliver to Lender for Lender’s approval a term sheet setting forth the major economic and other business terms (the “**Material Business Terms**”) of such proposed New Lease or Lease Modification, together with all other materials reasonably requested by Lender in order to evaluate such Material Business Terms. Each such request for approval and consent shall contain a legend in capitalized bold letters on the top of the cover page stating: “THIS IS A REQUEST FOR CONSENT TO THE MATERIAL BUSINESS TERMS FOR A [NEW LEASE] [LEASE MODIFICATION]. LENDER’S RESPONSE IS REQUESTED WITHIN TEN (10) BUSINESS DAYS. LENDER’S FAILURE TO RESPOND WITHIN SUCH TIME PERIOD SHALL RESULT IN LENDER’S CONSENT BEING DEEMED TO HAVE BEEN GRANTED.” In the event that Lender fails to grant or withhold its approval and consent to such Material Business Terms within such ten (10) Business Day period (and, in the case of a withholding of consent, stating the grounds therefor in reasonable detail), then Lender’s approval and consent shall be deemed to have been granted. Subject to the approval time periods set forth above with respect to New Leases and Lease Modifications, so long as any New Lease or Lease Modification submitted to Lender for approval and consent (a) does not contain Material Business Terms which differ in any material adverse respect from the Material Business Terms approved by Lender and (b) otherwise does not contain any lease terms which deviate materially from the terms of the Standard Form of Lease, Lender’s consent to such New Lease or Lease Modification shall not be required.

8.7.2 Leasing Conditions. Subject to the terms of this Section 8.7, provided no Event of Default shall have occurred and be continuing, Borrower may enter into a New Lease or Lease Modification, without Lender’s prior written consent, that satisfies each of the following

conditions (as evidenced by Borrower's Certificate delivered to Lender within one (1) week after Borrower's entry into such New Lease or Lease Modification):

(a) such New Lease or Lease Modification other than a termination or surrender (to the extent it relates to a provision in the Standard Form Lease), as applicable, is written on either (i) the Standard Form of Lease attached hereto as Exhibit C (the "**Standard Form of Lease**"), or substantially conforms in all material respects to the terms thereof, with only such changes as are commercially reasonable given the then current market conditions, none of which changes shall vary (in a manner materially adverse to Lender) the subordination, attornment and non-disturbance provisions contained in the Standard Form of Lease, (ii) the standard form of lease of a national retailer, or (iii) the standard form of branch lease for a national or regional bank, which form of lease shall, with respect to the forms of lease set forth in clauses (ii) and (iii) of this Section 8.7.2(a), substantially conform in all material respects to the terms of such form, with only such changes as are commercially reasonable given the then current market conditions, none of which changes shall vary (in a manner materially adverse to Lender) the subordination, attornment and non-disturbance provisions contained in the Standard Form of Lease;

(b) with respect to a New Lease or Lease Modification, the premises demised thereunder are less than 75,000 net rentable square feet of the Property; provided, however, that for purposes of determining the net rentable square footage of the premises demised, (i) a "New Lease" with a Tenant shall include and aggregate the square footage demised pursuant to such New Lease and (A) any existing Lease with such Tenant or any Affiliate of such Tenant and (B) any Lease Modification with such Tenant or any Affiliate of such Tenant, and (ii) a "Lease Modification" with a Tenant shall include and aggregate the square footage demised pursuant to (A) the Lease being modified and any other existing Lease with such Tenant or an Affiliate of such Tenant and (B) such Lease Modification and any other Lease Modification with such Tenant or any Lease Modification with an Affiliate of such Tenant;

(c) such New Lease or, if the Lease Modification impacts the Rents payable under the modified Lease, such Lease Modification is on then prevailing market-rate rent, terms and conditions for similar leases in similar buildings in the vicinity of the Property;

(d) "fixed" or "base" rent under such New Lease or Lease Modification (to the extent rent is addressed in such Lease Modification), as applicable, is at a substantially consistent or rising level throughout the term of the lease, other than for (i) market rate "free rent" periods or (ii) tenant improvement and tenant inducements that exceed current market conditions but are amortized over a shorter time period than the entire initial term of such New Lease or Lease Modification, as applicable;

(e) such New Lease or Lease Modification to the extent "use" is addressed in such Lease Modification, as applicable, provides that the premises demised thereby cannot be used for any of the following uses: any pornographic or obscene purposes, any commercial sex establishment, any pornographic, obscene, nude or semi-nude performances, modeling or sexual conduct or any other use that has or could reasonably be expected to violate applicable Legal Requirements;

(f) such New Lease or Lease Modification, as applicable, other than Lease Modifications relating to Leases in existence on the date hereof, is on an arm's length basis with a Tenant who is not an Affiliate of Borrower;

(g) the New Lease or Lease Modification, as applicable, shall not entitle any Tenant to receive and retain Proceeds except those that may be specifically awarded to it in condemnation proceedings because of the Taking of its trade fixtures and its leasehold improvements which have not become part of the Property and such business loss as Tenant may specifically and separately establish;

(h) the New Lease or Lease Modification, as applicable, shall not cause Borrower to be in default of any "co-tenancy", or other restriction contained in any other Lease at the Property that permits any Tenant to terminate its Lease or reduce the amount of rent payable under its Lease;

(i) the New Lease or Lease Modification, as applicable, shall not contain an option in favor of Tenant to acquire all or any portion of the Property; and

(j) the New Lease or Lease Modification, as applicable, satisfies the requirements of Sections 8.7.7 and 8.7.8.

8.7.3 Delivery of New Lease or Lease Modification. Within one (1) week following the execution of any New Lease or Lease Modification, as applicable, Borrower shall deliver to Lender a copy of the executed Lease and an additional copy marked to show all changes from the Standard Form of Lease.

8.7.4 Lease Amendments and Terminations.

(a) Borrower agrees that it shall not have the right or power, as against Lender without its consent, to cancel, abridge, amend or otherwise modify any Lease unless such modification complies with this Section 8.7. Notwithstanding anything herein to the contrary, no consent of Lender shall be required for any amendment reflecting the Tenant's unilateral exercise of a renewal or expansion or termination option set forth in its Lease as of the date hereof or a Lease or Lease Modification subsequently approved or otherwise entered into in accordance with the terms hereof and any such amendment shall not be deemed a Lease Modification for any purpose hereof.

(b) Notwithstanding anything contained herein to the contrary, Borrower shall have the right to terminate any Lease and no consent of Lender shall be required in respect of such termination, provided that (i) Borrower is simultaneously replacing such terminated Lease with a Lease (for all or substantially all of the space which was covered by the Lease being terminated) that either (x) has been approved or deemed approved by Lender if required in accordance with this Section 8.7 or (y) otherwise meets the requirements of this Section 8.7, or (ii) the applicable Tenant is in default thereunder beyond any applicable notice and grace periods.

8.7.5 Security Deposits. All security or other deposits of Tenants of the Property shall be held in accordance with applicable Legal Requirements. Within ten (10) Business Days after written request by Lender, such request not to occur more than twice a year in the absence of an existing Event of Default, Borrower shall furnish to Lender a statement of all lease securities deposited with Borrower by the Tenants and the location and account number of the

account in which such security deposits are held. Schedule 8.7.5 contains a true, correct and complete list of all security deposits and the amounts thereof, currently in Borrower's possession and the location thereof.

8.7.6 No Default Under Leases. Borrower shall (a) promptly perform and observe all of the material terms, covenants and conditions required to be performed and observed by Borrower under the Leases, (b) exercise, within fifteen (15) Business Days after a written request by Lender made not more than one (1) time in any eighteen (18) month period, any right to request from the Tenant under any Lease a certificate with respect to the status thereof, and (c) not collect any of the Rents more than one (1) month in advance (except that Borrower may collect such security deposits and last month's Rents as are permitted by Legal Requirements and are commercially reasonable in the prevailing market and collect other charges in accordance with the terms of each Lease).

8.7.7 Subordination. Subject to Section 8.7.9, all Lease Modifications and New Leases entered into by Borrower after the date hereof shall be subject and subordinate to this Agreement and the Mortgage (through a subordination provision contained in such Lease or otherwise) and shall provide that the Person holding any rights thereunder shall attorn to Lender or any other Person succeeding to the interests of Lender upon the exercise of its remedies hereunder or any transfer in lieu thereof on the terms set forth in this Section 8.7.

8.7.8 Attornment. Subject to Section 8.7.9, each Lease modified by a Lease Modification and each New Lease entered into by Borrower from and after the date hereof shall provide that in the event of the enforcement by Lender of any remedy under this Agreement or the Mortgage, the Tenant under such Lease shall, at the option of Lender or of any other Person succeeding to the interest of Lender as a result of such enforcement, attorn to Lender or to such Person and shall recognize Lender or such successor-in-interest as lessor under such Lease. Each such New Lease shall also provide that, upon the reasonable request by Lender or such successor-in-interest, the Tenant shall execute and deliver an instrument or instruments confirming such attornment.

8.7.9 Non-Disturbance Agreements. Lender shall enter into, and, if required by applicable law in order to provide constructive notice or if requested by any Tenant, record in the county where the Property is located, a subordination, non-disturbance and attornment agreement, in form and substance substantially similar to the form attached hereto as Exhibit D (a "**Non-Disturbance Agreement**"), with any Tenant entering into a New Lease, or a Lease Modification and whose space is not irregular in its configuration (*i.e.*, the balance of any floor is reasonably regular in shape, suitable for normal rental purposes and configured in a commercially reasonable manner to enable the demising of such space in a manner which shall not unreasonably inhibit the marketability of the leasing of such space) for which Lender's prior written consent has been obtained or deemed obtained, or for which Lender's prior written consent was not required, within ten (10) Business Days after written request therefor by Borrower. All reasonable third-party costs and expenses incurred by Lender in connection with the negotiation, preparation, execution, delivery and recordation of any Non-Disturbance Agreement, including, without limitation, reasonable attorneys' fees and disbursements, shall be paid by Borrower.

Section 8.8 Condominium.

8.8.1 Creation of Condominium. Provided no Event of Default is continuing, and Borrower is otherwise in compliance with the terms and covenants of this Section 8.8, Borrower may create a condominium (the "**Condominium**") pursuant to which the Property shall be divided into a Retail Unit and a Residential Unit, both as defined below. The "**Retail Unit**" shall be comprised of the current Improvements less such portion as is needed for common elements (provided that in no event shall such common elements encompass space leased to Tenants without Lender's prior written consent) (the "**Common Elements**"). The "**Residential Unit**" shall be comprised of certain development rights currently appurtenant to the Property and any improvements constructed using those development rights and the portion of the current Improvements dedicated for the Residential Unit lobby and elevator core less the Common Elements.

8.8.2 Release from Mortgage. Borrower may obtain the release of the Residential Unit (and the Common Elements) from the lien of the Mortgage and the other Loan Documents (without any repayment of any portion of the Loan or payment of any fees except as set forth herein), upon satisfaction of the following terms and conditions: (i) No Event of Default shall be continuing, (ii) Borrower shall distribute or otherwise convey to an Affiliate or any third party the Residential Unit so as to maintain Borrower's existence as a Single Purpose Entity (e.g., to a Person that is not a subsidiary of the Borrower), (iii) each of the Residential Unit and Retail Unit shall be a separate tax lot and zoning parcel, (iv) the Retail Unit shall be in compliance in all material respects with all applicable zoning and building codes and regulations and all other Legal Requirements, (v) Lender shall have reviewed and reasonably approved the declaration of Condominium and related documents (collectively, the "**Condo Documents**"), which Condo Documents shall be delivered to Lender for such review and approval not less than thirty (30) days prior to the date such release is sought, (vi) Borrower shall have executed and delivered such amendments to the Loan Documents as Lender shall reasonably require to reflect such Condominium structure, as well as such title insurance endorsements and legal opinions as Lender shall reasonably require, (vii) Borrower shall have executed and/or delivered such other items as Lender shall reasonably require in connection therewith (provided that such items shall not impair in any material respect Borrower's right to effect the release of the Residential Unit and the Common Elements from the lien of the Mortgage and the other Loan Documents or to establish the Condominium, or impose material obligations on Borrower or any of its Affiliates as a condition to such release or establishment); (viii) the development and construction of the Condominium shall at all times be in strict compliance with the Notice of Satisfaction and the restrictive declaration referenced therein; and (ix) Borrower shall have paid all of Lender's reasonable costs and expenses, including, without limitation, reasonable attorney's fees, in connection with Lender's review and approval of each of the foregoing items. Upon satisfaction of each of the foregoing conditions, Lender shall execute and deliver to Borrower such documents as shall be reasonably required to subordinate the lien of the Mortgage to the Condo Documents.

8.8.3 Development and Construction. At any time after the release of the Residential Unit in accordance with Section 8.8.2 above, the owner thereof shall be permitted to construct and develop the Residential Unit, provided (a) that liability and property insurance reasonably required by Lender shall be in place in connection with such construction and development, (b) Lender shall receive evidence reasonably satisfactory to it that (1) adequate safety protections are in place for any Tenants of the Retail Unit, their customers and the public, including, if necessary, covered walkways, (2) construction of the Residential Unit will not unreasonably interfere with the use of the Property, (3) there shall not be any material abatement or diminution of rents payable by Tenants at the Property as a direct result of such construction and development, (4) the Person constructing and developing the Residential Unit shall have sufficient funds (debt and/or equity) to complete such construction and development, (5) Borrower shall not have any obligation as "Sponsor" under any offering plan or similar document, and (6) adequate pedestrian and vehicular ingress and egress exists for the use and operation of the Retail Unit and (c) to the extent not contained in the Condo Documents, reasonable and customary easements are in place between the Residential Unit and the Retail Unit.

ARTICLE IX

MAINTENANCE OF PROPERTY; ALTERATIONS

Section 9.1 Maintenance of Property. Borrower (a) shall keep and maintain, or cause to be kept and maintained, the Property and every part thereof in good condition and repair in accordance with reasonable market practice for a property of its nature, subject to ordinary wear and tear, and, subject to Excusable Delay and the provisions of this Agreement with respect to damage or destruction caused by casualty events or Takings and (b) shall not permit or commit any intentional waste, impairment, or deterioration of any portion of the Property in any material respect. Borrower further covenants to do all other acts which from the character or use of the Property may be reasonably necessary to protect the security hereof in all material respects, the specific enumerations herein not excluding the general. Borrower shall not remove or demolish any Improvement on the Property except as the same may be necessary in connection with an Alteration or a restoration in connection with a Taking or casualty, or as otherwise permitted herein or in any other Loan Document, in each case in accordance with the terms and conditions hereof.

Section 9.2 Conditions to Alteration. Lender's prior approval, which shall not be unreasonably withheld, conditioned or delayed, shall be required in connection with any alteration, improvement, demolition or removal of the Property or any portion thereof (any such alteration, improvement, demolition or removal, an "**Alteration**") that is a Material Alteration; provided that Lender's approval shall not be required with respect to (and the cost of Alterations described in either of the following clause (a) or (b) shall be excluded for purposes of determining whether the same, either alone or when aggregated with other Alterations, exceed the Threshold Amount) (a) tenant improvement work to be performed pursuant to any Lease existing as of the date hereof or any New Lease or Lease Modification entered into in accordance with this Agreement or (b) any Alteration required by applicable Legal Requirements. All Alterations must be undertaken in accordance with the applicable provisions of this Agreement and the other Loan Documents, as well as the provisions of the Leases. Any Material Alteration

shall be conducted under the supervision of an Independent Architect or Borrower's Architect. In connection with any Material Alteration, Borrower shall deliver to Lender detailed plans and specifications (it being agreed that the format and information contained in any plans and specifications submitted to a Governmental Authority in connection with such Alteration shall be an acceptable format and detail with respect to Lender's approval required hereunder and cost estimates therefor, prepared by an Independent Architect or Borrower's Architect, which plans and specifications (if relating to Alterations requiring Lender's approval hereunder) shall be approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed. Such plans and specifications may be revised at any time and from time to time by an Independent Architect or Borrower's Architect provided that material revisions of such plans and specifications (if relating to Alterations requiring Lender's approval hereunder) are filed with, and approved by, Lender, which approval shall not be unreasonably withheld or delayed. All work done in connection with any Alteration shall be performed in all material respects with due diligence in a good and workmanlike manner, all materials used in connection with any Alteration shall not be less than the standard of quality of the materials currently used at the Property and all materials used shall be in accordance with all applicable material Legal Requirements and Insurance Requirements. Any request for approval of Lender pursuant to this Section 9.2 or Section 9.3 shall be delivered to Lender together with all other materials reasonably requested by Lender in order to evaluate such request and the time period specified below shall not commence until Lender has received all of such other materials. Each such request for approval shall contain a legend in capitalized bold letters on the top of the first page stating: "THIS IS A REQUEST FOR LENDER'S CONSENT. LENDER'S RESPONSE IS REQUESTED WITHIN TEN (10) BUSINESS DAYS. LENDER'S FAILURE TO RESPOND WITHIN SUCH TIME PERIOD SHALL RESULT IN LENDER'S CONSENT BEING DEEMED TO HAVE BEEN GRANTED." In the event that Lender fails to grant or withhold its approval to such request within such ten (10) Business Day period, then Lender's approval shall be deemed to have been granted.

Section 9.3 Costs of Alteration. (a) Notwithstanding anything to the contrary contained in this Article IX (but subject to the proviso in the first sentence of Section 9.2), no Material Alteration or Alteration, the unpaid cost of which when aggregated with the unpaid cost of all other Alterations (other than Material Alterations) then being undertaken by Borrower (exclusive of Alterations being directly paid for by Tenants at the Property) exceeds the Threshold Amount, shall be performed by or on behalf of Borrower unless Borrower shall have delivered to Lender Cash or Cash Equivalents and/or a Letter of Credit as security in all cases in an amount not less than the estimated unpaid cost of (i) such Material Alteration or other Alteration, as applicable and as set forth in the Independent Architect's or Borrower's Architect's written estimate, less (ii) the Threshold Amount and less such amounts as are in the Reserve Account which relate to such work (if any), or other assurances reasonably acceptable to Lender of Borrower's ability to complete and pay for such Alterations. In addition to payment or reimbursement from time to time of Borrower's expenses incurred in connection with any Material Alteration or other Alteration, the amount of such security (if any) shall be reduced on any given date to the Independent Architect's or Borrower's Architect's written estimate of the cost to complete such Material Alteration or Alteration (including any retainages), free and clear of Liens, other than Permitted Encumbrances less the Threshold Amount and less such amounts as are in the Reserve Account which relate to such work (if any). In the event that any Material Alteration or Alteration shall be made in conjunction with any restoration with respect to which Borrower shall be entitled to withdraw Proceeds pursuant to Section 6.2, the amount of the Cash or Cash

Equivalents and/or Letter of Credit to be furnished pursuant hereto (if any) need not exceed the aggregate cost of such restoration and such Material Alteration or Alteration (as estimated by the Independent Architect or Borrower's Architect), less (i) the amount of any Proceeds which Borrower may be entitled to withdraw pursuant to Section 6.2 and are held by Lender in accordance with Section 6.2, and (ii) the Threshold Amount.

(b) Disbursement of Cash or Cash Equivalents (if any) held by Lender or reduction of any Letter of Credit (if any) held by Lender for payment or reimbursement of Borrower's expenses incurred with respect to any Material Alteration or Alteration shall be upon the terms and subject to the conditions set forth in the sub-paragraphs below (but not more frequently than once in any calendar month):

(i) there shall be no continuing Event of Default or Monetary Default;

(ii) if, at any time, the estimated remaining cost of such Material Alteration or Alteration (as estimated by the Independent Architect or Borrower's Architect referred to in sub-paragraph (iii) below) which exceeds the Threshold Amount shall exceed the sum of the Cash or Cash Equivalents and/or Letter of Credit furnished pursuant hereto and such amounts as are in the Reserve Account which relate to such work (the amount of such excess, an "**Alteration Deficiency**") and for so long as an Alteration Deficiency shall exist, Lender shall not be required to make any disbursement to Borrower until Borrower, at its election, either deposits with or delivers to Lender (A) Cash or Cash Equivalents and/or a Letter or Letters of Credit in an amount equal to the Alteration Deficiency, or (B) such other evidence of Borrower's ability to meet such excess costs as shall be reasonably satisfactory to Lender;

(iii) each of Lender and the Independent Architect or Borrower's Architect shall have reasonably approved the plans and specifications for the Material Alteration and any material change orders in connection with such plans and specifications;

(iv) Lender shall, within a reasonable period of time prior to Borrower's request for disbursement, be furnished with an estimate of the remaining cost of the Material Alteration or Alteration accompanied by an Independent Architect's or Borrower's Architect's certification as to such remaining costs;

(v) Borrower shall deliver to Lender not less than five (5) days prior to the application for such payment a Borrower's Certificate requesting such payment, reimbursement or reduction and describing the portion of the Material Alteration or Alteration performed that is the subject of such request, the parties that performed such portion of the Material Alteration or Alteration and the actual cost thereof, and also certifying that such portion of the Material Alteration or Alteration and materials are or, upon disbursement of the payment requested to the parties entitled thereto, will be free and clear of Liens other than Permitted Encumbrances; and

(vi) Borrower shall also deliver to Lender evidence reasonably satisfactory to Lender that (A) all materials installed and work and labor performed in connection with such portion of the Material Alteration or Alteration have been paid for in full or will be paid for from such disbursement and (B) there exist no notices of pendency, stop orders, mechanic's liens or notices of intention to file same (unless the same is required by State law as a condition to the payment of a contract) or any liens or encumbrances of any nature whatsoever on the Property arising out of the portion of the Material Alteration or Alteration, other than Permitted Encumbrances.

(c) At any time after substantial completion of any Material Alteration or other Alteration in respect of which Cash or Cash Equivalents and/or a Letter of Credit is deposited pursuant hereto, the whole balance of any Cash or Cash Equivalents so deposited by Borrower with Lender and then remaining on deposit (together with earnings thereon) may be withdrawn by Borrower and shall be paid to Borrower, and any other Cash or Cash Equivalents and/or a Letter of Credit so deposited or delivered shall, to the extent it has not been called upon, reduced or theretofore released, be released to Borrower, within five (5) Business Days after receipt by Lender of an application for such withdrawal and/or release together with a Borrower's Certificate, and signed also (as to the following sub-paragraph(i)) by the Independent Architect or Borrower's Architect, setting forth in substance as follows:

(i) that the Material Alteration or Alteration in respect of which such Cash or Cash Equivalents and/or a Letter of Credit was deposited has been substantially completed in all material respects substantially in accordance with any plans and specifications therefor previously filed with Lender under Section 9.2 and that, if applicable, a certificate of occupancy has been issued with respect to such Material Alteration or Alteration by the relevant Governmental Authority(ies) or, if not applicable, that a certificate of occupancy is not required; and

(ii) that to the knowledge of the certifying Person all amounts which Borrower is or may become liable to pay in respect of such Material Alteration or Alteration through the date of the certification have been paid in full or adequately provided for or are being contested in accordance with Section 7.3 and that lien waivers have been obtained from the general contractor and major subcontractors performing such Material Alterations or Alterations subject to those amounts contested in accordance with the provisions of Section 7.3.

ARTICLE X

BOOKS AND RECORDS, FINANCIAL STATEMENTS, REPORTS AND OTHER INFORMATION

Section 10.1 Books and Records. Borrower shall keep and maintain on an annual basis proper books and records separate (subject to the provisions of Section 5.1.4(f) from any other Person accurately reflecting the business and affairs of Borrower relating to the Property in accordance with GAAP. Lender and its authorized representatives shall have the right at reasonable times during normal business hours and upon reasonable notice in connection with the Loan, to examine such books and records at the office of Borrower or such other Person maintaining the same, and to make such copies or extracts thereof as Lender may reasonably require.

Section 10.2 Financial Statements.

10.2.1 Borrower Quarterly Reports. Not later than forty-five (45) days following the end of each fiscal quarter (commencing with the fourth quarter of 2011), Borrower shall deliver to Lender its unaudited financial statements internally prepared on an accrual basis including a balance sheet and statement of operations as of the end of such quarter and for the corresponding quarter of the previous year, a contingent liability schedule, and Borrower's calculation of the Debt Service Coverage Ratio for such quarter and the trailing four-quarter period for such quarter and year-to-date and all background information reasonably required by Lender, including, without limitation, a statement of Net Operating Income, to substantiate Borrower's calculation of the same. Such statements for each quarter shall be accompanied by Borrower's Certificate certifying to the best of the signer's knowledge, (a) that such statements fairly represent the financial condition and results of operations of Borrower, (b) that as of the date of such Borrower's Certificate, no Default exists under this Agreement, the Note or any other Loan Document or, if so, specifying the nature and status of each such Default and the action then being taken by Borrower or proposed to be taken to remedy such Default, (c) that as of the date of each Borrower's Certificate, no litigation exists involving Borrower or the Property in which the amount involved is \$1,500,000.00 (in the aggregate) or more in which all or substantially all of the potential liability is not covered by insurance, or, if so, specifying such litigation and the actions being taking in relation thereto, and (d) Borrower's calculation of the Debt Service Coverage Ratio for such calendar quarter, and year-to-date. Notwithstanding the foregoing, Borrower hereby acknowledges and agrees that Lender shall reasonably determine the Debt Service Coverage Ratio for each calendar quarter and for the trailing four (4) quarter period. Such financial statements shall contain such other information as shall be reasonably requested by Lender for purposes of any calculations to be made by Lender pursuant to the terms hereof. Additionally, from and after and during the continuance of a Monetary Default, a material non-Monetary Default or an Event of Default, Borrower shall, at Lender's request, provide such financial statements on a monthly basis (other than the calculation of the Debt Service Coverage Ratio, which shall be provided quarterly), within thirty (30) days following the end of each calendar month.

10.2.2 Borrower Annual Reports. Not later than one hundred twenty (120) days after the end of each fiscal year, commencing with the fiscal year ending on December 31, 2011, Borrower shall deliver to Lender unaudited financial statements covering the Property, including

a balance sheet as of the end of such year, statements of operations and cash flows for the year comparative with the amounts for the previous year and a contingent liability schedule. Borrower shall also provide copies of all of its federal income tax returns (if any, recognizing that it is currently contemplated that Borrower will not file its own tax returns as it is a disregarded entity for tax purposes), within thirty (30) days after such federal income tax returns are filed (but in no event later than thirty (30) days after the date such federal income tax returns are required to be filed under applicable Legal Requirements). Such annual financial statements shall also be accompanied by a Borrower's Certificate in the form required pursuant to Section 10.2.1.

10.2.3 Leasing Reports. Not later than forty five (45) days after the end of each fiscal quarter, commencing with the third quarter of 2011, Borrower shall deliver to Lender a leasing report and rent roll/occupancy summaries for the Property, including, without limitation, aging schedules, schedules of tenant receivables, tenant defaults and tenant sales, as applicable and available, dated as of the last month of such fiscal quarter. Such rent roll and schedule of aged receivables shall be accompanied by a Borrower's Certificate certifying that such rent roll and schedule of aged receivables is true, correct and complete in all material respects as of its date. Additionally, from and after and during the continuance of a Monetary Default, a material non-monetary Default or an Event of Default, Borrower shall, at Lender's request, provide such rent roll information on a monthly basis, within thirty (30) days following the end of each calendar month.

10.2.4 Intentionally Omitted.

10.2.5 Guarantor Annual Reports. Not later than one hundred twenty (120) days after the end of each fiscal year, commencing with the fiscal year ending on December 31, 2011, Borrower shall deliver to Lender financial statements with respect to Guarantor audited by an Independent Accountant in accordance with GAAP and including a balance sheet as of the end of such year, statements of operations and cash flows for the year comparative with the amounts for the previous year and a contingent liability schedule. So long as the Guarantor is required to file a Form 10-K with the Securities and Exchange Commission, Borrower may comply with the requirements of this Section 10.2.5 by delivering to Lender a copy of the Annual Report on Form 10-K of the Guarantor for the relevant period or providing notice to Lender that the same has been filed with the Securities and Exchange Commission.

10.2.6 Annual Budget. On or before December 1 of each calendar year commencing with the year 2011, Borrower shall deliver to Lender the Annual Budget in draft form for the succeeding calendar year, and within sixty (30) days thereafter, Borrower shall deliver to Lender said Annual Budget in final form. If Borrower or Manager shall materially change or modify the Annual Budget, Borrower or Manager, as the case may be, shall promptly deliver to Lender an amended Annual Budget reflecting such change or modification.

10.2.7 Tax Statements. Annually, if and when required pursuant to Section 7.1 hereof, Borrower shall deliver copies of the tax bills required to be delivered thereunder.

10.2.8 Other Information. Borrower shall, promptly after written request by Lender, furnish or cause to be furnished to Lender, in such manner and in such detail as may be reasonably requested by Lender, such additional information, documentation and/or evidence as may be reasonably requested with respect to the Property.

10.2.9 Updated Appraisal. The Lender reserves the right at all times during the Loan term (but no more than once in any twelve (12) month period) to procure updated Appraisals of the Property by an appraiser appointed by the Lender, at its own expense; provided that Borrower shall pay the expense of such appraisal if it is required by regulation applicable to Lender.

ARTICLE XI

ASSIGNMENTS AND PARTICIPATIONS; COMPONENT NOTES; SECURITIZATION

Section 11.1 Assignments. Without in any way limiting any rights of Lender under this Agreement or the other Loan Documents, Lender may assign to one or more Persons all or a portion of its rights and obligations under this Agreement and the Loan; provided, however, that so long as no Event of Default shall have occurred and be continuing, Lender agrees that no portion of the rights and obligations under this Agreement and the Loan shall be assigned to an ALX Competitor without the prior consent of Borrower, which consent shall not be unreasonably withheld in the case of an ALX Competitor other than an Initial ALX Competitor (provided that such prohibition on assignment does not apply to any Person that purchases or holds any Securities pursuant to a Securitization). Upon such assignment, from and after the effective date thereof, the assignee thereunder shall be a party hereto and have the rights and obligations of Lender hereunder. The assigning Lender shall promptly notify Borrower of the consummation of any such assignment, which notification shall include the name and notice information of the assignee. Borrower will not in any event be required to incur, suffer or accept any expense or (except to a *de minimis* extent) liability in connection with a Lender assignment pursuant to this Section 11.1. Notwithstanding the foregoing or anything to the contrary contained herein, for so long as BOC holds all or any portion of the Loan, then, in connection with the request for any approval or consent hereunder or under the other Loan Documents or in connection with any amendment or other modification hereof or of the other Loan Documents, Borrower shall be entitled to rely conclusively on the approval of, or execution by, BOC of the foregoing unless BOC has informed Borrower in writing that the approval of, or execution by, any other Person holding a direct interest in the Loan is also required.

Section 11.2 Participations. Without in any way limiting any rights of Lender or Borrower under this Agreement or the other Loan Documents, Lender may, without the consent of Borrower, sell participations to one or more Persons in or to all or a portion of its rights and obligations under this Agreement and the Loan; provided, however, that (a) Lender's obligations under this Agreement shall remain unchanged, (b) Lender shall remain solely responsible to Borrower for the performance of such obligations, (c) Lender shall remain the holder of the Note for all purposes of the Note, and (d) Borrower shall continue to deal solely and directly with Lender in connection with Lender's rights and obligations under and in respect of this Agreement and the other Loan Documents. Notwithstanding the foregoing, so long as no Event of Default shall have occurred and be continuing, Lender agrees that no participation in or to all or any portion of the rights and obligations under this Agreement and the Loan shall be sold to an ALX Competitor without the prior consent of Borrower, which consent shall not be unreasonably withheld (provided that such prohibition on the sale of participations does not apply to any

Person that purchases or holds any Securities pursuant to a Securitization). Borrower will not in any event be required to incur, suffer or accept any expense (except to a *de minimis* extent) or liability in connection with Lender selling participations in all or any portion of its rights and obligations under this Agreement and the Loan to any Person pursuant to this [Section 11.2](#).

Section 11.3 [Pledge](#). Lender may, at any time, pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of Lender, including, without limitation, any pledge or assignment to secure obligations to a Federal Reserve Bank in accordance with applicable law, and this Section shall not apply to any such pledge or assignment of a security interest; [provided](#), that no such pledge or assignment of a security interest shall release Lender from any of its obligations hereunder or substitute any such pledgee or assignee for Lender as a party hereto.

Section 11.4 [Disclosure of Information; Cooperation; Confidentiality](#).

11.4.1 [Disclosure of Information; Confidentiality](#). Subject to the other provisions of this [Section 11.4.1](#), without in any way limiting any rights of Lender or Borrower under this Agreement or the other Loan Documents, Lender may, in connection with any assignment or participation or proposed assignment or participation permitted pursuant to this [Article XI](#), disclose to the assignee or participant or proposed assignee or participant, as the case may be, any information relating to Borrower or any of its Affiliates or to any aspect of the Loan that has been furnished to Lender by or on behalf of Borrower or any of its Affiliates. Lender and the assignee or participant or proposed assignee or participant, as the case may be, shall maintain as confidential any and all information obtained about Borrower or the Property and shall not disclose such information to any third party, except such party's consultants, lenders, and attorneys, except as otherwise required by applicable law or any Governmental Authority and except in connection with Lender's exercise of its remedies under this Agreement. This provision shall survive any termination of this Agreement.

11.4.2 [Cooperation](#). In addition, Borrower hereby agrees to cooperate, at no cost, expense or liability to Borrower, Guarantor or any of their respective Affiliates, with Lender to syndicate, assign or participate the Loan by using commercially reasonable efforts to (a) timely provide information not in the possession of Lender regarding the Borrower, Guarantor and Property to Lender, as may be reasonably requested from time to time by Lender ([provided](#), that Borrower shall not be required to provide material non-public information regarding Guarantor), (b) review any information regarding the Property, Borrower or Guarantor set forth in the marketing materials prepared by Lender and to be used in connection with the syndication of the Loan, (c) executing and delivering one or more substitute notes of Borrower substantially in the same form as the Note (and against surrender of the Note or lost note affidavit with indemnity from Lender in form and substance reasonably acceptable to Borrower) with appropriate insertions as to payee and principal amount, and (d) executing and delivering any amendments, modifications or supplements to this Agreement or any other Loan Document which are reasonably requested by Lender in connection with any such syndication, assignment or participation and in form and substance reasonably satisfactory to Lender; [provided](#), that such documents and/or estoppel certificates shall not increase Borrower's economic obligations under the Loan Documents or increase in any material respect Borrower's other obligations under the Loan Documents or reduce in any material respect Borrower's rights under the Loan Documents.

Section 11.5 Component Notes. Lender, without in any way limiting Lender's or Borrower's other rights hereunder, in its sole and absolute discretion, shall have the right at any time to require Borrower to execute and deliver "component" notes having varying principal amounts and economic terms (including senior and junior notes), which notes may be paid in such order of priority as may be designated by Lender; provided, however, that (a) such notes may not effectuate a mortgage/mezzanine loan structure, (b) the aggregate principal amount of such "component" notes shall equal the Principal Amount immediately prior to the creation of such "component" notes, (c) the weighted average interest rate of all such "component" notes shall on the date created and at all times thereafter equal the interest rate which was applicable to the Loan immediately prior to the creation of such "component" notes (i.e., under this clause (c) and the immediately following clause (d), the "component" notes may not effectuate a loan structure that could result in "rate creep"), (d) the debt service payments on all such "component" notes shall on the date created and at all times thereafter equal the debt service payment which was due under the Loan immediately prior to the creation of such component notes (taking into account any prepayments of the Principal Amount), (e) the other terms and provisions of each of the "component" notes shall be identical in substance and substantially similar in form to the Loan Documents, (f) the maturity date of any such component note shall be the same as the scheduled Maturity Date of the Note immediately prior to the issuance of such component notes, and (g) any prepayments in connection with a casualty or condemnation shall be applied *pro rata* in accordance with their respective principal balances to the payment of the outstanding balance of the component notes such that Borrower's economic position shall remain the same as if there had been no component notes. Borrower, at Lender's cost and expense, shall (i) cooperate with all reasonable requests of Lender in order to establish the "component" notes, and (ii) execute and deliver such documents as shall reasonably be required by Lender in connection therewith, all in form and substance reasonably satisfactory to Lender, including, without limitation, the severance of security documents if requested. In the event Borrower fails to execute and deliver such documents to Lender within five (5) Business Days following such request by Lender, Borrower hereby absolutely and irrevocably appoints Lender as its true and lawful attorney, coupled with an interest, in its name and stead to make and execute all documents necessary or desirable to effect such transactions, Borrower ratifying all that such attorney shall do by virtue thereof. Provided that Lender has complied, in all material respects, with all of Lender's obligations in this Section 11.5, it shall be an Event of Default under this Agreement, the Note, the Mortgage and the other Loan Documents if Borrower fails to comply with any of the terms, covenants or conditions of this Section 11.5_ after expiration of ten (10) Business Days after notice thereof, which notice shall contain a legend in capitalized bold letters at the top of the cover page stating: "THIS IS A REQUEST FOR BORROWER TO EXECUTE AND DELIVER "COMPONENT" NOTES. BORROWER'S FAILURE TO SO EXECUTE AND DELIVER SAME WITHIN TEN (10) BUSINESS DAYS SHALL CONSTITUTE AN EVENT OF DEFAULT UNDER THE LOAN AND SECURITY AGREEMENT EXECUTED BY BORROWER AND LENDER", together with a comparison "blackline" of the documents to be executed against the applicable document executed by Borrower on the Closing Date.

Section 11.6 Sale of Note and Securitization. At the request of Lender and, to the extent not already required to be provided by Borrower under this Agreement, Borrower shall (at no cost to Borrower) use reasonable efforts to cooperate with Lender in its reasonable efforts to satisfy the market standards which may be reasonably required in the marketplace or by the Rating Agencies in connection with the sale of the Note or participation therein as part of the first successful securitization (such sale and/or securitization, the “**Securitization**”) of rated single- or multi-class securities (the “**Securities**”) secured by or evidencing ownership interests in the Note and this Agreement, including using reasonable efforts to do (or cause to be done) the following (but Borrower shall not in any event be required to incur, suffer or accept (except to a *de minimis* extent) (a) any lesser rights or greater obligations than as currently set forth in the Loan Documents and (b) any expense or any liability.

11.6.1 Provided Information. (a) Provide, at the sole expense of the holder of the Note, reasonably requested non-confidential financial and other information (but not projections) with respect to the Property and Borrower and Manager to the extent such information is reasonably available to Borrower or Manager, (b) provide, at the sole expense of the holder of the Note, and budgets relating to the Property, to the extent prepared by Borrower or Manager, and (c) cooperate, at the sole cost of the holder of the Note, with the holder of the Note (and its representatives) in obtaining, at the sole expense of the holder of the Note, such site inspections, appraisals, market studies, environmental reviews and reports, engineering reports and other due diligence investigations of the Property, as may be reasonably requested by the holder of the Note or reasonably requested by the Rating Agencies (all information provided pursuant to this Section 11.6.1 together with all other information heretofore provided to Lender in connection with the Loan, as such may be updated, at Borrower’s request, in connection with a Securitization, or hereafter provided to Lender in connection with the Loan or a Securitization, being herein collectively called the “**Provided Information**”).

11.6.2 Opinions of Counsel. Use reasonable efforts (at Lender’s cost and expense and at no cost to Borrower) to cause to be rendered such customary updates or customary modifications to the Opinions of Counsel delivered at the closing of the Loan as may be reasonably requested by the holder of the Note or the Rating Agencies in connection with the Securitization (it being agreed that in no event shall Borrower be obligated to deliver an Opinion of Counsel with respect to “true sale,” “no fraudulent conveyance” matters, or “10b-5” matters).

11.6.3 Modifications to Loan Documents. Without cost to Borrower, execute such amendments to this Agreement, the Mortgage and the other Loan Documents as may be reasonably requested by Lender or the Rating Agencies in order to effect the Securitization (including, without limitation, modifying the Payment Date to a date other than as originally set forth in the Note), provided, that nothing contained in this Section 11.6.3 shall result in any economic or other change, adverse in any respect, to Borrower, Guarantor or any Affiliate of any thereof, in the transaction contemplated by this Agreement or the other Loan Documents (unless Borrower is made whole by the holder of Note) or result in any operational changes that are in any respect (except to a *de minimis* extent) burdensome to the Property or Borrower.

Section 11.7 Intentionally Omitted.

Section 11.8 Securitization Financial Statements. Borrower acknowledges that all such financial information delivered by Borrower to Lender pursuant to Article X may, at Lender's option, be delivered by Lender, at Lender's sole expense, to the Rating Agencies.

Section 11.9 Securitization Indemnification.

11.9.1 Disclosure Documents. Borrower understands that certain of the Provided Information may be included in disclosure documents in connection with the Securitization, including a prospectus or private placement memorandum or a public registration statement (each, a "**Disclosure Document**") and may also be included in filings with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "**Securities Act**"), or the Securities and Exchange Act of 1934, as amended (the "**Exchange Act**"), or provided or made available to investors or prospective investors in the Securities, the Rating Agencies, and service providers relating to the Securitization. In the event that the Disclosure Document is required to be revised prior to the sale of all Securities, then reasonably promptly after written request, Borrower shall (at no cost or expense to Borrower) reasonably cooperate with the holder of the Note's efforts to update the Provided Information for inclusion or summary in the Disclosure Document by providing all current information pertaining to Borrower and the Property reasonably requested by Lender (except in no event shall Borrower be required to deliver any of the financial or other information required under Article X within a time period shorter than that specified in Article X).

11.9.2 Indemnification Certificate. In connection with each of (i) a preliminary and final private placement memorandum, or (ii) a preliminary and final prospectus, as applicable, Borrower agrees to provide, at Lender's reasonable request, an indemnification certificate (at no cost or expense to Borrower):

(a) certifying that Borrower has carefully examined those portions of such memorandum or prospectus, as applicable, reasonably designated in writing by Lender for Borrower's review regarding Borrower, the Property, and/or the Provided Information and insofar as such sections or portions thereof specifically pertain to Borrower, the Property or the Provided Information (such portions, the "**Relevant Portions**"), the Relevant Portions do not (except to the extent specified by Borrower if Borrower does not agree with the statements therein), as of the date of such certificate, to Borrower's actual knowledge, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

(b) indemnifying Lender and the Affiliates of Bank of China, New York Branch (collectively, "**BOC**") that have prepared the Disclosure Document relating to the Securitization, each of its directors, each of its officers who have signed the Disclosure Document and each Person who controls BOC within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (collectively, the "**BOC Group**"), and BOC, together with the BOC Group, each of their respective directors and each person who controls BOC or the BOC Group, within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act (collectively, the "**Underwriter Group**"), for any actual, verifiable, out-of-pocket losses, third-party claims, or damages arising therefrom (excluding lost profits, diminution in value and other consequential damages) or liabilities arising out of third party claims (the "**Liabilities**") to which any member of the Underwriter Group is subject to the extent such Liabilities directly result from any untrue statement of any material fact contained in the Relevant Portions and in the Provided Information or directly result from the omission by Borrower to state therein a material fact required to be stated in the Relevant Portions in order to make the statements in the Relevant Portions in light of the circumstances under which they were made, not misleading (except that (1) Borrower's obligation to indemnify in respect of any information contained in the Relevant Portions or in the Provided Information that is derived in part from information provided by Borrower and in part from information provided by others unrelated to or not employed by Borrower shall be limited to any untrue statement or omission of material fact therein actually known to Borrower that results directly from an error in any information provided (or which should have been provided) by Borrower which Borrower has been given the opportunity to examine and reasonably and promptly approve, and (2) Borrower shall have no responsibility for the failure of any member of the Underwriting Group to accurately transcribe written information supplied by Borrower or to include such portions of the Provided Information).

(c) Borrower's liability under paragraphs (a) and (b), above shall be limited to Liabilities directly resulting from any such untrue statement or omission made in a Disclosure Document in reasonable reliance upon and in conformity with information furnished to Lender by, or furnished at the direction and on behalf of, Borrower in connection with the Relevant Portions or in the Provided Information, including financial statements of Borrower and operating statements with respect to the Property. This indemnity agreement will be in addition to any liability which Borrower may otherwise have under any of the Loan Documents or at law, in equity or otherwise.

(d) Promptly after receipt by an indemnified party under this Section 11.9 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 11.9, notify the indemnifying party in writing of the commencement thereof, but the omission to so notify the indemnifying party will not relieve the indemnifying party from any liability which the indemnifying party may have to any indemnified party hereunder except to the extent that failure to notify causes prejudice to the indemnifying party. In the event that any action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled, jointly with any other indemnifying party, to participate therein and, to the extent that it (or they) may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel chosen by the indemnifying party and reasonably satisfactory to such indemnified party. After notice from the indemnifying party to such indemnified party under this Section 11.9 of its assumption of such defense, the indemnifying party shall not be liable for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there are any legal defenses available to it and/or other indemnified parties that are different from or in conflict with those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel (reasonably acceptable to the indemnifying party) to assert such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties at the expense of the indemnifying party. The indemnifying party shall not be liable for the expenses of separate counsel unless an indemnified party shall have reasonably and in good faith

concluded that there may be legal defenses available to it that are different from or in conflict with those available to another indemnified party.

(e) In order to provide for just and equitable contribution in circumstances in which the indemnity provided for in this Section 11.9 is for any reason held to be unenforceable by an indemnified party in respect of any actual, verifiable, out-of-pocket losses, claims, damages or liabilities relating to third-party claims (or action in respect thereof) referred to therein which would otherwise be indemnifiable under this Section 11.9, the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such actual, verifiable out-of-pocket losses, third party claims, damages or liabilities arising therefrom (or action in respect thereof) (but excluding damages for lost profits, diminution in value of the Property and consequential damages); provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution for Liabilities arising therefrom from any person who was not guilty of such fraudulent misrepresentation. In addition, no right of contribution may be enforced by any party who shall have committed gross negligence or willful misconduct in connection with the actions or omissions that led to such liabilities. In determining the amount of contribution to which the respective parties are entitled, the following factors shall be considered: (1) the BOC Group's and Borrower's relative knowledge and access to information concerning the matter with respect to which the claim was asserted; (2) the opportunity to correct and prevent any statement or omission; (3) the limited responsibilities and obligations of Borrower as specified herein; and (4) any other equitable considerations appropriate in the circumstances.

Retention of Servicer. Lender reserves the right, at Lender's sole cost and expense, to retain a servicer for the Loan. Lender shall promptly provide Borrower with notice of its retention of any servicer. Borrower shall pay any reasonable fees and expenses of the servicer and any reasonable third party fees and expenses, including, without limitation, reasonable attorneys' fees and disbursements, in connection with (a) a prepayment, release of the Property, assumption or modification of the Loan, in any such case as requested by Borrower, or (b) any enforcement by Lender of the Loan Documents following the occurrence and during the continuance of an Event of Default, but only to the extent Borrower owes Lender such fees in accordance with the terms of the Loan Documents (i.e., servicer cannot charge Borrower separate fees not provided for in the Loan Documents). Lender shall pay the standard monthly servicing fee of the servicer. If Borrower sends any payment, notice or other reports or documentation required hereunder or under any other Loan Document to a servicer who has been replaced with a new servicer because Borrower has not been given prior written notice of a change in the servicer, then no default or Event of Default shall occur hereunder or under any other Loan Document by reason of the fact that such payment was made or such notice or other reports or documentation was sent by Borrower to the terminated servicer.

ARTICLE XII

RESERVE ACCOUNTS

Section 12.1 Tax Reserve Account.

12.1.1 Subject to the provisions of Section 12.1.2 and Section 12.1.3, Borrower shall deposit with Lender to be held in the Tax Reserve Account on each Payment Date an amount equal to (a) one-twelfth (1/12th) of the annual Impositions that Lender reasonably estimates, based on the most recent tax bill for the Property, will be payable during the next ensuing twelve (12) months in order to accumulate with Lender sufficient funds to pay all such Impositions at least ten (10) days prior to the imposition of any interest, charges or expenses for the non-payment thereof, and (b) one-twelfth (1/12th) of the annual Other Charges that Lender reasonably estimates will be payable during the next ensuing twelve (12) months (said monthly amounts in clauses (a) and (b) above hereinafter called the “**Monthly Tax Reserve Amount**,” and the aggregate amount of funds held in the Tax Reserve Account from time to time being the “**Tax Reserve Amount**”). Provided no Event of Default shall have occurred and be continuing, Lender shall apply the Tax Reserve Amount, if any, to payments of Impositions and Other Charges required to be made by Borrower pursuant to Article V and Article VII and under the Mortgage, subject to Borrower’s right to contest Impositions and Other Charges in accordance with Section 7.3. In making any payment relating to the Tax Reserve Account, Lender may do so according to any bill, statement or estimate procured from the appropriate public office, without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof. If the amount of funds in the Tax Reserve Account shall exceed the amounts due for Impositions and Other Charges pursuant to Article V and Article VII, Lender shall credit such excess against future payments to be made to the Tax Reserve Account. If at any time Lender reasonably determines that the Tax Reserve Amount is not or will not be sufficient to pay Impositions and Other Charges by the dates set forth above, Lender shall notify Borrower of such determination and Borrower shall increase its monthly payments to Lender by the amount that Lender reasonably estimates is sufficient to make up the deficiency at least ten (10) days prior to the imposition of any interest, charges or expenses for the non-payment of the Impositions and Other Charges. Upon payment of the Impositions and Other Charges, Lender shall reassess the amount necessary to be deposited in the Tax Reserve Account for the succeeding period, which calculation shall take into account any excess amounts remaining in the Tax Reserve Account.

12.1.2 Notwithstanding the foregoing, so long as no Event of Default has occurred and is continuing, Borrower shall not be required to make deposits of the Monthly Tax Reserve Amount. At such time, if any, as an Event of Default shall have occurred and be continuing Borrower shall, subject to the terms and provisions of Sections 12.1.3 and 12.8, hereof, thereafter commence making deposits of the Monthly Tax Reserve Amount, to the extent not otherwise transferred from the Deposit Account pursuant to Section 3.1.16 hereof and the Cash Management Agreement. Furthermore, upon the occurrence and during the continuation of an Event of Default, subject to the provisions of Sections 12.1.3 and 12.8 Borrower shall deposit into the Tax Reserve Account within ten (10) Business Days after receipt of notice from Lender

an amount reasonably determined by Lender to be equal to all amounts which would have been on deposit in the Tax Reserve Account as of the occurrence of such Event of Default assuming that Borrower shall have made all deposits required to be made pursuant to Section 12.1.1 since the Closing Date had the waiver of deposits provided for above in this Section 12.1.2 not been in effect, giving due consideration to all amounts that would have been payable by a disbursement from such Tax Reserve Account since the Closing Date.

12.1.3 Notwithstanding anything to the contrary contained herein, in lieu of making monthly deposits to the Tax Reserve Account following the occurrence and during the continuation of an Event of Default, Borrower shall be permitted to deliver to Lender (a) Cash in an amount equal to twelve (12) months of the Monthly Tax Reserve Amount, or (b) a Letter of Credit in an amount equal to twelve (12) months of the Monthly Tax Reserve Amount.

Section 12.2 Insurance Reserve Account

12.2.1 Subject to the provisions of Sections 12.2.2, 12.2.3, and 12.2.4, Borrower shall deposit with Lender (to be held in the Insurance Reserve Account) on each Payment Date an amount equal to one-twelfth (1/12th) of the insurance premiums that Lender reasonably estimates, based on the most recent insurance bill for the Property, will be payable during the next ensuing twelve (12) months for the renewal of the coverage afforded by the insurance policies upon the expiration thereof in order to accumulate with Lender sufficient funds to pay all such insurance premiums at least thirty (30) days prior to the expiration of the policies required to be maintained by Borrower pursuant to the terms hereof (said monthly amounts hereinafter called the “**Monthly Insurance Reserve Amount**”), and the aggregate amount of funds held in the Insurance Reserve Account from time to time being the “**Insurance Reserve Amount**”). Provided, no Event of Default shall have occurred and be continuing, Lender shall apply the Insurance Reserve Amount, if any, to payments of insurance premiums required to be made by Borrower pursuant to Article VI and under the Mortgage. In making any payment relating to the Insurance Reserve Account, Lender may do so according to any bill, statement or estimate procured from the insurer or agent, without inquiry into the accuracy of such bill, statement or estimate or into the validity thereof. If the amount of funds in the Insurance Reserve Account shall exceed the amounts due for insurance premiums pursuant to Article VI and under the Mortgage, Lender shall credit such excess against future payments to be made to the Insurance Reserve Account. If at any time Lender reasonably determines that the Insurance Reserve Amount is not or will not be sufficient to pay insurance premiums by the dates set forth above, Lender shall notify Borrower of such determination and Borrower shall increase its monthly payments to Lender by the amount that Lender reasonably estimates is sufficient to make up the deficiency at least thirty (30) days prior to expiration of the applicable insurance policies. Upon payment of such insurance premiums, Lender shall reassess the amount necessary to be deposited in the Insurance Reserve Account for the succeeding period, which calculation shall take into account any excess amounts remaining in the Insurance Reserve Account.

12.2.2 Notwithstanding the foregoing, so long as no Event of Default has occurred and is continuing, Borrower shall not be required to make deposits of the Monthly Insurance Reserve Amount. At such time, if any, as an Event of Default shall have occurred and be continuing, Borrower shall, subject to the terms and provisions of Sections 12.2.3, 12.2.4 and 12.8 hereof, thereafter commence making deposits of the Monthly Insurance Reserve Amount, to the extent not otherwise transferred from the Deposit Account pursuant to Section 3.1.6 hereof

and the Cash Management Agreement. Furthermore, upon the occurrence and during the continuance of any Event of Default, Borrower shall, subject to the terms and provisions of Sections 12.2.3, 12.2.4, and Section 12.8, hereof, deposit into the Insurance Reserve Account within ten (10) Business Days after receipt of notice from Lender, an amount reasonably determined by Lender to be equal to all amounts which would have been on deposit in the Insurance Reserve Account as of the occurrence of such Event of Default assuming that Borrower shall have made all deposits required to be made pursuant to Section 12.2 since the Closing Date had the waiver of deposits provided for above in this Section 12.2.2 not been in effect, giving due consideration to all amounts that would have been payable by a disbursement from such Insurance Reserve Account since the Closing Date.

12.2.3 Notwithstanding anything to the contrary contained herein, in lieu of making monthly deposits to the Insurance Reserve Account following the occurrence and during the continuance of an Event of Default, Borrower shall be permitted to deliver to Lender (a) Cash in an amount equal to twelve (12) months of the Monthly Insurance Reserve Amount, or (b) a Letter of Credit in an amount equal to twelve (12) months of the Monthly Insurance Reserve Amount.

12.2.4 Notwithstanding anything herein to the contrary, to the extent that any of the insurance required to be maintained by Borrower is effected under a blanket policy, Borrower shall not be required to make deposits of the Monthly Insurance Reserve Amount.

Section 12.3 Capital Expenditures Reserve Account.

12.3.1 Subject to the provisions of Sections 12.3.5, and 12.3.6, Borrower shall deposit with Lender, to be held in the Capital Expenditures Reserve Account, on each Payment Date an amount equal to \$7,000 for annual Capital Expenditures (said monthly amounts hereinafter called the “**Monthly Capital Expenditures Reserve Amount**”, and the aggregate amount of funds held in the Capital Expenditures Reserve Account from time to time, the “**Capital Expenditure Funds**”).

12.3.2 Lender shall disburse to Borrower the Capital Expenditure Funds upon satisfaction by Borrower of each of the following conditions: (a) Borrower shall submit a request for payment to Lender at least ten (10) days prior to the date on which Borrower requests such payment be made and specifies the Capital Expenditures to be paid or reimbursed; (b) on the date such request is received by Lender and on the date such payment is to be made, no Event of Default shall exist and remain uncured; (c) Lender shall have received a certificate from Borrower (i) stating that the items to be funded by the requested disbursement are Capital Expenditures, (ii) stating that the work to be paid for (or reimbursed to Borrower) by the requested disbursement has been performed in a good and workmanlike manner and in accordance with all applicable Legal Requirements, and (iii) stating that each Person that supplied materials or labor in connection with the Capital Expenditures to be funded by the requested disbursement has been paid in full or will be paid in full upon such disbursement, such certificate to be accompanied by lien waivers or other evidence of payment satisfactory to Lender; (d) at Lender’s option, in its reasonable discretion, a title search for the Property indicating that the Property is free from all Liens, claims and other encumbrances not previously approved by Lender; (e) at Lender’s option, in its reasonable discretion, if the cost of any individual Capital Expenditure exceeds \$250,000, Lender shall have received a report satisfactory to Lender in its reasonable discretion from the Borrower’s Architect in respect of

such architect's or engineer's inspection of the work to be paid for by the requested disbursement of Capital Expenditure Funds; and (f) Lender shall have received such other evidence as Lender shall reasonably request that the work to be paid for or reimbursed by the requested disbursement has been performed and the costs therefor are paid for or will be paid upon such disbursement to Borrower. Lender shall not be required to disburse Capital Expenditure Funds more frequently than once each calendar month.

12.3.3 Nothing in this Section 12.3 shall (a) make Lender responsible for making or completing the Capital Expenditures, or (b) require Lender to expend funds in addition to the Capital Expenditure Funds to complete any Capital Expenditures.

12.3.4 Borrower shall permit Lender (including, without limitation, Lender's engineer, architect, or inspector) or third parties to enter onto the Property during normal business hours (subject to the rights of Tenants under their Leases and Borrower's usual and customary safety requirements and accompanied by a representative of Borrower) to inspect the progress of any Capital Expenditures and all materials being used in connection therewith and to examine all plans and shop drawings relating to such Capital Expenditures. Borrower shall cause all contractors and subcontractors to cooperate with Lender and Lender's representatives or such other Persons described above in connection with inspections described in this Section 12.3.4.

12.3.5 Notwithstanding the foregoing, so long as no Event of Default has occurred and is continuing, Borrower shall not be required to make deposits of the Monthly Capital Expenditures Reserve Amount. At such time, if any, as an Event of Default shall have occurred and is continuing, Borrower shall, subject to the terms and provisions of Sections 12.3.6 and 12.8 hereof, thereafter commence making deposits of the Monthly Capital Expenditures Reserve Amount, to the extent not otherwise transferred from the Deposit Account pursuant to Section 3.1.6 hereof and the Cash Management Agreement.

12.3.6 Notwithstanding anything to the contrary contained herein, in lieu of making monthly deposits to the Capital Expenditures Reserve Account following the occurrence and continuation of an Event of Default, Borrower shall be permitted to deliver to Lender (a) Cash in an amount equal to twelve (12) months of the Monthly Capital Expenditures Reserve Amount, or (b) a Letter of Credit in an amount equal to twelve (12) months of the Monthly Capital Expenditures Reserve Amount.

Section 12.4 Leasing Reserve Account.

12.4.1 Subject to the provisions of Section 12.4.3 and Section 12.4.4, Borrower shall deposit with Lender to be held in the Leasing Reserve Account on each Payment Date an amount equal to \$35,000 for annual leasing expenses (said monthly amounts hereinafter called the "**Monthly Tenant Leasing Reserve Amount**", and the aggregate amount of funds held in the Leasing Reserve Account from time to time, the "**Tenant Leasing Funds**").

12.4.2 Lender shall disburse to Borrower the Tenant Leasing Funds upon satisfaction by Borrower of each of the following conditions: (a) Borrower shall submit a request for payment to Lender at least ten (10) days prior to the date on which Borrower requests such payment be made and specifies the tenant improvement costs (which, as used herein, shall include tenant allowances but not any free rent period) and leasing commissions to be paid; (b) on the date such request is received by Lender and on the date such payment is to be made, no Event of

Default shall have occurred and be continuing; (c) to the extent required hereunder, Lender shall have approved the Lease in respect of which Borrower is obligated to pay or reimburse certain tenant improvement costs and leasing commissions; (d) Lender shall have received a budget for tenant improvement costs and a schedule of leasing commissions payments and the requested disbursement will be used to pay all or a portion of such costs and payments; (e) Lender shall have received a certificate from Borrower (i) stating that all tenant improvements at the Property to be funded by the requested disbursement have been completed in good and workmanlike manner and in accordance with all applicable federal, state and local laws, rules and regulations or, if applicable, that the tenant allowance to be funded by the requested disbursement is due and owing under the applicable Lease, and (ii) stating that each Person that has supplied materials or labor in connection with the tenant improvements to be funded by the requested disbursement has been paid in full or will be paid in full upon such disbursement, such certificate to be accompanied by lien waivers or other evidence of payment satisfactory to Lender (if applicable); (f) with respect to any Tenant Leasing Funds to be released by Lender, at Lender's option, in its reasonable discretion, a title search for the Property indicating that the Property is free from all Liens, claims and other encumbrances not previously approved by Lender; and (g) Lender shall have received such other evidence as Lender shall reasonably request that the portion of the tenant improvements at the Property to be funded by the requested disbursement have been performed or are otherwise due and owing under the applicable Lease and are paid for or will be paid upon such disbursement to Borrower with such funds. Lender shall not be required to disburse Tenant Leasing Funds more frequently than once each calendar month.

12.4.3 Notwithstanding the foregoing, so long as no Event of Default has occurred and is continuing, Borrower shall not be required to make deposits of the Monthly Tenant Leasing Reserve Amount. At such time, if any, as an Event of Default shall have occurred and is continuing, Borrower shall, subject to the terms and provisions of Sections 12.4.4 and 12.8 hereof, thereafter commence making deposits of the Monthly Capital Expenditures Reserve Amount, to the extent not otherwise transferred from the Deposit Account pursuant to the terms hereof and the Cash Management Agreement.

12.4.4 Notwithstanding anything to the contrary contained herein, in lieu of making monthly deposits to the Leasing Reserve Account following the occurrence and during the continuation of an Event of Default, Borrower shall be permitted to deliver to Lender (a) Cash in an amount equal to twelve (12) months of the Monthly Tenant Leasing Reserve Amount, or (b) a Letter of Credit in an amount equal to twelve (12) months of the Monthly Tenant Leasing Reserve Amount.

Section 12.5 Lease Termination Fees Reserve Account.

12.5.1 In the event that Borrower receives a fee, payment or other compensation from any Tenant relating to or in exchange for the termination of such Tenant's Lease (a "**Lease Termination Fee**"), subject to Section 12.5.3, Borrower shall immediately deposit such Lease Termination Fee with Lender (to be held in an account established for such purpose (the "**Lease Termination Fee Reserve Account**"), to be utilized for tenant improvements (which, as used herein, shall include tenant allowances but not free rent periods) and leasing commissions that may be incurred with respect to the space relating to such Lease Termination Fee (a "**Termination Space**"). The aggregate amount of funds in the Lease Termination Fee Reserve Account from time to time are referred to herein as the "**Lease Termination Funds.**"

12.5.2 Lender shall disburse to Borrower the Lease Termination Funds upon satisfaction by Borrower of each of the following conditions: (a) Borrower shall submit a request for payment to Lender at least ten (10) days prior to the date on which Borrower requests such payment be made and specifies the tenant improvement costs and leasing commissions to be paid for the Termination Space; (b) on the date such request is received by Lender and on the date such payment is to be made, no Event of Default shall exist and remain uncured; (c) to the extent required hereunder, Lender shall have approved the Lease or Leases for such Termination Space (collectively, the “**Replacement Lease**”) in respect of which Borrower is obligated to pay or reimburse certain tenant improvement costs and leasing commissions; (d) with respect to any Lease Termination Funds to be released by Lender for tenant improvements or leasing commissions pursuant to a Replacement Lease, Lender shall have received a budget for tenant improvement costs and a schedule of leasing commissions payments and the requested disbursement will be used to pay all or a portion of such costs and payments; (e) with respect to any Lease Termination Funds to be released by Lender for tenant improvements pursuant to a Replacement Lease, Lender shall have received a certificate from Borrower (i) stating that all tenant improvements at the Property to be funded by the requested disbursement have been completed in good and workmanlike manner and in accordance with all applicable federal, state and local laws, rules and regulations or, if applicable, that the tenant allowance to be funded by the requested disbursement is due and owing under the Replacement Lease, and (ii) stating that each Person that supplied materials or labor in connection with the tenant improvements to be funded by the requested disbursement has been paid in full or will be paid in full upon such disbursement, such certificate to be accompanied by lien waivers or other evidence of payment satisfactory to Lender; (f) with respect to any Lease Termination Funds to be released by Lender for tenant improvements pursuant to a Replacement Lease, at Lender’s option, in its reasonable discretion, a title search for the Property indicating that the Property is free from all Liens, claims and other encumbrances not previously approved by Lender; and (g) with respect to any Lease Termination Rollover Funds to be released by Lender for tenant improvements pursuant to a Replacement Lease, Lender shall have received such other evidence as Lender shall reasonably request that the tenant improvements at the Property to be funded by the requested disbursement have been completed and are paid for or will be paid upon such disbursement to Borrower. Lender shall not be required to disburse Lease Termination Funds more frequently than once each calendar month.

12.5.3 Notwithstanding the foregoing, upon receipt by Lender of evidence that, with respect to any new Replacement Lease, all tenant improvements required to be completed by Borrower pursuant to the Replacement Lease, if any, have been completed and all leasing commissions required to be paid by Borrower with respect to the Replacement Lease, if any, have been paid, and provided that substantially all of the Termination Space has been re-let pursuant to such Replacement Lease and any other Replacement Lease(s) and no Event of Default then exists, Lender shall disburse to Borrower the Lease Termination Funds on deposit with respect to such Termination Space.

Section 12.6 Intentionally Omitted.

Section 12.7 Reserve Accounts, Generally.

12.7.1 Borrower grants to Lender a first-priority perfected security interest in each of the Reserve Accounts and any and all monies now or hereafter deposited therein as additional security for payment of the Indebtedness. Until expended or applied in accordance herewith,

the Reserve Accounts shall constitute additional security for the Indebtedness. Upon the occurrence and during the continuance of an Event of Default, Lender may, in addition to any and all other rights and remedies available to Lender, apply any sums then present in any or all of the Reserve Accounts to the payment of the Indebtedness in any order in its sole discretion. The Reserve Accounts shall not constitute trust funds but may not be commingled with other monies held by Lender. The Reserve Accounts shall be held in an Eligible Account in Permitted Investments in accordance with the terms and provisions of this Agreement and the Cash Management Agreement. All interest on funds in a Reserve Account shall be added to and become a part thereof. Borrower shall be responsible for payment of any federal, state or local income or other tax applicable to the interest earned on the Reserve Accounts credited or paid to Borrower. Borrower shall not, without obtaining the prior written consent of Lender, further pledge, assign or grant any security interest in a Reserve Account or the monies deposited therein or permit any lien or encumbrance to attach thereto, or any levy to be made thereon, or any UCC-1 Financing Statements, except those naming Lender as the secured party, to be filed with respect thereto. Lender shall not be liable for any loss sustained on the investment of any funds constituting the Reserve Accounts except for losses sustained solely as a result of Lender's gross negligence or willful misconduct. Borrower shall indemnify Lender and hold Lender harmless from and against any and all actions, suits, claims, demands, liabilities, losses, damages, obligations and costs and expenses (including litigation costs and reasonable attorneys' fees and disbursements) arising from or in any way connected with the Reserve Accounts or the performance of the obligations for which the Reserve Accounts were established except for Lender's gross negligence or willful misconduct.

Section 12.8 Letters of Credit.

12.8.1 Delivery of Letters of Credit. (a) In lieu of making all or any portion of the required payments to the Reserve Accounts, Borrower may deliver to Lender in addition to, or instead of, the cash deposits, a Letter of Credit with respect to all or any portion of the amount due under the Reserve Accounts, in accordance with the provisions of this Section 12.8. Additionally, Borrower may deliver to Lender a Letter of Credit in accordance with the provisions of this Section 12.8 in exchange for the return to Borrower of all or any portion of deposits previously made to the Reserve Accounts. Upon such delivery of such Letter of Credit in accordance with the provisions of this Section 12.8, Lender shall promptly return to Borrower such deposits previously made which are not covered by the Letter of Credit. The aggregate amount of any Letter of Credit and/or cash on deposit with respect to the Reserve Accounts shall at all times be at least equal to the aggregate amount which Borrower is required to have on deposit in such Reserve Accounts pursuant to this Agreement or as otherwise specified herein.

(b) Borrower shall give Lender no less than ten (10) days' notice of Borrower's election to deliver a Letter of Credit and Borrower shall pay to Lender all of Lender's reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees and disbursements) in connection therewith. Borrower shall not be entitled to draw upon any such Letter of Credit. Upon ten (10) days' notice to Lender, Borrower may replace a Letter of Credit with a cash deposit to any of the Reserve Accounts. Prior to the return of a Letter of Credit, Borrower shall deposit an amount equal to the amount that would have accumulated in the applicable Reserve Account and not been disbursed in accordance with this Agreement if such Letter of Credit had not been delivered.

12.8.2 Security for Indebtedness. Each Letter of Credit delivered under this Agreement shall be additional security for the payment of the Indebtedness. Upon the occurrence of an Event of Default, Lender shall have the right, at its option, to draw upon any Letter of Credit and to apply all or any part thereof to the payment of the items for which such Letter of Credit was established or to apply each such Letter of Credit to payment of the Indebtedness in such order, proportion or priority as Lender may determine.

12.8.3 Additional Rights of Lender. In addition to any other right Lender may have to draw upon a Letter of Credit pursuant to the terms and conditions of this Agreement, Lender shall have the additional right to draw upon any Letter of Credit in full: (a) with respect to any evergreen Letter of Credit, if Lender has received a notice from the issuing bank that the Letter of Credit will not be renewed and a substitute Letter of Credit is not provided at least thirty (30) days prior to the date on which the outstanding Letter of Credit is scheduled to expire; (b) with respect to any Letter of Credit with a stated expiration date, if Lender has not received a notice from the issuing bank that it has renewed the Letter of Credit at least thirty (30) days prior to the date on which such Letter of Credit is scheduled to expire and a substitute Letter of Credit is not provided at least thirty (30) days prior to the date on which the outstanding Letter of Credit is scheduled to expire; (c) upon receipt of notice from the issuing bank that the Letter of Credit will be terminated (except if the termination of such Letter of Credit is permitted pursuant to the terms and conditions of this Agreement or a substitute Letter of Credit is provided); or (d) if Lender has received notice that the bank issuing the Letter of Credit shall cease to be an Eligible Institution and a substitute Letter of Credit is not provided at least fifteen (15) days from the date Lender receives such notice. In the event Lender draws on the Letter of Credit pursuant to the foregoing provisions, such funds shall be deposited into the applicable Reserve Accounts. Notwithstanding anything to the contrary contained in the above, Lender is not obligated to draw upon any Letter of Credit upon the happening of an event specified in clauses (a), (b), (c) or (d) above and shall not be liable for any losses sustained by Borrower due to the insolvency of the bank issuing the Letter of Credit if Lender has not drawn upon the Letter of Credit.

ARTICLE XIII

DEFAULTS

Section 13.1 Event of Default. (a) Each of the following events shall constitute an event of default hereunder (an “**Event of Default**”):

(i) if (A) the Indebtedness is not paid in full on the Maturity Date, (B) any regularly scheduled monthly payment of interest and/or principal due under the Note is not paid in full on the applicable Payment Date, with such failure continuing for two (2) Business Days after Lender delivers written notice thereof to Borrower, (C) any deposit by Borrower to the Collection Account is not made within two (2) Business Days following the required deposit date therefor, (D) any amount payable pursuant to Section 3.1.6(b) is not paid in full when due, or Borrower shall fail to post the Remargining Collateral required under Section 3.1.6(b), or (E) except as to any amount included in (A), (B), (C), and/or (D) of this sub-paragraph (i), any other amount payable pursuant to this Agreement, the Note or any other Loan Document is not paid in full when due and payable in accordance with the provisions of the applicable Loan Document, with such failure continuing for ten (10) Business Days after Lender delivers written notice thereof to Borrower;

(ii) subject to Borrower’s right to contest as set forth in Section 7.3, if any of the Impositions or Other Charges are not paid prior to the imposition of any interest, penalty, charge or expense for the non-payment thereof (except to the extent Lender is obligated to disburse funds from the Tax Reserve Account to pay for such Impositions or Other Charges under this Agreement, Lender has sufficient funds in such Tax Reserve Account to make such payment and Lender fails to make such payment);

(iii) (A) if the insurance policies required by Section 6.1 are not kept in full force and effect (except to the extent Lender is obligated to disburse funds from the Insurance Reserve Account to pay for such insurance policies under this Agreement, Lender has sufficient funds in such Insurance Reserve Account to make such payment and Lender fails to make such payment), or (B) if certificates of insurance and insurance company-issued binders are not delivered to Lender prior to the expiration date of the then current insurance policies and/or if any insurance policy expires and a renewal policy has not been obtained prior to such expiration;

(iv) if, except as permitted pursuant to Article VIII, (A) any Transfer of any direct or indirect legal, beneficial or equitable interest in all or any portion of the Property occurs, (B) any Transfer of any direct or indirect legal, beneficial or equitable interest in Borrower occurs, (C) any Lien on all or any portion of the Property occurs other than a Permitted Encumbrance, (D) any pledge, hypothecation, creation of a security interest in or other encumbrance of any direct or indirect legal, beneficial or equitable interests in Borrower occurs other than a Permitted Encumbrance, or (E) the filing of a declaration of condominium with respect to the Property occurs, except as permitted pursuant to Section 8.8;

(v) if (A) any representation or warranty made by Borrower herein or by Borrower or Guarantor in any other Loan Document or financial statement furnished to Lender shall have been false or misleading in any material respect as of the date the representation or warranty was made, or (B) any representation or warranty made by Borrower or Guarantor in any report, certificate or other instrument, agreement or document furnished to Lender, shall have been false or misleading in any material respect as of the date the representation or warranty was made; provided, however, with respect to any such breach in clause (A) or (B), which is not the subject of any other subsection of this Section 13.1(a)(v), and which is capable of being cured, Borrower fails to remedy such condition within ten (10) days following notice to Borrower from Lender, in the case of any such breach which can be cured by the payment of a sum of money, or within thirty (30) days following notice from Lender in the case of any other such breach; provided, however, that if such non-monetary breach is susceptible of cure but cannot reasonably be cured within such thirty (30) day period and provided further that Borrower shall have commenced to cure such breach within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for such time as is reasonably necessary for Borrower in the exercise of due diligence to cure such breach, such additional period not to exceed sixty (60) days plus time permitted for Excusable Delays;

(vi) if Borrower or Guarantor shall make a general assignment for the benefit of creditors;

(vii) if a receiver, liquidator or trustee shall be appointed for Borrower or Guarantor (or, to the extent it is providing insurance to Borrower, any Captive Insurance Company), or if Borrower or Guarantor (or, to the extent it is providing insurance to Borrower, any Captive Insurance Company) shall be adjudicated a bankrupt or insolvent, or if any petition for bankruptcy, reorganization or arrangement pursuant to federal bankruptcy law, or any similar federal or state law, shall be filed by or against, consented to, or acquiesced in by, Borrower or Guarantor (or, to the extent it is providing insurance to Borrower, any Captive Insurance Company), or if any proceeding for the dissolution or liquidation of Borrower or Guarantor shall be instituted; provided, however, if such appointment, adjudication, petition or proceeding was involuntary and not consented to by Borrower or Guarantor (or, to the extent it is providing insurance to Borrower, any Captive Insurance Company), upon the same not being discharged, stayed or dismissed within one hundred twenty (120) days;

(viii) if Borrower attempts to assign its rights under this Agreement or any of the other Loan Documents or any interest herein or therein in contravention of the Loan Documents;

(ix) with respect to any term, covenant or provision set forth herein or in any of the other Loan Documents (other than the other subsections of this Section 13.1(b)) which specifically contains a notice requirement or grace period and provides that failure to comply on or before the expiration of such period shall be an Event of Default hereunder, if Borrower or Guarantor shall be in

default under such term, covenant or condition after the giving of such notice or the expiration of such grace period;

(x) if Borrower fails to comply with the covenants as to Prescribed Laws set forth in Section 5.1.2 and/or violates the covenants with respect to the Patriot Act set forth in Section 5.2.17;

(xi) if Borrower shall fail to comply with any covenants set forth in Section 5.2.19;

(xii) except as provided in sub-paragraph (xi) above, if Borrower shall fail to comply with any covenants set forth in Article V or Article X with such failure continuing for ten (10) Business Days after Lender delivers written notice thereof to Borrower;

(xiii) if Borrower shall fail to comply with any covenants set forth in Section 5.1 or Section 5.2 of the Mortgage with such failure continuing for ten (10) Business Days after Lender delivers written notice thereof to Borrower;

(xiv) subject to the occurrence of a casualty, (A) the neglect, failure or refusal of Borrower to keep in full force and effect any material permit, license, consent or approval required for the operation of the Improvements that is not fully reinstated within thirty (30) days after Lender gives Borrower notice of the lapse of effectiveness of such material permit, license, consent or approval or (B) the curtailment in availability to the Property of utilities or other public services necessary for the full occupancy and utilization of the Improvements that is not restored to full availability within thirty (30) days after Lender gives Borrower notice of such curtailment of availability; provided, however, that if Borrower shall have commenced to cure any Default described in subsection (A) or (B) above within such thirty (30) day period and thereafter diligently proceeds to cure the same, such thirty (30) day period shall be extended for such time as is reasonably necessary for Borrower in the exercise of due diligence to cure such Default, such additional period not to exceed ninety (90) days;

(xv) if this Agreement, the Guaranty or any other Loan Document or any Lien granted hereunder or thereunder, in whole or in part, shall terminate or shall cease to be effective or shall cease to be a legally valid, binding and enforceable obligation of Borrower or Guarantor, as applicable, subject to any exceptions as to enforceability provided in Section 4.1.19, or any Lien securing the Indebtedness shall, in whole or in part, cease to be a perfected priority Lien, subject to the Permitted Encumbrances (except in any of the foregoing cases in accordance with the terms hereof or under any other Loan Document or by reason of any affirmative act of Lender);

(xvi) the Management Agreement is terminated and a Qualified Manager or replacement manager is not appointed pursuant to the provisions of Section 5.2.14 within sixty (60) days after such termination;

(xvii) except as expressly permitted pursuant to the Loan Documents, if Borrower or any other Person grants any easement, covenant or restriction (other than the Permitted Encumbrances) over the Property;

(xviii) if Borrower shall default beyond the expiration of any applicable cure period under any existing easement, covenant or restriction which affects the Property, the default of which would reasonably be expected to have or does have a Material Adverse Effect;

(xix) if one or more judgments or decrees shall be entered against Borrower involving in the aggregate a liability in excess of \$1,500,000 and shall not have been paid, vacated or bonded and stayed within thirty (30) days after Borrower is served with such judgment;

(xx) if Borrower shall continue to be in Default under any of the other terms, covenants or conditions of this Agreement or of any Loan Document not specified in sub-paragraphs (i) to (xix), above, for thirty (30) days after notice from Lender; provided, however, that if such Default is susceptible of cure but cannot reasonably be cured within such thirty (30) day period and provided, further, that Borrower shall have commenced to cure such Default within such thirty (30) day period and thereafter diligently proceeds to cure the same, such thirty (30) day period shall be extended for such time as is reasonably necessary for Borrower in the exercise of due diligence to cure such Default, such additional period not to exceed ninety (90) days. Notwithstanding the foregoing sentence, the cure period provided hereunder may be extended for one additional ninety (90) day period if and only if (A) such default involves breach of a covenant (as distinct from a representation) and cure of such default would require physical construction or remedial work, and (B) such cure cannot with diligence be completed within the initial ninety (90) day period (but can with diligence be completed within an additional ninety (90) day period). Borrower shall provide Lender with an additional written report and evidence of the progress of Borrower's cure efforts sixty (60) days after the commencement of such additional ninety (90) day cure period; or

(xxi) if Guarantor breaches the Net Worth Requirement (as defined in the Guaranty) included in the Guaranty.

13.1.2 Unless waived in writing by Lender, upon the occurrence and during the continuance of an Event of Default (other than an Event of Default described in Section 13.1(a)(vi) or Section 13.1(a)(vii), above and following the expiration of any applicable cure periods or grace periods), Lender may, without notice or demand (except as required in Section 13.1(a), above), in addition to any other rights or remedies available to it pursuant to this Agreement and the other Loan Documents or at law or in equity, take such action as Lender deems advisable to protect and enforce its rights against Borrower and in the Property, including, without limitation, (a) declaring immediately due and payable the entire Principal Amount together with interest thereon and all other sums due by Borrower under the Loan Documents, (b) collecting interest on the Principal Amount at the Default Rate whether or not Lender elects to accelerate the Note and (c) enforcing or availing itself of any or all rights or remedies set forth in the Loan Documents against Borrower and the Property, including, without limitation, all rights or remedies available at law or in equity; and upon any Event of Default described in Section 13.1(a)(vi) or Section 13.1(a)(vii), above, the Indebtedness and all other obligations of Borrower hereunder and under the other Loan Documents shall immediately and automatically become due and payable, without notice or demand, and Borrower hereby expressly waives any such notice or demand, anything contained herein or in any other Loan Document to the contrary notwithstanding. The foregoing provisions shall not be construed as a waiver by Lender of its right to pursue any other remedies available to it under this Agreement, the Mortgage or any other Loan Document. Any payment hereunder may be enforced and recovered in whole or in part at such time by one or more of the remedies provided to Lender in the Loan Documents.

Section 13.2 Remedies. (a) Unless waived in writing by Lender, upon the occurrence and during the continuance of an Event of Default, and following the expiration of any applicable cure periods or grace periods, all or any one or more of the rights, powers, privileges and other remedies available to Lender against Borrower under this Agreement or any of the other Loan Documents executed and delivered by, or applicable to, Borrower or at law or in equity may be exercised by Lender at any time and from time to time, whether or not all or any of the Indebtedness shall be declared due and payable, and whether or not Lender shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Loan Documents with respect to the Property. Any such actions taken by Lender shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as Lender may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of Lender permitted by law, equity or contract or as set forth herein or in the other Loan Documents. Without limiting the generality of the foregoing, Borrower agrees that if an Event of Default is continuing (i) Lender shall not be subject to any one action or election of remedies law or rule, and (ii) all liens and other rights, remedies or privileges provided to Lender shall remain in full force and effect until Lender has exhausted all of its remedies against the Property and the Mortgage has been foreclosed, sold and/or otherwise realized upon in satisfaction of the Indebtedness or the Indebtedness has been paid in full.

(b) Upon the occurrence and during the continuance of an Event of Default, with respect to the Account Collateral, Lender may, in Lender's sole discretion:

(i) without notice to Borrower, except as required by law, and at any time or from time to time, charge, set-off and otherwise apply all or any part of the Account Collateral against the Obligations, Operating Expenses and/or Capital Expenditures for the Property or any part thereof;

(ii) at any time and from time to time, exercise any and all rights and remedies available to it under this Agreement, and/or as a secured party under the UCC;

(iii) demand, collect, take possession of or receipt for, settle, compromise, adjust, sue for, foreclose or realize upon the Account Collateral (or any portion thereof); and

(iv) take all other actions provided in, or contemplated by, this Agreement.

(c) With respect to Borrower, the Account Collateral and the Property, nothing contained herein or in any other Loan Document shall be construed as requiring Lender to resort to the Property for the satisfaction of any of the Indebtedness, and Lender may seek satisfaction out of the Property or any part thereof, in its absolute discretion in respect of the Indebtedness. In addition, Lender shall have the right from time to time to partially foreclose this Agreement and the Mortgage in any manner and for any amounts secured by this Agreement or the Mortgage then due and payable as determined by Lender in its sole discretion including, without limitation, the following circumstances: (i) in the event Borrower defaults beyond any applicable cure or grace period in the payment of one or more scheduled payments

of principal or interest, Lender may foreclose this Agreement and the Mortgage to recover such delinquent payments; or (ii) in the event Lender elects to accelerate less than the entire Principal Amount, Lender may foreclose this Agreement and the Mortgage to recover so much of the Principal Amount as Lender may accelerate and such other sums secured by this Agreement or the Mortgage as Lender may elect. Notwithstanding one or more partial foreclosures, the Property shall remain subject to this Agreement and the Mortgage to secure payment of sums secured by this Agreement and the Mortgage and not previously recovered.

Section 13.3 Remedies Cumulative; Waivers. The rights, powers and remedies of Lender under this Agreement and the Mortgage shall be cumulative and not exclusive of any other right, power or remedy which Lender may have against Borrower pursuant to this Agreement or the other Loan Documents, or existing at law or in equity or otherwise. Lender's rights, powers and remedies may be pursued singly, concurrently or otherwise, at such time and in such order as Lender may determine in Lender's sole discretion. No delay or omission to exercise any remedy, right or power accruing upon an Event of Default shall impair any such remedy, right or power or shall be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. A waiver of one Default or Event of Default with respect to Borrower shall not be construed to be a waiver of any subsequent Default or Event of Default by Borrower or to impair any remedy, right or power consequent thereon.

Section 13.4 Costs of Collection. In the event that after an Event of Default and during the continuance thereof: (a) the Note or any of the Loan Documents is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding; (b) an attorney is retained to represent Lender in any bankruptcy, reorganization, receivership, or other proceedings affecting creditors' rights and involving a claim under the Note or any of the Loan Documents; or (c) an attorney is retained to protect or enforce the lien or any of the terms of this Agreement, the Mortgage or any of the Loan Documents, then, in any such instance, Borrower shall pay to Lender all reasonable attorneys' fees, costs and expenses actually incurred in connection therewith, including costs of appeal, together with interest on any judgment obtained by Lender at the Default Rate.

ARTICLE XIV
SPECIAL PROVISIONS

Section 14.1 Exculpation.

14.1.1 Exculpated Parties. No personal liability shall be asserted, sought or obtained by Lender or enforceable against (a) Borrower (except as set forth in this Section 14.1), (b) Manager, (c) any Affiliate of Borrower, (d) any Person owning, directly or indirectly, any legal or beneficial interest in Borrower, Manager or any Affiliate of Borrower, or (e) any direct or indirect partner, member, principal, officer, Controlling Person, beneficiary, trustee, advisor, shareholder, employee, agent, Affiliate or director of any Persons described in clauses (a) through (e), above (collectively, the “**Exculpated Parties**”) and none of the Exculpated Parties shall have any personal liability (whether by suit deficiency judgment or otherwise) in respect of the Obligations, this Agreement, the Mortgage, the Note, the Property or any other Loan Document or otherwise in connection with the Loan, or the making, issuance or transfer thereof, all such liability, if any, being expressly waived by Lender. The foregoing limitation shall not in any way limit or affect Lender’s right to any of the following and Lender shall not be deemed to have waived any of the following:

- (i) Any right of Lender to foreclose the lien of this Agreement and the Mortgage in accordance with the terms and provisions set forth herein and in the Mortgage;
- (ii) Any right of Lender to take any other action against any other security at any time given to secure the payment of the Note and the other Obligations;
- (iii) Any right of Lender to exercise any other remedy set forth in this Agreement or in any other Loan Document which is not inconsistent with the terms of this Section 14.1;
- (iv) Any right which Lender may have under Sections 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim against Borrower for the full amount of the Indebtedness secured by this Agreement and Mortgage or to require that all Collateral shall continue to secure all of the Indebtedness owing to Lender in accordance with the Loan Documents; or
- (v) The liability of any given Exculpated Party with respect to any separate written guaranty or agreement given by any such Exculpated Party in connection with the Loan (including, without limitation, the Guaranty).

14.1.2 Carveouts from Non-Recourse Limitations. Notwithstanding the foregoing or anything in this Agreement or any of the Loan Documents to the contrary, there shall at no time be any limitation on Borrower’s liability for the payment of Losses incurred by Lender, and arising from:

(a) the fraudulent acts or willful misconduct of any Borrower Related Party in connection with the Loan;

(b) the misappropriation of Proceeds which any Borrower Related Party has received (it being agreed that no Borrower Related Party shall be deemed to have misapplied Proceeds unless same are received by such Borrower Related Party and not paid to Lender, in a circumstance in which Lender is expressly entitled to receive same pursuant to the terms of this Agreement or any of the Loan Documents to be applied toward payment of the Indebtedness, or used for the repair or replacement of the Property in accordance with the provisions of this Agreement);

(c) the misappropriation of Rents, security deposits and other Property revenue by any Borrower Related Party (provided, however, that no Borrower Related Party shall be liable for the misappropriation of any Rents or other items that are sent to the Collection Account or paid directly to Lender pursuant to any notice of direction delivered to any Tenant);

(d) any intentional misrepresentation of any Borrower Related Party under the Loan Documents;

(e) failure to deliver to Lender any security deposits, advance deposits or any other deposits collected with respect to the Property upon a foreclosure of the Property or action in lieu thereof, except to the extent any such security deposits were applied in accordance with the terms and conditions of any of the Leases;

(f) all or any part of the Property or the Account Collateral being encumbered by a Lien voluntarily granted by Borrower (other than this Agreement, the Mortgage and the other Loan Documents or Permitted Encumbrances) in violation of the Loan Documents;

(g) after the occurrence and during the continuance of an Event of Default, the removal or disposal by any Borrower Related Party of any portion of the Property in a manner prohibited by the Loan Documents;

(h) any physical damage to the Property from intentional waste committed by any Borrower Related Party (but excluding any matter that arises by reason of lack of cash flow with respect to the Property, except to the extent that such lack of cash flow arises from the misappropriation of revenue with respect to the Property);

(i) the failure to procure an Interest Rate Protection Agreement in accordance with Section 5.1.25 hereof; or

(j) the failure to pay for items which result in Liens on the Property (unless due to lack of cash flow from the Property, except to the extent that such lack of cash flow arises from the misappropriation of revenue with respect to the Property).

The term “**Losses**” means any and all actual losses, damages, costs, expenses, liabilities, claims or other obligations reasonably incurred by Lender (including reasonable attorneys’ fees and disbursements).

Notwithstanding anything to the contrary in this Agreement, the Note or any of the Loan Documents, (1) Lender shall not be deemed to have waived any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim for the full amount of the Indebtedness or to require that all Collateral shall continue to secure all of the Indebtedness owing to Lender in accordance with the Loan Documents, and (2) the Indebtedness shall be fully recourse to Borrower in the event that: (A) Borrower shall incur, assume or create any Debt for borrowed money in violation of the Loan Documents; (B) Borrower voluntarily Transfers all or substantially all of the Property, or there is a Transfer of any direct or indirect interests in Borrower, other than in accordance the terms of Article VIII hereof; (C) Borrower shall fail to comply with any of the Single Purpose Entity requirements set forth in Section 5.1.4 of this Agreement if such failure leads to a substantive consolidation of the assets of Borrower with the assets of another Person; (D) Borrower files a voluntary petition under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (E) an Affiliate, officer, trustee, director, or representative which controls, directly or indirectly, Borrower or Guarantor joins in the filing of, an involuntary petition against Borrower under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, or solicits or causes to be solicited petitioning creditors for any involuntary petition against Borrower or from any Person; or (F) there is the filing of an involuntary petition against Borrower under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, in which Borrower colludes with, or otherwise assists such Person, or solicits or causes to be solicited petitioning creditors for any involuntary petition against Borrower from any Person.

ARTICLE XV

MISCELLANEOUS

Section 15.1 Survival. This Agreement and all covenants, indemnifications, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making by Lender of the Loan and the execution and delivery to Lender of the Note, and shall continue in full force and effect so long as all or any of the Indebtedness is outstanding and unpaid unless a longer period is expressly set forth herein or in the other Loan Documents. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party. All covenants, promises and agreements in this Agreement, by or on behalf of Borrower, shall inure to the benefit of the successors and assigns of Lender. If Borrower consists of more than one person, the obligations and liabilities of each such person hereunder and under the other Loan Documents shall be joint and several.

Section 15.2 Lender's Discretion. Whenever pursuant to this Agreement, Lender exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory to Lender, the decision of Lender to approve or disapprove or to decide whether arrangements or terms are satisfactory or not satisfactory shall be (except as is otherwise specifically herein provided) in the sole discretion of Lender and final and conclusive.

Section 15.3 Governing Law. (a) **THIS AGREEMENT WAS NEGOTIATED IN THE STATE OF NEW YORK, THE LOAN WAS MADE BY LENDER AND ACCEPTED BY BORROWER IN THE STATE OF NEW YORK, WHICH STATE THE PARTIES AGREE HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES AND TO THE**

UNDERLYING TRANSACTION EMBODIED HEREBY, AND IN ALL RESPECTS, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE (WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER AND LENDER EACH HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS AGREEMENT AND THE NOTE, AND THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

(b) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST LENDER OR BORROWER ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN THE CITY OF NEW YORK, COUNTY OF NEW YORK, PURSUANT TO SECTION 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW AND BORROWER AND LENDER EACH WAIVES ANY OBJECTIONS WHICH IT MAY NOW OR HEREAFTER HAVE BASED ON VENUE AND/OR FORUM NON CONVENIENS OF ANY SUCH SUIT, ACTION OR PROCEEDING, AND BORROWER AND LENDER EACH HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING. BORROWER DOES HEREBY DESIGNATE AND APPOINT:

The Corporation Trust Company
111 Eighth Avenue
13th Floor
New York, New York 10011

AS ITS AUTHORIZED AGENT TO ACCEPT AND ACKNOWLEDGE ON ITS BEHALF SERVICE OF ANY AND ALL PROCESS WHICH MAY BE SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY FEDERAL OR STATE COURT IN NEW YORK, NEW YORK, AND AGREES THAT SERVICE OF PROCESS UPON SAID AGENT AT SAID ADDRESS AND WRITTEN NOTICE OF SAID SERVICE MAILED OR DELIVERED TO BORROWER IN THE MANNER PROVIDED HEREIN SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON BORROWER IN ANY SUCH SUIT, ACTION OR PROCEEDING IN THE STATE OF NEW YORK. BORROWER (I) SHALL GIVE PROMPT NOTICE TO LENDER OF ANY CHANGED ADDRESS OF ITS AUTHORIZED AGENT HEREUNDER, (II) MAY AT ANY TIME AND FROM TIME TO TIME DESIGNATE A SUBSTITUTE AUTHORIZED AGENT WITH AN OFFICE IN NEW YORK, NEW YORK (WHICH SUBSTITUTE AGENT AND OFFICE SHALL BE DESIGNATED AS THE PERSON AND ADDRESS FOR SERVICE OF PROCESS), AND (III) SHALL PROMPTLY DESIGNATE SUCH A SUBSTITUTE IF ITS AUTHORIZED AGENT CEASES TO HAVE AN OFFICE IN NEW YORK, NEW YORK OR IS DISSOLVED WITHOUT LEAVING A SUCCESSOR.

Section 15.4 Modification, Waiver in Writing. No modification, amendment, extension, discharge, termination or waiver of any provision of this Agreement, or of the Note, or of any other Loan Document, or consent to any departure therefrom, shall in any event be effective unless the same shall be in a writing signed by the party against whom enforcement is sought, and then such waiver or consent shall be effective only in the specific instance, and for the purpose, for which given. Except as otherwise expressly provided herein, no notice to or demand on Borrower shall entitle Borrower to any other or future notice or demand in the same, similar or other circumstances.

Section 15.5 Delay Not a Waiver. Neither any failure nor any delay on the part of Lender in insisting upon strict performance of any term, condition, covenant or agreement, or exercising any right, power, remedy or privilege hereunder, or under the Note or under any other Loan Document, or any other instrument given as security therefor, shall operate as or constitute a waiver thereof, nor shall a single or partial exercise thereof preclude any other future exercise, or the exercise of any other right, power, remedy or privilege. In particular, and not by way of limitation, by accepting payment after the due date of any amount payable under this Agreement, the Note or any other Loan Document, Lender shall not be deemed to have waived any right either to require prompt payment when due of all other amounts due under this Agreement, the Note or the other Loan Documents, or to declare a default for failure to effect prompt payment of any such other amount.

Section 15.6 Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Loan Document shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, or (B) telecopier (with answer back acknowledged), addressed as follows (or at such other address and Person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section 15.6):

If to Lender:

Bank of China, New York Branch
410 Madison Avenue
New York, New York 10017
Attention: Raymond Qiao
Facsimile No. (212) 688-0919

With a copy to:

DLA Piper LLP (US)
1251 Avenue of the Americas
New York, New York 10020
Attention: Scott A. Weinberg, Esq.
Facsimile No.: (917) 778-8680

If to Borrower:

Rego II Borrower LLC

c/o Alexander's, Inc.
210 Route 4 East
Paramus, New Jersey 07652
Attention: Chief Financial Officer
Facsimile No.: (201) 843-2198

With a copy to:

Vornado Realty Trust
888 Seventh Avenue
New York, New York 10106
Attention: Executive Vice President - Capital Markets
Facsimile No.: (212) 894-7073

With a copy to:

Vornado Realty Trust
888 Seventh Avenue
New York, New York 10106
Attention: Corporation Counsel
Facsimile No.: (212) 894-7996

With a copy to:

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attention: Arthur Adler, Esq.
Facsimile No.: (212) 291-9001

All notices, elections, requests and demands under this Agreement shall be effective and deemed received upon the earliest of (i) the actual receipt of the same by personal delivery or otherwise, (ii) one (1) Business Day after being deposited with a nationally recognized overnight courier service as required above if the same is to be delivered in the United States and two (2) Business Days after being deposited with a nationally recognized overnight courier service as required above if the same is to be delivered outside of the United States, provided, such courier is instructed to deliver the notice within one (1) or two (2) Business Days, as applicable, or (iii) on the day sent if sent by facsimile with confirmation on or before 5:00 p.m. (New York time) on any Business Day or on the next Business Day if so transmitted after 5:00 p.m. (New York time) or on any day other than a Business Day. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given as herein required shall be deemed to be receipt of the notice, election, request or demand sent. Notices on behalf of Lender or Borrower may be sent by their respective counsel, as shown above.

Section 15.7 TRIAL BY JURY. BORROWER AND LENDER EACH, AND ALL PERSONS CLAIMING BY, THROUGH OR UNDER IT, HEREBY EXPRESSLY, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (a) ARISING UNDER THIS AGREEMENT, THE MORTGAGE, THE NOTE OR ANY OTHER LOAN DOCUMENT, INCLUDING, WITHOUT LIMITATION, ANY PRESENT OR FUTURE MODIFICATION THEREOF, OR (b) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT, THE MORTGAGE, THE NOTE OR ANY OTHER LOAN DOCUMENT (AS NOW OR HEREAFTER MODIFIED) OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION IS NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND BORROWER AND LENDER EACH HEREBY AGREES AND CONSENTS THAT AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION MAY BE FILED WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT HERETO TO THE WAIVER OF ANY RIGHT TO TRIAL BY JURY. BORROWER AND LENDER EACH ACKNOWLEDGES THAT IT HAS CONSULTED WITH LEGAL COUNSEL REGARDING THE MEANING OF THIS WAIVER AND ACKNOWLEDGES THAT THIS WAIVER IS AN ESSENTIAL INDUCEMENT FOR THE MAKING OF THE LOAN. THIS WAIVER SHALL SURVIVE THE REPAYMENT OF THE LOAN.

Section 15.8 Headings. The Article and/or Section headings and the Table of Contents in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 15.9 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 15.10 Preferences. To the extent Borrower makes a payment or payments to Lender, which payment or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the obligations hereunder or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by Lender.

Section 15.11 Waiver of Notice. Borrower shall not be entitled to any notices of any nature whatsoever from Lender except with respect to matters for which this Agreement or the other Loan Documents specifically and expressly provide for the giving of notice by Lender to Borrower and except with respect to matters for which Borrower is not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. Borrower hereby expressly waives the right to receive any notice from Lender with respect to any matter for which this Agreement or the other Loan Documents do not specifically and expressly provide for the giving of notice by Lender to Borrower.

Section 15.12 Expenses; Indemnity. (a) Except as otherwise set forth herein or in any other Loan Document, Borrower covenants and agrees to pay or, if Borrower fails to pay, to reimburse, Lender upon receipt of written notice from Lender for all reasonable third-party costs and expenses (including reasonable attorneys' fees and disbursements) incurred by Lender in connection with: (i) the preparation, negotiation, execution and delivery of this Agreement and the other Loan Documents and the consummation of the transactions contemplated hereby and thereby and all the costs of furnishing all Opinions of Counsel required to be delivered on the date hereof or required to be delivered at Borrower's expense pursuant to this Agreement (if any); (ii) Lender's ongoing performance of and compliance with all agreements and conditions contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date; (iii) the negotiation, preparation, execution, delivery and administration of any amendments, waivers or other modifications to this Agreement and the other Loan Documents requested by Lender and any other documents or matters as reasonably required herein or under the other Loan Documents relating to such amendments, waivers, and/or other modifications; (iv) securing Borrower's compliance with any requests made pursuant to the provisions of this Agreement; (v) the filing and recording fees and expenses, mortgage recording taxes, title insurance and reasonable fees and expenses of counsel for providing to Lender all required legal opinions and other similar expenses incurred in creating and perfecting the Lien in favor of Lender pursuant to this Agreement and the other Loan Documents; (vi) enforcing or preserving any rights, in response to third-party claims or the prosecuting or defending of any action or proceeding or other litigation, in each case against, under or affecting Borrower, this Agreement, the other Loan Documents, the Property, or any other security given for the Loan and any and all actions that may be taken by Lender connection with the enforcement of the provisions of the Loan Documents by reason of Borrower's default thereunder, whether or not suit is filed in connection with the same, or in connection with Borrower, or Guarantor becoming party to a voluntary or involuntary federal or state bankruptcy, insolvency or similar proceeding; (vii) enforcing any obligations of or collecting any payments due from Borrower under this Agreement, the other Loan Documents or with respect to the Property or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a work-out or of any insolvency or bankruptcy proceedings; and (viii) procuring insurance policies pursuant to Section 6.1; provided, however, that Borrower shall not be liable for the payment of any such costs and expenses to the extent the same arise (A) by reason of the gross negligence, illegal acts, fraud or willful misconduct of Lender, (B) in any other instance herein or in any other Loan Document that provides that the matter in question is to be "at Lender's expense" or "at no cost to Borrower" or words of similar import, (C) in connection with a Securitization, or any other transfer of all or a portion of the Loan, or any beneficial interest therein, by Lender in accordance with the provisions of Article XI or otherwise, or (D) in

connection with the execution of any note to replace lost, destroyed or mutilated notes. From, after and during the continuance of an Event of Default, any cost and expenses due and payable to Lender in accordance with the Loan Documents may be paid from any amounts in the Collection Account and/or the Deposit Account.

(b) Subject to the nonrecourse provisions of Section 14.1, except to the extent caused by the actual willful misconduct or gross negligence of the Indemnified Parties, Borrower shall protect, indemnify and save harmless Lender and all officers, trustees, directors, stockholders, members, partners, employees, agents, successors and assigns thereof (collectively, the “**Indemnified Parties**”) from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including all reasonable out-of-pocket attorneys’ fees and expenses actually incurred) imposed upon or incurred by or asserted against the Indemnified Parties or the Property or any part of its interest therein, including, without limitation, any loss or expense on account of amounts borrowed, contracted for or utilized to pay any amount payable under any Loan Document or the Loan (or any part thereof), by reason of the occurrence or existence of any of the following (to the extent Proceeds payable on account of the following shall be inadequate; it being understood that in no event will the Indemnified Parties be required to actually pay or incur any costs or expenses as a condition to the effectiveness of the foregoing indemnity) prior to (i) the acceptance by Lender or its designees of a deed in lieu of foreclosure with respect to the Property, (ii) an Indemnified Party or its designee taking possession or control of the Property, or (iii) the foreclosure of the Mortgage: (A) ownership of Borrower’s interest in the Property, or any interest therein, or receipt of any Rents or other sum therefrom, including, without limitation, any due diligence costs (including, without limitation, costs and expenses incurred in investigating any Default or Event of Default that Lender believes is a Default or Event of Default); (B) any accident, injury to or death of any persons or loss of or damage to property occurring on or about the Property or any appurtenances thereto; (C) any design, construction, operation, repair, maintenance, use, non-use or condition of the Property or appurtenances thereto, including claims or penalties arising from violation of any Legal Requirement or Insurance Requirement, as well as any claim based on any patent or latent defect, whether or not discoverable by Lender, any claim the insurance as to which is inadequate; (D) any Default under this Agreement or any of the other Loan Documents or any failure on the part of Borrower to perform or comply with any of the terms of any Lease within the applicable notice or grace periods, any representation or warranty made in any Loan Document being false or misleading in any material respect as of the date such representation or warranty was made and/or any act or reliance on any notice that Lender believes to be true, correct and properly authorized, and any and all actions that may be taken by Lender or any other Indemnified Party in connection with the enforcement of the provisions of the Loan Documents, whether or not suit is filed in connection with the same, or in connection with Borrower, Guarantor, any other guarantor or indemnitor, and/or any partner, joint venturer, member or shareholder thereof becoming party to a voluntary or involuntary federal or state bankruptcy, insolvency or similar proceeding; (E) any performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof; (F) any negligence or tortious act or omission on the part of Borrower or any of its agents, contractors, servants, employees, sublessees, licensees or invitees; (G) any contest referred to in Section 7.3 hereof; or (H) (x) any obligation or undertaking relating to the performance or discharge of any of the terms, covenants and conditions of the landlord contained in the Leases, (y) any claim by brokers, finders or similar persons claiming to be entitled to a commission in connection with any Lease or other transaction involving the Property or any part thereof under

any Legal Requirement or any liability asserted against Lender with respect thereto, and (z) the claims of any Tenant of all or any portion of the Property or any person acting through or under any Tenant or otherwise arising under or as a consequence of any Lease. Any amounts the Indemnified Parties are legally entitled to receive under this Section 15.12 which are not paid within fifteen (15) Business Days after written demand therefor by the Indemnified Parties or Lender, setting forth in reasonable detail the amount of such demand and the basis therefor, shall bear interest from the date of demand at the Default Rate, and shall, together with such interest, be part of the Indebtedness and secured by the Mortgage. In case any action, suit or proceeding is brought against the Indemnified Parties by reason of any such occurrence, Borrower shall at Borrower's expense resist and defend such action, suit or proceeding or will cause the same to be resisted and defended by counsel at Borrower's reasonable expense for the insurer of the liability or by counsel designated by Borrower (unless reasonably disapproved by Lender promptly after Lender has been notified of such counsel, in which case Borrower may designate alternative counsel reasonably satisfactory to Lender); provided, however, that nothing herein shall compromise the right of Lender (or any Indemnified Party) to appoint its own counsel at Borrower's expense for its defense with respect to any action which in its reasonable opinion presents a conflict or potential conflict between Lender and Borrower that would make such separate representation advisable; and, provided, further, that if Lender shall have appointed separate counsel pursuant to the foregoing, Borrower shall not be responsible for the expense of additional separate counsel of any Indemnified Party unless in the reasonable opinion of Lender a conflict or potential conflict exists between such Indemnified Party and Lender. So long as Borrower is resisting and defending such action, suit or proceeding as provided above in a prudent and commercially reasonable manner, Lender and the Indemnified Parties shall not be entitled to settle such action, suit or proceeding without Borrower's consent which shall not be unreasonably withheld or delayed, and Lender agrees that it will not settle any such action, suit or proceeding without the consent of Borrower; provided, however, that if Borrower is not diligently defending such action, suit or proceeding in a prudent and commercially reasonable manner as provided above, and Lender has provided Borrower with thirty (30) days' prior written notice, or shorter period if mandated by the requirements of applicable law, and opportunity to correct such determination, Lender may settle such action, suit or proceeding as to the claim against Lender and claim the benefit of this Section 15.12 with respect to settlement of such action, suit or proceeding. Any Indemnified Party will give Borrower prompt notice after such Indemnified Party obtains actual knowledge of any potential claim by such Indemnified Party for indemnification hereunder. Borrower shall have the right to settle or compromise any action, proceeding or claim against any Indemnified Party so long as the same does not include any admission of wrongdoing on the part of such Indemnified Party.

Section 15.13 Exhibits and Schedules Incorporated. The Exhibits and Schedules annexed hereto are hereby incorporated herein as a part of this Agreement with the same effect as if set forth in the body hereof.

Section 15.14 Offsets, Counterclaims and Defenses. Borrower hereby agrees that during the term of the Loan, it shall under no circumstances claim, and hereby waives, any right of offset, counterclaim or defense against Lender with respect to the Obligations and the Indebtedness arising from, due to, related to or caused by any obligations, liability or other matter or circumstance which is unrelated to the Loan. In addition, any assignee of Lender's interest in and to this Agreement, the Note and the other Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses which are unrelated to such documents

which Borrower may otherwise have against any assignor of such documents, and no such unrelated counterclaim or defense shall be interposed or asserted by Borrower in any action or proceeding brought by any such assignee upon such documents and any such right to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by Borrower.

Section 15.15 Liability of Assignees of Lender. No assignee of Lender shall have any personal liability, directly or indirectly, under or in connection with this Agreement or any other Loan Document or any amendment or amendments hereto made at any time or times, heretofore or hereafter, any different than the liability of Lender hereunder. In addition, no assignee shall have at any time or times hereafter any personal liability, directly or indirectly, under or in connection with or secured by any agreement, lease, instrument, encumbrance, claim or right affecting or relating to the Property or to which the Property is now or hereafter subject any different than the liability of Lender hereunder. The limitation of liability provided in this Section 15.15 is (a) in addition to, and not in limitation of, any limitation of liability applicable to the assignee provided by law or by any other contract, agreement or instrument, and (b) shall not apply to any assignee's gross negligence or willful misconduct.

Section 15.16 No Joint Venture or Partnership; No Third Party Beneficiaries. (a) Borrower and Lender intend that the relationships created hereunder and under the other Loan Documents be solely that of borrower and lender. Nothing herein or therein is intended to create a joint venture, partnership, tenancy-in-common, or joint tenancy relationship between Borrower and Lender nor to grant Lender any interest in the Property other than that of mortgagee, beneficiary or lender.

(b) This Agreement and the other Loan Documents are solely for the benefit of Lender and Borrower and nothing contained in this Agreement or the other Loan Documents shall be deemed to confer upon anyone other than Lender and Borrower any right to insist upon or to enforce the performance or observance of any of the obligations contained herein or therein. All conditions to the obligations of Lender to make the Loan hereunder are imposed solely and exclusively for the benefit of Lender and no other Person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Lender will refuse to make the Loan in the absence of strict compliance with any or all thereof and no other Person shall under any circumstances be deemed to be a beneficiary of such conditions, any or all of which may be freely waived in whole or in part by Lender if, in Lender's sole discretion, Lender deems it advisable or desirable to do so.

Section 15.17 Publicity. All news releases, publicity or advertising by any party hereto or their Affiliates through any media intended to reach the general public (but excluding, for clarity, any filings or releases necessary or appropriate under applicable laws, including securities laws, or the applicable rules of any stock exchange) which refers to the Loan Documents or the financing evidenced by the Loan Documents, to Lender or to any of its Affiliates shall be subject to the prior consultation between Lender and Borrower.

Section 15.18 Waiver of Marshalling of Assets. To the fullest extent permitted by law, Borrower, for itself and its successors and assigns, waives all rights to a marshalling of the assets of Borrower, Borrower's members and others with interests in Borrower and of the Property, and agrees not to assert any right under any laws pertaining to the marshalling of assets, the sale in inverse order of alienation, homestead exemption, the administration of estates of decedents, or any other matters whatsoever to defeat, reduce or affect the right of Lender under the Loan Documents to a sale of the Property for the collection of the Indebtedness without any prior or different resort for collection or of the right of Lender to the payment of the Indebtedness out of the net proceeds of the Property in preference to every other claimant whatsoever.

Section 15.19 Waiver of Counterclaim and Other Actions. Borrower hereby expressly and unconditionally waives, in connection with any suit, action or proceeding brought by Lender on this Agreement, the Note, the Mortgage or any Loan Document, any and every right it may have to (a) interpose any counterclaim therein (other than a counterclaim which can only be asserted in the suit, action or proceeding brought by Lender on this Agreement, the Note, the Mortgage or any Loan Document and cannot be maintained in a separate action) and (b) have any such suit, action or proceeding consolidated with any other or separate suit, action or proceeding.

Section 15.20 Conflict; Construction of Documents; Reliance. In the event of any conflict between the provisions of this Agreement and any of the other Loan Documents, the provisions of this Agreement shall control. The parties hereto acknowledge that they were represented by competent counsel in connection with the negotiation, drafting and execution of the Loan Documents and that such Loan Documents shall not be subject to the principle of construing their meaning against the party which drafted same. Borrower acknowledges that, with respect to the Loan, Borrower shall rely solely on its own judgment and advisors in entering into the Loan without relying in any manner on any statements, representations or recommendations of Lender or any parent, subsidiary or Affiliate of Lender. Lender shall not be subject to any limitation whatsoever in the exercise of any rights or remedies available to it under any of the Loan Documents or any other agreements or instruments which govern the Loan by virtue of the ownership by it or any parent, subsidiary or Affiliate of Lender of any equity interest any of them may acquire in Borrower, and Borrower hereby irrevocably waives the right to raise any defense or take any action on the basis of the foregoing with respect to Lender's exercise of any such rights or remedies. Borrower acknowledges that Lender engages in the business of real estate financings and other real estate transactions and investments which may be viewed as adverse to or competitive with the business of Borrower or its Affiliates.

Section 15.21 Prior Agreements. This Agreement and the other Loan Documents contain the entire agreement of the parties hereto and thereto in respect of the transactions contemplated hereby and thereby, and all prior agreements among or between such parties, whether oral or written, are superseded by the terms of this Agreement and the other Loan Documents and unless specifically set forth in a writing contemporaneous herewith the terms, conditions and provisions of any and all such prior agreements do not survive execution of this Agreement.

Section 15.22 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which shall constitute one document. Manually executed counterparts of this Agreement shall be delivered to all parties hereto; provided, that delivery of a signature of this Agreement by facsimile transmission or by .pdf, .jpeg, .TIFF or other form of electronic mail attachment shall be effective as delivery of a manually executed counterpart hereof prior to and in the absence of manual delivery.

Section 15.23 Bottom-Up Guaranties. At the option of Borrower from time to time exercised during the term of the Loan, Lender shall accept so-called “bottom-up” guaranties from one or more holders of indirect interests in Borrower or Guarantor, of all or any portion of the Loan as determined by Borrower. The form of guaranty shall be prepared by Borrower and reasonably acceptable to Lender. Borrower shall pay all actual out of pocket costs and expenses reasonably incurred by Lender in connection with the execution, delivery and acceptance of any such guaranty. Lender expressly acknowledges and agrees that any default by a guarantor under a “bottom-up” guaranty shall not be a Default or Event of Default hereunder.

Section 15.24 WAIVER OF SPECIAL DAMAGES. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF BORROWER AND LENDER SHALL NOT ASSERT, AND HEREBY WAIVES, ANY CLAIM AGAINST ANY OTHER PARTY ON ANY THEORY OF LIABILITY FOR SPECIAL INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF THIS AGREEMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY, THE TRANSACTIONS, THE LOAN OR THE USE OF PROCEEDS THEREOF.

Section 15.25 USA PATRIOT Act Notification. Lender hereby notifies Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow Lender to identify Borrower in accordance with the Patriot Act.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Loan and Security Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

BORROWER:

REGO II BORROWER LLC

By: /s/ Alan J. Rice
Name: Alan J. Rice
Title: Secretary

LENDER:

BANK OF CHINA, NEW YORK BRANCH

By: /s/ Ted Louie
Name: Ted Louie
Title: Assistant Vice President

By: /s/ Shiqiang Wu
Name: Shiqiang Wu
Title: General Manager, U.S.A.

SCHEDULE 1

REA'S

- 1)** Terms, Covenants, Restrictions, Provisions and Easements contained in Declaration made by Alexander's, Inc. David Muss and S. Joseph Tankoos, Jr. dated as of May 12, 1976 and recorded August 10, 1976 in Reel 926 Page 1291, as amended by Declaration made by Alexander's, Inc. dated as of December 29, 1986 and recorded April 13, 1987 in Reel 2341 Page 1794, as modified by Modification to Declaration made by Alexander's of Rego Park II, Inc. dated as of July 25, 2005 and recorded November 7, 2005 in CRFN2005000622959, as further modified by Second Modification to Declaration made by Alexander's of Rego Park II, Inc. dated as of August 13, 2007 and recorded August 23, 2007 in CRFN2007000438068.
- 2)** Parking Easement Agreement made between Alexander's of Rego Park II, Inc. and Alexander's, Inc., dated March 29, 1995 and recorded March 30, 1995 in Reel 4097 Page 818.
- 3)** Terms, Covenants, Restrictions and Provisions contained in Declaration made by Alexander's of Rego Park II, Inc. dated as of February 24, 2005 and recorded 03/03/2005 in CRFN2005000126643.

SCHEDULE 2.4

AMORTIZATION SCHEDULE

Principal Amortization Schedule

Loan Amount	\$275,000,000	
Amortization Term	30	Years
Amortization Interest Rate	7.5%	Annually

PAYMENT	PRINCIPAL PAYMENT	ENDING PRINCIPAL BALANCE
1	\$ 204,089.90	\$ 274,795,910.10
2	205,365.46	274,590,544.64
3	206,648.99	274,383,895.65
4	207,940.55	274,175,955.10
5	209,240.18	273,966,714.92
6	210,547.93	273,756,166.99
7	211,863.85	273,544,303.13
8	213,188.00	273,331,115.13
9	214,520.43	273,116,594.70
10	215,861.18	272,900,733.52
11	217,210.31	272,683,523.20
12	218,567.88	272,464,955.32
13	219,933.93	272,245,021.40
14	221,308.51	272,023,712.88
15	222,691.69	271,801,021.19
16	224,083.52	271,576,937.67
17	225,484.04	271,351,453.63
18	226,893.31	271,124,560.32
19	228,311.40	270,896,248.92
20	229,738.34	270,666,510.58
21	231,174.21	270,435,336.37
22	232,619.05	270,202,717.33
23	234,072.92	269,968,644.41
24	235,535.87	269,733,108.54
25	237,007.97	269,496,100.57
26	238,489.27	269,257,611.30
27	239,979.83	269,017,631.47
28	241,479.70	268,776,151.77
29	242,988.95	268,533,162.82
30	244,507.63	268,288,655.19
31	246,035.80	268,042,619.39
32	247,573.53	267,795,045.86
33	249,120.86	267,545,925.00
34	250,677.87	267,295,247.13
35	252,244.60	267,043,002.53
36	253,821.13	266,789,181.40
37	255,407.51	266,533,773.88
38	257,003.81	266,276,770.07
39	258,610.09	266,018,159.98
40	260,226.40	265,757,933.58
41	261,852.81	265,496,080.77
42	263,489.39	265,232,591.38
43	265,136.20	264,967,455.17
44	266,793.30	264,700,661.87
45	268,460.76	264,432,201.11
46	270,138.64	264,162,062.47
47	271,827.01	263,890,235.46
48	273,525.93	263,616,709.53
49	275,235.46	263,341,474.07
50	276,955.69	263,064,518.38
51	278,686.66	262,785,831.72
52	280,428.45	262,505,403.27
53	282,181.13	262,223,222.15
54	283,944.76	261,939,277.39
55	285,719.41	261,653,557.97
56	287,505.16	261,366,052.81
57	289,302.07	261,076,750.74
58	291,110.21	260,785,640.54
59	292,929.65	260,492,710.89
60	294,760.46	260,197,950.43
61	296,602.71	259,901,347.73
62	298,456.48	259,602,891.25
63	300,321.83	259,302,569.42
64	302,198.84	259,000,370.58
65	304,087.58	258,696,283.00
66	305,988.13	258,390,294.87
67	307,900.56	258,082,394.32
68	309,824.93	257,772,569.38
69	311,761.34	257,460,808.04
70	313,709.85	257,147,098.19
71	315,670.53	256,831,427.66
72	317,643.48	256,513,784.18
73	319,628.75	256,194,155.44
74	321,626.43	255,872,529.01
75	323,636.59	255,548,892.42
76	325,659.32	255,223,233.10
77	327,694.69	254,895,538.40
78	329,742.78	254,565,795.62
79	331,803.68	254,233,991.94
80	333,877.45	253,900,114.50
81	335,964.18	253,564,150.31
82	338,063.96	253,226,086.35
83	340,176.86	252,885,909.49
84	342,302.96	252,543,606.53

SCHEDULE 4.1.1

BORROWER ORGANIZATIONAL STRUCTURE CHART

(ATTACHED HERETO)

SCHEDULE 4.1.1

SCHEDULE 4.1.4

**PENDING ARBITRATION, PROCEEDINGS, GOVERNMENTAL
INVESTIGATIONS, ACTIONS, SUITS OR PROCEEDINGS**

None.

SCHEDULE 4.1.4

SCHEDULE 4.1.23

MISSING LICENSES AND/OR PERMITS

None.

SCHEDULE 4.1.23

SCHEDULE 4.1.27
RENT ROLL
(ATTACHED HERETO)

SCHEDULE 4.1.27

SCHEDULE 5.1.26

VIOLATIONS

SCHEDULE 5.1.26

SCHEDULE 8.7.5
SECURITY DEPOSITS
(ATTACHED HERETO)

SCHEDULE 8.7.5

EXHIBIT A

FORM OF ASSIGNMENT OF INTEREST RATE PROTECTION AGREEMENT

EXHIBIT A

EXHIBIT B

TENANT NOTIFICATION LETTER

c/o Vornado Realty Trust
888 Seventh Avenue
New York, New York 10106

_____, 2011

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

1. [Tenants under Leases]

[_____]
[_____]

Re: Rego Park II, Queens, New York

Dear Tenant:

With reference to your lease of space in the above-referenced premises (as same may have been, or from time to time may be amended, restated, modified, extended or assigned, the "Lease"), please be advised that Rego II Borrower LLC ("Borrower") has obtained a secured loan on the above-referenced premises from Bank of China, New York Branch (together with its successors and assigns, "Lender"). The Federal Tax Identification Number for Rego II Borrower LLC is _____ (a copy of the W-9 Form is attached hereto). In connection with such loan, from and after the date hereof and until notified otherwise by written instruction from Lender, all payments pursuant to the Lease should be made payable to:

"_____ f/b/o Bank of China, New York Branch, as secured party, Collection Account" and, if payment is by check, should be sent to:

_____ f/b/o Bank of China, New York Branch, as secured party, Collection Account

[Bank of New York Mellon
P.O. Box 11534
New York, New York 10286-1534]

EXHIBIT B

and, if payment is made by wire or ACH transfer, it should be sent to:

[Bank: Bank of New York Mellon

Account Name: _____ f/b/o Bank of China, New York Branch, as secured party, Collection Account

Account No.: 6302752328

Wire / ACH ABA No.: 021000018

Reference Tenant Name and Tenant ID#]

In addition, all notices given pursuant to your lease should be directed as follows:

Rego II Borrower LLC
c/o Vornado Realty Trust
888 Seventh Avenue
New York, NY 10106
Attn: Benjamin Schall, Senior Vice President

With a copy to:

Rego II Borrower LLC
c/o Vornado Realty Trust
210 Route 4 East
Paramus, NJ 07652
Attn: Joseph Macnow,
CFO and Executive Vice President

If you have any questions regarding this letter, please contact Borrower at c/o Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, Attn: Betty Sobers, telephone number (201) 587-1000 ext. 2139.

Please be aware that Lender is the holder of a mortgage dated as of November __, 2011, from Borrower to Lender ("**Mortgage**") pursuant to a certain Loan and Security Agreement, dated as of November __, 2011 (the "**Loan Agreement**").

Subject to certain circumstances and under certain conditions more particularly detailed in certain portions of the Loan Agreement, pursuant to Section 291-f of the Real Property Law of the State of New York, Borrower agreed with Lender not to, without the consent of Borrower, (i) amend, modify or waive the provisions of any Lease or terminate, reduce rents under or shorten the term of any Lease, except pursuant to and in accordance with the provisions of the Note, the Loan Agreement, this Mortgage and the other Loan Documents, or (ii) collect any Rents (exclusive of security deposits, Impositions and other pass-throughs of Operating Expenses) more than thirty (30) days in advance of the time when the same shall become due. A copy of the text of those parts of the Mortgage and the Loan Agreement containing such agreement of the Borrower is annexed hereto as Exhibit A. By the service of this notice upon you, Borrower's agreement as landlord under the Lease has become binding upon you pursuant to the aforesaid Section 291-f.

BORROWER:

REGO II BORROWER LLC

By:	<u>/s/ Alan J. Rice</u>
Name:	Alan J. Rice
Title:	Secretary

cc: Lender

EXHIBIT B - PAGE 3

EXHIBIT A

**SECTION 16.2(D) OF THE MORTGAGE AND
SECTIONS 8.7.1, 8.7.2 AND 8.7.4 OF THE LOAN AGREEMENT**

Section 16.2(d) Section 291-f Agreement. This Mortgage is intended to be, and shall operate as, the agreement described in Section 291-f of the Real Property Law of the State of New York and shall be entitled to the benefits afforded thereby. Mortgagor hereby covenants and agrees that Mortgagor shall not, without the consent of Mortgagee, (i) amend, modify or waive the provisions of any Lease or terminate, reduce rents under or shorten the term of any Lease, except pursuant to and in accordance with the provisions of the Note, the Loan Agreement, this Mortgage and the other Loan Documents, or (ii) collect any Rents (exclusive of security deposits, Impositions and other pass-throughs of Operating Expenses) more than thirty (30) days in advance of the time when the same shall become due. Mortgagor shall (unless such notice is contained in the Lease) deliver notice of this Mortgage in form and substance reasonably acceptable to Mortgagee, to all present and future holders of any interest in any Lease, by assignment or otherwise, and shall take such other action as may now or hereafter be reasonably required to afford Mortgagee the full protections and benefits of Section 291-f.

Section 8.7.1 New Leases and Lease Modifications. Except as otherwise provided in Section 8.7.2 or Section 8.7.4, Borrower shall not (a) enter into any Lease or renew or extend an existing Lease (unless required to do so by the terms of such Lease) (a “**New Lease**”), (b) consent to the assignment of any Lease (unless required to do so by the terms of such Lease) that releases the original Tenant from its obligations under the Lease, (c) modify any Lease (including, without limitation, accept a surrender of any portion of the Property subject to a Lease (unless otherwise required by law or such Lease)), allow a reduction in the term of any Lease or a reduction in the Rent payable under any Lease, change any renewal provisions of any Lease in a manner materially adverse to Borrower or Lender, materially increase the obligations of the landlord or materially decrease the obligations of any Tenant), or (d) terminate any Lease (any such action referred to in clauses (b), (c) or (d) being referred to herein as a “**Lease Modification**”), in each instance without the prior written consent of Lender (unless such Lease Modification is made pursuant to an express right of Tenant pursuant to the terms of the related Lease), which consent shall not be unreasonably withheld, conditioned or delayed. In addition, Borrower may request Lender’s approval of any material change to the Standard Form of Lease, which approval shall not be unreasonably withheld. Each request for approval and consent of a New Lease or Lease Modification or modification to the Standard Form of Lease shall contain a legend in capitalized bold letters on the top of the cover page stating: “THIS IS A REQUEST FOR CONSENT TO A [NEW LEASE] [LEASE MODIFICATION] [MODIFICATION OF STANDARD FORM OF LEASE]. LENDER’S RESPONSE IS REQUESTED WITHIN TEN (10) BUSINESS DAYS. LENDER’S FAILURE TO RESPOND WITHIN SUCH TIME PERIOD SHALL RESULT IN LENDER’S CONSENT BEING DEEMED TO HAVE BEEN GRANTED” and Borrower shall include the following documentation with such request: (a) the New Lease or Lease Modification, as applicable, and (b) all other materials reasonably necessary in order for Lender to evaluate such New Lease or Lease Modification. In the event that Lender fails to grant or withhold its approval and consent to such New Lease, Lease Modification, or

EXHIBIT A

modification to the Standard Form of Lease within such ten (10) Business Day period (and, in the case of a withholding of consent, stating the grounds therefor in reasonable detail), then Lender's approval and consent shall be deemed to have been granted. In addition, Borrower may, at Borrower's option, prior to delivering to Lender a draft of any such New Lease or Lease Modification for Lender's approval, first deliver to Lender for Lender's approval a term sheet setting forth the major economic and other business terms (the "**Material Business Terms**") of such proposed New Lease or Lease Modification, together with all other materials reasonably requested by Lender in order to evaluate such Material Business Terms. Each such request for approval and consent shall contain a legend in capitalized bold letters on the top of the cover page stating: "THIS IS A REQUEST FOR CONSENT TO THE MATERIAL BUSINESS TERMS FOR A [NEW LEASE] [LEASE MODIFICATION]. LENDER'S RESPONSE IS REQUESTED WITHIN TEN (10) BUSINESS DAYS. LENDER'S FAILURE TO RESPOND WITHIN SUCH TIME PERIOD SHALL RESULT IN LENDER'S CONSENT BEING DEEMED TO HAVE BEEN GRANTED." In the event that Lender fails to grant or withhold its approval and consent to such Material Business Terms within such ten (10) Business Day period (and, in the case of a withholding of consent, stating the grounds therefor in reasonable detail), then Lender's approval and consent shall be deemed to have been granted. Subject to the approval time periods set forth above with respect to New Leases and Lease Modifications, so long as any New Lease or Lease Modification submitted to Lender for approval and consent (a) does not contain Material Business Terms which differ in any material adverse respect from the Material Business Terms approved by Lender and (b) otherwise does not contain any lease terms which deviate materially from the terms of the Standard Form of Lease, Lender's consent to such New Lease or Lease Modification shall not be required.

Section 8.7.2 Leasing Conditions. Subject to the terms of this Section 8.7, provided no Event of Default shall have occurred and be continuing, Borrower may enter into a New Lease or Lease Modification, without Lender's prior written consent, that satisfies each of the following conditions (as evidenced by Borrower's Certificate delivered to Lender within one (1) week after Borrower's entry into such New Lease or Lease Modification):

(a) such New Lease or Lease Modification other than a termination or surrender (to the extent it relates to a provision in the Standard Form Lease), as applicable, is written on either (i) the Standard Form of Lease attached hereto as Exhibit C (the "**Standard Form of Lease**"), or substantially conforms in all material respects to the terms thereof, with only such changes as are commercially reasonable given the then current market conditions, none of which changes shall vary (in a manner materially adverse to Lender) the subordination, attornment and non-disturbance provisions contained in the Standard Form of Lease, (ii) the standard form of lease of a national retailer, or (iii) the standard form of branch lease for a national or regional bank, which form of lease shall, with respect to the forms of lease set forth in clauses (ii) and (iii) of this Section 8.7.2(a), substantially conform in all material respects to the terms of such form, with only such changes as are commercially reasonable given the then current market conditions, none of which changes shall vary (in a manner materially adverse to Lender) the subordination, attornment and non-disturbance provisions contained in the Standard Form of Lease;

(b) with respect to a New Lease or Lease Modification, the premises demised thereunder are less than 75,000 net rentable square feet of the Property; provided, however, that

for purposes of determining the net rentable square footage of the premises demised, (i) a "New Lease" with a Tenant shall include and aggregate the square footage demised pursuant to such New Lease and (A) any existing Lease with such Tenant or any Affiliate of such Tenant and (B) any Lease Modification with such Tenant or any Affiliate of such Tenant, and (ii) a "Lease Modification" with a Tenant shall include and aggregate the square footage demised pursuant to (A) the Lease being modified and any other existing Lease with such Tenant or an Affiliate of such Tenant and (B) such Lease Modification and any other Lease Modification with such Tenant or any Lease Modification with an Affiliate of such Tenant;

(c) such New Lease or, if the Lease Modification impacts the Rents payable under the modified Lease, such Lease Modification is on then prevailing market-rate rent, terms and conditions for similar leases in similar buildings in the vicinity of the Property;

(d) "fixed" or "base" rent under such New Lease or Lease Modification (to the extent rent is addressed in such Lease Modification), as applicable, is at a substantially consistent or rising level throughout the term of the lease, other than for (i) market rate "free rent" periods or (ii) tenant improvement and tenant inducements that exceed current market conditions but are amortized over a shorter time period than the entire initial term of such New Lease or Lease Modification, as applicable;

(e) such New Lease or Lease Modification to the extent "use" is addressed in such Lease Modification, as applicable, provides that the premises demised thereby cannot be used for any of the following uses: any pornographic or obscene purposes, any commercial sex establishment, any pornographic, obscene, nude or semi-nude performances, modeling or sexual conduct or any other use that has or could reasonably be expected to violate applicable Legal Requirements;

(f) such New Lease or Lease Modification, as applicable, other than Lease Modifications relating to Leases in existence on the date hereof, is on an arm's length basis with a Tenant who is not an Affiliate of Borrower;

(g) the New Lease or Lease Modification, as applicable, shall not entitle any Tenant to receive and retain Proceeds except those that may be specifically awarded to it in condemnation proceedings because of the Taking of its trade fixtures and its leasehold improvements which have not become part of the Property and such business loss as Tenant may specifically and separately establish;

(h) the New Lease or Lease Modification, as applicable, shall not contain an option in favor of Tenant to acquire all or any portion of the Property; and

(i) the New Lease or Lease Modification, as applicable, satisfies the requirements of Sections 8.7.7 and 8.7.8.

Section 8.7.4 Lease Amendments and Terminations.

(a) Borrower agrees that it shall not have the right or power, as against Lender without its consent, to cancel, abridge, amend or otherwise modify any Lease unless such modification complies with this Section 8.7. Notwithstanding anything herein to the contrary, no consent of Lender shall be required for any amendment reflecting the Tenant's unilateral exercise of a renewal or expansion or termination option set

forth in its Lease as of the date hereof or a Lease or Lease Modification subsequently approved or otherwise entered into in accordance with the terms hereof and any such amendment shall not be deemed a Lease Modification for any purpose hereof.

(b) Notwithstanding anything contained herein to the contrary, Borrower shall have the right to terminate any Lease and no consent of Lender shall be required in respect of such termination, provided, that (i) Borrower is simultaneously replacing such terminated Lease with a Lease (for all or substantially all of the space which was covered by the Lease being terminated) that either (x) has been approved or deemed approved by Lender if required in accordance with this Section 8.7 or (y) otherwise meets the requirements of this Section 8.7, or (ii) the applicable Tenant is in default thereunder beyond any applicable notice and grace periods.

EXHIBIT C

STANDARD FORM OF LEASE

(ATTACHED HERETO)

EXHIBIT C

EXHIBIT D

FORM OF NON DISTURBANCE AGREEMENT

(ATTACHED HERETO)

EXHIBIT D

CONSOLIDATED, AMENDED AND RESTATED PROMISSORY NOTE

\$275,000,000.00

New York, New York
November 30, 2011

FOR VALUE RECEIVED, REGO II BORROWER LLC, a Delaware limited liability company (“**Maker**”), having an office c/o Alexander’s, Inc., 210 Route 4 East, Paramus, New Jersey 07652, as maker, promises to pay to the order of BANK OF CHINA, NEW YORK BRANCH (together with its successors and assigns, collectively, “**Lender**”) the Principal Amount (as hereinafter defined), together with interest from the date hereof and other fees, expenses and charges as provided in this Consolidated, Amended and Restated Promissory Note (this “**Note**”).

This Note is intended to consolidate, amend and restate in their entirety those certain promissory notes (collectively, the “**Existing Notes**”) described on Schedule I, attached hereto and made a part hereof, which Existing Notes are now held by Lender; this Note is not intended to create any new indebtedness or to constitute a novation as to Maker’s obligations under the Existing Notes.

1. DEFINED TERMS.

(a) Capitalized terms used but not otherwise defined herein shall have the respective meanings given thereto in that certain Loan and Security Agreement, dated as of the date hereof, by and between Maker and Lender (the “**Loan Agreement**”), unless otherwise expressly provided herein. Any reference in this Note or in any other Loan Document to any Loan Document shall be deemed to include references to such documents as the same may hereafter be amended, modified, supplemented, extended, consolidated, replaced and/or restated from time to time (and, in the case of any note or other instrument, to any instrument issued in substitution therefor). All references to sections shall be deemed to be references to sections of this Note, unless otherwise indicated.

2. PAYMENT TERMS.

(a) Maker agrees to pay to the order of the Lender TWO HUNDRED SEVENTY FIVE MILLION AND 00/100 DOLLARS (\$275,000,000.00) (the “**Principal Amount**”) and interest on the Principal Amount of this Note in accordance with this Note and the Loan Agreement. The Principal Amount, all accrued and unpaid interest thereon and all other amounts due hereunder and under the Mortgage and the other Loan Documents shall be due and payable on the Maturity Date.

(b) Interest on the outstanding principal balance of this Note shall accrue at a floating rate per annum equal to the Applicable Interest Rate. After the occurrence and during the continuance of an Event of Default, interest on the then outstanding principal balance of this Note shall accrue at the Default Rate in accordance with the provisions of Section 2.2.7 of the Loan Agreement.

(c) On the date hereof, Maker shall pay to Lender, a payment of interest only in respect of the Initial Interest Accrual Period.

(d) On each Payment Date during the term of the Loan, Maker shall pay to Lender, a monthly payment equal to the amount required pursuant to this Note and the Loan Agreement, to be applied by Lender, in accordance with this Note and the Loan Agreement.

(e) The then outstanding Principal Amount together with all accrued and unpaid interest thereon shall be due and payable on the Maturity Date.

(f) Interest on the then outstanding Principal Amount shall be calculated by multiplying (1) the actual number of days elapsed in the period for which the calculation is being made, by (2) the daily rate, equal to the Applicable Interest Rate, divided by three hundred sixty (360), by (3) the Principal Amount.

(g) All payments made by Maker hereunder or under any of the Loan Documents shall be made on or before 2:00 p.m. New York City time. Any payments received after such time shall be credited to the next following Business Day.

(h) All amounts advanced by Lender pursuant to the Loan Documents, other than the Principal Amount, or other charges provided in the Loan Documents, shall be due and payable as provided in the Loan Documents. In the event any such advance or charge is not paid by Maker within the time set forth in the applicable Loan Document for such payment (taking into account any applicable notice and grace periods), Lender may, at its option, first apply any payments received thereafter under this Note to repay such advances, together with any interest that may be due and payable thereon, or other charges as provided in the Loan Documents, and the balance, if any, shall be applied in payment of any installment of interest or principal then due and payable.

(i) Amounts due on this Note shall be payable, without any counterclaim, setoff or deduction whatsoever, at the office of the Lender or its agent or designee at the address set forth on the first page of this Note or at such other place as Lender or its agent or designee may from time to time designate in a written notice given in accordance with the notice requirements of the Loan Agreement.

(j) All amounts due under this Note, including, without limitation, interest and the Principal Amount, shall be due and payable in lawful money of the United States.

(k) To the extent that Maker makes a payment or Lender receives any payment or proceeds for Maker's benefit, which are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor-in-possession, receiver, custodian or any other party under any bankruptcy law, common law or equitable cause, then, to such extent, the obligations of Maker hereunder intended to be satisfied shall be revived and continue as if such payment or proceeds had not been received by Lender.

(l) The Indebtedness shall without notice become immediately due and payable at the option of Lender if any payment required by this Note is not paid on or prior to the date when due (taking into account any applicable notice and grace periods) or is not paid on the Maturity Date or upon the occurrence and during the continuance of any other Event of Default.

3. PREPAYMENTS. This Note may not be prepaid in whole or in part except in compliance with the terms, provisions and conditions of the Loan Agreement.

4. MISCELLANEOUS.

(a) Waiver. Maker and all endorsers, sureties and guarantors hereby jointly and severally waive all applicable exemption rights, valuation and appraisal, presentment for payment, demand, notice of demand, notice of nonpayment or dishonor, protest and notice of protest of this Note, and, except as otherwise expressly provided in the Loan Documents, all other notices in connection with the delivery, acceptance, performance, default or enforcement of the payment of this Note. Maker and all endorsers, sureties and guarantors consent to any and all extensions of time, renewals, waivers or modifications that may be granted by Lender with respect to the payment or other provisions of this Note and to the release of the collateral securing this Note or any part thereof, with or without substitution, and agree that additional makers, endorsers, guarantors or sureties may become parties hereto without notice to them or affecting their liability under this Note.

(b) Non-Recourse. Recourse to the Maker with respect to any claims arising under or in connection with this Note shall be limited to the extent provided in Section 14.1 of the Loan Agreement and the terms, covenants and conditions of Section 14.1 of the Loan Agreement are hereby incorporated by reference as if fully set forth in this Note.

(c) Note Secured. This Note and all obligations of Maker hereunder are secured by the Loan Agreement, the Mortgage and the other Loan Documents. All of the terms, covenants and conditions contained in the Loan Agreement, the Mortgage and the other Loan Documents are hereby made part of this Note to the same extent and with the same force as if they were fully set forth herein. In the event of a conflict or inconsistency between the terms of this Note and the Loan Agreement, the terms and provisions of the Loan Agreement shall govern.

(d) Notices. Any notice, election, request or demand which by any provision of this Note is required or permitted to be given or served hereunder shall be given or served in the manner required for the delivery of notices pursuant to Section 15.6 of the Loan Agreement.

(e) Entire Agreement. This Note, together with the other Loan Documents, constitutes the entire and final agreement between Maker and Lender with respect to the subject matter hereof and thereof and may only be changed, amended, modified or waived by an instrument in writing signed by Maker and Lender.

(f) No Waiver. No waiver of any term or condition of this Note, whether by delay, omission or otherwise, shall be effective unless in writing and signed by the party sought to be charged, and then such waiver shall be effective only in the specific instance and for the purpose for which given. No notice to, or demand on, Maker shall entitle Maker to any other or future notice or demand in the same, similar or other circumstances.

(g) Successors and Assigns. (i) This Note shall be binding upon and inure to the benefit of Maker and Lender and their respective successors and permitted assigns. Upon any endorsement, assignment, or other transfer of this Note by Lender in accordance with Loan Agreement or by operation of law, the term "Lender" as used herein, shall mean such endorsee, assignee, or other transferee or successor to Lender then becoming the holder of this Note. Lender may, in accordance with the Loan Agreement, sell, assign, pledge, participate, transfer or delegate, as applicable, to one or more Persons, all or a portion of its rights and obligations under this Note and the other Loan Documents to any Person. Any assignee or transferee of Lender shall be entitled to all the benefits afforded to Lender under this Note.

(ii) The term "Maker" as used herein shall include the respective successors and assigns, legal and personal representatives, executors, administrators, devisees, legatees and heirs of Maker, if any. Except as specifically set forth in the Loan Agreement, Maker shall not have the right to assign, delegate or transfer its rights or obligations under this Note without the prior written consent of Lender, and any attempted assignment, delegation or transfer without such consent shall be null and void.

(iii) Upon the transfer of this Note in accordance with the terms hereof, Lender may deliver all the collateral mortgaged, granted, pledged or assigned pursuant to the Loan Documents, or any part thereof, to the transferee who shall thereupon become vested with all the rights herein or under Legal Requirements given to Lender with respect thereto, and Lender shall thereafter forever be relieved and fully discharged from any liability or responsibility in the matter; but Lender shall retain all rights hereby given to it with respect to any liabilities and the collateral not so transferred.

(h) Captions. All paragraph, section, exhibit and schedule headings and captions herein are used for reference only and in no way limit or describe the scope or intent of, or in any way affect, this Note.

(i) Counterparts. This Note may be executed in counterparts, each of which shall be an original and all of which, when taken together, shall constitute one binding Note.

(j) Severability. The provisions of this Note are severable, and if any one clause or provision hereof shall be held invalid or unenforceable in whole or in part, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, and not any other clause or provision of this Note.

(k) GOVERNING LAW. THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, WITHOUT REGARD TO CHOICE OF LAW RULES. MAKER AND LENDER AGREE THAT ANY SUIT FOR THE ENFORCEMENT OF THIS NOTE SHALL BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR ANY FEDERAL COURT, IN EITHER CASE SITTING IN THE COUNTY OF NEW YORK, AND MAKER AND LENDER CONSENT TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND THE SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON MAKER AND LENDER IN THE MANNER AND AT THE ADDRESS SPECIFIED FOR NOTICES IN THE LOAN AGREEMENT. MAKER AND LENDER HEREBY WAIVE ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

(l) JURY TRIAL WAIVER. MAKER AND LENDER AND ALL PERSONS CLAIMING BY, THROUGH OR UNDER MAKER OR LENDER HEREBY EXPRESSLY, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (1) ARISING UNDER THIS NOTE, INCLUDING, WITHOUT LIMITATION, ANY PRESENT OR FUTURE MODIFICATION THEREOF OR (2) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS NOTE (AS NOW OR HEREAFTER MODIFIED) OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION IS NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND MAKER AND LENDER HEREBY AGREE AND CONSENT THAT AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION MAY BE FILED WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT HERETO TO THE WAIVER OF ANY RIGHT TO TRIAL BY JURY. MAKER AND LENDER ACKNOWLEDGE THAT THEY HAVE CONSULTED WITH LEGAL COUNSEL REGARDING THE MEANING OF THIS WAIVER AND ACKNOWLEDGE THAT THIS WAIVER IS AN ESSENTIAL INDUCEMENT FOR THE MAKING OF THE LOAN. THIS WAIVER SHALL SURVIVE THE REPAYMENT OF THE LOAN.

(m) Counterclaims and Other Actions. Maker hereby expressly and unconditionally waives, in connection with any suit, action or proceeding brought by Lender on this Note, any and every right Maker may have to (1) interpose any counterclaim therein (other than a counterclaim which can only be asserted in the suit, action or proceeding brought by Lender on this Note and cannot be maintained in a separate action) and (2) have any such suit, action or proceeding consolidated with any other or separate suit, action or proceeding

(n) Savings Clause. Notwithstanding anything to the contrary, (a) all agreements and communications between Maker and Lender are hereby and shall automatically be limited so that, after taking into account all amounts deemed to constitute interest, the interest contracted for, charged or received by Lender shall never exceed the maximum lawful rate or amount, (b) in calculating whether any interest exceeds the maximum lawful rate, all such interest shall be amortized, prorated, allocated and spread over the full amount and term of all principal indebtedness of Maker to Lender and (c) if through any contingency or event Lender receives or is deemed to receive interest in excess of the maximum lawful rate, any such excess shall be deemed to have been applied toward payment of the principal of any and all then outstanding indebtedness of Maker to Lender, or if there is no such indebtedness, shall immediately be returned to Maker.

5. REPLACEMENT NOTE. This Note evidences the same indebtedness evidenced by the Existing Notes and is intended to replace and supersede the Existing Notes. This Note is not intended to, nor shall it be construed to, constitute a novation of the Existing Notes or the obligations evidenced thereby.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Maker and Lender have duly executed this Note as of the day and year first above written.

MAKER:

REGO II BORROWER LLC,
a Delaware limited liability company

By: /s/ Alan J. Rice
Name: Alan J. Rice
Title: Secretary

MORTGAGEE:

BANK OF CHINA, NEW YORK BRANCH

By: /s/ Ted Louie
Name: Ted Louie
Title: Assistant Vice President

By: /s/ Shiqiang Wu
Name: Shiqiang Wu
Title: General Manager, U.S.A.

SCHEDULE I

EXISTING NOTES

1. Note dated December 21, 2007 by Alexander's of Rego Park II, Inc to Bank of Ireland, Connecticut Branch in the amount of \$14,030,714.00
2. Note dated December 21, 2007 by Alexander's of Rego Park II, Inc to Wells Fargo Bank, National Association in the amount of \$11,224,572.00
3. Note dated December 21, 2007 by Alexander's of Rego Park II, Inc to Wells Fargo Bank, National Association in the amount of \$28,775,428.00
4. Note dated December 21, 2007 by Alexander's of Rego Park II, Inc to PB Capital Corporation in the amount of \$61,147,786.00
5. Note dated December 21, 2007 by Alexander's of Rego Park II, Inc to PB Capital Corporation in the amount of \$23,852,214.00
6. Note dated December 21, 2007 by Alexander's of Rego Park II, Inc to Norddeutsche Landesbank Girozentrale, New York Branch in the amount of \$53,953,928.00
7. Note dated December 21, 2007 by Alexander's of Rego Park II, Inc to Norddeutsche Landesbank Girozentrale, New York Branch in the amount of \$21,046,072.00
8. Note dated December 21, 2007 by Alexander's of Rego Park II, Inc to Bank of Ireland, Connecticut Branch in the amount of \$35,969,286.00
9. Note dated December 21, 2007 by Alexander's of Rego Park II, Inc to Landesbank Baden-Wurttemberg, New York Branch in the amount of \$28,061,428.00
10. Note dated December 21, 2007 by Alexander's of Rego Park II, Inc to Landesbank Baden-Wurttemberg, New York Branch in the amount of \$71,938,572.00

REGO II BORROWER LLC,
a Delaware limited liability company, as mortgagor
(Mortgagor)

and

BANK OF CHINA, NEW YORK BRANCH,
as mortgagee
(Mortgagee)

**CONSOLIDATED, AMENDED AND RESTATED MORTGAGE,
ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT**

Date: As of November 30, 2011
Location: 61-35 Junction Boulevard
Queens, New York
County: Queens

PREPARED BY AND UPON
RECORDATION RETURN TO:

DLA Piper LLP (US)
1251 Avenue of the Americas
New York, New York 10020
Attention: Scott Weinberg, Esq.

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CONSOLIDATED, AMENDED AND RESTATED MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT

THIS CONSOLIDATED, AMENDED AND RESTATED MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT (this "**Mortgage**") is made as of this 30th day of November, 2011, by **REGO II BORROWER LLC**, a Delaware limited liability company having an office c/o Alexander's, Inc. 210 Route 4 East, Paramus, New Jersey 07652 ("**Mortgagor**"), to **BANK OF CHINA, NEW YORK BRANCH**, having an address at 410 Madison Avenue, New York, New York 10017, as lender (together with its successors and assigns, "**Mortgagee**").

This Mortgage consolidates, amends and restates in their entirety the mortgages described on the Schedule of Mortgages attached hereto as **Exhibit D** and made a part hereof which are each now held by Mortgagee (collectively, the "**Prior Mortgages**"), to form a single lien in the consolidated principal sum of \$275,000,000.00.

WITNESSETH:

WHEREAS, Mortgagor is the owner of the Land (as hereinafter defined) located at 61-35 Junction Boulevard, Queens, New York, as more particularly described on **Exhibit A** attached hereto and made a part hereof, all in the Borough of Queens, City of New York, County of Queens and State of New York;

WHEREAS, this Mortgage is given to secure a loan (the "**Loan**") in the principal sum of TWO HUNDRED SEVENTY FIVE MILLION AND 00/100 DOLLARS (\$275,000,000.00) or so much thereof as may be advanced pursuant to that certain Loan and Security Agreement, dated as of the date hereof between Mortgagor and Mortgagee (as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time, the "**Loan Agreement**") and evidenced by that certain Consolidated, Amended and Restated Promissory Note dated as of the date hereof, made by Mortgagor to Mortgagee (such consolidated, amended and restated promissory note, together with all extensions, renewals, replacements, restatements or modifications thereof being hereinafter collectively referred to as the "**Note**"). Capitalized terms used herein without definition shall have the meanings ascribed to such terms in the Loan Agreement;

WHEREAS, to induce Mortgagee to make the Loan to Mortgagor and to secure the payment of the outstanding principal amount of the Loan, together with all interest accrued and unpaid thereon and all other sums due to Mortgagee in respect of the Loan under the Note, the Loan Agreement, this Mortgage and the other Loan Documents (collectively, the "**Indebtedness**"), and the performance of all of Mortgagor's obligations under the Loan Documents, Mortgagee and Mortgagor desire to (i) combine and consolidate the Prior Mortgages and the respective liens thereof so as to create solely one mortgage and one lien encumbering the Property (as herein defined) in the original principal amount of the Loan and (ii) amend, modify and restate the terms and provisions of the Prior Mortgages each in their entirety, in the manner hereinafter set forth, so that all of the terms and provisions contained in this Mortgage shall supersede and control the terms and provisions of each of the Prior Mortgages (it being agreed that the execution of this Mortgage shall not impair the liens created by the Prior Mortgages);

WHEREAS, Mortgagor desires to secure the payment of the Indebtedness and the performance of all of its obligations under the Note, the Loan Agreement and the other Loan Documents; and

WHEREAS, this Mortgage is given pursuant to the Loan Agreement, and payment, fulfillment, and performance by Mortgagor of its obligations thereunder and under the other Loan Documents are secured hereby, and each and every term and provision of the Loan Agreement and the Note, including the rights, remedies, obligations, covenants, conditions, agreements, indemnities, representations and warranties of the parties therein, are hereby incorporated by reference herein as though set forth in full and shall be considered a part of this Mortgage.

NOW, THEREFORE, in consideration of the foregoing recitals, which are incorporated into the operative provisions of this Mortgage by this reference, and for other good and valuable consideration, the receipt and adequacy of which are hereby conclusively acknowledged, Mortgagor and Mortgagee hereby agree as follows:

A. Consolidation. The Prior Mortgages and the liens thereof are hereby consolidated to form this Mortgage and a single lien over the Property and the Improvements (as hereinafter defined), which Property includes all of the right, title, interest and estate of the Mortgagor, now owned, or hereafter acquired therein.

B. Amendment and Restatement. The Prior Mortgages as hereby consolidated are completely amended and restated in their entirety by this Mortgage.

ARTICLE 1

GRANTS OF SECURITY

Section 1.1 Property Mortgaged. Mortgagor does hereby irrevocably mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey to Mortgagee and its successors and assigns all of Mortgagor's right, title and interest in and to the following property, rights, interests and estates to the extent now owned or hereafter acquired by Mortgagor (collectively, the "**Property**"):

(a) Land. The real property described in Exhibit A attached hereto and made a part hereof (the "**Land**");

(b) Additional Land. All additional lands, estates and development rights hereafter acquired by Mortgagor for use in connection with the Land and the development of the Land and all additional lands and estates therein, in each case which may, from time to time, by supplemental mortgage or otherwise be expressly made subject to the lien of this Mortgage;

(c) Improvements. The buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter erected or located on the Land (collectively, the “**Improvements**”);

(d) Easements. All easements, rights-of-way or use, rights, strips and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, and all estates, rights, titles, interests, privileges, liberties, servitudes, tenements, hereditaments and appurtenances of any nature whatsoever, in any way now or hereafter belonging, relating or pertaining to the Land and the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Land, to the center line thereof and all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever, both at law and in equity, of Mortgagor of, in and to the Land and the Improvements and every part and parcel thereof, with the appurtenances thereto;

(e) Equipment. All “equipment,” as such term is defined in Article 9 of the Uniform Commercial Code (as hereinafter defined), now owned or hereafter acquired by Mortgagor, which is used at or in connection with the Improvements or the Land or is located thereon or therein (including, but not limited to, all machinery, equipment, furnishings, and electronic data-processing and other office equipment now owned or hereafter acquired by Mortgagor and any and all additions, substitutions and replacements of any of the foregoing), together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto (collectively, the “**Equipment**”). Notwithstanding the foregoing, Equipment shall not include any property belonging to Tenants under Leases except to the extent that Mortgagor shall have any right or interest therein and then only to the extent of such right or interest;

(f) Fixtures. All Equipment now owned, or the ownership of which is hereafter acquired, by Mortgagor which is so related to the Land and Improvements forming part of the Property that it is deemed fixtures or real property under the law of the particular state in which the Equipment is located, including, without limitation, all building or construction materials intended for construction, reconstruction, alteration or repair of or installation on the Property, construction equipment, appliances, machinery, plant equipment, fittings, apparatuses, fixtures and other items now or hereafter attached to, installed in or used in connection with (temporarily or permanently) any of the Improvements or the Land, including, but not limited to, engines, devices for the operation of pumps, pipes, plumbing, cleaning, call and sprinkler systems, fire extinguishing apparatuses and equipment, heating, ventilating, plumbing, laundry, incinerating, electrical, air conditioning and air cooling equipment and systems, gas and electric machinery, appurtenances and equipment, pollution control equipment, security systems, disposals, dishwashers, refrigerators and ranges, recreational equipment and facilities of all kinds, and water, gas, electrical, storm and sanitary sewer facilities, utility lines and equipment (whether owned individually or jointly with others, and, if owned jointly, to the extent of Mortgagor’s interest therein) and all other utilities whether or not situated in easements, all water tanks, water supply, water power sites, fuel stations, fuel tanks, fuel supply, and all other structures, together with all accessions, appurtenances, additions, replacements, betterments and substitutions for any of the foregoing and the proceeds thereof (collectively, the “**Fixtures**”). Notwithstanding the foregoing, “Fixtures” shall not include any property which Tenants are entitled to remove pursuant to Leases except to the extent that Mortgagor shall have any right or interest therein;

(g) Personal Property. All furniture, furnishings, objects of art, machinery, goods, tools, supplies, appliances, general intangibles, contract rights, accounts, accounts receivable, franchises, licenses, certificates and permits, and all other personal property of any kind or character whatsoever (as defined in and subject to the provisions of the Uniform Commercial Code as hereinafter defined), other than Fixtures, which are now or hereafter owned by Mortgagor and which are located within or about the Land and the Improvements, together with all accessories, replacements and substitutions thereto or therefor and the proceeds thereof (collectively, the "**Personal Property**"), and the right, title and interest of Mortgagor in and to any of the Personal Property which may be subject to any security interests, as defined in the Uniform Commercial Code, as adopted and enacted by the state or states where the Property is located (the "**Uniform Commercial Code**"), superior in lien to the lien of this Mortgage and all proceeds and products of the above;

(h) Leases and Rents. All leases and other agreements affecting the use, enjoyment or occupancy of the Land and the Improvements heretofore or hereafter entered into, whether before or after the filing by or against Mortgagor of any petition for relief under 11 U.S.C. §101 et seq., as the same may be amended from time to time (the "**Bankruptcy Code**") (collectively, the "**Leases**") and all right, title and interest of Mortgagor, its successors and assigns therein and thereunder, including, without limitation, cash or securities deposited thereunder to secure the performance by the Tenants of their obligations thereunder and all rents, additional rents, revenues, issues and profits (including all oil and gas or other mineral royalties and bonuses) from the Land and the Improvements whether paid or accruing before or after the filing by or against Mortgagor of any petition for relief under the Bankruptcy Code (collectively, the "**Rents**") and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment and performance of the Obligations (as hereinafter defined), including the payment of the Indebtedness;

(i) Condemnation Awards. Subject to Section 6.2 of the Loan Agreement, all awards or payments, including interest thereon, which may heretofore and hereafter be made with respect to the Property, whether from the exercise of the right of eminent domain (including but not limited to any transfer made in lieu of or in anticipation of the exercise of the right), or for a change of grade, or for any other injury to or decrease in the value of the Property;

(j) Insurance Proceeds. Subject to Section 6.2 of the Loan Agreement, all proceeds in respect of the Property under any insurance policies covering the Property, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Property;

(k) Tax Certiorari. All refunds, rebates or credits in connection with a reduction in real estate taxes and assessments charged against the Property as a result of tax certiorari proceeding or any other applications or proceedings for reduction of same, in each case, in respect of real estate taxes and assessments charged against the Property at any time during the term of the Loan;

(l) Rights. Subject to the terms of the Loan Agreement and the other Loan Documents, the right, in the name and on behalf of Mortgagor, to appear in and defend any action or proceeding brought with respect to the Property and to commence any action or proceeding to protect the interest of Mortgagee in the Property;

(m) Agreements. To the extent the same may be encumbered or assigned pursuant to the terms hereof and to the fullest extent permitted by applicable Legal Requirements, all agreements, contracts, certificates, instruments, franchises, permits, licenses, plans, specifications and other documents, now or hereafter entered into, and all rights therein and thereto, respecting or pertaining to the use, occupation, construction, management or operation of the Land and any part thereof and any Improvements or respecting any business or activity conducted on the Land and any part thereof and all right, title and interest of Mortgagor therein and thereunder, including, without limitation, the right, upon the happening of any default hereunder, to receive and collect any sums payable to Mortgagor thereunder;

(n) Trademarks. To the extent the same may be encumbered or assigned pursuant to the terms hereof and to the fullest extent permitted by applicable Legal Requirements, all tradenames, trademarks, servicemarks, logos, copyrights, goodwill, books and records and all other general intangibles in each case owned by Mortgagor relating to or used in connection with the operation of the Property;

(o) Accounts. All reserves, escrows and deposit accounts maintained by Mortgagor with respect to the Property, including, without limitation, the Collateral Accounts established or maintained pursuant to the Loan Agreement, the Cash Management Agreement, the Account Agreement or any other Loan Document, together with all deposits or wire transfers made to such accounts, and all cash, checks, drafts, certificates, securities, investment property, financial assets, instruments and other property held therein from time to time, and all proceeds, products, distributions, dividends and/or substitutions thereon and thereof;

(p) Uniform Commercial Code Property. To the extent the same may be encumbered or assigned by Mortgagor pursuant to the terms thereof and to the fullest extent permitted by applicable Legal Requirements, all documents, instruments, chattel paper and intangibles, as the foregoing terms are defined in the Uniform Commercial Code, and general intangibles relating to the Property;

(q) Proceeds. All proceeds of any of the foregoing, including, without limitation, proceeds of insurance and condemnation awards, whether in cash, or in liquidation or other claims or otherwise; and

(r) Other Rights. Any and all other rights of Mortgagor in and to the items set forth in Subsections (a) through (q) above.

AND without limiting any of the other provisions of this Mortgage, to the extent permitted by applicable law, Mortgagor expressly grants to Mortgagee, as secured party, a security interest in the portion of the Property which is or may be subject to the provisions of the Uniform Commercial Code which are applicable to secured transactions; it being understood and agreed that the Improvements and Fixtures are part and parcel of the Land (the Land, the Improvements and the Fixtures collectively referred to as the "**Real Property**") appropriated to the use thereof and, whether affixed or annexed to the Real Property or not, shall for the purposes of this Mortgage be deemed conclusively to be real estate and mortgaged hereby.

Section 1.2 Assignment of Rents. Mortgagor hereby absolutely and unconditionally assigns to Mortgagee all of Mortgagor's right, title and interest in and to all current and future Leases and Rents; it being intended by Mortgagor that this assignment constitutes a present, absolute assignment and not an assignment for additional security only. Nevertheless, subject to the terms of the Assignment of Leases and Section 7.1(i) of this Mortgage, Mortgagee grants to Mortgagor a revocable license to collect, receive, use and enjoy the Rents. Mortgagor shall hold the Rents, or a portion thereof sufficient to discharge all current sums due on the Indebtedness, for use in the payment of such sums.

Section 1.3 Security Agreement. This Mortgage is both a real property mortgage and a "security agreement" within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Mortgagor in the Property. By executing and delivering this Mortgage, Mortgagor hereby grants to Mortgagee, as security for the Obligations (hereinafter defined), a security interest in the Fixtures, the Equipment, the Personal Property and other property constituting the Property to the full extent that the Fixtures, the Equipment, the Personal Property and such other property may be subject to the Uniform Commercial Code (said portion of the Property so subject to the Uniform Commercial Code being called the "**Collateral**"). If an Event of Default shall occur and be continuing, Mortgagee, in addition to any other rights and remedies which it may have, shall have and may exercise immediately and without demand, any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing, the right to take possession of the Collateral or any part thereof, and to take such other measures as Mortgagee may deem necessary for the care, protection and preservation of the Collateral. Upon request or demand of Mortgagee after the occurrence and during the continuance of an Event of Default, Mortgagor shall, at its expense, assemble the Collateral and make it available to Mortgagee at a convenient place (at the Land if tangible property) reasonably acceptable to Mortgagee. Mortgagor shall pay to Mortgagee on demand any and all expenses, including reasonable legal expenses and attorneys' fees, incurred or paid by Mortgagee in protecting its interest in the Collateral and in enforcing its rights hereunder with respect to the Collateral after the occurrence and during the continuance of an Event of Default. Any notice of sale, disposition or other intended action by Mortgagee with respect to the Collateral sent to Mortgagor in accordance with the provisions hereof at least ten (10) Business Days prior to such action, shall, except as otherwise provided by applicable law, constitute reasonable notice to Mortgagor. The proceeds of any disposition of the Collateral, or any part thereof, may, except as otherwise required by applicable law, be applied by Mortgagee to the payment of the Indebtedness in such priority and proportions as Mortgagee in its discretion shall deem proper. The principal place of business of Mortgagor (Debtor) is as set forth on page one hereof and the address of Mortgagee (Secured Party) is as set forth on page one hereof.

Section 1.4 Fixture Filing. Certain of the Property is or will become "fixtures" (as that term is defined in the Uniform Commercial Code) on the Land, described or referred to in this Mortgage, and this Mortgage, upon being filed for record in the real estate records of the city or county wherein such fixtures are situated, shall operate also as a financing statement filed as a fixture filing in accordance with the applicable provisions of said Uniform Commercial Code upon such of the Property that is or may become fixtures.

Section 1.5 Pledges of Monies Held. Mortgagor hereby pledges to Mortgagee any and all monies now or hereafter held by Mortgagee or on behalf of Mortgagee in connection with the Loan, including, without limitation, any sums deposited in the Collateral Accounts (as defined in the Loan Agreement), as additional security for the Obligations until expended or applied as provided in this Mortgage.

CONDITIONS TO GRANT

TO HAVE AND TO HOLD the above granted and described Property unto and to the use and benefit of Mortgagee and its successors and assigns, forever;

PROVIDED, HOWEVER, these presents are upon the express condition that, if Mortgagor shall well and truly pay to Mortgagee the Indebtedness at the time and in the manner provided in the Note, the Loan Agreement and this Mortgage, these presents and the estate hereby granted shall cease, terminate and be void; provided, however, that Mortgagor's obligation to indemnify and hold harmless Mortgagee pursuant to the provisions hereof and the other Loan Documents and any provision which by its terms expressly survives payment of the Indebtedness or release shall survive any such payment or release.

ARTICLE 2

DEBT AND OBLIGATIONS SECURED

Section 2.1 Indebtedness. This Mortgage and the grants, assignments and transfers made in Article 1 hereof are given for the purpose of securing the Obligations, including, but not limited to, the Indebtedness.

Section 2.2 Other Obligations. This Mortgage and the grants, assignments and transfers made in Article 1 hereof are also given for the purpose of securing the following (the "**Other Obligations**"):

(a) the performance of all other obligations of Mortgagor contained herein;

(b) the performance of each obligation of Mortgagor contained in the Loan Agreement and any other Loan Document; and

(c) the performance of each obligation of Mortgagor contained in any renewal, extension, amendment, modification, consolidation, change of, or substitution or replacement for, all or any part of the Note, the Loan Agreement or any other Loan Document.

Section 2.3 Indebtedness and Other Obligations. Mortgagor's obligations for the payment of the Indebtedness and the performance of the Other Obligations shall be referred to collectively herein as the "**Obligations**."

ARTICLE 3
MORTGAGOR COVENANTS

Mortgagor covenants and agrees that:

Section 3.1 Payment of Indebtedness. Mortgagor will pay the Indebtedness at the time and in the manner provided in the Loan Agreement, the Note and this Mortgage.

Section 3.2 Incorporation by Reference. All the covenants, conditions and agreements contained in (a) the Loan Agreement, (b) the Note and (c) all and any of the other Loan Documents, are hereby made a part of this Mortgage to the same extent and with the same force as if fully set forth herein.

Section 3.3 Insurance. Mortgagor shall obtain and maintain, or cause to be maintained, in full force and effect at all times insurance with respect to Mortgagor and the Property as required pursuant to the Loan Agreement.

Section 3.4 Maintenance of Property. Mortgagor shall cause the Property to be maintained in a good and safe condition and repair. The Improvements, the Fixtures, the Equipment and the Personal Property shall not be removed, demolished or materially altered (except to the extent not otherwise prohibited by the Loan Agreement and except for normal replacement of the Fixtures, the Equipment or the Personal Property, tenant finish and refurbishment of the Improvements) without the consent of Mortgagee, which consent shall not be unreasonably withheld, conditioned or delayed. Mortgagor shall promptly repair, replace or rebuild any part of the Property which may be destroyed by any casualty or become damaged, worn or dilapidated or which may be affected by any Taking, in each case to the extent required by, and in accordance with, the Loan Agreement.

Section 3.5 Waste. Mortgagor shall not permit, commit or suffer any intentional waste, impairment, or deterioration of any portion of the Property in any material respect. Mortgagor will not, without the prior written consent of Mortgagee, permit any drilling or exploration for or extraction, removal, or production of any minerals from the surface or the subsurface of the Land, regardless of the depth thereof or the method of mining or extraction thereof.

Section 3.6 Payment for Labor and Materials. (a) Mortgagor will promptly pay when due all bills and costs for labor, materials, and specifically fabricated materials ("**Labor and Material Costs**") incurred in connection with the Property and never permit to exist beyond the due date thereof in respect of the Property or any part thereof any lien or security interest, even though inferior to the liens and the security interests hereof, and in any event, never permit to be created or exist in respect of the Property or any part thereof any other or additional lien or security interest other than the liens or security interests hereof except for the Permitted Encumbrances or unless Mortgagee shall consent to such Lien or security interest in writing.

(b) Notwithstanding the foregoing, Mortgagor, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application in whole or in part of any of the Labor and Material Costs, pursuant to and in accordance with Section 7.3 of the Loan Agreement.

Section 3.7 Performance of Other Agreements. Mortgagor shall observe and perform each and every term, covenant and provision to be observed or performed by Mortgagor pursuant to the Loan Agreement, any other Loan Document and any other agreement or recorded instrument affecting or pertaining to the Property and any amendments, modifications or changes thereto.

Section 3.8 Change of Name, Identity or Structure. Except as permitted by the Loan Agreement, Mortgagor shall not change Mortgagor's name, identity (including its trade name or names) or, if not an individual, Mortgagor's corporate, limited liability company, partnership or other structure without first (a) notifying Mortgagee of such change in writing at least thirty (30) days prior to the effective date of such change, (b) taking all action required by Mortgagee for the purpose of perfecting or protecting the lien and security interest of Mortgagee and (c) in the case of a change in Mortgagor's structure, without first obtaining the prior written consent of Mortgagee, which consent shall not be unreasonably withheld, conditional or delayed. Mortgagor shall promptly notify Mortgagee in writing of any change in its organizational identification number. If Mortgagor does not now have an organizational identification number and later obtains one, Mortgagor shall promptly notify Mortgagee in writing of such organizational identification number. Mortgagor shall execute and deliver to Mortgagee, prior to or contemporaneously with the effective date of any such change, any financing statement or financing statement change required by Mortgagee to establish or maintain the validity, perfection and priority of the security interest granted herein. At the request of Mortgagee, Mortgagor shall execute a certificate in form satisfactory to Mortgagee listing the trade names under which Mortgagor intends to operate the Property, and representing and warranting that Mortgagor does business under no other trade name with respect to the Property.

ARTICLE 4

OBLIGATIONS AND RELIANCES

Section 4.1 Relationship of Mortgagor and Mortgagee. The relationship between Mortgagor and Mortgagee is solely that of debtor and creditor, and Mortgagee has no fiduciary or other special relationship with Mortgagor, and no term or condition of any of the Loan Agreement, the Note, this Mortgage or the other Loan Documents shall be construed so as to deem the relationship between Mortgagor and Mortgagee to be other than that of debtor and creditor.

Section 4.2 No Reliance on Mortgagee. The general partners, members, principals and (if Mortgagor is a trust) beneficial owners of Mortgagor are experienced in the ownership and operation of properties similar to the Property, and Mortgagor and Mortgagee are relying solely upon such expertise and business plan in connection with the ownership and operation of the Property. Mortgagor is not relying on Mortgagee's expertise, business acumen or advice in connection with the Property.

Section 4.3 No Mortgagee Obligations. (a) Notwithstanding the provisions of Subsections 1.1(h), (m) and (p) or Section 1.2 hereof, prior to taking possession of any portion of the Property, Mortgagee is not undertaking the performance of (i) any obligations under the Leases; or (ii) any obligations with respect to any other agreements, contracts, certificates, instruments, franchises, permits, trademarks, licenses and other documents securing the Obligations.

(b) By accepting or approving anything required to be observed, performed or fulfilled or to be given to Mortgagee pursuant to this Mortgage, the Loan Agreement, the Note or the other Loan Documents, including, without limitation, any officer's certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal, or insurance policy, Mortgagee shall not be deemed to have warranted, consented to, or affirmed the sufficiency, the legality or effectiveness of same, and such acceptance or approval thereof shall not constitute any warranty or affirmation with respect thereto by Mortgagee.

Section 4.4 Reliance. Mortgagor recognizes and acknowledges that in accepting the Loan Agreement, the Note, this Mortgage and the other Loan Documents, Mortgagee is expressly and primarily relying on the truth and accuracy of the warranties and representations set forth in Article IV of the Loan Agreement without any obligation to investigate the Property and notwithstanding any investigation of the Property by Mortgagee; that such reliance existed on the part of Mortgagee prior to the date hereof; that the warranties and representations are a material inducement to Mortgagee in making the Loan; and that Mortgagee would not be willing to make the Loan and accept this Mortgage in the absence of the warranties and representations as set forth in Article IV of the Loan Agreement.

ARTICLE 5

FURTHER ASSURANCES

Section 5.1 Recording of Mortgage, etc. Mortgagor forthwith upon the execution and delivery of this Mortgage and thereafter, from time to time, will cause this Mortgage and any of the other Loan Documents creating a Lien or security interest or evidencing the lien hereof upon the Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect and perfect the lien or security interest hereof upon, and the interest of Mortgagee in, the Property. Mortgagor will pay all taxes, filing, registration or recording fees, and all reasonable expenses incident to the preparation, execution, acknowledgment and/or recording of the Note, this Mortgage, the other Loan Documents, any note, deed of trust or mortgage supplemental hereto, any mortgage with respect to the Property and any instrument of further assurance, and any modification or amendment of any of the foregoing documents, and all federal, state, county and municipal taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Mortgage, any deed of trust or mortgage supplemental hereto, any mortgage with respect to the Property or any instrument of further assurance, and any modification or amendment of any of the foregoing documents, except where prohibited by law so to do and except for those Impositions that Mortgagor is not required to pay pursuant to the terms of the Loan Agreement.

Section 5.2 Further Acts, etc. Mortgagor will, at the cost of Mortgagor, and without expense to Mortgagee, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, deeds of trust, mortgages, assignments, notices of assignments, transfers and assurances as Mortgagee shall, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring, and confirming unto Mortgagee the property and rights hereby mortgaged, deeded, granted, bargained, sold, conveyed, confirmed, pledged, assigned, warranted and transferred or intended now or hereafter so to be, or which Mortgagor may be or may hereafter become bound to convey or assign to Mortgagee, or for carrying out the intention or facilitating the performance of the terms of this Mortgage or for filing, registering or recording this Mortgage, or for complying with all Legal Requirements; provided, however, that in no event shall Mortgagor be required to take any action or execute any document that would materially increase its obligations or decrease its benefits under the Loan Documents. Mortgagor, on demand, will execute and deliver, and in the event it shall fail to so execute and deliver, hereby authorizes Mortgagee to execute in the name of Mortgagor or without the signature of Mortgagor to the extent Mortgagee may lawfully do so, one or more financing statements (including, without limitation, initial financing statements and amendments thereto and continuation statements) with or without the signature of Mortgagor as authorized by applicable law, to evidence more effectively the security interest of Mortgagee in the Property. Mortgagor grants to Mortgagee an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Mortgagee at law and in equity, including without limitation such rights and remedies available to Mortgagee pursuant to this Section 5.2.

Section 5.3 Changes in Tax, Debt, Credit and Documentary Stamp Laws. (a) If any law is enacted or adopted or amended after the date of this Mortgage which deducts the Indebtedness from the value of the Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Indebtedness or Mortgagee's interest in the Property, Mortgagor will pay the tax to the extent required by, and in accordance with, Section 5.1.12 of the Loan Agreement, subject to the right to contest same, with interest and penalties thereon, if any. If Mortgagee is advised by counsel chosen by it that the payment of tax by Mortgagor would be unlawful or taxable to Mortgagee or unenforceable or provide the basis for a defense of usury then Mortgagee shall have the option by written notice of not less than one hundred eighty (180) days to declare the Indebtedness immediately due and payable.

(b) Mortgagor will not claim or demand or be entitled to any credit or credits on account of the Indebtedness for any part of the Impositions or Other Charges assessed against the Property, or any part thereof, and no deduction shall otherwise be made or claimed from the assessed value of the Property, or any part thereof, for real estate tax purposes by reason of this Mortgage or the Indebtedness. If such claim, credit or deduction shall be required by law, Mortgagee shall have the option, by written notice of not less than one hundred eighty (180) days, to declare the Indebtedness immediately due and payable.

(c) If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note, this Mortgage or any of the other Loan Documents or impose any other tax or charge on the same, Mortgagor will pay for the same to the extent required by, and in accordance with, Section 5.1.12 of the Loan Agreement, with interest and penalties thereon, if any.

Section 5.4 Splitting of Mortgage. This Mortgage and the Note shall, at any time until the same shall be fully paid and satisfied, at the sole election of Mortgagee, be split or divided into two (2) or more notes and two (2) or more security instruments, each of which shall cover all or a portion of the Property to be more particularly described therein. To that end, Mortgagor, upon written request of Mortgagee, solely at Mortgagee's cost, shall execute, acknowledge and deliver, to Mortgagee and/or its designee or designees substitute Notes and security instruments in such principal amounts, aggregating not more than the then unpaid principal amount of the Note, and containing terms, provisions and clauses similar to, and not more adverse to Mortgagor than, those contained herein and in the Note, and such other documents and instruments as may be required by Mortgagee, provided that such additional documents and instruments do not contain any provisions which would increase Mortgagor's obligations or decrease its benefits under the Loan Documents, other than to a de minimus extent.

Section 5.5 Replacement Documents. Upon receipt of an affidavit of an officer of Mortgagee as to the loss, theft, destruction or mutilation of the Note or any other Loan Document which is not of public record, and, in the case of any such mutilation, upon surrender and cancellation of such Note or other Loan Document, Mortgagor will issue, solely at Mortgagee's cost, in lieu thereof, a replacement Note or a replacement of such other Loan Document, dated the date of such lost, stolen, destroyed or mutilated Note or other Loan Document in the same principal amount thereof and otherwise of like tenor.

ARTICLE 6

DUE ON SALE/ENCUMBRANCE

Section 6.1 Mortgagee Reliance. Mortgagor acknowledges that Mortgagee has examined and relied on the experience of Mortgagor and its general partners, members and principals in owning and operating properties such as the Property in agreeing to make the Loan, and will continue to rely on Mortgagor's ownership of the Property as a means of maintaining the value of the Property as security for repayment of the Indebtedness and the performance of the Obligations. Mortgagor acknowledges that Mortgagee has a valid interest in maintaining the value of the Property so as to ensure that, should Mortgagor default in the repayment of the Indebtedness or the performance of the Obligations, Mortgagee can recover the Indebtedness by a sale of the Property.

Section 6.2 No Transfer. Mortgagor shall not permit or suffer any Transfer to occur, unless permitted as a Permitted Transfer or a Transfer otherwise permitted under the Loan Agreement or unless Mortgagee shall consent thereto in writing.

Section 6.3 Mortgagee's Rights. Mortgagee shall not be required to demonstrate any actual impairment of its security or any increased risk of default hereunder in order to declare the Indebtedness immediately due and payable upon a Transfer without Mortgagee's consent. This provision shall apply to every Transfer, other than any Permitted Transfer or any Transfer otherwise permitted pursuant to the Loan Agreement, regardless of whether voluntary or not, or whether or not Mortgagee has consented to any previous Transfer.

ARTICLE 7

RIGHTS AND REMEDIES UPON DEFAULT

Section 7.1 Remedies. Upon the occurrence and during the continuance of any Event of Default, Mortgagor agrees that Mortgagee may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Mortgagor and in and to the Property, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Mortgagee may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Mortgagee:

(a) declare the entire unpaid Indebtedness to be immediately due and payable;

(b) institute proceedings, judicial or otherwise, for the complete foreclosure of this Mortgage under any applicable provision of law, in which case the Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner;

(c) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of this Mortgage for the portion of the Indebtedness then due and payable, subject to the continuing lien and security interest of this Mortgage for the balance of the Indebtedness not then due, unimpaired and without loss of priority;

(d) sell for cash or upon credit the Property or any part thereof and all estate, claim, demand, right, title and interest of Mortgagor therein and rights of redemption thereof, pursuant to power of sale or otherwise, at one or more sales, as an entirety or in parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law;

(i) In connection with any sale or sales hereunder, Mortgagee shall be entitled to elect to treat any of the Property which consists of (x) a right in action, or (y) property that can be severed from the Real Property covered hereby, or (z) any improvements (without causing structural damage thereto), as if the same were personal property, and dispose of the same in accordance with the applicable law, separate and apart from the sale of the Real Property. Where the Property consists of Real Property, Personal Property, Equipment or Fixtures, whether or not such Personal Property or Equipment is located on or within the Real Property, Mortgagee shall be entitled to elect to exercise its rights and remedies against any or all of the Real Property, Personal Property, Equipment and Fixtures in such order and manner as is now or hereafter permitted by applicable law;

(ii) Mortgagee shall be entitled to elect to proceed against any or all of the Real Property, Personal Property, Equipment and Fixtures in any manner permitted under applicable law; and if Mortgagee so elects pursuant to applicable law, the power of sale herein granted shall be exercisable with respect to all or any of the Real Property, Personal Property, Equipment and Fixtures covered hereby, as designated by Mortgagee and Mortgagee is hereby authorized and empowered to conduct any such sale of any Real Property, Personal Property, Equipment and Fixtures in accordance with the procedures applicable to Real Property;

(iii) Should Mortgagee elect to sell any portion of the Property which is Real Property or which is Personal Property, Equipment or Fixtures that the Mortgagee has elected under applicable law to sell together with Real Property in accordance with the laws governing a sale of the Real Property, Mortgagee shall give such notice of the occurrence of an Event of Default, if any, and its election to sell such Property, each as may then be required by law. Thereafter, upon the expiration of such time and the giving of such notice of sale as may then be required by law, subject to the terms hereof and of the other Loan Documents, and without the necessity of any demand on Mortgagor, Mortgagee at the time and place specified in the notice of sale, shall sell such Real Property or part thereof at public auction to the highest bidder for cash in lawful money of the United States. Mortgagee may from time to time postpone any sale hereunder by public announcement thereof at the time and place noticed for any such sale; and

(e) If the Property consists of several lots, parcels or items of property, Mortgagee shall, subject to applicable law, (A) designate the order in which such lots, parcels or items shall be offered for sale or sold, or (B) elect to sell such lots, parcels or items through a single sale, or through two or more successive sales, or in any other manner Mortgagee designates. Any Person, including Mortgagor or Mortgagee, may purchase at any sale hereunder. Should Mortgagee desire that more than one sale or other disposition of the Property be conducted, Mortgagee, shall, subject to applicable law, cause such sales or dispositions to be conducted simultaneously, or successively, on the same day, or at such different days or times and in such order as Mortgagee may designate, and no such sale shall terminate or otherwise affect the Lien of this Mortgage on any part of the Property not sold until all the Obligations have been satisfied in full. In the event Mortgagee elects to dispose of the Property, through more than one sale, except as otherwise provided by applicable law, Mortgagor agrees to pay the costs and expenses of each such sale and of any judicial proceedings wherein such sale may be made;

(f) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein, in the Note, the Loan Agreement or in the other Loan Documents;

(g) recover judgment on the Note either before, during or after any proceedings for the enforcement of this Mortgage or the other Loan Documents;

(h) to the extent permitted by, and pursuant to the procedures provided by, applicable law, apply for the appointment of a receiver, trustee, liquidator or conservator of the Property, which appointment is hereby authorized and consented to by Mortgagor, without notice and without regard for the adequacy of the security for the Indebtedness and without regard for the solvency of Mortgagor, any guarantor or indemnitor with respect to the Loan or of any Person liable for the payment of the Indebtedness or any part thereof;

(i) the license granted to Mortgagor under Section 1.2 hereof shall automatically be revoked and Mortgagee may enter into or upon the Property, either personally or by its agents, nominees or attorneys and dispossess Mortgagor and its agents and servants therefrom, without liability for trespass, damages or otherwise and exclude Mortgagor and its agents or servants wholly therefrom, and take possession of all books, records and accounts relating thereto and Mortgagor agrees to surrender possession of the Property and of such books, records and accounts to Mortgagee upon demand, provided that Mortgagor, at its sole cost and expense, shall be entitled to copies of any such books, records and accounts and thereupon Mortgagee may (i) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Property and conduct the business

thereat; (ii) complete any construction on the Property in such manner and form as Mortgagee deems advisable; (iii) make alterations, additions, renewals replacements and improvements to or on the Property; (iv) exercise all rights and powers of Mortgagor with respect to the Property, whether in the name of Mortgagor or otherwise, including, without limitation, the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents of the Property and every part thereof; (v) require Mortgagor to pay monthly in advance to Mortgagee, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of such part of the Property as may be occupied by Mortgagor; (vi) require Mortgagor to vacate and surrender possession of the Property to Mortgagee or to such receiver and, in default thereof, Mortgagor may be evicted by summary proceedings or otherwise; and (vii) apply the receipts from the Property to the payment and performance of the Obligations (including, without limitation, the Indebtedness), in such order, priority and proportions as Mortgagee shall deem appropriate in its sole discretion after deducting therefrom all expenses (including reasonable attorneys' fees) actually incurred in connection with the aforesaid operations and all amounts necessary to pay the Impositions, Other Charges, insurance and other expenses in connection with the Property, as well as just and reasonable compensation for the services of Mortgagee, its counsel, agents and employees; provided, that such license shall be reinstated upon the cure of such Event of Default;

(j) exercise any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing: (i) the right to take possession of the Fixtures, the Equipment and the Personal Property, or any part thereof, and to take such other measures as Mortgagee may deem necessary for the care, protection and preservation of the Fixtures, the Equipment and the Personal Property, and (ii) request Mortgagor at its expense to assemble the Fixtures, the Equipment and the Personal Property and make it available to Mortgagee at a convenient place reasonably acceptable to Mortgagee. Any notice of sale, disposition or other intended action by Mortgagee with respect to the Fixtures, the Equipment and/or the Personal Property sent to Mortgagor in accordance with the provisions hereof at least ten (10) days prior to such action, shall constitute commercially reasonable notice to Mortgagor;

(k) apply any sums then deposited or held in escrow or otherwise by or on behalf of Mortgagee in accordance with the terms of the Loan Agreement, this Mortgage or any other Loan Document to the payment of the following items in any order in its uncontrolled discretion:

- (i) Impositions and Other Charges;
- (ii) insurance premiums;
- (iii) interest on the unpaid principal balance of the Note;

(iv) amortization of the unpaid principal balance of the Note;

(v) all other sums payable pursuant to the Note, the Loan Agreement, this Mortgage and the other Loan Documents, including without limitation advances made by Mortgagee pursuant to the terms of this Mortgage;

(l) pursue such other remedies as Mortgagee may have under applicable law; and/or

(m) apply the undisbursed balance of any deficiency deposit, together with interest thereon, to the payment of the Indebtedness in such order, priority and proportions as Mortgagee shall deem to be appropriate in its discretion.

In the event of a sale, by foreclosure, power of sale or otherwise, of less than all of the Property, this Mortgage shall continue as a Lien and security interest on the remaining portion of the Property unimpaired and without loss of priority.

Section 7.2 Application of Proceeds. The purchase money, proceeds and avails of any disposition of the Property, and or any part thereof, or any other sums collected by Mortgagee pursuant to the Note, this Mortgage or the other Loan Documents, may be applied by Mortgagee to the payment of the Indebtedness in such priority and proportions as Mortgagee in its discretion shall deem proper.

Section 7.3 Right to Cure Defaults. Upon the occurrence and during the continuance of any Event of Default or if Mortgagor fails to make any payment or to do any act as required to be made or done by it pursuant to the terms hereof upon the expiration of any grace or cure period, Mortgagee may, but without any obligation to do so and without notice to or demand on Mortgagor and without releasing Mortgagor from any obligation hereunder, make or do the same in such manner and to such extent as Mortgagee may deem necessary to protect the security hereof. Mortgagee is authorized to enter upon the Property for such purposes, or appear in, defend, or bring any action or proceeding to protect its interest in the Property or to foreclose this Mortgage or collect the Indebtedness, and the reasonable cost and expense thereof (including reasonable attorneys' fees to the extent permitted by law), with interest as provided in this Section 7.3, shall constitute a portion of the Indebtedness and shall be due and payable to Mortgagee upon demand. All such reasonable costs and expenses incurred by Mortgagee in remedying such Event of Default or such failed payment or act or in appearing in, defending, or bringing any such action or proceeding shall bear interest at the Default Rate, for the period beginning on the first day after notice from Mortgagee that such cost or expense was incurred and continuing until the date of payment to Mortgagee. All such reasonable costs and expenses incurred by Mortgagee together with interest thereon calculated at the Default Rate shall be deemed to constitute a portion of the Indebtedness and be secured by this Mortgage and the other Loan Documents and shall be immediately due and payable upon demand by Mortgagee therefor.

Section 7.4 Actions and Proceedings. Mortgagee has the right to appear in and defend any action or proceeding brought with respect to the Property and to bring any action or proceeding, in the name and on behalf of Mortgagor, which Mortgagee, in its reasonable discretion, decides should be brought to protect its interest in the Property.

Section 7.5 Recovery of Sums Required to Be Paid. Mortgagee shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Indebtedness as the same become due, without regard to whether or not the balance of the Indebtedness shall be due, and without prejudice to the right of Mortgagee thereafter to bring an action of foreclosure, or any other action, for any Default or Event of Default by Mortgagor existing at the time such earlier action was commenced.

Section 7.6 Examination of Books and Records. At reasonable times and upon reasonable notice, Mortgagee, its agents, accountants and attorneys shall have the right to examine the records, books, management and other papers of Mortgagor which reflect upon its financial condition, at the Property or at any office regularly maintained by Mortgagor where the books and records are located. Mortgagee and its agents shall have the right to make copies and extracts from the foregoing records and other papers. In addition, at reasonable times and upon reasonable notice, Mortgagee, its agents, accountants and attorneys shall have the right to examine and audit the books and records of Mortgagor pertaining to the income, expenses and operation of the Property during reasonable business hours at any office of Mortgagor where the books and records are located. So long as no Event of Default has occurred and is continuing, Mortgagee may exercise its rights under this Section 7.6 no more than once per year.

Section 7.7 Other Rights, etc. (n) The failure of Mortgagee to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Mortgage. Mortgagor shall not be relieved of Mortgagor's obligations hereunder by reason of (i) the failure of Mortgagee to comply with any request of Mortgagor or any guarantor or indemnitor with respect to the Loan to take any action to foreclose this Mortgage or otherwise enforce any of the provisions hereof or of the Note or the other Loan Documents, (ii) the release, regardless of consideration, of the whole or any part of the Property, or of any Person liable for the Obligations or any portion thereof or (iii) any agreement or stipulation by Mortgagee extending the time of payment or otherwise modifying or supplementing the terms of the Note, this Mortgage or the other Loan Documents.

(o) It is agreed that the risk of loss or damage to the Property is on Mortgagor, and Mortgagee shall have no liability whatsoever for decline in value of the Property, for failure to maintain the insurance policies, or for failure to determine whether insurance in force is adequate as to the amount of risks insured. Possession by Mortgagee shall not be deemed an election of judicial relief, if any such possession is requested or obtained, with respect to any portion of the Property or collateral not in Mortgagee's possession.

(p) Mortgagee may resort for the payment of the Indebtedness to any other security held by Mortgagee in such order and manner as Mortgagee, in its discretion, may elect. Mortgagee may take action to recover the Indebtedness, or any portion thereof, or to enforce the Other Obligations or any covenant hereof without prejudice to the right of Mortgagee thereafter to foreclose this Mortgage. The rights of Mortgagee under this Mortgage shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Mortgagee shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Mortgagee shall not be limited exclusively to the rights and remedies herein stated but shall be entitled to every right and remedy now or hereafter afforded at law or in equity.

Section 7.8 Right to Release Any Portion of the Property. Mortgagee may release any portion of the Property for such consideration as Mortgagee may require without, as to the remainder of the Property, in any way impairing or affecting the lien or priority of this Mortgage, or improving the position of any subordinate lienholder with respect thereto, except to the extent that the Indebtedness shall have been reduced by the actual monetary consideration, if any, received by Mortgagee for such release, and may accept by assignment, pledge or otherwise any other property in place thereof as Mortgagee may require without being accountable for so doing to any other lienholder. This Mortgage shall continue as a lien and security interest in the remaining portion of the Property.

Section 7.9 Intentionally Omitted.

Section 7.10 Recourse and Choice of Remedies. Notwithstanding any other provision of this Mortgage or the Loan Agreement, Mortgagee and other Indemnified Parties (as hereinafter defined) are entitled to enforce the obligations of Mortgagor contained in Sections 9.2 and 9.3 herein without first resorting to or exhausting any security or collateral and without first having recourse to the Note or any of the Property, through foreclosure or acceptance of a deed in lieu of foreclosure or otherwise, and in the event Mortgagee commences a foreclosure action against the Property, Mortgagee is entitled to pursue a deficiency judgment with respect to such obligations against Mortgagor and any guarantor or indemnitor with respect to the Loan. The provisions of Sections 9.2 and 9.3 herein are exceptions to any non-recourse or exculpation provisions applicable to Mortgagor in the Loan Agreement, the Note, this Mortgage or the other Loan Documents, and Mortgagor is fully and personally liable for the obligations pursuant to Sections 9.2 and 9.3 herein. The liability of Mortgagor with respect to the Loan pursuant to Sections 9.2 and 9.3 herein is not limited to the original principal amount of the Note. Notwithstanding the foregoing, nothing herein shall inhibit or prevent Mortgagee from foreclosing or exercising any other rights and remedies pursuant to the Loan Agreement, the Note, this Mortgage and the other Loan Documents, whether simultaneously with foreclosure proceedings or in any other sequence. A separate action or actions may be brought and prosecuted against Mortgagor pursuant to Sections 9.2 and 9.3 herein, whether or not action is brought against any other Person or whether or not any other Person is joined in the action or actions. In addition, Mortgagee shall have the right but not the obligation to join and participate in, as a party if it so elects, any administrative or judicial proceedings or actions initiated in connection with any matter addressed in the Environmental Indemnity Agreement.

Section 7.11 Right of Entry. Upon reasonable notice to Mortgagor, Mortgagee and its agents shall have the right to enter and inspect the Property on Business Days during normal business hours, subject to the rights of Tenants under their Leases and Mortgagor's usual and customary safety requirements and accompanied by a representative of Mortgagor.

ARTICLE 8

INTENTIONALLY OMITTED

ARTICLE 9

INDEMNIFICATION

Section 9.1 General Indemnification. Except as limited by the non-recourse provisions of the Loan Agreement and except to the extent caused by the willful misconduct or gross negligence of the Indemnified Parties (as hereinafter defined), Mortgagor shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, fines, penalties, charges, fees, expenses, judgments, awards, amounts paid in settlement, punitive damages, foreseeable and unforeseeable consequential damages, of whatever kind or nature (including but not limited to reasonable attorneys' fees and other reasonable costs of defense) (collectively, the "Losses") imposed upon or incurred by or asserted against any Indemnified Party and directly or indirectly arising out of or in any way relating to any one or more of the following: (a) ownership of this Mortgage, the Property or any interest therein or receipt of any Rents; (b) any amendment to, or restructuring of, the Obligations (including, but not limited to, the Indebtedness), and the Note, the Loan Agreement, this Mortgage, and/or any other Loan Documents; (c) any and all lawful action that may be taken by Mortgagee in connection with the enforcement of the provisions of this Mortgage or the Loan Agreement or the Note or any of the other Loan Documents, whether or not suit is filed in connection with same, or in connection with Mortgagor, any guarantor or indemnitor of the Loan and/or any partner, joint venturer or shareholder thereof becoming a party to a voluntary or involuntary federal or state bankruptcy, insolvency or similar proceeding; (d) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (e) any use, nonuse or condition in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (f) any failure on the part of Mortgagor to perform or to be in compliance with any of the terms of this Mortgage; (g) performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof; (h) the failure of any person to file timely with the Internal Revenue Service an accurate Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with this Mortgage, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Mortgage is made; (i) any failure of the Property to be in compliance with any Legal Requirements; (j) the enforcement by any Indemnified Party of the provisions of this Article 9; (k) any and all claims and demands whatsoever which may be asserted against Mortgagee by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained in any Lease; (l) the payment of any commission, charge or brokerage fee to anyone claiming through Mortgagor which may be payable in connection with the funding of the Loan; or (m) any material misrepresentation made by Mortgagor in this Mortgage or any other Loan Document beyond the expiration of any applicable cure period. Any amounts payable to Mortgagee by reason of the application of this Section 9.1 shall become immediately due and payable and shall bear interest at the Default Rate from the date that written demand therefor has been made by an Indemnified Party until

paid. For purposes of this Article 9, the term “**Indemnified Parties**” means Mortgagee, any Person who is or will have been involved in the origination of the Loan, any Person who is or will have been involved in the servicing of the Loan secured hereby, any Person in whose name the encumbrance created by this Mortgage is or will have been recorded, persons and entities who may hold or acquire or will have held a full or partial interest in the Loan secured hereby (including, but not limited to, custodians, trustees and other fiduciaries who hold or have held a full or partial interest in the Loan secured hereby for the benefit of third parties), as well as the respective directors, officers, shareholders, partners, members, employees, agents, servants, representatives, contractors, subcontractors, Affiliates, subsidiaries, participants, successors and assigns of any and all of the foregoing (including but not limited to any other Person who holds or acquires or will have held a participation or other full or partial interest in the Loan, whether during the term of the Loan or as a part of or following a foreclosure of the Loan and including, but not limited to, any successors by merger, consolidation or acquisition of all or a substantial portion of Mortgagee’s or any Indemnified Party’s assets and business).

Section 9.2 Mortgage and/or Intangible Tax. Mortgagor shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any tax on the making and/or recording of this Mortgage, the Note or any of the other Loan Documents, but excluding any income, withholding, backup withholding, branch profits, franchise or other similar taxes or fees in lieu of such taxes.

Section 9.3 ERISA Indemnification. Mortgagor shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses (including, without limitation, reasonable attorneys’ fees and reasonable costs incurred in the investigation, defense, and settlement of Losses incurred in correcting any prohibited transaction or in the sale of a prohibited loan, and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Mortgagee’s sole discretion) that Mortgagee may incur, directly or indirectly, as a result of a default under Sections 4.1.10 and 5.2.12 of the Loan Agreement.

Section 9.4 Duty to Defend: Attorneys’ Fees and Other Fees and Expenses. In case any action, suit or proceeding is brought against the Indemnified Parties by reason of any occurrence in respect of which Indemnified Parties are entitled to indemnification pursuant to this Mortgage, Mortgagor shall at Mortgagor’s expense resist and defend such action, suit or proceeding or will cause the same to be resisted and defended by counsel at Mortgagor’s reasonable expense for the insurer of the liability or by counsel designated by Mortgagor (unless reasonably disapproved by Mortgagee promptly after Mortgagee has been notified of such counsel, in which case Mortgagor may designate alternative counsel reasonably satisfactory to Mortgagee); provided, however, that nothing herein shall compromise the right of Mortgagee (or any Indemnified Party) to appoint its own counsel at Mortgagor’s expense for its defense with respect to any action which in its reasonable opinion presents a conflict or potential conflict between Mortgagee and Mortgagor that would make such separate representation advisable; and, provided, further, that if any Indemnified Party shall have appointed separate counsel pursuant to the foregoing, Mortgagor shall not be responsible for the expense of additional separate counsel of any other Indemnified Party, unless in the reasonable opinion of Mortgagee a conflict or potential conflict exists between such Indemnified Parties. So long as Mortgagor is resisting and defending such action, suit or proceeding as provided above in a prudent and commercially reasonable manner, Mortgagee and the Indemnified Parties shall not be entitled to settle such action, suit or proceeding without Mortgagor’s consent which shall not be unreasonably withheld or delayed, and Mortgagee and each Indemnified Party hereby agrees that it will not settle any such action, suit or proceeding without the consent of Mortgagor; provided, however, that if Mortgagor is not diligently defending such action, suit or proceeding in a prudent and commercially reasonable manner as provided above, and Mortgagee has

provided Mortgagor with thirty (30) days' prior written notice, or shorter period if mandated by the requirements of applicable law, and opportunity to correct such determination, Mortgagee may settle such action, suit or proceeding as to the claim against Mortgagee and claim the benefit of this Article 9 with respect to settlement of such action, suit or proceeding. Any Indemnified Party will give Mortgagor prompt notice after such Indemnified Party obtains actual knowledge of any potential claim by such Indemnified Party for indemnification hereunder. The Indemnified Parties shall not settle or compromise any action, proceeding or claim as to which indemnification hereunder applies without prior written notice to Mortgagor. The provisions of this Section 9.4 shall survive any prepayment or payment of the Loan and, except with respect to claims arising from Mortgagee's ownership and operation of the Property, any foreclosure or satisfaction of this Mortgage.

ARTICLE 10

WAIVERS

Section 10.1 Waiver of Counterclaim. To the extent permitted by applicable law, Mortgagor hereby waives the right to assert a counterclaim, other than a mandatory or compulsory counterclaim, in any action or proceeding brought against it by Mortgagee arising out of or in any way connected with this Mortgage, the Loan Agreement, the Note, any of the other Loan Documents, or the Obligations.

Section 10.2 Marshalling and Other Matters. To the extent permitted by applicable law, Mortgagor hereby waives the benefit of all appraisal, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale hereunder of the Property or any part thereof or any interest therein. Further, Mortgagor hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this Mortgage on behalf of Mortgagor, and on behalf of each and every Person acquiring any interest in or title to the Property subsequent to the date of this Mortgage and on behalf of all persons, in each case to the extent permitted by applicable law.

Section 10.3 Waiver of Notice. To the fullest extent permitted by applicable law, Mortgagor shall not be entitled to any notices of any nature whatsoever from Mortgagee except with respect to matters for which this Mortgage or the Loan Documents specifically and expressly provides for the giving of notice by Mortgagee to Mortgagor and except with respect to matters for which Mortgagee is required by applicable law to give notice, and Mortgagor hereby expressly waives the right to receive any notice from Mortgagee with respect to any matter for which this Mortgage does not specifically and expressly provide for the giving of notice by Mortgagee to Mortgagor

Section 10.4 Waiver of Statute of Limitations. To the extent permitted by applicable law, Mortgagor hereby expressly waives and releases to the fullest extent permitted by law, the pleading of any statute of limitations as a defense to payment of the Indebtedness or performance of its Other Obligations.

Section 10.5 Survival. The indemnifications made pursuant to Section 9.3 herein shall continue indefinitely in full force and effect and shall survive and shall in no way be impaired by: any satisfaction, release or other termination of this Mortgage or any other Loan Document, any assignment or other transfer of all or any portion of this Mortgage or any other Loan Document or Mortgagee's interest in the Property in accordance with the Loan Agreement (but, in such case, such indemnification shall benefit both Indemnified Parties and any such assignee or transferee), any exercise of Mortgagee's rights and remedies pursuant hereto including but not limited to foreclosure or acceptance of a deed in lieu of foreclosure, any exercise of any rights and remedies pursuant to the Loan Agreement, the Note or any of the other Loan Documents, any transfer of all or any portion of the Property (whether by Mortgagor or by Mortgagee following foreclosure or acceptance of a deed in lieu of foreclosure or at any other time), any amendment to this Mortgage, the Loan Agreement, the Note or the other Loan Documents, and any act or omission that might otherwise be construed as a release or discharge of Mortgagor from the Obligations pursuant hereto.

ARTICLE 11

EXCULPATION

Section 11.1 Exculpation. The provisions of Section 14.1 of the Loan Agreement are hereby incorporated by reference into this Mortgage to the same extent and with the same force as if fully set forth herein.

ARTICLE 12

NOTICES

Section 12.1 Notices. All notices or other written communications hereunder shall be delivered in accordance with Section 15.6 of the Loan Agreement.

ARTICLE 13

APPLICABLE LAW

SECTION 3.1 GOVERNING LAW. (A) THIS MORTGAGE WAS NEGOTIATED IN THE STATE OF NEW YORK, AND MADE BY MORTGAGOR AND ACCEPTED BY MORTGAGEE IN THE STATE OF NEW YORK, AND THE PROCEEDS OF THE NOTE SECURED HEREBY WERE DISBURSED FROM THE STATE OF NEW YORK, WHICH STATE THE PARTIES AGREE HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES AND TO THE UNDERLYING TRANSACTION EMBODIED HEREBY, AND IN ALL RESPECTS, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS MORTGAGE AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA. TO THE FULLEST EXTENT PERMITTED BY LAW, MORTGAGOR, AND MORTGAGEE EACH HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS MORTGAGE, AND THIS MORTGAGE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

(B) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST MORTGAGEE OR MORTGAGOR ARISING OUT OF OR RELATING TO THIS MORTGAGE SHALL BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN THE CITY OF NEW YORK, COUNTY OF NEW YORK, PURSUANT TO SECTION 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW, AND MORTGAGOR, AND BY ITS ACCEPTANCE OF THIS MORTGAGE, MORTGAGEE, EACH WAIVES ANY OBJECTIONS WHICH IT MAY NOW OR HEREAFTER HAVE BASED ON VENUE AND/OR FORUM NON CONVENIENS OF ANY SUCH SUIT, ACTION OR PROCEEDING, AND MORTGAGOR HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING. MORTGAGOR DOES HEREBY DESIGNATE AND APPOINT

The Corporation Trust Company
111 Eighth Avenue
13th Floor
New York, New York 10011

AS ITS AUTHORIZED AGENT TO ACCEPT AND ACKNOWLEDGE ON ITS BEHALF SERVICE OF ANY AND ALL PROCESS WHICH MAY BE SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY FEDERAL OR STATE COURT IN NEW YORK, NEW YORK, AND AGREES THAT SERVICE OF PROCESS UPON SAID AGENT AT SAID ADDRESS AND WRITTEN NOTICE OF SAID SERVICE MAILED OR DELIVERED TO MORTGAGOR IN THE MANNER PROVIDED HEREIN SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON MORTGAGOR IN ANY SUCH SUIT, ACTION OR PROCEEDING IN THE STATE OF NEW YORK. MORTGAGOR (I) SHALL GIVE PROMPT NOTICE TO MORTGAGEE OF ANY CHANGED ADDRESS OF ITS AUTHORIZED AGENT HEREUNDER, (II) MAY AT ANY TIME AND FROM TIME TO TIME DESIGNATE A SUBSTITUTE AUTHORIZED AGENT WITH AN OFFICE IN NEW YORK, NEW YORK (WHICH SUBSTITUTE AGENT AND OFFICE SHALL BE DESIGNATED AS THE PERSON AND ADDRESS FOR SERVICE OF PROCESS), AND (III) SHALL PROMPTLY DESIGNATE SUCH A SUBSTITUTE IF ITS AUTHORIZED AGENT CEASES TO HAVE AN OFFICE IN NEW YORK, NEW YORK OR IS DISSOLVED WITHOUT LEAVING A SUCCESSOR.

(C) EACH OF MORTGAGOR AND MORTGAGEE AND EACH AND ALL PERSONS CLAIMING BY, THROUGH OR UNDER IT HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, OR RELATED TO, THE SUBJECT MATTER OF THIS MORTGAGE. THIS WAIVER IS KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY MADE BY MORTGAGOR AND MORTGAGEE, AND MORTGAGOR AND MORTGAGEE EACH ACKNOWLEDGE THAT NO PERSON ACTING ON BEHALF OF THE OTHER PARTY TO THIS MORTGAGE HAS MADE ANY REPRESENTATIONS OF FACT TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. MORTGAGOR AND MORTGAGEE EACH FURTHER ACKNOWLEDGE THAT IT HAS BEEN REPRESENTED (OR HAVE HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OF THIS MORTGAGE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, SELECTED OF THEIR OWN FREE WILL, AND THAT THEY HAVE HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

Section 13.2 Usury Laws. Notwithstanding anything to the contrary, (a) all agreements and communications between Mortgagor and Mortgagee are hereby and shall automatically be limited so that, after taking into account all amounts deemed to constitute interest, the interest contracted for, charged or received by Mortgagee shall never exceed the maximum lawful rate or amount, (b) in calculating whether any interest exceeds the maximum lawful rate, all such interest shall be amortized, prorated, allocated and spread over the full amount and term of all principal indebtedness of Mortgagor to Mortgagee and (c) if through any contingency or event Mortgagee receives or is deemed to receive interest in excess of the lawful maximum rate, any such excess shall be deemed to have been applied toward payment of the principal of any and all then outstanding indebtedness of Mortgagor to Mortgagee, or if there is no such indebtedness, shall immediately be returned to Mortgagor.

Section 13.3 Provisions Subject to Applicable Law. All rights, powers and remedies provided in this Mortgage may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law and are intended to be limited to the extent necessary so that they will not render this Mortgage invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law. If any term of this Mortgage or any application thereof shall be invalid or unenforceable, the remainder of this Mortgage and any other application of the term shall not be affected thereby.

ARTICLE 14

DEFINITIONS

Section 14.1 Definitions. All capitalized terms not defined herein shall have the respective meanings set forth in the Loan Agreement. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Mortgage may be used interchangeably in singular or plural form and the word "**Mortgagor**" shall mean "each Mortgagor and any subsequent direct owner or owners of the Property or any part thereof or any direct interest therein," the word "**Mortgagee**" shall mean "Mortgagee and any successor lender under the Loan Agreement," the word "**Note**" shall mean "the Note and any other evidence of indebtedness secured by this Mortgage, as amended, restated or otherwise modified, from time to time" the word "**Property**" shall include any portion of the Property and any interest therein, and the phrases "**attorneys' fees**", "**legal fees**" and "**counsel fees**" shall include any and all reasonable third-party attorneys', paralegal and law clerk fees and disbursements, including, but not limited to, fees and disbursements at the pre-trial, trial and appellate levels incurred or paid by Mortgagee in protecting its interest in the Property, the Leases and the Rents and enforcing its rights hereunder.

ARTICLE 15

MISCELLANEOUS PROVISIONS

Section 15.1 No Oral Change. This Mortgage, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Mortgagor or Mortgagee, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

Section 15.2 Successors and Assigns. This Mortgage shall be binding upon and inure to the benefit of Mortgagor and Mortgagee and their respective successors and assigns forever. Mortgagee shall have the right to sell, assign, pledge, participate, transfer or delegate its rights and obligations under this Mortgage in connection with any assignment of the Loan and the Loan Documents to any Person in accordance with the Loan Agreement. Any assignee or transferee of Mortgagee shall be entitled to all the benefits afforded to Mortgagee under this Mortgage. Except as specifically permitted by the Loan Agreement, Mortgagor shall not have the right to assign, delegate or transfer its rights or obligations under this Mortgage without the prior written consent of Mortgagee and any attempted assignment, delegation or transfer without such consent shall be null and void.

Section 15.3 Inapplicable Provisions. If any term, covenant or condition of the Loan Agreement, the Note or this Mortgage is held to be invalid, illegal or unenforceable in any respect, the Loan Agreement, the Note and this Mortgage shall be construed without such provision.

Section 15.4 Headings, etc. The headings and captions of various Sections of this Mortgage are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

Section 15.5 Number and Gender. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

Section 15.6 Subrogation. If any or all of the proceeds of the Note have been used to extinguish, extend or renew any indebtedness heretofore existing against the Property, then, to the extent of the funds so used, Mortgagee shall be subrogated to all of the rights, claims, liens, titles, and interests existing against the Property heretofore held by, or in favor of, the holder of such indebtedness and such former rights, claims, liens, titles, and interests, if any, are not waived but rather are continued in full force and effect in favor of Mortgagee and are merged with the lien and security interest created herein as cumulative security for the repayment of the Indebtedness, the performance and discharge of Mortgagor's obligations hereunder, under the Loan Agreement, the Note and the other Loan Documents and the performance and discharge of the Other Obligations.

Section 15.7 Entire Agreement. The Note, the Loan Agreement, this Mortgage and the other Loan Documents constitute the entire understanding and agreement between Mortgagor and Mortgagee with respect to the transactions arising in connection with the Indebtedness and supersede all prior written or oral understandings and agreements between Mortgagor and Mortgagee with respect thereto. Mortgagor hereby acknowledges that, except as incorporated in writing in the Note, the Loan Agreement, this Mortgage and the other Loan Documents, there are not, and were not, and no persons are or were authorized by Mortgagee to make, any representations, understandings, stipulations, agreements or promises, oral or written, with respect to the transaction which is the subject of the Note, the Loan Agreement, this Mortgage and the other Loan Documents.

Section 15.8 Limitation on Mortgagee's Responsibility. No provision of this Mortgage shall operate to place any obligation or liability for the control, care, management or repair of the Property upon Mortgagee prior to foreclosure or deed in lieu of foreclosure or the taking of title to the Property by any other means, nor shall it operate to make Mortgagee responsible or liable for any waste committed on the Property by the tenants or any other Person prior to foreclosure or deed in lieu of foreclosure or the taking of title to the Property by any other means, or, prior to foreclosure or deed in lieu of foreclosure or the taking of title to the Property by any other means, for any dangerous or defective condition of the Property, or for any negligence in the management, upkeep, repair or control of the Property resulting in loss or injury or death to any tenant, licensee, employee or stranger. Nothing herein contained shall be construed as constituting Mortgagee a "mortgagee in possession."

Section 15.9 Variable Interest Rate. The Loan secured by this Mortgage is a variable interest rate loan, as more particularly set forth in the Loan Agreement.

Section 15.10 Loan Agreement. This Mortgage is made pursuant to the Loan Agreement, and this Mortgage is subject to all of the provisions of the Loan Agreement including, without limitation, the provisions thereof entitling Mortgagee to declare the entire indebtedness secured hereby to be immediately due and payable, all of which provisions are incorporated herein with the same force and with like effect as if they were fully set forth herein at length and made a part hereof. In the event of any inconsistencies between this Mortgage and the Loan Agreement, the terms and conditions of the Loan Agreement shall control and be binding.

ARTICLE 16

NEW YORK STATE-SPECIFIC PROVISIONS

Section 16.1 Principles of Construction. In the event of any inconsistencies between the terms and conditions of this Article 16 and the other terms and conditions of this Mortgage, the terms and conditions of this Article 16 shall control and be binding.

Section 16.2 New York Provisions.

(a) Commercial Property. Mortgagor represents that this Mortgage does not encumber real property principally improved or to be improved by one or more structures containing in the aggregate more than six (6) residential dwelling units, each having its own separate cooking facilities.

(b) Insurance Proceeds. In the event of any conflict, inconsistency or ambiguity between (i) the provisions of the Note, this Mortgage or the other Loan Documents and (ii) the provisions of subsection 4 of Section 254 of the Real Property Law of New York covering the insurance of buildings against loss by fire, the provisions of the Note, this Mortgage and the other Loan Documents shall control.

(c) Trust Fund. Pursuant to Section 13 of the Lien Law of New York, Mortgagor shall receive the advances secured hereby and shall hold the right to receive such advances as a trust fund to be applied first for the purpose of paying the cost of any improvement of the Property and shall apply such advances first to the payment of the cost of any such improvement of the Property before using any part of the total of the same for any other purpose.

(d) Section 291-f Agreement. This Mortgage is intended to be, and shall operate as, the agreement described in Section 291-f of the Real Property Law of the State of New York and shall be entitled to the benefits afforded thereby. Mortgagor hereby covenants and agrees that Mortgagor shall not, without the consent of Mortgagee, (i) amend, modify or waive the provisions of any Lease or terminate, reduce rents under or shorten the term of any Lease, except pursuant to and in accordance with the provisions of the Note, the Loan Agreement, this Mortgage and the other Loan Documents, or (ii) collect any Rents (exclusive of security deposits, Impositions and other pass-throughs of Operating Expenses) more than thirty (30) days in advance of the time when the same shall become due. Mortgagor shall (unless such notice is contained in the Lease) deliver notice of this Mortgage in form and substance reasonably acceptable to Mortgagee, to all present and future holders of any interest in any Lease, by assignment or otherwise, and shall take such other action as may now or hereafter be reasonably required to afford Mortgagee the full protections and benefits of Section 291-f.

(e) Maximum Indebtedness. The maximum amount of principal indebtedness secured by this Mortgage at execution or which under any contingency may become secured hereby at any time hereafter is \$275,000,000.00 plus all amounts expended by Mortgagee following an Event of Default hereunder in respect of insurance premiums and real estate taxes, and all legal costs or expenses required to protect and preserve the lien of this Mortgage.

(f) RPAPL. If a default shall occur hereunder or under any of the other Loan Documents and be continuing beyond any applicable notice, grace or cure period, Mortgagee may elect to sell the Property or any part thereof by exercise of the power of foreclosure or of sale granted to Mortgagee by Article 13 of the New York Real Property Actions and Proceedings Law (the “**RPAPL**”). In such case, Mortgagee may commence a civil action to foreclose this Mortgage pursuant to and in accordance with Article 13 of the RPAPL.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, this Mortgage has been executed by Mortgagor and Mortgagee as of the day and year first above written.

MORTGAGOR:

REGO II BORROWER LLC,
a Delaware limited liability company

By: /s/ Alan J. Rice
Name: Alan J. Rice
Title: Secretary

MORTGAGEE:

BANK OF CHINA, NEW YORK BRANCH

By: /s/ Ted Louie
Name: Ted Louie
Title: Assistant Vice President

By: /s/ Shiqiang Wu
Name: Shiqiang Wu
Title: General Manager, U.S.A.

ACKNOWLEDGMENT

STATE OF New York)
) ss.:
COUNTY OF New York)

On this, the 30th day of November, 2011, before me, the undersigned, personally appeared Alan Rice, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

/s/ Stephanie R. Dini
(signature and office of individual taking acknowledgment)

Stephanie R. Dini
Notary Public, State of New York
No 01DI6226821
Qualified in New York County
Certificate Filed in New York County
Commission Expires August 16, 2014

EXHIBIT A

LEGAL DESCRIPTION

PARCEL I

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF QUEENS, COUNTY OF QUEENS, CITY AND STATE OF NEW YORK, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT THE CORNER FORMED BY THE INTERSECTION OF THE SOUTHERLY SIDE OF HORACE HARDING EXPRESSWAY, FORMERLY HORACE HARDING BOULEVARD AND NASSAU BOULEVARD, 260 FEET WIDE AND EASTERLY SIDE OF JUNCTION BOULEVARD, 80 FEET WIDE, AS SAID HORACE HARDING EXPRESSWAY AND JUNCTION BOULEVARD ARE NOW LAID OUT ON THE FINAL TOPOGRAPHICAL MAP OF THE CITY OF NEW YORK;

RUNNING THENCE EASTERLY ALONG THE SOUTHERLY SIDE OF HORACE HARDING EXPRESSWAY, 456.35 FEET TO THE WESTERLY SIDE OF 97TH STREET, AS SHOWN ON THE FINAL TOPOGRAPHICAL MAP OF THE CITY OF NEW YORK, PRIOR TO THE ADOPTION OF THE ALTERATION MAP NO. 3530 ON DECEMBER 20, 1951;

THENCE SOUTHERLY ALONG THE SAID WESTERLY SIDE OF 97TH STREET, 630 FEET TO THE NORTHERLY SIDE OF 62ND DRIVE, 80 FEET WIDE, AS SHOWN ON THE FINAL TOPOGRAPHICAL MAP OF THE CITY OF NEW YORK, PRIOR TO THE ADOPTION OF THE ALTERATION MAP NO. 4822 ON MARCH 2, 1987 ON CAL. NO. 1;

THENCE WESTERLY ALONG THE NORTHERLY SIDE OF 62ND DRIVE 456.35 FEET TO THE EASTERLY SIDE OF JUNCTION BOULEVARD;

THENCE NORTHERLY ALONG THE EASTERLY SIDE OF JUNCTION BOULEVARD 630 FEET TO THE POINT OR PLACE OF BEGINNING.

TOGETHER WITH, BUT SUBJECT TO THE BURDENS OF, THE EASEMENT SET FORTH IN THE EASEMENT AGREEMENT BETWEEN ALEXANDER'S OF REGO PARK II, INC., AND ALEXANDER'S REGO SHOPPING CENTER, INC., DATED AS OF DECEMBER 21, 2007 AND RECORDED ON FEBRUARY 14, 2008 IN CFRN 2008000062504.

EXCEPTING THEREFROM THOSE PORTIONS OF HORSE BROOK CREEK AS IT WINDED AND TURNED THROUGH THE ABOVE DESCRIBED PREMISES WHICH ARE 10 FEET WIDE WHICH LIE BETWEEN THE WESTERLY LINE OF 97TH STREET AS IT WAS LAID OUT 60 FEET WIDE ON THE FINAL MAP OF THE CITY OF NEW YORK FOR THE BOROUGH OF QUEENS PRIOR TO THE ADOPTION OF THE ALTERATION MAP NO. 3530 ON DECEMBER 20, 1951 AND WESTERLY LINE OF 97TH STREET AS IT IS LAID OUT 70 FEET WIDE ON THE PRESENT FINAL MAP OF THE CITY OF NEW YORK FOR THE BOROUGH OF QUEENS.

ALSO EXCEPTING THEREFROM THE FOLLOWING DESCRIBED PARCEL:

BEGINNING AT A POINT FORMED BY THE INTERSECTION OF THE NORTHERLY LINE OF 62ND DRIVE AND THE EASTERLY LINE OF JUNCTION BOULEVARD, AS SAID STREETS ARE SHOWN ON THE FINAL MAP OF THE BOROUGH OF QUEENS KNOWN AS MAP NO. 4822 ADOPTED BY THE BOARD OF ESTIMATE ON MARCH 2, 1987;

RUNNING THENCE EASTERLY ALONG THE NORTHERLY LINE OF 62ND DRIVE 446.35 FEET TO THE WESTERLY LINE OF 97TH STREET;

THENCE SOUTHERLY ALONG THE PROLONGATION OF THE WESTERLY LINE OF 97TH STREET FORMING AN INTERIOR ANGLE OF 90 DEGREES WITH THE LAST MENTIONED COURSE, 10.00 FEET TO THE FORMER NORTHERLY LINE OF 62ND DRIVE

THENCE WESTERLY ALONG THE FORMER NORTHERLY LINE OF 62ND DRIVE, FORMING AN INTERIOR ANGLE OF 90 DEGREES WITH THE LAST MENTIONED COURSE, 446.35 FEET TO THE PROLONGATION OF THE EASTERLY LINE OF JUNCTION BOULEVARD.

RUNNING THENCE NORTHERLY AT RIGHT ANGLES TO THE PREVIOUS COURSE 10.00 FEET TO THE POINT OR PLACE OF BEGINNING.

TOGETHER WITH ALL THE RIGHT, TITLE AND INTEREST OF THE PARTY OF THE FIRST PART, OF, IN AND TO ALL THE LAND IN THE BED OF 62ND DRIVE, 80 FEET WIDE, AS FORMERLY LAID OUT WITHIN THE LINES OF 62ND DRIVE, LYING IN FRONT OF AND ADJOINING THE ABOVE DESCRIBED PROPERTY, BUT NOT INCLUDING THE FOLLOWING AIR VOLUME ABOVE 62ND DRIVE”:

AIR VOLUME - HORIZONTAL LIMITS

BEGINNING AT A POINT ON THE NORTHERLY LINE OF 62ND DRIVE, SAID POINT BEING DISTANT 80 FEET WESTERLY ALONG THE NORTHERLY LINE OF 62ND DRIVE FROM ITS INTERSECTION WITH THE WESTERLY LINE OF 97TH STREET, AS SAID STREETS ARE SHOWN ON THE FINAL MAP OF THE BOROUGH OF QUEENS KNOWN AS MAP No. 4822 ADOPTED BY THE BOARD OF ESTIMATE MARCH 2, 1987;

RUNNING THENCE SOUTHERLY ALONG A LINE AT RIGHT ANGLES TO THE NORTHERLY LINE OF 62ND DRIVE 10.00 FEET TO THE FORMER NORTHERLY LINE OF 62ND STREET;

THENCE WESTERLY ALONG THE FORMER NORTHERLY LINE OF 62ND DRIVE, AT RIGHT ANGLES TO THE LAST MENTIONED COURSE, FOR 30 FEET TO A POINT;

THENCE NORTHERLY ALONG A LINE, AT RIGHT ANGLES TO THE LAST MENTIONED COURSE, FOR 10.00 FEET TO THE NORTHERLY LINE OF 62ND STREET;

THENCE EASTERLY ALONG THE NORTHERLY LINE OF 62ND DRIVE, 30.00 FEET TO THE POINT OR PLACE OF BEGINNING.

AIR VOLUME - VERTICAL LIMITS

THE VERTICAL LIMITS OF THE STREET AIR VOLUME TO BE EXCLUDED SHALL BE BETWEEN A LOWER LIMITING PLANE AT ELEVATION 35.7 FEET AND AN UPPER LIMITING PLANE AT ELEVATION 80.2 FEET WITHIN THE HORIZONTAL LIMITS DESCRIBED ABOVE.

THE ELEVATIONS REFER TO THE DATUM IN USE BY THE QUEENS TOPOGRAPHICAL BUREAU WHICH IS 2.725 FEET ABOVE UNITED STATES COAST AND GEODETIC DATUM AT SANDY HOOK.

PARCEL 2

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF QUEENS, COUNTY OF QUEENS, CITY AND STATE OF NEW YORK, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHERLY SIDE OF 62ND DRIVE, 80 FEET WIDE, DISTANT 80 FEET WESTERLY, AS MEASURED ALONG THE NORTHERLY SIDE OF 62ND DRIVE, BETWEEN A LOWER LIMITING HORIZONTAL PLANE AT ELEVATION 35.70 FEET AND AN UPPER LIMITING HORIZONTAL PLANE AT ELEVATION 80.2 FEET;

RUNNING THENCE FROM THIS POINT OF BEGINNING, SOUTHERLY ALONG A LINE FORMING AN INTERIOR ANGLE OF 90 DEGREES WITH THE NORTHERLY SIDE OF 62ND DRIVE, 80 FEET TO THE SOUTHERLY SIDE OF 62ND DRIVE;

THENCE WESTERLY ALONG THE SOUTHERLY SIDE OF 62ND DRIVE ALONG A LINE FORMING AN INTERIOR ANGLE OF 90 DEGREES WITH THE LAST MENTIONED COURSE, 30 FEET;

THENCE NORTHERLY ALONG A LINE FORMING AN INTERIOR ANGLE OF 90 DEGREES WITH THE LAST MENTIONED COURSE, 80 FEET TO THE NORTHERLY SIDE OF 62ND DRIVE;

THENCE EASTERLY ALONG THE NORTHERLY SIDE OF 62ND DRIVE ALONG A LINE FORMING AN INTERIOR ANGLE OF 90 DEGREES WITH THE LAST MENTIONED COURSE, 30 FEET TO THE POINT OR PLACE OF BEGINNING.

ELEVATIONS REFER TO THE DATUM IN USE BY THE QUEENS TOPOGRAPHICAL BUREAU WHICH IS 2.725 FEET ABOVE MEAN SEA LEVEL AT SANDY HOOK, NEW JERSEY AS ESTABLISHED BY THE U.S. COAST AND GEODETIC SURVEY.

EXHIBIT B

SCHEDULE OF PRIOR MORTGAGES

1. **SERIES I BUILDING LOAN MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT** made by Alexander's of Rego Park II, Inc. to PB Capital Corporation, dated 12/21/2007 and recorded 01/09/2008 in CRFN2008000010294 to secure the sum of \$249,285,000.00 and interest. (Mortgage tax paid: \$6,979,980.00); and
2. **SERIES I PROJECT LOAN MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT** made by Alexander's of Rego Park II, Inc. to PB Capital Corporation, dated 12/21/2007 and recorded 01/09/2008 in CRFN2008000010295 to secure the sum of \$65,715,000.00 and interest. (Mortgage tax paid: \$1,840,020.00).

GUARANTY OF RECOURSE CARVEOUTS

This **GUARANTY OF RECOURSE CARVEOUTS** (as amended, restated, replaced, supplemented or otherwise modified from time to time, this "**Guaranty**") is executed as of November 30, 2011 by **ALEXANDER'S, INC.**, a Delaware corporation, having an address at 210 Route 4 East, Paramus, New Jersey 07652 ("**Guarantor**"), for the benefit of **BANK OF CHINA, NEW YORK BRANCH**, having an address at 410 Madison Avenue, New York, New York 10017 (together with its successors and assigns, "**Lender**").

WITNESSETH:

WHEREAS, pursuant to that certain Loan and Security Agreement, dated of even date herewith, by and among REGO II BORROWER LLC, a Delaware limited liability company ("**Borrower**") and Lender (together with all extensions, renewals, modifications, substitutions and amendments thereof, the "**Loan Agreement**"), Lender has agreed to make a mortgage loan to Borrower in the aggregate principal amount of Two Hundred Seventy Five Million and No/100 Dollars (\$275,000,000.00) (the "**Loan**"), which Loan is evidenced by that certain Consolidated Amended and Restated Promissory Note, dated of even date herewith, executed by Borrower and payable to the order of Lender (together with all extensions, renewals, modifications, substitutions and amendments thereof, the "**Note**");

WHEREAS, the Note is secured by, inter alia, that certain Consolidated, Amended and Restated Mortgage, Assignment of Leases and Rents and Security Agreement (the "**Mortgage**"), dated as of the date hereof and made by Borrower for the benefit of Lender, and the Loan is further evidenced, secured or governed by other instruments or documents executed in connection with the Loan (together with the Note, the Loan Agreement and the Mortgage, collectively, the "**Loan Documents**");

WHEREAS, Lender is not willing to make the Loan, or otherwise extend credit, to Borrower unless Guarantor unconditionally guarantees payment and performance to Lender of the Guaranteed Obligations (as herein defined); and

WHEREAS, Guarantor is the owner of a direct or indirect interest in Borrower, and Guarantor will indirectly benefit from Lender making the Loan to Borrower.

NOW, THEREFORE, in consideration of the making of the Loan by Lender, the covenants, agreements, representations and warranties set forth in this Guaranty, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged by Guarantor, Guarantor hereby represents, warrants, covenants and agrees as follows:

ARTICLE I

NATURE AND SCOPE OF GUARANTY

Section 1.1 Guaranty of Obligations. Guarantor hereby irrevocably and unconditionally guarantees to Lender and its successors and assigns the payment and performance of the Guaranteed Obligations as and when the same shall be due and payable, whether by lapse of time, by acceleration of maturity or otherwise. Guarantor hereby irrevocably and unconditionally covenants and agrees that it is liable for the Guaranteed Obligations as a primary obligor.

Section 1.2 Definition of Guaranteed Obligations. As used herein, the term “**Guaranteed Obligations**” means Borrower’s liability for the payment to Lender of:

(a) any Losses incurred by Lender, and arising from:

(i) the fraudulent acts or willful misconduct of any Borrower Related Party in connection with the Loan;

(ii) the misappropriation of Proceeds which any Borrower Related Party has received (it being agreed that no Borrower Related Party shall be deemed to have misapplied Proceeds unless same are received by such Borrower Related Party and not paid to Lender, in a circumstance in which Lender is expressly entitled to receive same pursuant to the terms of the Loan Agreement or any of the Loan Documents to be applied toward payment of the Indebtedness, or used for the repair or replacement of the Property in accordance with the provisions of the Loan Agreement);

(iii) the misappropriation of Rents, security deposits and other Property revenue by any Borrower Related Party (provided, however, that no Borrower Related Party shall be liable for the misappropriation of any Rents or other items that are sent to the Collection Account or paid directly to Lender pursuant to any notice of direction delivered to any Tenant);

(iv) any intentional misrepresentation of any Borrower Related Party under the Loan Documents;

(v) failure to deliver to Lender any security deposits, advance deposits or any other deposits collected with respect to the Property upon a foreclosure of the Property or action in lieu thereof, except to the extent any such security deposits were applied in accordance with the terms and conditions of any of the Leases;

(vi) all or any part of the Property or the Account Collateral being encumbered by a Lien voluntarily granted by Borrower (other than the Loan Agreement, the Mortgage and the other Loan Documents or Permitted Encumbrances) in violation of the Loan Documents;

(vii) after the occurrence and during the continuance of an Event of Default, the removal or disposal by any Borrower Related Party of any portion of the Property in a manner prohibited by the Loan Documents;

(viii) any physical damage to the Property from intentional waste committed by any Borrower Related Party (but excluding any matter that arises by reason of lack of cash flow with respect to the Property, except to the extent that such lack of cash flow arises from the misappropriation of revenue with respect to the Property);

(ix) the breach of any indemnification provision in the Environmental Indemnity Agreement concerning Environmental Laws, Hazardous Materials and asbestos and any indemnification of Lender with respect thereto;

(x) after the occurrence and during the continuance of an Event of Default, the removal or disposal by any Borrower Related Party of any portion of the Property in a manner prohibited by the Loan Documents;

(xi) any physical damage to the Property from intentional waste committed by any Borrower Related Party (but excluding any matter that arises by reason of lack of cash flow with respect to the Property, except to the extent that such lack of cash flow arises from the misappropriation of revenue with respect to the Property);

(xii) the failure to procure an Interest Rate Protection Agreement in accordance with Section 5.1.25 of the Loan Agreement; or

(xiii) the failure to pay for items which result in Liens on the Property (unless due to lack of cash flow from the Property, except to the extent that such lack of cash flow arises from the misappropriation of revenue with respect to the Property).

and (b) the Indebtedness in the event that: (A) Borrower shall incur, assume or create any Debt for borrowed money in violation of the Loan Documents; (B) Borrower voluntarily Transfers all or substantially all of the Property, or there is a Transfer of any direct or indirect interests in Borrower, other than in accordance with the terms of Article VIII of the Loan Agreement; (C) Borrower shall fail to comply with any of the Single Purpose Entity requirements set forth in Section 5.1.4 of the Loan Agreement if such failure leads to a substantive consolidation of the assets of Borrower with the assets of another Person; (D) Borrower files a voluntary petition under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (E) an Affiliate, officer, trustee, director, or representative which controls, directly or indirectly, Borrower or Guarantor joins in the filing of, an involuntary petition against Borrower under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, or solicits or causes to be solicited petitioning creditors for any involuntary petition against Borrower or from any Person; or (F) there is the filing of an involuntary petition against Borrower under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, in which Borrower colludes with, or otherwise assists such Person, or solicits or causes to be solicited petitioning creditors for any involuntary petition against Borrower from any Person.

Notwithstanding anything to the contrary in the Loan Agreement, the Note or any of the Loan Documents, Lender shall not be deemed to have waived any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim for the full amount of the Indebtedness or to require that all Collateral shall continue to secure all of the Indebtedness owing to Lender in accordance with the Loan Documents.

The term “**Losses**” means any and all actual losses, damages, costs, expenses, liabilities, claims or other obligations reasonably incurred by Lender (including reasonable attorneys’ fees and disbursements).

Section 1.3 Termination. This Guaranty shall terminate and be of no further force and effect upon the date which is ninety-one (91) days subsequent to the date on which the Loan has been paid in full or otherwise satisfied in full; provided, however, that Guarantor’s liability hereunder shall survive such termination with respect to any and all Losses related to or arising from acts, events or circumstances which occurred prior to such payment or other satisfaction in full of the Loan. Upon such termination upon repayment in full or other satisfaction in full of the Loan, at Guarantor’s request, Lender shall deliver a written statement confirming the termination of this Guaranty, subject to and in accordance with this Section 1.3. Notwithstanding anything to the contrary contained herein, Guarantor shall not have any liability hereunder with respect to any acts, events or circumstances first arising after (i) the date on which Lender or a Person that is not an Affiliate of Borrower or Guarantor acquires title to the Property, whether through foreclosure, private power of sale or the delivery of a deed-in-lieu of foreclosure, except with respect to acts taken by Borrower, Guarantor or any Affiliate of the foregoing on or after such date or (ii) the date on which a receiver, trustee, liquidator or conservator, other than any such Person appointed at the request of Borrower, Guarantor or any Affiliate of the foregoing, takes control of the Property, except with respect to acts taken by Borrower, Guarantor or any Affiliate of the foregoing on or after such date.

Section 1.4 Nature of Guaranty. This Guaranty is an irrevocable, absolute, continuing guaranty of payment and performance and not a guaranty of collection. This Guaranty may not be revoked by Guarantor and shall continue to be effective with respect to any Guaranteed Obligations arising or created after any attempted revocation by Guarantor and after (if Guarantor is a natural person) Guarantor’s death (in which event this Guaranty shall be binding upon Guarantor’s estate and Guarantor’s legal representatives, executors, administrators and heirs). The fact that at any time or from time to time the Guaranteed Obligations may be increased or reduced shall not release or discharge the obligation of Guarantor to Lender with respect to the Guaranteed Obligations. This Guaranty may be enforced by Lender, or any of its successors or assigns, and shall not be discharged by the assignment, sale, pledge, transfer, participation or negotiation of all or part of the Note permitted by the Loan Agreement. Notwithstanding anything contained in this Section 1.4 to the contrary, this Guaranty shall terminate upon the payment, or other satisfaction, of the Loan in full, subject to and in accordance with the terms of Section 1.3 hereof.

Section 1.5 Guaranteed Obligations Not Reduced by Offset. The Guaranteed Obligations and the liabilities and obligations of Guarantor to Lender hereunder shall not be reduced, discharged or released because or by reason of any existing or future offset, claim or defense (other than prior payment or performance) of Borrower or any other party against Lender or against payment of the Guaranteed Obligations, whether such offset, claim or defense (other than prior payment or performance) arises in connection with the Guaranteed Obligations (or the transactions creating the Guaranteed Obligations) or otherwise.

Section 1.6 Payment By Guarantor. If all or any part of the Guaranteed Obligations shall not be punctually paid when due, whether at demand, maturity, acceleration or otherwise, Guarantor shall, immediately upon demand by Lender and without presentment, protest, notice of protest, notice of non-payment, notice of intention to accelerate the maturity, notice of acceleration of the maturity or any other notice whatsoever, all such notices being hereby waived by Guarantor, pay in lawful money of the United States of America, the amount due on the Guaranteed Obligations to Lender at Lender's address as set forth herein. Such demand(s) may be made at any time coincident with or after the time for payment of all or part of the Guaranteed Obligations and may be made from time to time with respect to the same or different items of Guaranteed Obligations. Such demand shall be deemed made, given and received in accordance with the notice provisions hereof.

Section 1.7 No Duty To Pursue Others. It shall not be necessary for Lender (and Guarantor hereby waives any rights which Guarantor may have to require Lender), in order to enforce the obligations of Guarantor hereunder, first to (a) institute suit or exhaust its remedies against Borrower or others liable on the Loan or the Guaranteed Obligations or any other Person, (b) enforce Lender's rights against any collateral which shall ever have been given to secure the Loan, (c) enforce Lender's rights against any other guarantors of the Guaranteed Obligations, (d) join Borrower or any others liable on the Guaranteed Obligations in any action seeking to enforce this Guaranty, (e) exhaust any remedies available to Lender against any collateral which shall ever have been given to secure the Loan, or (f) resort to any other means of obtaining payment of the Guaranteed Obligations. Lender shall not be required to mitigate damages or take any other action to reduce, collect or enforce the Guaranteed Obligations.

Section 1.8 Waivers. Guarantor acknowledges receipt of copies of the Loan Documents and hereby waives notice of (a) any loans or advances made by Lender to Borrower, (b) acceptance of this Guaranty, (c) any amendment or extension of the Note, the Mortgage, the Loan Agreement or of any other Loan Documents, (d) the execution and delivery by Borrower and Lender of any other loan or credit agreement or of Borrower's execution and delivery of any promissory notes or other documents arising under the Loan Documents or in connection with the Property, (e) the occurrence of (i) any breach by Borrower of any of the terms and conditions of the Loan Agreement or any of the other Loan Documents, or (ii) an Event of Default, (f) Lender's transfer, sale, assignment, pledge, participation or disposition of the Guaranteed Obligations, or any part thereof, (g) sale or foreclosure (or posting or advertising for sale or foreclosure) of any collateral for the Guaranteed Obligations, (h) protest, proof of non-payment or default by Borrower, or (i) any other action at any time taken or omitted by Lender and, generally, all demands and notices of every kind in connection with this Guaranty, the Loan Documents, any documents or agreements evidencing, securing or relating to any of the Guaranteed Obligations and/or the obligations hereby guaranteed, except in each case to the extent expressly provided herein.

Section 1.9 Payment of Expenses. In the event that Guarantor should breach or fail to timely perform any provisions of this Guaranty, Guarantor shall, immediately upon demand by Lender, pay Lender all out-of-pocket costs and expenses (including court costs and reasonable attorneys' fees) reasonably incurred by Lender in the enforcement hereof or the preservation of Lender's rights hereunder, together with interest thereon at the Default Rate from the date requested by Lender until the date of payment to Lender. The covenant contained in this Section shall survive the payment and performance of the Guaranteed Obligations.

Section 1.10 Effect of Bankruptcy. In the event that pursuant to any insolvency, bankruptcy, reorganization, receivership or other debtor relief law or any judgment, order or decision thereunder, Lender must rescind or restore any payment or any part thereof received by Lender in satisfaction of the Guaranteed Obligations, as set forth herein, any prior release or discharge from the terms of this Guaranty given to Guarantor by Lender shall be without effect and this Guaranty shall remain in full force and effect. It is the intention of Borrower and Guarantor that Guarantor's obligations hereunder shall not be discharged except by Guarantor's performance of such obligations and then only to the extent of such performance.

Section 1.11 Waiver of Subrogation, Reimbursement and Contribution. Notwithstanding anything to the contrary contained in this Guaranty, for so long as any Event of Default shall have occurred and be continuing, Guarantor hereby unconditionally and irrevocably waives, releases and abrogates any and all rights it may now or hereafter have under any agreement, at law, in equity or otherwise (including, without limitation, any law subrogating Guarantor to the rights of Lender), to assert any claim against or seek contribution, indemnification or any other form of reimbursement from Borrower or any other party liable for payment of any or all of the Guaranteed Obligations for any payment made by Guarantor under or in connection with this Guaranty or otherwise; provided, that, for clarity, such waiver, release and abrogation shall only be in effect for so long as an Event of Default shall be continuing.

ARTICLE II

EVENTS AND CIRCUMSTANCES NOT REDUCING OR DISCHARGING GUARANTOR'S OBLIGATIONS

Guarantor hereby agrees that Guarantor's obligations under this Guaranty shall not be released, diminished, impaired, reduced or adversely affected by any of the following and waives any common law, equitable, statutory or other rights (including without limitation rights to notice) which Guarantor might otherwise have as a result of or in connection with any of the following:

Section 2.1 Modifications. Any renewal, extension, increase, modification, alteration or rearrangement of all or any part of the Guaranteed Obligations, the Note, the Mortgage, the Loan Agreement, the other Loan Documents or any other document, instrument, contract or understanding between Borrower and Lender or any other parties pertaining to the Guaranteed Obligations or any failure of Lender to notify Guarantor of any such action.

Section 2.2 **Adjustment.** Any adjustment, indulgence, forbearance or compromise that might be granted or given by Lender to Borrower or Guarantor.

Section 2.3 **Condition of Borrower or Guarantor.** The insolvency, bankruptcy, arrangement, adjustment, composition, liquidation, disability, dissolution or lack of power of Borrower, Guarantor or any other party at any time liable for the payment of all or part of the Guaranteed Obligations; or any dissolution of Borrower or Guarantor or any sale, lease or transfer of any or all of the assets of Borrower or Guarantor or any changes in the shareholders, partners or members of Borrower or Guarantor; or any reorganization of Borrower or Guarantor.

Section 2.4 **Invalidity of Guaranteed Obligations.** The invalidity, illegality or unenforceability of all or any part of the Guaranteed Obligations or any document or agreement executed in connection with the Guaranteed Obligations for any reason whatsoever, including without limitation the fact that (a) the Guaranteed Obligations or any part thereof exceeds the amount permitted by law, (b) the act of creating the Guaranteed Obligations or any part thereof is ultra vires, (c) the officers or representatives executing the Note, the Mortgage, the Loan Agreement or the other Loan Documents or otherwise creating the Guaranteed Obligations acted in excess of their authority, (d) the Guaranteed Obligations violate applicable usury laws, (e) the Borrower has valid defenses, claims or offsets (whether at law, in equity, by agreement or otherwise) which render the Guaranteed Obligations wholly or partially uncollectible from Borrower, (f) the creation, performance or repayment of the Guaranteed Obligations (or the execution, delivery and performance of any document or instrument representing part of the Guaranteed Obligations or executed in connection with the Guaranteed Obligations or given to secure the repayment of the Guaranteed Obligations) is illegal, uncollectible or unenforceable, or (g) the Note, the Mortgage, the Loan Agreement or any of the other Loan Documents have been forged or otherwise are irregular or not genuine or authentic, it being agreed that Guarantor shall remain liable hereon regardless of whether Borrower or any other Person be found not liable on the Guaranteed Obligations or any part thereof for any reason.

Section 2.5 **Release of Obligors.** Any full or partial release of the liability of Borrower on the Guaranteed Obligations or any part thereof, or of any co-guarantors, or any other Person now or hereafter liable, whether directly or indirectly, jointly, severally, or jointly and severally, to pay, perform, guarantee or assure the payment of the Guaranteed Obligations, or any part thereof, it being recognized, acknowledged and agreed by Guarantor that Guarantor may be required to pay the Guaranteed Obligations in full without assistance or support of any other party, and Guarantor has not been induced to enter into this Guaranty on the basis of a contemplation, belief, understanding or agreement that other parties will be liable to pay or perform the Guaranteed Obligations, or that Lender will look to other parties to pay or perform the Guaranteed Obligations.

Section 2.6 **Other Collateral.** The taking or accepting of any other security, collateral or guaranty, or other assurance of payment, for all or any part of the Guaranteed Obligations.

Section 2.7 **Release of Collateral.** Any release, surrender, exchange, subordination, deterioration, waste, loss or impairment (including without limitation negligent, willful, unreasonable or unjustifiable impairment) of any collateral, property or security at any time existing in connection with, or assuring or securing payment of, all or any part of the Guaranteed Obligations, subject, however, to the terms of Section 1.3 hereof.

Section 2.8 **Care and Diligence.** The failure of Lender or any other Person to exercise diligence or reasonable care in the preservation, protection, enforcement, sale or other handling or treatment of all or any part of any collateral, property or security, including but not limited to any neglect, delay, omission, failure or refusal of Lender (a) to take or prosecute any action for the collection of any of the Guaranteed Obligations or (b) to foreclose, or initiate any action to foreclose, or, once commenced, prosecute to completion any action to foreclose upon any security therefor, or (c) to take or prosecute any action in connection with any instrument or agreement evidencing or securing all or any part of the Guaranteed Obligations.

Section 2.9 **Unenforceability.** The fact that any collateral, security, security interest or lien contemplated or intended to be given, created or granted as security for the repayment of the Guaranteed Obligations, or any part thereof, shall not be properly perfected or created, or shall prove to be unenforceable or subordinate to any other security interest or lien, it being recognized and agreed by Guarantor that Guarantor is not entering into this Guaranty in reliance on, or in contemplation of the benefits of, the validity, enforceability, collectibility or value of any of the collateral for the Guaranteed Obligations.

Section 2.10 **Offset.** The Note, the Guaranteed Obligations and the liabilities and obligations of Guarantor to Lender hereunder shall not be reduced, discharged or released because of or by reason of any existing or future right of offset, claim or defense (other than prior payment or performance) of Borrower against Lender, or any other party, or against payment of the Guaranteed Obligations, whether such right of offset, claim or defense (other than prior payment or performance) arises in connection with the Guaranteed Obligations (or the transactions creating the Guaranteed Obligations) or otherwise.

Section 2.11 **Merger.** The reorganization, merger or consolidation of Borrower into or with any other Person.

Section 2.12 **Preference.** Any payment by Borrower to Lender is held to constitute a preference under bankruptcy laws or for any reason Lender is required to refund such payment or pay such amount to Borrower or someone else.

Section 2.13 **Other Actions Taken or Omitted.** Any other action taken or omitted to be taken with respect to the Loan Documents, the Guaranteed Obligations, or the security and collateral therefor, whether or not such action or omission prejudices Guarantor or increases the likelihood that Guarantor will be required to pay the Guaranteed Obligations pursuant to the terms hereof. It is the unambiguous and unequivocal intention of Guarantor that Guarantor shall be obligated to pay the Guaranteed Obligations when due, notwithstanding any occurrence, circumstance, event, action, or omission whatsoever, whether contemplated or un contemplated, and whether or not otherwise or particularly described herein, which obligation shall be deemed satisfied only upon the full and final payment and satisfaction of the Guaranteed Obligations.

ARTICLE III

REPRESENTATIONS, WARRANTIES AND COVENANTS

To induce Lender to enter into the Loan Documents and extend credit to Borrower, Guarantor represents, warrants and covenants to Lender as follows:

Section 3.1 Benefit. Guarantor is an Affiliate of Borrower, is the owner of an indirect interest in Borrower, and has received, or will receive, direct or indirect benefit from the making of this Guaranty with respect to the Guaranteed Obligations.

Section 3.2 Familiarity and Reliance. Guarantor is familiar with, and has independently reviewed books and records regarding, the financial condition of the Borrower and is familiar with the value of any and all collateral intended to be created as security for the payment of the Note or Guaranteed Obligations; however, Guarantor is not relying on such financial condition or the collateral as an inducement to enter into this Guaranty.

Section 3.3 No Representation By Lender. Neither Lender nor any other Person has made any representation, warranty or statement to Guarantor in order to induce Guarantor to execute this Guaranty.

Section 3.4 Guarantor's Financial Condition. As of the date hereof, and after giving effect to this Guaranty and the contingent obligation evidenced hereby, Guarantor is, and intends to remain, solvent, and has and intends to have assets which, fairly valued, exceed its obligations, liabilities (including contingent liabilities) and debts, including without limitation, the Guaranteed Obligations, and has and intends to have property and assets sufficient to satisfy and repay its obligations and liabilities, including without limitation, the Guaranteed Obligations.

Section 3.5 Legality. The execution, delivery and performance by Guarantor of this Guaranty and the consummation of the transactions contemplated hereunder do not and will not contravene or conflict with any law, statute or regulation whatsoever to which Guarantor is subject or constitute a default (or an event which with notice or lapse of time or both would constitute a default) under, or result in the breach of, any indenture, mortgage, deed of trust, charge, lien, or any contract, agreement or other instrument to which Guarantor is a party or which may be applicable to Guarantor. This Guaranty is a legal and binding obligation of Guarantor and is enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to the enforcement of creditors' rights.

Section 3.6 Consents. No consent, approval, authorization or order of any court or Governmental Authority or other Person is required for the execution, delivery and performance by Guarantor of, or compliance by Guarantor with, this Guaranty or the consummation of the transactions contemplated hereby, other than those which have been obtained by Guarantor.

Section 3.7 Litigation. There is no action, suit, proceeding or investigation (including any pertaining to any Environmental Law) pending or, to Guarantor's knowledge, threatened against Guarantor in any court or by or before any other Governmental Authority, or labor controversy affecting Guarantor or any of its properties, businesses, assets or revenues, which would reasonably be expected to (i) materially and adversely affect the ability of Guarantor to carry out the transactions contemplated by this Guaranty, (ii) materially and adversely affect the value of its property, (iii) materially impair the use and operation of its property or (iv) impair Guarantor's ability to pay its obligations in a timely manner.

Section 3.8 Survival. All representations and warranties made by Guarantor herein shall survive the execution hereof and shall be deemed to have been relied upon by Lender notwithstanding any investigation heretofore or hereafter made by Lender.

Section 3.9 Financial Covenants. (a) At all times during the term of the Loan, Guarantor shall satisfy the Net Worth Requirement, to be tested on a quarterly basis pursuant to the quarterly and annual financial statements of Guarantor provided to Lender pursuant to clauses (b) and (c) below. The "**Net Worth Requirement**" means a Net Worth (defined herein) of at least \$200,000,000.00. For purposes of this Section 3.9, "Net Worth" shall mean (i) the trailing 12 months of net operating income (as determined in accordance with GAAP, but excluding Guarantor's general and administrative expenses and the receivables and payables resulting from the straight-lining of rents) for each real property owned or leased by Guarantor capitalized at a 6% capitalization rate, plus (ii) Guarantor's cash and cash equivalents and restricted cash as of the date Net Worth is being determined, less (iii) (x) any outstanding debt secured by a fee or leasehold interest in connection with each such property and (y) the corporate debt of Guarantor as of the date Net Worth is being determined.

(b) Not later than forty-five (45) days following the end of each fiscal quarter (commencing with the first quarter of 2012), Guarantor shall deliver to Lender unaudited financial statements with respect to the Guarantor, internally prepared on an accrual basis including a balance sheet, statement of operations as of the end of such quarter and for the corresponding quarter of the previous year and contingent liability schedule. Guarantor may comply with the requirements of this Section 3.9(b) by (i) delivering to Lender a copy of the Form 10-Q or Form 10-K Report, as applicable, of the Guarantor for the relevant quarter as and when the same is filed or providing notice to Lender that the same has been filed with the Securities and Exchange Commission or (ii) if Borrower delivers the information required by this Section 3.9(b) pursuant to Section 10.2.4 of the Loan Agreement.

(c) Not later than one hundred twenty (120) days after the end of each fiscal year, commencing with the fiscal year ending on December 31, 2011, Guarantor shall deliver to Lender financial statements with respect to Guarantor audited by an Independent Accountant in accordance with GAAP and including a balance sheet as of the end of such year, statements of operations and cash flows for the year comparative with the amounts for the previous year and a contingent liability schedule. Guarantor may comply with the requirements of this Section 3.9(c) by (i) delivering to Lender a copy of the Annual Report on Form 10-K of the Guarantor for the relevant period or providing notice to Lender that the same has been filed with the Securities and Exchange Commission or (ii) if Borrower delivers the information required by this Section 3.9(c) pursuant to Section 10.2.5 of the Loan Agreement.

Section 3.10 Prohibited Transactions. Guarantor shall not, at any time while a default in the payment of the Guaranteed Obligations has occurred and is continuing, either (i) enter into or effectuate any transaction with any Affiliate which would reduce the net worth of Guarantor, including the payment of any dividend or distribution to a shareholder, or the redemption, retirement, purchase or other acquisition for consideration of any stock in Guarantor or (ii) sell, pledge, mortgage or otherwise transfer to any Person any of Guarantor's assets, or any interest therein.

ARTICLE IV

INTENTIONALLY OMITTED

ARTICLE V

SUBORDINATION OF CERTAIN INDEBTEDNESS

Section 5.1 Subordination of All Guarantor Claims. As used herein, the term "Guarantor Claims" shall mean all debts and liabilities of Borrower to Guarantor, whether such debts and liabilities now exist or are hereafter incurred or arise, or whether the obligations of Borrower thereon be direct, contingent, primary, secondary, several, joint and several, or otherwise, and irrespective of whether such debts or liabilities be evidenced by note, contract, open account, or otherwise, and irrespective of the Person or Persons in whose favor such debts or liabilities may, at their inception, have been, or may hereafter be created, or the manner in which they have been or may hereafter be acquired by Guarantor. The Guarantor Claims shall include without limitation all rights and claims of Guarantor against Borrower (arising as a result of subrogation or otherwise) as a result of Guarantor's payment of all or a portion of the Guaranteed Obligations. During the continuance of an Event of Default, Guarantor shall not receive or collect, directly or indirectly, from Borrower or any other party any amount upon the Guarantor Claims.

Section 5.2 Claims in Bankruptcy. In the event of receivership, bankruptcy, reorganization, arrangement, debtor's relief, or other insolvency proceedings involving Guarantor as debtor, Lender shall have the right to prove its claim in any such proceeding so as to establish its rights hereunder and receive directly from the receiver, trustee or other court custodian dividends and payments which would otherwise be payable upon the Guarantor Claims. Guarantor hereby assigns such dividends and payments to Lender. Should Lender receive, for application against the Guaranteed Obligations, any dividend or payment which is otherwise payable to Guarantor and which, as between Borrower and Guarantor, shall constitute a credit against the Guarantor Claims, then, upon payment to Lender in full of the Guaranteed Obligations, Guarantor shall become subrogated to the rights of Lender to the extent that such payments to Lender on the Guarantor Claims have contributed toward the liquidation of the Guaranteed Obligations, and such subrogation shall be with respect to that proportion of the Guaranteed Obligations which would have been unpaid if Lender had not received dividends or payments upon the Guarantor Claims.

Section 5.3 Payments Held in Trust. In the event that, notwithstanding anything to the contrary in this Guaranty, Guarantor should receive any funds, payment, claim or distribution which is prohibited by this Guaranty, Guarantor agrees to hold in trust for Lender an amount equal to the amount of all funds, payments, claims or distributions so received, and agrees that it shall have absolutely no dominion over the amount of such funds, payments, claims and/or distributions so received except to pay them promptly to Lender, and Guarantor covenants promptly to pay the same to Lender.

Section 5.4 Liens Subordinate. Guarantor agrees that any liens, security interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of the Guarantor Claims shall be and remain inferior and subordinate to any liens, security interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of the Guaranteed Obligations, regardless of whether such encumbrances in favor of Guarantor or Lender presently exist or are hereafter created or attach. Without the prior written consent of Lender, Guarantor shall not (a) exercise or enforce any creditor's right it may have against Borrower in respect of any Guarantor Claim, or (b) foreclose, repossess, sequester or otherwise take steps or institute any action or proceedings (judicial or otherwise, including without limitation the commencement of, or joinder in, any liquidation, bankruptcy, rearrangement, debtor's relief or insolvency proceeding) to enforce any liens, mortgages, deeds of trust, security interests, collateral rights, judgments or other encumbrances on assets of Borrower held by Guarantor in respect of any Guarantor Claim.

Section 5.5 Reinstatement in Certain Circumstances. If at any time any payment of the principal of or interest under the Note or any other amount payable by the Borrower under the Loan Documents is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, Guarantor's obligations hereunder, if any, with respect to such payment shall be reinstated as though such payment has been due but not made at such time.

ARTICLE VI

WAIVER/NOTICE

Section 6.1 Waiver. No failure to exercise, and no delay in exercising, on the part of Lender, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right. The rights of Lender hereunder shall be in addition to all other rights provided by law. No modification or waiver of any provision of this Guaranty, nor any consent to any departure therefrom, shall be effective unless in writing and no such consent or waiver shall extend beyond the particular case and purpose involved. No notice or demand given in any case shall constitute a waiver of the right to take other action in the same, similar or other instances without such notice or demand.

Section 6.2 Notices. All notices or other written communications hereunder shall be delivered in accordance with Section 15.6 of the Loan Agreement (except that notices to Guarantor shall be delivered to the address set forth therein for Borrower).

ARTICLE VII

APPLICABLE LAW; WAIVER OF JURY TRIAL

Section 7.1 **GOVERNING LAW.** (A) THIS GUARANTY WAS NEGOTIATED IN THE STATE OF NEW YORK, AND MADE BY GUARANTOR AND ACCEPTED BY LENDER IN THE STATE OF NEW YORK, AND THE PROCEEDS OF THE LOAN REFERENCED HEREIN WERE DISBURSED FROM THE STATE OF NEW YORK, WHICH STATE THE PARTIES AGREE HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES AND TO THE UNDERLYING TRANSACTION EMBODIED HEREBY, AND IN ALL RESPECTS, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS GUARANTY AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE (WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA. TO THE FULLEST EXTENT PERMITTED BY LAW, GUARANTOR AND LENDER EACH HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS GUARANTY, AND THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

(B) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST LENDER OR GUARANTOR ARISING OUT OF OR RELATING TO THIS GUARANTY SHALL BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN THE CITY OF NEW YORK, COUNTY OF NEW YORK, PURSUANT TO SECTION 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW, AND EACH OF GUARANTOR AND LENDER WAIVES ANY OBJECTIONS WHICH IT MAY NOW OR HEREAFTER HAVE BASED ON VENUE AND/OR FORUM NON CONVENIENS OF ANY SUCH SUIT, ACTION OR PROCEEDING, AND EACH OF GUARANTOR AND LENDER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING. GUARANTOR DOES HEREBY DESIGNATE AND APPOINT:

THE CORPORATION TRUST COMPANY
111 EIGHTH AVENUE
13TH FLOOR
NEW YORK, NEW YORK 10011

AS ITS AUTHORIZED AGENT TO ACCEPT AND ACKNOWLEDGE ON ITS BEHALF SERVICE OF ANY AND ALL PROCESS WHICH MAY BE SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY FEDERAL OR STATE COURT IN NEW YORK, NEW YORK, AND AGREES THAT SERVICE OF PROCESS UPON SAID AGENT AT SAID ADDRESS AND WRITTEN NOTICE OF SAID SERVICE MAILED OR DELIVERED TO GUARANTOR IN THE MANNER PROVIDED HEREIN SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON GUARANTOR IN ANY SUCH SUIT, ACTION OR PROCEEDING IN THE STATE OF NEW YORK. GUARANTOR (I) SHALL GIVE PROMPT NOTICE TO LENDER OF ANY CHANGED ADDRESS OF ITS AUTHORIZED AGENT HEREUNDER, (II) MAY AT ANY TIME AND FROM TIME TO TIME DESIGNATE A SUBSTITUTE AUTHORIZED AGENT WITH AN OFFICE IN NEW YORK, NEW YORK (WHICH SUBSTITUTE AGENT AND OFFICE SHALL BE DESIGNATED AS THE PERSON AND ADDRESS FOR SERVICE OF PROCESS), AND (III) SHALL PROMPTLY DESIGNATE SUCH A SUBSTITUTE IF ITS AUTHORIZED AGENT CEASES TO HAVE AN OFFICE IN NEW YORK, NEW YORK OR IS DISSOLVED WITHOUT LEAVING A SUCCESSOR OR REFUSES TO CONSENT TO SUCH DESIGNATION AS AUTHORIZED AGENT FOR GUARANTOR PURSUANT TO A WRITTEN CONSENT IN FORM AND SUBSTANCE SATISFACTORY TO LENDER. NOTHING CONTAINED HEREIN SHALL AFFECT THE RIGHT OF LENDER TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST GUARANTOR IN ANY OTHER JURISDICTIONS.

Section 7.2 Provisions Subject to Applicable Law. All rights, powers and remedies provided in this Guaranty may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law and are intended to be limited to the extent necessary so that they will not render this Guaranty invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law. If any term of this Guaranty or any application thereof shall be invalid, illegal or unenforceable in any respect, the remainder of this Guaranty shall be construed without such provision and this Guaranty and any other application of the term shall not be affected thereby.

Section 7.3 TRIAL BY JURY. GUARANTOR AND LENDER EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, SUIT, COUNTERCLAIM, CROSSCLAIM OR OTHERWISE, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE LOAN EVIDENCED BY THE NOTE, THIS GUARANTY, THE NOTE OR THE OTHER LOAN DOCUMENTS, THE PROPERTY OR ANY ACTS OR OMISSIONS OF LENDER, AND EACH OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY GUARANTOR AND LENDER, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. GUARANTOR AND LENDER ARE EACH HEREBY

ARTICLE VIII

DEFINITIONS; CONSTRUCTION

All capitalized terms not defined herein shall have the respective meanings set forth in the Loan Agreement.

Section 8.1 Definitions and Construction. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Guaranty may be used interchangeably in singular or plural form; the word “**Lender**” shall mean “Lender and each and any subsequent holder(s) of all or any portion of the Note,” the word “**Borrower**” shall include any new or successor corporation, association, partnership (general or limited), limited liability company, joint venture, trust or other individual or organization formed as a result of any merger, reorganization, sale, transfer, devise, gift or bequest of Borrower, the word “**Note**” shall mean “the Note and any other evidence of indebtedness secured by the Loan Documents,” the word “**Property**” shall include any portion of the Property and any interest therein, and the phrases “**attorneys’ fees**”, “**legal fees**” and “**counsel fees**” shall include any and all reasonable third party attorneys’, paralegal, legal assistant and law clerk fees and disbursements, and including, but not limited to, fees and disbursements at the pre-trial, trial and appellate levels incurred or paid by Lender in protecting its interest in the Property, the Leases and the Rents and enforcing its rights hereunder. Wherever pursuant to this Guaranty it is provided that Guarantor shall pay any costs and expenses, such costs and expenses shall include, but not be limited to, legal fees as defined above. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa. All references to sections, subsections, paragraphs, schedules and exhibits are to sections, subsections, paragraphs, schedules and exhibits in or to this Guaranty unless otherwise specified. The Schedules and Exhibits annexed hereto are hereby incorporated herein as a part of this Guaranty with the same force and effect as if set forth in the body hereof. The headings and captions of various Articles and Sections of this Guaranty are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof. Unless otherwise specified, the words “hereof”, “herein” and “hereunder” and words of similar import when used in this Guaranty shall refer to this Guaranty as a whole and not to any particular provision of this Guaranty. The words “includes”, “including” and similar terms shall be construed as if followed by the words “without limitation”. Whenever in this Guaranty any consent, approval, determination or decision of Lender is to be made by Lender, or any matter is to be satisfactory to Lender, then unless expressly provided to the contrary, such provision shall be deemed to mean that such consent, approval, determination or decision of Lender or determination whether a matter is satisfactory shall be made by Lender in its sole and absolute discretion for any or no reason and shall be final and conclusive. In the event that a claim or adjudication is made that Lender or its agents have acted unreasonably or unreasonably delayed (or refrained from) acting in any case where, by law or under this Guaranty or the other Loan Documents, Lender or such agent, as the case may be, has an obligation to act reasonably or promptly, neither Lender nor its agents shall be liable for any monetary damages, and

Guarantor's and/or Borrower's sole remedy shall be limited to commencing an action seeking injunctive relief or declaratory judgment. Any action or proceeding to determine whether Lender has acted reasonably shall be determined by an action seeking declaratory judgment. Any reference in this Guaranty or in any other Loan Document to any Loan Document shall be deemed to include references to such documents as the same may hereafter be amended, modified, supplemented, extended, replaced and/or restated from time to time (and, in the case of any note or other instrument, to any instrument issued in substitution therefor). The parties hereto acknowledge that they were represented by counsel in connection with negotiation and drafting of this Guaranty and that this Guaranty shall not be subject to the principle of construing its meaning against the party which drafted same.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1 No Oral Change. This Guaranty, and any provisions hereof, may not be modified, amended, waived, extended, restated, changed, discharged or terminated orally or by any act or failure to act on the part of Guarantor or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, restatement, change, discharge or termination is sought.

Section 9.2 Successors and Assigns. This Guaranty shall be binding upon Guarantor and inure to the benefit of Guarantor and Lender and their respective successors and permitted assigns forever. Lender may sell, assign, pledge, participate, transfer or delegate, as applicable to one or more Persons all or a portion of its rights and obligations under this Guaranty in connection with any assignment, sale, pledge, participation or transfer of the Loan and the Loan Documents to any Person in accordance with the Loan Agreement. Any assignee or transferee of Lender shall be entitled to all the benefits afforded to Lender under this Guaranty. Except as specifically provided in the Loan Agreement, Guarantor shall not have the right to delegate, assign or transfer its rights or obligations under this Guaranty without the prior written consent of Lender, and any attempted assignment, delegation or transfer without such consent shall be null and void. If Guarantor consists of more than one Person or party, the obligations of each such Person or party shall be joint and several.

Section 9.3 Recitals. The recital and introductory paragraphs hereof are a part hereof, form a basis for this Guaranty and shall be considered prima facie evidence of the facts and documents referred to therein.

Section 9.4 Rights and Remedies. If Guarantor becomes liable for any Indebtedness owing by Borrower to Lender, by endorsement or otherwise, other than under this Guaranty, such liability shall not be in any manner impaired or affected hereby and the rights of Lender hereunder shall be cumulative of any and all other rights that Lender may ever have against Guarantor. The exercise by Lender of any right or remedy hereunder or under any other instrument, or at law or in equity, shall not preclude the concurrent or subsequent exercise of any other right or remedy.

Section 9.5 **Entirety.** THIS GUARANTY EMBODIES THE FINAL, ENTIRE AGREEMENT OF GUARANTOR AND LENDER WITH RESPECT TO GUARANTOR'S GUARANTY OF THE GUARANTEED OBLIGATIONS AND SUPERSEDES ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF. THIS GUARANTY IS INTENDED BY GUARANTOR AND LENDER AS A FINAL AND COMPLETE EXPRESSION OF THE TERMS OF THE GUARANTY, AND NO COURSE OF DEALING BETWEEN GUARANTOR AND LENDER, NO COURSE OF PERFORMANCE, NO TRADE PRACTICES, AND NO EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OR OTHER EXTRINSIC EVIDENCE OF ANY NATURE SHALL BE USED TO CONTRADICT, VARY, SUPPLEMENT OR MODIFY ANY TERM OF THIS GUARANTY AGREEMENT. THERE ARE NO ORAL AGREEMENTS AMONG GUARANTOR AND LENDER.

Section 9.6 **Delay Not a Waiver.** Neither any failure nor any delay on the part of any party hereto in insisting upon strict performance of any term, condition, covenant or agreement, or exercising any right, power, remedy or privilege hereunder, or any other document or instrument entered into or delivered in connection herewith or pursuant hereto, shall operate as or constitute a waiver thereof, nor shall a single or partial exercise thereof preclude any other future exercise, or the exercise of any other right, power, remedy or privilege. A waiver of one default with respect to any Person shall not be construed to be a waiver of any subsequent default with respect to such Person or any other Person or to impair any remedy, right or power consequent thereon.

Section 9.7 **No Joint Venture or Partnership; No Third Party Beneficiaries.** (a) Guarantor and Lender intend that the relationships created hereunder and under the other Loan Documents be solely that of guarantor and lender. Nothing herein or therein is intended to create a joint venture, partnership, tenancy-in-common, or joint tenancy relationship between Guarantor or Lender nor to grant Lender any interest in the Property other than that of mortgagee, assignee, secured party, beneficiary or lender.

(b) This Guaranty and the other Loan Documents are solely for the benefit of Lender and nothing contained in this Guaranty or the other Loan Documents shall be deemed to confer upon anyone other than Lender any right to insist upon or to enforce the performance or observance of any of the obligations contained herein or therein. In addition, Lender is not the agent or representative of Guarantor and this Guaranty shall not make Lender liable to any Person for goods delivered to or services performed by them upon the Property, or for debts or claims accruing to such parties against Borrower and there is no contractual relationship, either express or implied, between Lender and any Person supplying any work, labor or materials for the Improvements.

Section 9.8 Limitation on Lender's Responsibility. No provision of this Guaranty shall operate to place any obligation or liability for the control, care, management or repair of the Property upon Lender, nor shall it operate to make Lender responsible or liable for any waste committed on the Property by the Tenants or any other Person, or for any dangerous or defective condition of the Property, or for any negligence in the management, upkeep, repair or control of the Property resulting in loss or injury or death to any Tenant, licensee, employee or stranger. Nothing herein contained shall be construed as constituting Lender a "mortgagee in possession."

Section 9.9 Joint and Several Liability. If more than one Person shall be a Guarantor hereunder, all representations, warranties, covenants (both affirmative and negative) and all other obligations hereunder shall be the joint and several obligation of each such Person and a default or event of default by any such Person hereunder shall be deemed a default or event of default hereunder by all such Persons.

Section 9.10 Exculpation of Certain Persons. Notwithstanding anything to the contrary contained in this Guaranty, no direct or indirect shareholder, partner, member, principal, Affiliate, employee, officer, trustee, director, agent or other representative of Guarantor (each, a "**Related Party**") shall have any personal liability for, nor be joined as a party to, any action (except as required by any applicable Legal Requirements) with respect to the payment, performance or discharge of any covenants, obligations or undertakings of Guarantor under this Guaranty, and by acceptance hereof, Lender for itself and its successors and assigns irrevocably waive any and all right to sue for, seek or demand any such damages, money judgment, deficiency judgment or personal judgment against any Related Party under or by reason of or in connection with the Loan Documents and agree to look solely to the assets of Guarantor for the enforcement of such liability and obligation of Guarantor. In addition to the foregoing, notwithstanding anything contained in this Guaranty to the contrary, in no event shall the assets of any Related Party (including any distributions made by Guarantor to its direct or indirect members, partners or shareholders) be available to satisfy any obligation of Guarantor hereunder.

Section 9.11 Time of the Essence. Time is of the essence with respect to the performance by Guarantor of its obligations pursuant to this Guaranty.

Section 9.12 Invalid Provisions. If any provision of this Guaranty is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Guaranty, such provision shall be fully severable and this Guaranty shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Guaranty, and the remaining provisions of this Guaranty shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Guaranty, unless such continued effectiveness of this Guaranty, as modified, would be contrary to the basic understandings and intentions of the parties as expressed herein.

Section 9.13 Cooperation. Guarantor acknowledges that, in accordance with the Loan Agreement, Lender and its successors and assigns, in accordance with the Loan Agreement, may (i) sell this Guaranty, the Note and the other Loan Documents to one or more investors as a whole loan, (ii) participate the Loan secured by this Guaranty to one or more investors, (iii) deposit this Guaranty, the Note and the other Loan Documents with a trust, which trust may sell certificates to investors evidencing an ownership interest in the trust assets, or (iv) otherwise sell or pledge the Loan or one or more interests therein to investors (the transactions referred to in clauses (i) through (iv) are hereinafter each referred to as a “**Secondary Market Transaction**”). Guarantor shall cooperate reasonably with Lender in effecting any such Secondary Market Transaction and shall cooperate reasonably to implement all requirements imposed by any Rating Agencies involved in any Secondary Market Transaction. Guarantor shall provide such information and documents relating to Guarantor, Borrower, the Property and any tenants of the Property as Lender may reasonably request in connection with such Secondary Market Transaction. In addition, Guarantor shall make available to Lender all information concerning its business and operations that Lender may reasonably request. Lender shall be permitted to share all such information with the investment banking firms, Rating Agencies, accounting firms, law firms and other third-party advisory firms involved with the Loan and the Loan Documents or the applicable Secondary Market Transaction. It is understood that the information provided by Guarantor to Lender including any and all financial statements provided to Lender pursuant to Section 3.9 hereof may ultimately be incorporated into the offering documents for the Secondary Market Transaction and thus various investors or potential investors may also see some or all of the information. Lender and all of the aforesaid third-party advisors and professional firms shall be entitled to rely on the information supplied by, or on behalf of, Guarantor in the form as provided by Guarantor. Lender may publicize the existence of the Loan in connection with its marketing for a Secondary Market Transaction or otherwise as part of its business development. Guarantor’s obligations under this Section 9.13 shall be at the sole cost and expense of Lender.

Section 9.14 Duplicate Originals, Counterparts. This Guaranty may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Guaranty may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Guaranty. The failure of any party hereto to execute this Guaranty, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, Guarantor has duly executed this Guaranty as of the day and year first written above.

GUARANTOR:

ALEXANDER'S, INC.,
a Delaware corporation

By:	<u>/s/ Alan J. Rice</u>
Name:	Alan J. Rice
Title:	Secretary

ENVIRONMENTAL INDEMNITY AGREEMENT

THIS ENVIRONMENTAL INDEMNITY AGREEMENT (as amended, supplemented or otherwise modified from time to time, this “**Agreement**”) is made as of the 30th day of November, 2011, by **REGO II BORROWER LLC**, a Delaware limited liability company having an office c/o Alexander’s, Inc., 210 Route 4 East, Paramus, New Jersey 07652 (“**Borrower**”) and **ALEXANDER’S INC.**, a Delaware corporation having an office at 210 Route 4 East, Paramus, New Jersey 07652 (“**Guarantor**”, and together with Borrower, collectively, “**Indemnitor**”), in favor of **BANK OF CHINA, NEW YORK BRANCH** having an address at 410 Madison Avenue, New York, New York 10017 (“**Lender**”) and the other Indemnified Parties (as defined below).

RECITALS:

WHEREAS, Borrower is the owner of certain real property more particularly described in Exhibit A attached hereto and made a part hereof and the improvements thereon and commonly known as 61-35 Junction Boulevard located in Queens, New York, together with all buildings, structures, foundations, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and/or improvements now or hereafter being a part thereof (collectively, the “**Premises**”);

WHEREAS, pursuant to that certain Loan and Security Agreement, dated of even date herewith, between Borrower and Lender (together with all extensions, renewals, modifications, substitutions and amendments thereof, the “**Loan Agreement**”), Lender has agreed to make a mortgage loan to Borrower in the original principal amount of Two Hundred Seventy Five Million and 00/100 Dollars (\$275,000,000.00) (the “**Loan**”), which Loan is evidenced by that certain Consolidated, Amended and Restated Promissory Note, dated of even date herewith, executed by Borrower and payable to the order of Lender (together with all extensions, renewals, modifications, substitutions and amendments thereof, the “**Note**”);

WHEREAS, the Note is secured by, inter alia, that certain Consolidated, Amended and Restated Mortgage, Assignment of Leases and Rents and Security Agreement (the “**Mortgage**”) dated as of the date hereof and made by Borrower for the benefit of Lender, and the Loan is further evidenced, secured or governed by other instruments or documents executed in connection with the Loan (together with the Note, the Loan Agreement and the Mortgage, collectively, the “**Loan Documents**”);

WHEREAS, Guarantor acknowledges that it has an indirect ownership interest in Borrower and will receive substantial economic and other benefits from Lender making the Loan to Borrower;

WHEREAS, Lender requires as a condition to the making of the Loan that each Indemnitor shall have executed and delivered this Agreement as security for Indemnitor’s obligations under the Loan Documents; and

WHEREAS, Indemnitor desires to further secure the payment of the Indebtedness and the performance of all of its obligations under the Note, the Loan Agreement and the other Loan Documents.

NOW THEREFORE, in consideration of the making of the Loan by the Lenders, the covenants, agreements, representations and warranties set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Indemnitor, Indemnitor hereby represents, warrants, covenants and agrees as follows:

ARTICLE 1

DEFINITIONS

Capitalized terms used herein and not specifically defined herein shall have the respective meanings ascribed to such terms in the Loan Agreement. As used in this Agreement, the following terms shall have the following meanings:

The term "**Environmental Law**" shall mean any federal, state or local statute, regulation or ordinance or any judicial or administrative decree or decision, whether now existing or hereafter enacted, promulgated or issued, with respect to the protection of human health, or the environment, or industrial hygiene, any Hazardous Materials, Microbial Matter, drinking water, stream sediments, vegetation, groundwater, wetlands, landfills, open dumps, storage tanks, underground storage tanks, solid waste, waste water, atmosphere, soil, storm water run-off, waste emissions or wells, or the generation, manufacture, storage, handling, transportation, disposal, release, emission or discharge of any Hazardous Materials. Without limiting the generality of the foregoing, the term shall encompass each of the following statutes, and regulations promulgated thereunder, and amendments and successors to such statutes and regulations, as may be enacted and promulgated from time to time: (a) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (codified in scattered Sections of 26 U.S.C.; 33 U.S.C.; 42 U.S.C. and 42 U.S.C. § 9601 *et seq.*); (b) the Resource Conservation and Recovery Act of 1976 (42 U.S.C. § 6901 *et seq.*); (c) the Hazardous Materials Transportation Act (49 U.S.C. § 1801 *et seq.*); (d) the Toxic Substances Control Act (15 U.S.C. § 2061 *et seq.*); (e) the Clean Water Act (33 U.S.C. § 1251 *et seq.*); (f) the Clean Air Act (42 U.S.C. § 7401 *et seq.*); (g) the Safe Drinking Water Act (21 U.S.C. § 349; 42 U.S.C. § 201 and § 300f *et seq.*); (h) the National Environmental Policy Act of 1969 (42 U.S.C. § 4321); (i) the Superfund Amendment and Reauthorization Act of 1986 (codified in scattered Sections of 10 U.S.C., 29 U.S.C., 33 U.S.C. and 42 U.S.C.); (j) Title III of the Superfund Amendment and Reauthorization Act (40 U.S.C. § 1101 *et seq.*); (k) the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 USCA 6901 et seq.; (l) the Emergency Planning and Community Right-to-Know Act of 1986, 42 USCA 11001 et seq.; (m) the River and Harbor Act of 1899, 33 USCA 401 et seq.; (n) the Endangered Species Act of 1973, 16 USCA 1531 et seq.; and (o) the Occupational Safety and Health Act of 1970, 29 USCA 651 et seq. The term "**Environmental Law**" also includes, but is not limited to, any present and future federal, state

and local laws, statutes ordinances, rules, regulations and the like, conditioning transfer of property upon a negative declaration or other approval of a Governmental Authority of the environmental condition of a property; or requiring notification or disclosure of Releases of Hazardous Materials or other environmental conditions of a property to any Governmental Authority or other Person, whether or not in connection with transfer of title to or interest in property.

The term “**Hazardous Materials**” shall mean each and every element, compound, chemical mixture, contaminant, pollutant, material, waste or other substance which is defined, determined or identified as hazardous or toxic under any Environmental Law. Without limiting the generality of the foregoing, the term shall mean and include:

(a) “hazardous substances” as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendment and Reauthorization Act of 1986, or Title III of the Superfund Amendment and Reauthorization Act, each as amended, and regulations promulgated thereunder; excluding, however, common maintenance and cleaning products regularly found at properties with a standard of operation and maintenance comparable to the Premises;

(b) “hazardous waste” and “regulated substances” as defined in the Resource Conservation and Recovery Act of 1976, as amended, and regulations promulgated thereunder;

(c) “hazardous materials” as defined in the Hazardous Materials Transportation Act, as amended, and regulations promulgated thereunder;

(d) “chemical substance or mixture” as defined in the Toxic Substances Control Act, as amended, and regulations promulgated thereunder; and

(e) petroleum and petroleum products, asbestos and asbestos-containing materials, polychlorinated biphenyls, lead and radon, and compounds containing them (including gasoline, diesel fuel, oil and lead-based paint), and radioactive materials, flammables and explosives and compounds containing them, excluding, however, products or substances which are generally used in the ordinary course of property operations, work projects and similar activities undertaken by or on behalf of Borrower or any tenants at the Premises, in each case in such quantities and concentrations as are reasonable for the intended application.

The term “**Indemnified Parties**” means Indemnitee, any Person who is or will have been involved in the servicing of the Loan, any Person in whose name the encumbrance created by the Mortgage is or will have been recorded, Persons who may hold or acquire or will have held a full or partial interest in the Loan, as well as custodians, trustees and other fiduciaries who hold or have held a full or partial interest in the Loan for the benefit of third parties as well as the respective directors, officers, shareholders, partners, members, employees, agents, servants, representatives, contractors, subcontractors, Affiliates, subsidiaries, participants, successors and assigns of any and all of the foregoing (including, but not limited to, any other Person who holds or acquires or will have held a participation or other full or partial interest in the Loan or is an affiliate of any Person who holds or acquires or will have held such a participation or other full or partial interest in the Loan, whether during the term of the Loan or,

subject to the provisions of Section 2.10 herein, as a part of or following a foreclosure of the Mortgage and including, but not limited to, any successors by merger, consolidation or acquisition of all or a substantial portion of Indemnitee's assets and business) (subject however to any provision in any Loan Document relating to who may hold an interest in the Loan).

The term "**Legal Action**" means any claim, suit or proceeding, whether administrative or judicial in nature.

The term "**Losses**" shall mean any and all losses, damages, costs, expenses, liabilities, claims or other obligations reasonably incurred by an Indemnified Party (including reasonable attorneys' fees and disbursements).

The term "**Microbial Matter**" shall mean fungi or bacterial matter which reproduces through the release of spores or the splitting of cells, including, but not limited to, mold, mildew and viruses, whether or not such microbial matter is living.

The term "**Release**" with respect to any Hazardous Materials means any release, deposit, discharge, emission, leaking, leaching, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other similar movement of any Hazardous Materials, but does not include such releases in compliance with applicable permits and applicable law.

The term "**Remediation**" includes, but is not limited to, any response, remedial, removal, or corrective action; any activity to clean up, detoxify, decontaminate, contain or otherwise remediate any Hazardous Materials; any actions to prevent, cure or mitigate any Release of any Hazardous Materials; any action to comply with any Environmental Laws or with any permits issued pursuant thereto; any inspection, investigation, study, monitoring, assessment, audit, sampling and testing, laboratory or other analysis, or evaluation relating to any Hazardous Materials or to anything referred to herein.

ARTICLE 2

INDEMNIFICATION

2.1 Environmental Representations and Warranties. Except as otherwise disclosed by that certain Phase I environmental report dated July 22, 2011, prepared by Jones, Hill, McFarland & Ellis (or by any prior Phase I environmental reports referenced therein) and any other environmental report with respect to the Premises delivered to Indemnitee in connection with the origination of the Loan (collectively, the "**Environmental Report**"), to Indemnitor's knowledge after due inquiry: (a) there are no Hazardous Materials or underground storage tanks in, on, or under the Premises, except those that are both (i) in compliance with all Environmental Laws and with permits issued pursuant thereto and (ii) fully disclosed to Indemnitee in writing pursuant to the Environmental Report; (b) there are no past, present or threatened Releases of Hazardous Materials in, on, under or from the Premises that have not been fully remediated in accordance with Environmental Law; (c) there is no threat of any Release of Hazardous Materials migrating to the Premises; (d) there is no past or present material non-compliance with Environmental Laws, or with permits issued pursuant thereto, in connection with the Premises that has not been fully remediated in accordance with Environmental Law; (e) Indemnitor does not know of, and has not received, any written notice or

other written communication from any Governmental Authority relating to the Release or Remediation of Hazardous Materials, of possible liability of Indemnitor pursuant to any Environmental Law, or any actual or potential administrative or judicial proceedings in connection with any of the foregoing; and (f) Indemnitor has truthfully and fully provided to Indemnitee, in writing, any and all information relating to conditions in, on, under or from the Premises that is known to Indemnitor and all information that is contained in files and records of Indemnitor, including but not limited to any reports relating to Hazardous Materials in, on, under or from the Premises and/or to the environmental condition of the Premises.

2.2 Environmental Covenants. Indemnitor covenants and agrees that for so long as the Loan is outstanding, or, if earlier, until such time as Lender or any other Person takes title to, or possession or control of, the Property by foreclosure, deed-in-lieu of foreclosure, a proceeding in bankruptcy or any other means: (a) all uses and operations on or of the Premises by Indemnitor shall be in compliance with all Environmental Laws and permits issued pursuant thereto and Indemnitor shall use all commercially reasonable efforts to cause all other Persons to comply in their uses and operations at the Premises with all Environmental Laws; (b) Indemnitor shall not cause or permit any Releases of Hazardous Materials in, on, under or from the Premises; (c) except for those set forth in the Environmental Report, Indemnitor shall not use or permit the use of and shall cause the Premises to be free of Hazardous Materials in, on, or under the Premises, except those that are in compliance with all Environmental Laws and with permits issued pursuant thereto and except for negligible amounts used in the ordinary course of business; (d) subject to Indemnitor's right to contest in accordance with Section 7.3 of the Loan Agreement, Indemnitor shall keep the Premises free and clear of all liens and other encumbrances imposed pursuant to any Environmental Law, whether due to any act or omission of Indemnitor or any other Person (the "**Environmental Liens**"); (e) Indemnitor shall, at its sole cost and expense, fully and expeditiously cooperate in all activities pursuant to Section 2.3 herein, including, but not limited to, providing all relevant information and making knowledgeable persons available for interviews with environmental consultants to the extent reasonably available; (f) Indemnitor shall, at its sole cost and expense, perform any environmental site assessment or other investigation of environmental conditions in connection with the Premises, pursuant to any reasonable written request of Indemnitee made in consideration of any environmental event or condition reasonably believed to have occurred or exist at the Premises (such assessment or investigation to be in scope and nature appropriate to the suspected event or condition), share with Indemnitee the reports and other results thereof, and Indemnitee and the other Indemnified Parties shall be entitled to rely on such reports and other results thereof; (g) Indemnitor shall, at its sole cost and expense, comply with all reasonable written requests of Indemnitee to (i) effectuate Remediation of any condition (including but not limited to a Release of a Hazardous Material) in, on, under or from the Premises required by any Environmental Law; (ii) subject to Indemnitor's right to contest under Section 7.3 of the Loan Agreement, comply with any directive from any Governmental Authority having jurisdiction over the Premises requiring any action relating to any environmental condition in, on, under or originating from the Premises; and (h) Indemnitor shall, promptly upon becoming aware of such condition (to the extent not previously disclosed to Indemnitee), notify Indemnitee in writing of (i) any Releases of Hazardous Materials in, on, under, from or migrating towards the Premises; (ii) any material non-compliance with any Environmental Laws related in any way to the

Premises; (iii) any Environmental Lien; and (iv) any required or proposed Remediation of environmental conditions relating to the Premises. Notwithstanding the foregoing, no default shall occur under the Loan in the event that a Tenant violates the foregoing provisions as long as Indemnitor takes commercially reasonable actions in connection therewith.

2.3 Indemnified Rights/Cooperation and Access. In the event the Indemnified Parties have reason to believe that Hazardous Materials exist in, on, or under the Premises that do not, in the reasonable discretion of the Indemnified Parties, endanger any tenants or other occupants of the Premises or their guests or the general public or materially and adversely affect the value of the Premises, upon reasonable notice from the Indemnitor, Indemnitor shall, at Indemnitor's sole cost and expense, promptly cause an engineer or consultant satisfactory to the Indemnified Parties to conduct any environmental assessment or audit (the scope of which shall be determined in the reasonable discretion of the Indemnified Parties) and take any samples of soil, groundwater or other water, air, or building materials or any other invasive testing requested by Indemnitor and promptly deliver to Indemnitor the results of any such assessment, audit, sampling or other testing; provided, however, if such results are not delivered to the Indemnified Parties within a reasonable period or if the Indemnified Parties have reason to believe that any Hazardous Materials exist in, on, or under the Premises that, in the reasonable judgment of the Indemnified Parties, endanger any tenant or other occupant of the Premises or their guests or the general public or may materially and adversely affect the value of the Premises, upon reasonable notice to Indemnitor, the Indemnified Parties and any other Person designated by the Indemnified Parties, including but not limited to any receiver, any representative of a governmental entity, and any environmental consultant, shall have the right, but not the obligation, to enter upon the Premises following written notice at all reasonable times to assess any and all aspects of the environmental condition of the Premises and its use, including but not limited to conducting any environmental assessment or audit (the scope of which shall be determined in the reasonable discretion of the Indemnified Parties) and taking samples of soil, groundwater or other water, air, or building materials, and reasonably conducting other invasive testing. Indemnitor shall cooperate with and provide the Indemnified Parties and any such Person designated by the Indemnified Parties with access to the Premises. Notwithstanding the foregoing, no such entry shall be made by Indemnified Parties or any designated Person so long as Indemnitor conducts appropriate environmental assessments of the Premises and takes such further action reasonably required to cure or mitigate any Release of any Hazardous Materials, all as reasonably determined by the Indemnified Parties.

2.4 Indemnification. Indemnitor covenants and agrees at Indemnitor's sole cost and expense, to protect, defend, indemnify and hold Indemnified Parties harmless from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties as a result of a Legal Action by any third party against an Indemnified Party attributable to any one or more of the following: (a) any presence of any Hazardous Materials in, on, above, or under the Premises; (b) any past, present or threatened Release of any Hazardous Materials in, on, above, under or from the Premises; (c) any activity by Indemnitor, any Person affiliated with Indemnitor (other than Indemnified Parties), and any Tenant or other user of the Premises in connection with any use, treatment, storage, holding, existence, disposition or other Release, generation, production, manufacturing, processing, refining, control, management, abatement, removal, handling, transfer or transportation to or from the Premises of any Hazardous Materials at any time located in, under, on or above the Premises, or any actual or proposed Remediation

of any Hazardous Materials at any time located in, under, on or above the Premises, whether or not such remediation is voluntary or pursuant to court or administrative order, including but not limited to any removal, remedial or corrective action; (d) any past, present or threatened non-compliance or violations of any Environmental Law (or permits issued pursuant to any Environmental Law) in connection with the Premises or operations thereon, including but not limited to any failure by Indemnitor, any Person affiliated with Indemnitor (other than Indemnified Parties), and any Tenant or other user of the Premises to comply with any order of any Governmental Authority in connection with any Environmental Law other than any Losses; (e) the imposition, recording or filing of any lien with regard to any Hazardous Materials or pursuant to any Environmental Law encumbering the Premises; (f) any acts of Indemnitor, any Person affiliated with Indemnitor (other than Indemnified Parties), and any Tenant or other user of the Premises in (i) arranging for disposal or treatment, or arranging with a transporter for transport for disposal or treatment, of any Hazardous Materials at any facility or incineration vessel containing any such or similar Hazardous Materials or (ii) accepting any Hazardous Materials for transport to disposal or treatment facilities, incineration vessels or sites from which there is a Release, or a threatened Release of any Hazardous Materials that causes the incurrence of costs for remediation; and (g) any material misrepresentation or inaccuracy in any representation or warranty or material breach or failure to perform any covenants or other obligations pursuant to this Agreement or the Loan Documents relating to environmental matters. Notwithstanding the foregoing, Indemnitor shall not have any obligations or liabilities under this Agreement with respect to Losses that Indemnitor can prove (by a preponderance of the evidence) arose from (i) any conditions that arise at such time as Indemnitor is no longer in possession or control of the Premises as a result of Indemnitee's exercise of its remedies under the Loan Documents, (ii) Hazardous Materials that were not present on the Premises prior to the date that Indemnitee or its nominee acquired title to the Premises, whether by foreclosure, exercise of a power of sale, acceptance of a deed-in-lieu of foreclosure, pursuant to a proceeding in bankruptcy or otherwise, or (iii) the gross negligence or willful misconduct of any Indemnified Party or any Affiliate thereof.

2.5 Duty to Defend and Attorneys' and Other Fees and Expenses. Indemnified Party must give Indemnitor prompt written notice of any claim. Upon written request by any Indemnified Party, or upon request by Indemnitor (provided no Event of Default shall have occurred and be continuing), Indemnitor shall defend said Indemnified Party (if requested by any Indemnified Party, in the name of the Indemnified Party) with attorneys and other professionals reasonably approved by the Indemnified Parties (such approval not to be unreasonably withheld or delayed). If Indemnitor assumes such defense, Indemnitor shall not be liable for the payment of any separate legal fees and expenses, or any other defense or investigative costs, of the Indemnified Party, except that if the positions of Indemnitor and any Indemnified Party are in conflict, or if such Indemnified Party reasonably believes that its interests are not being adequately protected, any Indemnified Party may elect to conduct its own defense at Indemnitor's reasonable expense. Subject to the foregoing, upon demand, Indemnitor shall pay or reimburse Indemnified Parties for the payment of reasonable fees and disbursements of attorneys, engineers, environmental consultants, laboratories and other professionals in connection therewith.

2.6 Subrogation. Indemnitor shall take any and all reasonable actions, including institution of legal action against third parties, necessary or appropriate to obtain

reimbursement, payment or compensation from such Persons responsible for the presence of any Hazardous Materials at, in, on, under or near the Premises or otherwise obligated by law to bear the cost. Indemnified Parties shall be and hereby are subrogated to all of Indemnitor's rights now or hereafter in such claims. Upon payment to the Indemnified Parties of all due and unpaid amounts under this Agreement, Indemnitor shall be subrogated to all of Indemnified Party's rights in respect of any such claim.

2.7 Interest. Any amounts payable to any Indemnified Parties under this Agreement shall become immediately due and payable on demand and, if not paid within thirty (30) days of such demand therefor, shall bear interest at a per annum rate equal to the lesser of (a) the Default Rate or (b) the Maximum Legal Rate that Indemnitor may by law pay or Indemnified Parties may charge and collect, from the date payment was due.

2.8 Survival. The obligations and liabilities of Indemnitor under this Agreement shall, unless expressly provided otherwise herein, fully survive indefinitely, notwithstanding any termination, satisfaction, assignment, entry of a judgment of foreclosure, exercise of any power of sale, or delivery of a deed-in-lieu of foreclosure of the Mortgage; provided, however, that the obligation of Indemnitor to indemnify the Indemnified Parties under this Agreement shall terminate and be of no further force or effect on the later of two (2) years following the date (a) on which Indemnitor delivers to Indemnitee a Phase I Environmental Report with respect to the Premises and (b) which is the earlier to occur of (1) the date of the repayment in full of all amounts due and owing by Indemnitor under the Loan Agreement and (2) the date on which Indemnitee (or its nominee or designee) or a purchaser at a foreclosure sale actually takes title to the Premises, whether through a foreclosure sale, a deed-in-lieu thereof or otherwise pursuant to an exercise of remedies under the Loan Documents; provided, further that Indemnitor shall remain liable to the extent otherwise provided hereunder in respect of any Hazardous Materials located on the Premises as reflected in such Phase I Environmental Report and not previously reflected in the Environmental Report delivered in connection with the closing of the Loan; and provided, further however, that the indemnification obligations of Indemnitor under this Agreement shall nonetheless survive as to any claims, actions, litigation, or other proceedings that are then pending or subject to further appeal as of the second (2nd) anniversary of such repayment in full or taking of title. Furthermore, except as expressly limited by the immediately preceding sentence, such indemnification obligations shall in no way be impaired by any exercise of any Indemnified Party's rights and remedies pursuant hereto, including, but not limited to, foreclosure, acceptance of a deed-in-lieu of foreclosure, any exercise of any rights under the Note or Mortgage or any act or omission that might otherwise be construed as a release or discharge of Indemnitor from its obligations pursuant thereto. Notwithstanding anything to the contrary contained herein, Indemnitor shall not be deemed liable and shall not be required to indemnify Indemnitee or any Indemnified Party for any Losses to the extent such Losses arise from (i) any events or conditions that first arise after the date on which (A) Indemnitee (or its nominee or designee) or a purchaser at a foreclosure sale actually took title to the Premises, whether through a foreclosure sale, a deed-in-lieu thereof or otherwise pursuant to an exercise of remedies under the Loan Documents or (B) Borrower Transfers the Premises in accordance with the Loan Agreement so long as, (1) in connection with such Transfer, a replacement indemnitor reasonably acceptable to Indemnitee delivers an environmental indemnity agreement to Indemnitee, which is in form and substance reasonably acceptable to Indemnitee or, alternatively, (2) Borrower delivers to Indemnitee a Phase I

Environmental Report that indicates that the Premises is clear of any Hazardous Materials as to which remedial action is recommended in such report and that the Premises are in compliance with all Environmental Laws or (ii) the gross negligence or willful misconduct of Indemnitee or any Indemnified Party.

2.9 Notice of Legal Actions. Each party hereto shall, within three (3) Business Days (as defined below) of receipt thereof, give written notice to the other party hereto of (a) any written notice, advice or other written communication from any governmental entity or any source whatsoever with respect to any Hazardous Materials on, from or affecting the Premises that has or is reasonably likely to result in a material liability or loss, or that is alleged to violate any Environmental Law, and (b) any Legal Action brought against such party or related to the Premises, with respect to which Indemnitor may have liability under this Agreement. Such notice shall comply with the provisions of Section 5.1 hereof.

2.10 Transfer of Loan. Subject to the terms of the Loan Agreement, Indemnitee may, at any time, sell, transfer or assign the Note, the Loan Agreement, the Mortgage, this Agreement and the other Loan Documents, and any or all servicing rights with respect thereto, or grant participations therein. Indemnitee may forward to each purchaser, transferee, assignee, servicer or participant (the foregoing entities hereinafter collectively referred to as the “Investor”) and each prospective Investor, all documents and information that Indemnitee now has or may hereafter acquire relating to Indemnitor and the Premises, whether furnished by Indemnitor, any guarantor or otherwise, as Indemnitee determines necessary or desirable. Indemnitor and any guarantor agree to cooperate with Indemnitee in connection with any transfer made pursuant to this Section, including, without limitation, the delivery of an estoppel certificate and such other documents as may be reasonably requested by Indemnitee. Indemnitor shall also furnish, and Indemnitor hereby consents to Indemnitee furnishing to such Investors or such prospective Investors, information concerning the financial condition of the Indemnitor as Indemnitee may reasonably request and is reasonably available to Indemnitor; provided, however, that Indemnitee and assignee or participant or proposed assignee or participant, as the case may be, shall each maintain as confidential any and all information obtained about Indemnitor and shall not disclose such information to any third party, except such party’s consultants, lenders, and attorneys, except as otherwise required by law and except in connection with Indemnitee’s exercise of its remedies under this Agreement.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES AND COVENANTS

3.1 General Representations and Warranties. Indemnitor represents and warrants that:

(a) (i) it has the full power and authority to execute and deliver this Agreement and to perform its obligations hereunder; the execution, delivery and performance of this Agreement by Indemnitor has been duly and validly authorized by all requisite organizational action and (ii) this Agreement will not result in the breach of any term or provision of the operating agreement or other governing instrument of Indemnitor;

(b) intentionally deleted;

(c) compliance with this Agreement will not result in the breach of any term or provision of, or conflict with or constitute a default under or result in the acceleration of, any obligation under any agreement, indenture or loan or credit agreement or other instrument to which Indemnitor or the Premises is subject, or result in the violation of any law, rule, regulation, order, judgment or decree to which Indemnitor or the Premises is subject;

(d) there is no action, suit, proceeding or investigation pending or to Indemnitor's knowledge, threatened against it that, either in any one instance or in the aggregate, would draw into question the validity of this Agreement or of any action taken or to be taken in connection with the obligations of Indemnitor described herein, or that would be likely to impair materially the ability of Indemnitor to perform under the terms of this Agreement or have a Material Adverse Effect;

(e) no approval, authorization, order, license or consent of, or registration or filing with, any Governmental Authority or other Person, and no approval, authorization or consent of any other party is required in connection with the execution and delivery of and performance of this Agreement (except for Governmental Authorities in connection with the performance hereof); and

(f) this Agreement constitutes a valid, legal and binding obligation of Indemnitor, enforceable against it in accordance with the terms hereof, subject to bankruptcy, insolvency and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

ARTICLE 4

GENERAL

4.1 Unimpaired Liability. The liability of Indemnitor under this Agreement shall in no way be limited or impaired by, and Indemnitor hereby consents to and agrees to be bound by, any amendment or modification of the provisions of the Loan Agreement, the Note, the Mortgage or any other document that evidences, secures or guarantees all or any portion of the Loan, or is executed and delivered in connection with the Loan (the "**Other Security Documents**") to or with Indemnitee by Indemnitor or any Person who succeeds Indemnitor or any Person as owner of the Premises (subject to any restrictions on transfer under the Loan Agreement). In addition, the liability of Indemnitor under this Agreement shall in no way be limited or impaired by (a) any extensions of time for performance required by the Loan Agreement, the Note, the Mortgage or any of the Other Security Documents, (b) any sale or transfer of all or part of the Premises, (c) except as provided herein, any exculpatory provision in the Loan Agreement, the Note, the Mortgage, or any of the Other Security Documents limiting Indemnitee's recourse to the Premises or to any other security for the Note, or limiting Indemnitee's rights to a deficiency judgment against Indemnitor, (d) the accuracy or inaccuracy of the representations and warranties made by Indemnitor under the Loan Agreement, the Note, the Mortgage or any of the Other Security Documents, or herein, (e) the release of Indemnitor or

any other person from performance or observance of any of the agreements, covenants, terms or condition contained in any of the Other Security Documents by operation of law, Indemnitee's voluntary act, or otherwise, (f) the release or substitution in whole or in part of any security for the Note, or (g) Indemnitee's failure to record the Mortgage or file any UCC financing statements (or Indemnitee's improper recording or filing of any thereof) or to otherwise perfect, protect, secure or insure any security interest or lien given as security for the Note; and, in any such case, whether with or without notice to Indemnitor and with or without consideration.

4.2 Enforcement. Indemnified Parties may enforce the obligations of the Indemnitor without first resorting to or exhausting any security or collateral, or without first having recourse to the Loan Agreement, the Note, the Mortgage, or any other Security Documents or any of the Premises, through foreclosure proceedings or otherwise; provided, however, that nothing herein shall inhibit or prevent Indemnitee as permitted by applicable law, from suing on the Note, foreclosing, or exercising any power of sale under the Mortgage, or exercising any other rights and remedies thereunder. This Agreement is not collateral or security for the debt of Indemnitor pursuant to the Loan, unless Indemnitee expressly elects in writing to make this Agreement additional collateral or security for the debt of Indemnitor pursuant to the Loan, which Indemnitee is entitled to do in its sole discretion. It is not necessary for an Event of Default to have occurred for the Indemnified Parties to exercise their rights pursuant to this Agreement applicable to Indemnitor. Notwithstanding any provision of the Loan Agreement, the obligations pursuant to this Agreement are exceptions to any non-recourse or exculpation provision of the Loan Agreement; Indemnitor is fully and personally liable for its obligations set forth herein.

4.3 Waivers.

(a) Indemnitor hereby (i) waives any right or claim of right to cause a marshaling of the Indemnitor's assets or to cause Indemnitee or other Indemnified Parties to proceed against any of the security for the Loan before proceeding under this Agreement against Indemnitor; (ii) relinquishes all rights and remedies accorded by applicable law to indemnitors or guarantors, except any rights of subrogation that Indemnitor may have, provided that the indemnity provided for hereunder shall neither be contingent upon the existence of any such rights of subrogation nor subject to any claims or defenses whatsoever that may be asserted in connection with the enforcement or attempted enforcement of such subrogation rights, including, without limitation, any claim that such subrogation rights were abrogated by any acts of Indemnitee or other Indemnified Parties; (iii) waives the right to assert a counterclaim, except when such counterclaim is against a third party, other than a mandatory or compulsory counterclaim, in any action or proceeding brought against or by Indemnitee or other Indemnified Parties; (iv) waives notice of acceptance hereof and of any action taken or omitted in reliance hereon; (v) waives presentment for payment, demand of payment, protest or notice of nonpayment or failure to perform or observe, or other proof, or notice or demand; and (vi) waives all homestead exemption rights against the obligations hereunder and the benefits of any statutes of limitations or repose. No delay by any Indemnified Party in exercising any right, power or privilege under this Agreement shall operate as a waiver of any such privilege, power or right.

(b) INDEMNITEE AND INDEMNITOR EACH AND ALL PERSONS CLAIMING BY, THROUGH OR UNDER IT HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, OR RELATED TO, THE SUBJECT MATTER OF THIS AGREEMENT. THIS WAIVER IS KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY MADE BY INDEMNITEE AND INDEMNITOR, AND INDEMNITEE AND INDEMNITOR ACKNOWLEDGE THAT NO PERSON ACTING ON BEHALF OF THE OTHER PARTY TO THIS AGREEMENT HAS MADE ANY REPRESENTATIONS OF FACT TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. INDEMNITEE AND INDEMNITOR FURTHER ACKNOWLEDGE THAT THEY HAVE BEEN REPRESENTED (OR HAVE HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, SELECTED OF THEIR OWN FREE WILL, AND THAT THEY HAVE HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

ARTICLE 5

MISCELLANEOUS

5.1 Notices. All notices or other written communications hereunder shall be delivered in accordance with Section 15.6 of the Loan Agreement (except that notices to Guarantor shall be delivered to the address provided therein for Borrower).

5.2 No Third-Party Beneficiary. The terms of this Agreement are for the sole and exclusive protection and benefit of Indemnified Parties. No party shall be a third-party beneficiary hereunder, and no provision hereof shall operate or inure to the use and benefit of any such third party. It is agreed that those Persons included in the definition of Indemnified Parties are not such excluded third-party beneficiaries.

5.3 Duplicate Originals; Counterparts. This Agreement may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Agreement may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Agreement. The failure of any party hereto to execute this Agreement, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder. Manually executed counterparts of this Agreement shall be delivered to all parties hereto; provided, that delivery of a signature of this Agreement by facsimile transmission or by .pdf, .jpeg, .TIFF or other form of electronic mail attachment shall be effective as delivery of a manually executed counterpart hereof prior to and in the absence of manual delivery.

5.4 No Oral Change. This Agreement, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Indemnitor or any Indemnified Party, but only by an agreement in

writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

5.5 Headings, etc. The headings and captions of various paragraphs of this Agreement are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

5.6 Number and Gender/Successors and Assigns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons referred to may require. Without limiting the effect of specific references in any provision of this Agreement, the term “**Indemnitor**” shall be deemed to refer to each and every party stated in the first paragraph hereof to be an Indemnitor from time to time, as the sense of a particular provision may require, and to include the heirs, executors, administrators, legal representatives, successors and assigns of Indemnitor, all of whom shall be bound by the provisions of this Agreement, provided that no obligation of Indemnitor may be assigned except with the prior written consent of Indemnitee. Each reference herein to Indemnitee shall be deemed to include its successors and assigns. This Agreement shall inure to the benefit of Indemnified Parties and their respective successors and permitted assigns. The Indemnified Parties shall have the right to assign or transfer their rights under this Agreement in connection with any assignment of the Loan and the Loan Documents in accordance with the Loan Agreement. Any assignee or transferee of Indemnitee (and the other Indemnified Parties) shall be entitled to all the benefits afforded to Indemnitee (and the other Indemnified Parties) under this Agreement. Except as specifically permitted in the Loan Agreement, Indemnitor shall not have the right to assign or transfer its rights or obligations under this Agreement without the prior written consent of Indemnitee and any attempted assignment without such consent shall be null and void.

5.7 Release of Liability. Any one or more parties liable upon or in respect of this Agreement may be released without affecting the liability of any party not so released.

5.8 Rights Cumulative. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies that Indemnitee has under the Loan Agreement, the Note, the Mortgage, or the Other Security Documents or would otherwise have at law or in equity.

5.9 Inapplicable Provisions. If any term, condition or covenant of this Agreement shall be held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such provision.

5.10 Governing Law. THIS AGREEMENT WAS NEGOTIATED IN THE STATE OF NEW YORK, WHICH STATE THE PARTIES AGREE HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES AND TO THE UNDERLYING TRANSACTION EMBODIED HEREBY, AND IN ALL RESPECTS, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW

YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA. TO THE FULLEST EXTENT PERMITTED BY LAW, INDEMNITOR, AND BY ACCEPTANCE OF THIS AGREEMENT, INDEMNITEE, EACH HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS AGREEMENT AND THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST INDEMNITEE OR INDEMNITOR ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN THE CITY OF NEW YORK, COUNTY OF NEW YORK, PURSUANT TO SECTION 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW, AND INDEMNITOR, AND BY ITS ACCEPTANCE OF THIS AGREEMENT, INDEMNITEE, EACH WAIVES ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE BASED ON VENUE AND/OR FORUM NON CONVENIENS OF ANY SUCH SUIT, ACTION OR PROCEEDING, AND INDEMNITOR AND INDEMNITEE HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING.

5.11 Approvals. Wherever pursuant to this Agreement (a) Indemnified Parties exercise any right given to it to approve or disapprove, (b) any arrangement or term is to be satisfactory to Indemnified Parties, or (c) any other decision or determination is to be made by Indemnified Parties, the decision of Indemnified Parties to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Indemnified Parties, shall be in the sole discretion of Indemnified Parties, except as may be otherwise expressly and specifically provided herein.

5.12 Legal Fees. Wherever pursuant to this Agreement it is provided that Indemnitor pay any costs and expenses, such costs and expenses shall mean reasonable, out-of-pocket, third-party costs and expenses and shall include, but not be limited to, reasonable actual legal fees and disbursements of Indemnified Parties.

5.13 Expenses of Lender. In the event this Agreement is put into the hands of any attorney for collection, suit or action as against Indemnitor, or Lender shall attempt to remedy any default hereunder, Indemnitor, its successors or assigns, shall be chargeable with and agrees to pay all reasonable costs incurred by Lender as a result thereof, including costs of collection and defense, including reasonable attorneys' fees (and experts', consultants' and witnesses' fees) in connection therewith and in connection with any appellate proceeding or post-judgment action involved therein, which shall be due and payable together with all required service or use taxes.

5.14 Joint and Several Liability. The obligations and liabilities of Indemnitor hereunder shall be joint and several.

5.15 **Exculpation.** The provisions of Article 14 of the Loan Agreement regarding exculpation are hereby incorporated by reference with the full force and effect as though such provisions were fully set forth herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the undersigned have executed this Agreement as of the date and year first written above.

INDEMNITOR:

REGO II BORROWER LLC,
a Delaware limited liability company

By: /s/ Alan J. Rice
Name: Alan J. Rice
Title: Secretary

ALEXANDER'S INC.,
a Delaware corporation

By: /s/ Alan J. Rice
Name: Alan J. Rice
Title: Secretary

ALEXANDER'S, INC.

SUBSIDIARIES OF REGISTRANT

731 Commercial Holding LLC
731 Commercial LLC
731 Office One Holding LLC
731 Office One LLC
731 Office Two Holding LLC
731 Office Two LLC
731 Restaurant, LLC
731 Retail One, LLC
Alexander's Construction LLC
Alexander's Department Stores of Brooklyn, Inc.
Alexander's Department Stores of New Jersey, Inc.
Alexander's Kings Plaza, LLC
Alexander's Management LLC
Alexander's of Brooklyn, Inc.
Alexander's of Brooklyn II, LLC
Alexander's of Flushing, Inc.
Alexander's of Kings, LLC
Alexander's of Rego Park II, Inc.
Alexander's of Rego Park III, Inc.
Alexander's Personnel Providers, Inc.
Alexander's Rego Shopping Center Inc.
ALX of Paramus LLC
Fifty Ninth Street Insurance Company LLC
Kings Parking, LLC
Kings Plaza Lender, LLC
Ownreal Inc.
Rego II Borrower LLC
Rego Park Commercial LLC
Rego Park Residential LLC
Sakraf Wine & Liquor Store, Inc.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of our reports dated February 27, 2012, relating to the financial statements and financial statement schedules of Alexander's, Inc. and subsidiaries and the effectiveness of Alexander's, Inc.'s internal control over financial reporting, appearing in the Annual Report on Form 10-K of Alexander's, Inc. for the year ended December 31, 2011:

Registration Statement No. 333-151721 on Form S-8

Amendment No. 1 to Registration Statement No. 333-155727 on Form S-3

/s/ Deloitte & Touche LLP

Parsippany, New Jersey
February 27, 2012

CERTIFICATION

I, Steven Roth, certify that:

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

February 27, 2012

/s/ Steven Roth

Steven Roth

Chief Executive Officer

CERTIFICATION

I, Joseph Macnow, certify that:

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

February 27, 2012

/s/ Joseph Macnow

Joseph Macnow

Executive Vice President and Chief Financial Officer

CERTIFICATION

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of Alexander's, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 10-K for year ended December 31, 2011 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 27, 2012

Name: /s/ Steven Roth
Steven Roth
Title: Chief Executive Officer

CERTIFICATION

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of Alexander's, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 10-K for year ended December 31, 2011 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 27, 2012

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